

**ANNEX III**

**‘ANNEX VIII**

**to the Commission Implementing Decision approving the Reform Agendas and the  
multiannual work programme under the Reform and Growth Facility for the Western  
Balkans**

**REFORM AND GROWTH FACILITY  
FOR THE WESTERN BALKANS**

**REFORM AGENDA OF BOSNIA AND HERZEGOVINA**

## TABLE OF CONTENTS

### Contents

<b>PART 1: OBJECTIVES AND COHERENCE OF THE REFORM AGENDA .....</b>	<b>12</b>
<b>1 MAIN CHALLENGES (PROBLEM ANALYSIS) .....</b>	<b>12</b>
<b>2 OBJECTIVES OF THE REFORM AGENDA.....</b>	<b>15</b>
<b>SPECIFIC OBJECTIVES .....</b>	<b>15</b>
SPECIFIC OBJECTIVE 3(2)A .....	16
SPECIFIC OBJECTIVE 3(2)(J).....	17
SPECIFIC OBJECTIVE 3(2)(K) .....	17
SPECIFIC OBJECTIVE 3(2)(M).....	18
SPECIFIC OBJECTIVE 3(2)(F) .....	18
SPECIFIC OBJECTIVE 3(2)(G).....	18
SPECIFIC OBJECTIVE 3(2)(H).....	19
SPECIFIC OBJECTIVE 3(2)(I).....	19
SPECIFIC OBJECTIVE 3(2)(L) .....	19
<b>3 CONSISTENCY WITH THE OVERALL POLICY FRAMEWORK (INCLUDING THE ECONOMIC REFORM PROGRAMME, THE JOINT POLICY GUIDANCE AND THE ENLARGEMENT POLICY FRAMEWORK).....</b>	<b>19</b>
<b>4 KEY POLICY PRIORITIES .....</b>	<b>23</b>
FUNDAMENTAL SECTORS .....	23
GREEN TRANSITION .....	24
DIGITAL TRANSFORMATION AND DIGITAL SECURITY ISSUES.....	24
EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL OBJECTIVES.....	25
PRIVATE SECTOR DEVELOPMENT AND BUSINESS ENVIRONMENT .....	26
‘DO NO SIGNIFICANT HARM’ PRINCIPLE.....	26
<b>5 MAINSTREAMING .....</b>	<b>27</b>
<b>PART 2: DESCRIPTION OF POLICY AREAS AND RELATED REFORMS .....</b>	<b>28</b>
<b>1 POLICY AREA 1: GREEN AND DIGITAL TRANSITION.....</b>	<b>28</b>
<b>COMPONENT 1.1. SECURE AND SUSTAINABLE DIGITAL INFRASTRUCTURE .....</b>	<b>28</b>
REFORM 1.1.1. ENABLE SECURE BROADBAND, INCLUDING 5G ROLL-OUT .....	28
<b>COMPONENT 1.2. DIGITALIZATION OF PUBLIC SERVICES.....</b>	<b>31</b>
REFORM 1.2.1. DEVELOP AN E-GOVERNANCE FRAMEWORK.....	31
<b>COMPONENT 1.3. CYBERSECURITY .....</b>	<b>34</b>
REFORM 1.3.1. SET UP A COMPREHENSIVE FRAMEWORK FOR CYBER RESILIENCE (INTRODUCING REQUIREMENTS OF NIS2 DIRECTIVE AND STRENGTHENING RELEVANT INSTITUTIONS AT ALL LEVELS OF GOVERNMENT) .....	34
<b>COMPONENT 1.4. MARKET REFORMS .....</b>	<b>38</b>
REFORM 1.4.1. – FULL IMPLEMENTATION OF THE 3RD ENERGY PACKAGE FOR GAS AND THE ELECTRICITY INTEGRATION PACKAGE, INCLUDING APPOINTMENT OF NEMO, UNBUNDLING, GRADUAL TARIFF ADJUSTMENT AND MARKET COUPLING .....	38
<b>COMPONENT 1.5. DECARBONISATION POLICY AND ETS ADOPTION.....</b>	<b>42</b>
REFORM 1.5.1. – IMPLEMENTATION OF THE NECP AND OTHER RELATED STRATEGIC DOCUMENTS (ROADMAP FOR JUST TRANSITION IN COAL REGIONS). .....	43
REFORM 1.5.2. – WORK ON CARBON PRICING WITH THE AIM OF HAVING AN ETS IN PLACE BY 2030, IMPLEMENT CLIMATE LEGISLATION ALIGNED WITH EU CLIMATE LAW, INCLUDING COMMITMENTS TO CLIMATE NEUTRALITY.....	45
<b>COMPONENT 1.6. RENEWABLES DEPLOYMENT.....</b>	<b>47</b>

REFORM 1.6.1 IMPLEMENTATION OF THE RENEWABLE ENERGY DIRECTIVE, INCLUDING USE OF TRANSPARENT AND COMPETITIVE PROCEDURES FOR DEPLOYMENT OF RENEWABLE ENERGY, PERMITTING, GUARANTEES OF ORIGIN AND FIRST RES AUCTION .....	48
<b>COMPONENT 1.7. ENERGY EFFICIENCY</b> .....	<b>50</b>
REFORM 1.7.1 FULL IMPLEMENTATION OF THE EED, EPBD, ECO-DESIGN AND ENERGY LABELLING LEGISLATION .....	50
<b><u>2 POLICY AREA 2: PRIVATE SECTOR DEVELOPMENT AND BUSINESS ENVIRONMENT</u></b> .....	<b><u>54</u></b>
<b>COMPONENT 2.1. – BUSINESS ENVIRONMENT</b> .....	<b>55</b>
REFORM 2.1.1. –STRENGTHEN GOVERNANCE AND MANAGEMENT AND INCREASE THE EFFICIENCY AND TRANSPARENCY OF PUBLIC ENTERPRISES, INCLUDING POES.....	55
REFORM 2.1.2. –SIMPLIFY AND HARMONISE REQUIREMENTS TO REGISTER AND OPERATE COUNTRY-WIDE .....	60
REFORM 2.1.3. –FACILITATE FREE MOVEMENT OF GOODS AND SERVICES THROUGH REDUCED FORMALITIES, HARMONISATION OF REGULATORY FRAMEWORK AND MUTUAL RECOGNITION OF PROFESSIONAL QUALIFICATIONS .....	63
REFORM 2.1.4. –SIMPLIFY PROCESSES TO FACILITATE AN ENABLING BUSINESS ENVIRONMENT .....	68
REFORM 2.1.5. DEPLOYMENT OF E-FREIGHT AND INTELLIGENT TRANSPORT SYSTEMS .....	71
<b>COMPONENT – 2.2. ACCESS TO FINANCE</b> .....	<b>74</b>
REFORM 2.2.1. –PUT IN PLACE A SYSTEM TO FINANCIALLY SUPPORT INNOVATIVE STARTUPS AND MSMES .....	74
<b><u>3 POLICY AREA 3: HUMAN CAPITAL DEVELOPMENT AND RETENTION</u></b> .....	<b><u>77</u></b>
<b>COMPONENT 3.1. EDUCATION</b> .....	<b>77</b>
REFORM – 3.1.1 INCREASE SHARE OF CHILDREN ENROLLED IN EARLY CHILDHOOD EDUCATION AND CARE SERVICES COUNTRY-WIDE .....	77
REFORM 3.1.2 INCREASE QUALITY OF PRIMARY, SECONDARY AND HIGHER EDUCATION COUNTRY-WIDE, INCLUDING BY ALIGNING CORE CURRICULA WITH LABOUR MARKET NEEDS .....	84
REFORM 3.1.3 IMPROVE THE LINK BETWEEN VET AND PRIVATE SECTOR AND DECREASE THE SKILLS MISMATCH .....	89
<b>COMPONENT 3.2. LABOUR MARKET</b> .....	<b>95</b>
REFORM 3.2.1 INCREASE ACCESS TO DECENT WORK THROUGHOUT THE COUNTRY, INCLUDING THROUGH PILOTING AND FULL ROLL-OUT OF THE YOUTH GUARANTEE. ....	95
<b>COMPONENT 3.3. SOCIAL PROTECTION SYSTEM</b> .....	<b>114</b>
REFORM 3.3.1 HARMONISE PARENTAL LEAVE RIGHTS COUNTRY-WIDE AND IMPLEMENT THE SOCIAL CARD. ....	114
<b><u>4 POLICY AREA 4: FUNDAMENTALS</u></b> .....	<b><u>122</u></b>
<b>COMPONENT 4.1. DEMOCRACY</b> .....	<b>122</b>
REFORM 4.1.1. COORDINATION IN THE EU MATTERS AND DEMOCRATIC INSTITUTIONS.....	122
<b>COMPONENT 4.2. JUDICIARY</b> .....	<b>125</b>
REFORM 4.2.1. FUNCTIONING OF THE JUDICIARY .....	125
<b>COMPONENT 4.3. FIGHT AGAINST CORRUPTION</b> .....	<b>128</b>
REFORM 4.3.1. FIGHT AGAINST CORRUPTION .....	128
<b>COMPONENT 4.4. FIGHT AGAINST ORGANIZED CRIME</b> .....	<b>133</b>
REFORM 4.4.1. STRENGTHEN THE FIGHT AGAINST ORGANISED CRIME BY IMPROVING INSTITUTIONAL COOPERATION AMONG LAW ENFORCEMENT AGENCIES AND WITH PROSECUTORS’ OFFICES AND COURTS; ESTABLISHING SPECIALISED MULTI-AGENCY INVESTIGATION TEAMS FOR COMPLEX CASES; AND IMPLEMENTING STRATEGIC, INTELLIGENCE-LED APPROACH TO FIGHTING ORGANISED CRIME, LEADING TO INCREASE IN CONVICTIONS. ....	133
<b>COMPONENT 4.5. FUNDAMENTAL RIGHTS</b> .....	<b>136</b>
REFORM 4.5.1. FUNDAMENTAL RIGHTS .....	136
<b>COMPONENT 4.6. VISA POLICY</b> .....	<b>138</b>
REFORM 4.6.1. ALIGNMENT OF VISA POLICY WITH THE LIST OF EU COUNTRIES FOR WHICH A VISA IS REQUIRED, ESPECIALLY REGARDING COUNTRIES THAT POSE AN IRREGULAR MIGRATION OR SECURITY RISK TO THE EU.....	138
<b><u>5 GENERAL CONDITIONS FOR PAYMENTS (FOR ALL POLICY AREAS)</u></b> .....	<b><u>140</u></b>
<b>MACROECONOMIC STABILITY</b> .....	<b>140</b>
<b>PUBLIC FINANCE MANAGEMENT</b> .....	<b>142</b>
<b>TRANSPARENCY AND OVERSIGHT OF THE BUDGET</b> .....	<b>145</b>
<b>PAYMENT SCHEDULE</b> .....	<b>147</b>

<b>PART 3: COMPLEMENTARITY AND IMPLEMENTATION OF THE REFORM AGENDA .....</b>	<b>148</b>
<b><u>1</u> COMPLEMENTARITY WITH IPA III.....</b>	<b>148</b>
<b><u>2</u> INVESTMENTS UNDER WESTERN BALKANS INVESTMENT FRAMEWORK (WBIF) .....</b>	<b>148</b>
<b><u>3</u> CONSULTATION .....</b>	<b>149</b>
<b><u>4</u> MONITORING, REPORTING, EVALUATION .....</b>	<b>150</b>
MONITORING AND REPORTING STRUCTURE IN BIH .....	150
REPORTING FRAMEWORK .....	151
CONSISTENCY AND ACCURACY OF DATA .....	151
EVALUATION .....	151
LEGAL FRAMEWORK AND NEXT STEPS .....	151
<b><u>5</u> CONTROL AND AUDIT .....</b>	<b>152</b>
<b><u>6</u> COMMUNICATION .....</b>	<b>159</b>
<b><u>7</u> ANNEXES.....</b>	<b>161</b>
ANNEX 1: STEPS AND PAYMENT CONDITIONS BY POLICY AREA .....	161
ANNEX 2 – COMMENTS RECEIVED DURING THE CONSULTATION PROCESS.....	161
ANNEX 3 – MONITOURNG DATABASE .....	161

#### LIST OF FIGURES

FIGURE 1: WB DESI INDEX 2022 (SOURCE: WESTERN BALKANS DIGITAL ECONOMY SOCIETY INDEX • WB DESI 2022 REPORT).....	12
FIGURE 2: DOING BUSINESS INDEX, WB, 2019 .....	13

#### LIST OF TABLES

TABLE 1: LIST OF PRIORITY AREAS AND SPECIFIC OBJECTIVES.....	15
TABLE 2: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(A) .....	17
TABLE 3: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(J) .....	17
TABLE 4: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(K).....	17
TABLE 5: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(M).....	18
TABLE 6: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(F) .....	18
TABLE 7: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(G) .....	19
TABLE 8: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(H) .....	19
TABLE 9: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(I).....	19
TABLE 10: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(L) .....	19
TABLE 11: STEPS WITHIN REFORM 1.1.1. ....	28
TABLE 12: ACTIVITIES WITHIN STEP 1.1.1.1. ....	29
TABLE 13: ACTIVITIES WITHIN STEP 1.1.1.2. ....	29
TABLE 14: ACTIVITIES WITHIN STEP 1.1.1.3. ....	30
TABLE 15: ACTIVITIES WITHIN STEP 1.1.1.4. ....	30
TABLE 16: STEPS WITHIN REFORM 1.2.1. ....	31
TABLE 17: ACTIVITIES WITHIN STEP 1.2.1.1. ....	32
TABLE 18: ACTIVITIES WITHIN STEP 1.2.1.2. ....	33
TABLE 19: ACTIVITIES WITHIN STEP 1.2.1.3. ....	33
TABLE 20: ACTIVITIES WITHIN STEP 1.2.1.4. ....	34
TABLE 21: ACTIVITIES WITHIN STEP 1.2.1.5. ....	34
TABLE 22: STEPS WITHIN REFORM 1.3.1. ....	35

TABLE 23: ACTIVITIES WITHIN STEP 1.3.1.1 .....	36
TABLE 24: ACTIVITIES WITHIN STEP 1.3.1.2 .....	36
TABLE 25: ACTIVITIES WITHIN STEP 1.3.1.3 .....	37
TABLE 26: ACTIVITIES WITHIN STEP 1.3.1.4 .....	37
TABLE 27: ACTIVITIES WITHIN STEP 1.3.1.5 .....	38
TABLE 28: STEPS WITHIN REFORM 1.4.1 .....	39
TABLE 29: ACTIVITIES WITHIN STEP 1.4.1.1 .....	40
TABLE 30: ACTIVITIES WITHIN STEP 1.4.1.2 .....	40
TABLE 31: ACTIVITIES WITHIN STEP 1.4.1.3 .....	40
TABLE 32: ACTIVITIES WITHIN STEP 1.4.1.4 .....	41
TABLE 33: ACTIVITIES WITHIN STEP 1.4.1.5 .....	41
TABLE 34: ACTIVITIES WITHIN STEP 1.4.1.6 .....	42
TABLE 35: STEPS WITHIN REFORM 1.5.1 .....	43
TABLE 36: ACTIVITIES WITHIN STEP 1.5.1.1 .....	43
TABLE 37: ACTIVITIES WITHIN STEP 1.5.1.2 .....	45
TABLE 38: STEPS WITHIN REFORM 1.5.2 .....	46
TABLE 39: ACTIVITIES WITHIN STEP 1.5.2.1 .....	46
TABLE 40: ACTIVITIES WITHIN STEP 1.5.2.2 .....	46
TABLE 41: STEPS WITHIN REFORM 1.6.1 .....	48
TABLE 42: ACTIVITIES WITHIN STEP 1.6.1.1 .....	48
TABLE 43: ACTIVITIES WITHIN STEP 1.6.1.2 .....	49
TABLE 44: ACTIVITIES WITHIN STEP 1.6.1.3 .....	49
TABLE 45: ACTIVITIES WITHIN STEP 1.6.1.4 .....	50
TABLE 46: STEPS WITHIN THE REFORM 1.7.1.....	51
TABLE 47: ACTIVITIES WITHIN STEP 1.7.1.1 .....	52
TABLE 48: ACTIVITIES WITHIN STEP 1.7.1.2 .....	52
TABLE 49: ACTIVITIES WITHIN STEP 1.7.1.3 .....	53
TABLE 50: ACTIVITIES WITHIN STEP 1.7.1.4 .....	53
TABLE 51: ACTIVITIES WITHIN STEP 1.7.1.5 .....	54
TABLE 52: ACTIVITIES WITHIN STEP 1.7.1.6 .....	54
TABLE 53: STEPS WITHIN THE REFORM 2.1.1.....	57
TABLE 54: ACTIVITIES WITHIN STEP 2.1.1.1 .....	57
TABLE 55: ACTIVITIES WITHIN STEP 2.1.1.2 .....	58
TABLE 56: ACTIVITIES WITHIN STEP 2.1.1.3 .....	58
TABLE 57: ACTIVITIES WITHIN STEP 2.1.1.4 .....	59
TABLE 58: ACTIVITIES WITHIN STEP 2.1.1.5 .....	59
TABLE 59: ACTIVITIES WITHIN STEP 2.1.1.6 .....	60
TABLE 60: ACTIVITIES WITHIN STEP 2.1.1.7 .....	60
TABLE 61: STEPS WITHIN THE REFORM 2.1.2.....	61
TABLE 62: ACTIVITIES WITHIN STEP 2.1.2.1 .....	62
TABLE 63: ACTIVITIES WITHIN STEP 2.1.2.2 .....	62
TABLE 64: ACTIVITIES WITHIN STEP 2.1.2.4 .....	63
TABLE 65: STEPS WITHIN THE REFORM 2.1.3.....	65
TABLE 66: ACTIVITIES WITHIN STEP 2.1.3.1 .....	65
TABLE 67: ACTIVITIES WITHIN STEP 2.1.3.2 .....	66
TABLE 68: ACTIVITIES WITHIN STEP 2.1.3.3 .....	66
TABLE 69: ACTIVITIES WITHIN STEP 2.1.3.4 .....	67
TABLE 70: ACTIVITIES WITHIN STEP 2.1.3.5 .....	67
TABLE 71: STEPS WITHIN THE REFORM 2.1.4.....	69
TABLE 72: ACTIVITIES WITHIN STEP 2.1.4.1 .....	69
TABLE 73: ACTIVITIES WITHIN STEP 2.1.4.2 .....	70
TABLE 74: ACTIVITIES WITHIN STEP 2.1.4.3 .....	70
TABLE 75: ACTIVITIES WITHIN STEP 2.1.4.4 .....	71
TABLE 76: STEPS WITHIN THE REFORM 2.1.5.....	72
TABLE 77: ACTIVITIES WITHIN STEP 2.1.5.1 .....	72

TABLE 78: ACTIVITIES WITHIN STEP 2.1.5.2 .....	72
TABLE 79: ACTIVITIES WITHIN STEP 2.1.5.3 .....	73
TABLE 80: ACTIVITIES WITHIN STEP 2.1.5.4 .....	74
TABLE 81: STEPS WITHIN THE REFORM 2.2.1.....	75
TABLE 82: ACTIVITIES WITHIN STEP 2.2.1.1 .....	75
TABLE 83: ACTIVITIES WITHIN STEP 2.2.1.2 .....	76
TABLE 84: ACTIVITIES WITHIN STEP 2.2.1.3 .....	76
TABLE 85: ACTIVITIES WITHIN STEP 2.2.1.4 .....	77
TABLE 86: STEPS WITHIN THE REFORM 3.1.1.....	80
TABLE 87: ACTIVITIES WITHIN STEP 3.1.1.1 .....	80
TABLE 88: ACTIVITIES WITHIN STEP 3.1.1.2 .....	82
TABLE 89: ACTIVITIES WITHIN STEP 3.1.1.3 .....	83
TABLE 90: STEPS WITHIN TH REFROM 3.1.2.....	85
TABLE 91: ACTIVITIES WITHIN STEP 3.1.2.1 .....	86
TABLE 92: ACTIVITIES WITHIN STEP 3.1.2.2 .....	87
TABLE 93: ACTIVITIES WITHIN STEP 3.1.2.3 .....	87
TABLE 94: ACTIVITIES WITHIN STEP 3.1.2.4 .....	88
TABLE 95: ACTIVITIES WITHIN STEP 3.1.2.5 .....	88
TABLE 96: STEPS WITHIN THE REFORM 3.1.3.....	91
TABLE 97: ACTIVITIES WITHIN STEP 3.1.3.1 .....	91
TABLE 98: ACTIVITIES WITHIN STEP 3.1.3.2 .....	93
TABLE 99: ACTIVITIES WITHIN STEP 3.1.3.3 .....	93
TABLE 100: ACTIVITIES WITHIN STEP 3.1.3.4 .....	94
TABLE 101: STEPS WITHIN THE REFORM 3.2.1.....	97
TABLE 102: ACTIVITIES WITHIN STEP 3.2.1.1 .....	98
TABLE 103: ACTIVITIES WITHIN STEP 3.2.1.2 .....	101
TABLE 104: ACTIVITIES WITHIN STEP 3.2.1.3 .....	102
TABLE 105: ACTIVITIES WITHIN STEP 3.2.1.4 .....	104
TABLE 106: ACTIVITIES WITHIN STEP 3.2.1.5 .....	107
TABLE 107: ACTIVITIES WITHIN STEP 3.2.1.6 .....	108
TABLE 108: ACTIVITIES WITHIN STEP 3.2.1.7 .....	111
TABLE 109: ACTIVITIES WITHIN STEP 3.2.1.8 .....	112
TABLE 110: ACTIVITIES WITHIN STEP 3.2.1.9 .....	114
TABLE 111: STEPS WITHIN THE REFORM 3.3.1.....	115
TABLE 112: ACTIVITIES WITHIN STEP 3.3.1.1 .....	116
TABLE 113: ACTIVITIES WITHIN STEP 3.3.1.2 .....	119
TABLE 114: ACTIVITIES WITHIN STEP 3.3.1.3 .....	121
TABLE 115: STEPS WITHIN THE REFORM 4.1.1.....	122
TABLE 116: ACTIVITIES WITHIN STEP 4.1.1.1 .....	124
TABLE 117: ACTIVITIES WITHIN STEP 4.1.1.2 .....	124
TABLE 118: ACTIVITIES WITHIN STEP 4.1.1.3 .....	124
TABLE 119: ACTIVITIES WITHIN STEP 4.1.1.4 .....	125
TABLE 120: STEPS WITHIN THE REFORM 4.2.1.....	125
TABLE 121: ACTIVITIES WITHIN STEP 4.2.1.1 .....	126
TABLE 122: ACTIVITIES WITHIN STEP 4.2.1.2 .....	127
TABLE 123: ACTIVITIES WITHIN STEP 4.2.1.3 .....	127
TABLE 124: ACTIVITIES WITHIN STEP 4.2.1.4 .....	127
TABLE 125: ACTIVITIES WITHIN STEP 4.2.1.5 .....	128
TABLE 126: ACTIVITIES WITHIN STEP 4.2.1.6 .....	128
TABLE 127: STEPS WITHIN THE REFORM 4.3.1.....	129
TABLE 128: ACTIVITIES WITHIN STEP 4.3.1.1 .....	130
TABLE 129: ACTIVITIES WITHIN STEP 4.3.1.2 .....	130
TABLE 130: ACTIVITIES WITHIN STEP 4.3.1.3 .....	131
TABLE 131: ACTIVITIES WITHIN STEP 4.3.1.4 .....	131
TABLE 132: ACTIVITIES WITHIN STEP 4.3.1.5 .....	132

<b>TABLE 133: ACTIVITIES WITHIN STEP 4.3.1.6</b> .....	<b>132</b>
<b>TABLE 134: ACTIVITIES WITHIN STEP 4.3.1.7</b> .....	<b>133</b>
<b>TABLE 135: STEPS WITHIN THE REFORM 4.4.1</b> .....	<b>134</b>
<b>TABLE 136: ACTIVITIES WITHIN STEP 4.4.1.1</b> .....	<b>134</b>
<b>TABLE 137: ACTIVITIES WITHIN STEP 4.4.1.2</b> .....	<b>135</b>
<b>TABLE 138: ACTIVITIES WITHIN STEP 4.4.1.3</b> .....	<b>135</b>
<b>TABLE 139: ACTIVITIES WITHIN STEP 4.4.1.4</b> .....	<b>136</b>
<b>TABLE 140: STEPS WITHIN THE REFORM 4.5.1</b> .....	<b>136</b>
<b>TABLE 141: ACTIVITIES WITHIN STEP 4.5.1.1</b> .....	<b>137</b>
<b>TABLE 142: ACTIVITIES WITHIN STEP 4.5.1.2</b> .....	<b>137</b>
<b>TABLE 143: ACTIVITIES WITHIN STEP 4.5.1.3</b> .....	<b>138</b>
<b>TABLE 144: ACTIVITIES WITHIN STEP 4.5.1.4</b> .....	<b>138</b>
<b>TABLE 145: STEPS WITHIN THE REFORM 4.6.1</b> .....	<b>138</b>
<b>TABLE 146: ACTIVITIES WITHIN STEP 4.6.1.1</b> .....	<b>139</b>
<b>TABLE 147: ACTIVITIES WITHIN STEP 4.6.1.2</b> .....	<b>139</b>
<b>TABLE 148: ACTIVITIES WITHIN STEP 4.6.1.3</b> .....	<b>139</b>

## LIST OF ACRONYMS

ACCRONYM	FULL NAME
ALMP	Active Labour Market Policies
AML	Anti-money Laundering
APOSO	Agency for Pre-primary, Primary and Secondary Education
BDA	Brčko District Assembly
BDBiH	Brčko District of BiH
BHAS	The Agency for Statistics of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CC	Competition Council
CEFTA	Central European Free Trade Agreement
CFT	Combating the Financing of Terrorism
CoM BiH	Council of Ministers of Bosnia and Herzegovina
CRM	Common Regional Market
CSIRT	Computer Security Incident Response Team
DEP	Directorate for Economic Planning
DERK	State Electricity Regulatory Commission
EC	European Commission
eIDAS	Electronic Identification and Trust Services
ENQA	European Association for Quality Assurance in Higher Education
EPBD Regulation	Energy Performance Building Directive
ESG	Standards and Guidelines for Quality Assurance in the European Higher Education Area)
ETS	Emission Trading System
FBIH	Federation of Bosnia and Herzegovina
FMOLSP	Ministry of Labor and Social Policy F BiH
FMROI	Ministry of Displaced Persons and Refugees F BiH
FMIT	Ministry of Internal Affairs of F BiH
FMBI	Ministry for Issues of Combatants and Disabled veterans of the Defensive Liberation War F BiH
FMOH	Ministry of Health F BiH
FMON	Ministry of Education and Science F BiH
FMOJ	Ministry of Justice F BiH
FMOF	Ministry of Finance F BiH

<b>FMODEC</b>	Ministry of Development, Entrepreneurship and Crafts F BiH
<b>FMKS</b>	Ministry of Culture and Sports F BiH
<b>FMT</b>	Ministry of Commerce F BiH
<b>FMPU</b>	Ministry of Physical Planning F BiH
<b>FMPVS</b>	Ministry of Agriculture, Water Management and Forestry F BiH
<b>FMOIT</b>	Ministry of Environment and Tourism F BiH
<b>FERC/FERK</b>	Federal Electricity Regulatory Commission
<b>FERC/FERK</b>	Federal Ministry of Energy, Mining and Industry
<b>FID</b>	Financial Intelligence Department
<b>GDBBIH</b>	Government of Brčko District BiH
<b>GFBih</b>	Government of the Federation of BiH
<b>GRS</b>	Government of Republika Srpska
<b>GBD</b>	Government of Brčko District
<b>GS</b>	General Secretariat
<b>GSB</b>	Government Service Bus
<b>ILO</b>	International Labour Organization
<b>ITS</b>	Intelligent transport systems
<b>JC BD</b>	Judiciary Commission Brčko District
<b>LFS</b>	Labor Force Survey
<b>MEOIRS</b>	Ministry of Economy and Entrepreneurship RS
<b>MoJRS</b>	Ministry of Justice RS
<b>MoJ FbiH</b>	Ministry of Justice Federation BiH
<b>MoJ BiH</b>	Ministry of Justice BiH
<b>MoFRS</b>	Ministry of Finance RS
<b>MERRS</b>	Ministry of Energy and Mining RS
<b>MEOIRS</b>	Ministry for European integration and International Cooperation RS
<b>MPKRS</b>	Ministry of Education and Culture RS
<b>MZSZRS</b>	Ministry of Health and Social Welfare RS
<b>MUPRS</b>	Ministry of Interior RS
<b>MOFTER BiH</b>	Ministry of Foreign Trade and Economic Relations BiH
<b>MoSPCERS</b>	Ministry of Spatial Planning, Construction and Ecology RS

<b>MSTHE</b>	Ministry of Scientific and Technological Development and Higher Education of RS
<b>MULSRS</b>	Ministry of Administration and Local-Self Government RS
<b>MPBRS</b>	Ministry of Labor, War Veterans and Disabled Peoples Protection RS
<b>MPPRS</b>	Ministry of Economy and Entrepreneurship RS
<b>MSVRS</b>	Ministry of Transport and Communications RS
<b>MTTRS</b>	Ministry of Trade and Tourism RS
<b>MPOSRS</b>	Ministry of Family, Youth and Sports RS
<b>MRVA</b>	Monitoring, Reporting, Verification and Accreditation
<b>MSTDHE</b>	Ministry of Scientific and Technological Development and Higher Education RS
<b>MTC</b>	Ministry of Transport and Communication of BiH
<b>MTC FbiH</b>	Ministry of Transport and Communication of Federation of BiH
<b>MTC RS</b>	Ministry of Transport and Communication of RS
<b>NARS</b>	National Assembly of Republika Srpska
<b>NCTS</b>	New Computerised Transit System
<b>NECP</b>	National Energy and Climate Plan
<b>NEET</b>	Not in employment, education, or training
<b>NEMO</b>	Nominated Electricity Market Operator
<b>NIS2</b>	Directive (EU) 2016/1148 (NIS 2 Directive)
<b>NOSBiH/ISOBIH</b>	Independent System Operator BiH
<b>PABIH</b>	Parliamentary Assembly of Bosnia and Herzegovina
<b>PES</b>	Public Employment Services
<b>PFBiH</b>	Parliament of Federation of Bosnia and Herzegovina
<b>POE</b>	Publicly Owned Enterprises
<b>QA</b>	Quality Assurance
<b>RAK</b>	Communications Regulatory Agency BiH
<b>REERS/RERS</b>	Regulatory Commission for Energy of RS
<b>RS</b>	Republika Srpska
<b>SAA</b>	Stabilization and Association Agreement
<b>SEED</b>	Systematic Exchange of Electronic Data
<b>SIGMA/OECD</b>	Support for Improvement in Governance and Management
<b>SILC</b>	The Survey on Income and Living Conditions
<b>TEN-T</b>	Trans-European Transport Network
<b>TRANSCO</b>	Transmission company of electric power of BiH

<b>UINO</b>	Indirect Taxation Authority of BiH
<b>UN</b>	United Nations
<b>VET</b>	Vocational Education and Training
<b>WCO</b>	World Customs Organization
<b>YG</b>	Youth Guarantee

## PART 1: OBJECTIVES AND COHERENCE OF THE REFORM AGENDA

### 1 MAIN CHALLENGES (PROBLEM ANALYSIS)

Bosnia and Herzegovina opened negotiations for the EU membership on 21 March 2024 following candidacy status which was granted on 15 December 2022.

Since 2008, from the signature of the Stabilization and Association Agreement, BiH has made many effort in the association process. However, given its complex structure and political situation the time needed for changes to take effect is quite prolonged.

As proposed by the European Commission, main challenges can be summarised in four key areas:

1. *Green and Digital Transition*
2. *Business Environment*
3. *Human Capital*
4. *Fundamentals and Rule of Law*

Aligning broad policy areas and levels of government can be challenging due to organizational divisions, communication gaps, political dynamics, and capacity limits. As governments become more reliant on digital infrastructure, keeping those foundations climate-proof is critical to avoiding weather-related economic disruption. Industry also has to improve its energy efficiency and utilize more renewable energy inputs for digital operations.

When it comes to digital transition, the EU has established a comprehensive framework of digital directives aiming to create a harmonized Digital Single Market. These directives address areas like cybersecurity, e-commerce, and data protection. BiH has made strides in aligning its legislation with some of these directives. For instance, the Law on Electronic Commerce (2010) echoes the EU's E-Commerce Directive. However, gaps remain in crucial areas like cybersecurity and data protection, hindering BiH's digital integration with the EU.

According to WB DESI 2022, BiH (DESI = 23,2) consistently ranks below the WB (DESI = 29,3) average yet alone the EU (DESI = 52,3) average on the DESI index. This reflects limitations in infrastructure, digital literacy, and the use of digital technologies across various sector.

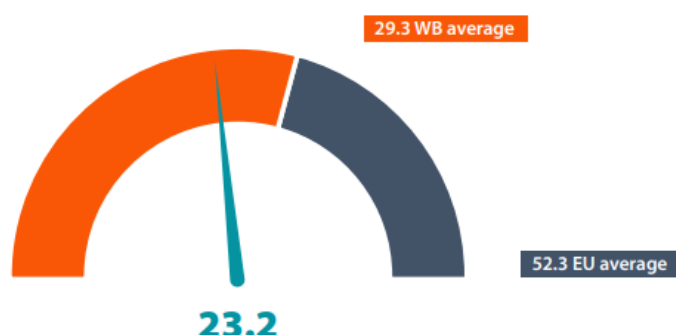


FIGURE 1: WB DESI INDEX 2022 (SOURCE: WESTERN BALKANS DIGITAL ECONOMY SOCIETY INDEX • WB DESI 2022 REPORT)

In the overall broadband connectivity, Bosnia and Herzegovina performs below the WB average with significant gaps in VHCN and FTTP coverage since the rollout of fibre networks has progressed slowly. More favourable situation is with NGA coverage of 61% of households due to higher coverage of xDSL technologies. On the take-up of broadband services, Bosnia and Herzegovina performs better with the overall penetration of fixed broadband services of 69% compared to WB average of 77%. However, take up of fixed broadband of at least 100Mbps is still modest (15% versus the WB average of 21%).

Therefore, the Reform Agenda addresses essential issues of digital transformation and digital infrastructure security, including the implementation of EU cybersecurity tools for 5G networks and EU electronic identity framework. The reform measures are projected to make a substantial contribution to digital transformation in BiH by addressing the difficulties that emerge from internal governmental organization while also assuring the security, resilience, and integrity of the digital infrastructure.

The transformation/transition of the energy sector, including the power sector in Bosnia and Herzegovina, began with the signing of the Treaty establishing Energy Community, ratified in 2006. With the ratification of the Treaty, BiH committed to gradually align with the EU rules and practices by transposing the relevant EU *acquis* in the areas of security of supply, competition, environmental protection, energy infrastructure, energy efficiency and use of energy from renewable

sources. Based on the Treaty establishing Energy Community, BiH has started the process aiming to be included in the internal market of the European Union. Market reforms aim to implement the measures defined by the Third EU Energy Package in the electricity and gas sectors, as well as to create a functional energy market well prepared to be integrated into the EU internal electricity market.

The development of the Emissions Trading System (ETS) is of primary importance for the decarbonization of the energy sector. It is expected that the ETS in BiH will affect the use of coal for electricity generation, requiring the implementation of measures to support the labour market through investment in training, specialization and retraining of employees, as well as the development of entrepreneurship in regions with coal production.

In BiH there is significant potential in renewable energy. Although the existing coal power plants are important for energy independence, many of them have reached the end of their production life, which additionally opens the opportunity for a transition to renewable energy. In addition to hydropower plants, BiH also has large and competitive solar and wind sectors. BiH plans to continue with activities to increase and diversify the share of renewable energy in overall energy consumption.

Achieving energy efficiency is one of the key priorities crucial for reducing energy consumption, lowering costs, and mitigating environmental impacts. Specific emphases will be given to the renovation of buildings.

According to the WB Ease of Doing Business ranking, BiH (90, 2019) is consistently performing below the WB6 (Albania = 82, 2019; Kosovo\*<sup>1</sup> = 57, 2019; Serbia = 44, 2019; Montenegro = 50, 2019; North Macedonia = 17, 2019).

The multilayer and fragmented administrative structure creates inconsistencies in regulations and policies, making it difficult for businesses to operate functionally across the country.

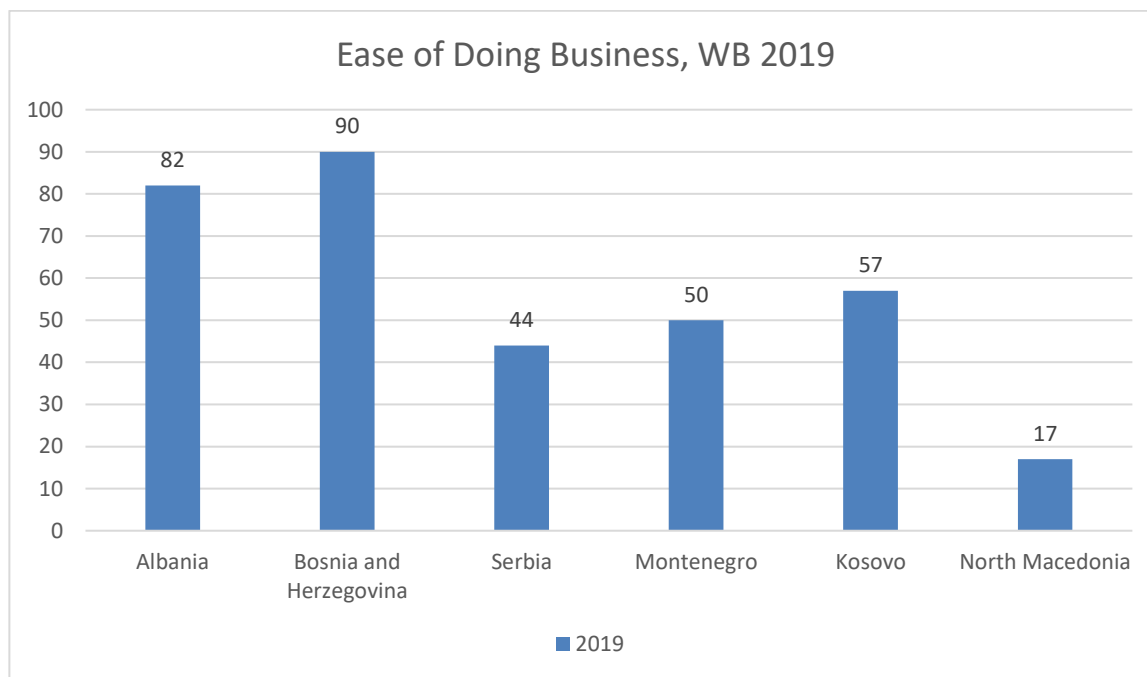


FIGURE 2: DOING BUSINESS INDEX, WB, 2019

Bosnia and Herzegovina (BiH) faces demographic challenges that threaten its long-term social and economic well-being. These problems can be observed in other countries as well and are related to the issues such as low fertility rate (2021 = 1,4, Source: WB), aging population, uneven population distribution and urbanization with creation of depopulated rural areas and by far the negative net migration which shows signs of slowing in the recent years.

When it comes to education system, early childhood education and care is not accessible to all children, particularly those from vulnerable families. The enrolment rate in preschool institutions in Bosnia and Herzegovina for children aged 3 to 6 is the lowest in Europe<sup>2</sup>. There are significant disparities in access, with children from rural areas comprising approximately 0,5%, and children from families with unemployed parents representing only 2% of the total number of children attending preschool. In the realm of early childhood education and care in Bosnia and Herzegovina, a longstanding and prominent issue has been the low enrolment rates of children in such programs. However, there has

<sup>1</sup> \* This designation is without prejudice to positions on status and is in line with UNSCR 1244 and the ICJ opinion on Kosovo Declaration of Independence

<sup>2</sup> Situation Analysis of Children in Bosnia and Herzegovina March 2020, UNICEF

been a noticeable shift for the better in this regard following the implementation of the Platform for the Development of Early Childhood Education and Care in Bosnia and Herzegovina for the period 2017-2022. According to UNICEF's assessment for the 2018/2019 academic year, enrolment stood at 25% for children aged 3-5. Subsequent data from the Bosnia and Herzegovina Agency for Statistics for the 2022/2023 academic year indicates enrolment rates of 42% for children aged 3 to 5 and 46% for those aged 5 to 6. These figures clearly illustrate an increase in enrolment rates following the Platform's implementation.

In Bosnia and Herzegovina, there is a clear discrepancy between the skills and competencies acquired through education and the demands of the labor market. Traditional education systems often prioritize the transmission of theoretical knowledge over practical skills required for the modern work environment. As a result, graduates may find themselves inadequately prepared for employer demands, leading to unemployment or underemployment. This discrepancy hinders economic development and growth as companies struggle to find qualified workers with necessary skills. This can result in decreased productivity and competitiveness, domestically and internationally. Additionally, it perpetuates inequalities within society, as individuals from vulnerable groups may face greater barriers to accessing quality education that provides relevant skills for the job market. By aligning core curricula with labor market needs, educational institutions can ensure that students acquire skills and competencies sought by employers. Furthermore, integrating digital literacy and technology skills into education is vital in today's digital age, where technology proficiency is increasingly valued by employers across various sectors. Overall, narrowing the gap between education and the labor market is crucial for fostering economic development, reducing unemployment, and promoting social mobility. Educational reforms, by empowering students with relevant skills and competencies, can enable individuals to succeed in the job market and make a positive contribution to society.

High unemployment is a perennial structural problem associated with challenges related to the lack of skills needed by employers, the slow pace and quality of job creation. Furthermore, a large percentage of employers (43.5% in the RS, 42.4% in the FBiH) reported difficulties in finding and hiring the necessary workers in 2022. The main obstacles are the lack of required occupations and the lack of professional knowledge and skills for the workplace.

The majority of employers, 63.9% of them, stated that the lack of staff with the required occupations is the reason that makes it difficult to find workers, 46.7% of employers stated the lack of staff with professional knowledge and skills necessary for the position as the reason.

While inactivity and discouragement of the working-age population are undoubtedly a reflection of accumulated long-term structural problems, there are also clear and increasingly urgent indicators that the mismatch in the labour market is also a consequence of current policies, i.e., instead of being eliminated, it continues to exist due to the mismatch in the supply of educational profiles and insufficient effectiveness of active employment measures. Only a third of employers employ workers directly from the educational system, after completing secondary general or technical school or university.

The main problem in the area of employment aims to solve is the lack of access to decent employment opportunities across the country, particularly for young people. This includes the need to pilot and fully implement the Youth Guarantee program, which seeks to provide young individuals with opportunities for employment, education, and training.

When it comes to social policy, harmonizing parental leave rights ensures consistent and equitable access to parental leave benefits across the country, addressing disparities that may exist between regions or sectors. Implementing a social card, on the other hand, provides a centralized platform or mechanism for accessing various social benefits and services, streamlining the process for individuals and families in need. Together, these measures aim to promote work-life balance, support parental responsibilities, and enhance social welfare, ultimately contributing to a more equitable and inclusive society.

Acknowledging the fact that reforms in the area of fundamentals represent the basis of the overall reform processes of Bosnia and Herzegovina, the strategic focus of all levels of government will be precisely on these reforms.

Fundamentals/Rule of Law Area is centred on five key focus reforms: Coordination in EU matters and Democratic institutions, Functioning of the Judiciary, Fight against corruption, Strengthen the fight against organised crime and Fundamental rights.

For the European integration process in Bosnia and Herzegovina it is of critical importance to have effective European integration capacities at all relevant levels of government, in line with their respective competencies, as well as to ensure their effective cooperation and coordination in line with the provisions of the Decision on the system of coordination in the process of European integration in Bosnia and Herzegovina. Therefore, efforts will be made to ensure efficient work of all joint bodies under SAA and to improve efficiency of the coordination mechanism.

As regard judicial reform, in the coming period BiH will concentrate in particular to implement the integrity-related provisions of the Law on the HJPC to ensure the effectiveness of integrity checks in line with European standards and to finalise and adopt the new Law on the HJPC and the new law on the Court of Bosnia and Herzegovina, in line with the Opinion of the Venice Commission. Reforms associated with fighting corruption are key in the EU accession process and

would foster greater public participation and improved social cohesion. Strengthening legal and institutional frameworks should be a priority, followed by efficient implementation and improved capacities. Bosnia and Herzegovina will continue its efforts in the fight against organized with specific focus to address systemic shortcomings in the operational cooperation between law enforcement agencies fighting organised crime, weak institutional coordination, and a very limited exchange of intelligence. Further efforts will be made to strengthen proactive approach to financial investigations and asset seizures, countering criminal infiltration in the political, legal and economic systems, while cooperation with Eurojust and the European Public Prosecutor’s Office (EPPO) will be stepped up.

## 2 OBJECTIVES OF THE REFORM AGENDA

Article 3 of the Regulation (EU) 2024/1449 of the European Parliament and of the Council of 14 May 2024 on establishing the Reform and Growth Facility for the Western Balkans (hereinafter “the Regulation”) sets 4 general and 13 specific objectives of the facility. Out of 13 specific objectives given by the regulation, Reform Agenda for Bosnia and Herzegovina addresses 8 of them.

The general objectives of the Reform Agenda are:

- *To support the enlargement process by accelerating the alignment with Union values, laws, rules, standards, policies and practices ('acquis') through the adoption and implementation of reforms with a view to future Union membership*
- *To accelerate regional economic integration and progressive integration into the Union single market;*
- *To accelerate the socio-economic convergence of the beneficiaries' economies with the Union*
- *To foster regional cooperation, good neighbourly relations, reconciliation and the settlement of disputes in the Western Balkans, as well as people-to-people contact*

Progressive and continuous compliance with the Common Foreign and Security Policy - CFSP of the European Union is reflected in the fulfilment of the obligations arising from the Stabilization and Association Agreement contained in Title II (Political Dialogue), Article 10, paragraph 2 b) and d), which specify that is "especially improved by political dialogue: (...) b) increasing convergence of the parties' positions on international issues, including issues regarding common foreign and security policy, with the exchange of information as necessary, especially on issues that could fundamentally affect the parties" (. ..) d) common positions on security and stability in Europe, including cooperation in the areas covered by the common foreign and security policy", and in Article 11, paragraph 2. c) "At the request of the parties, the political dialogue can also take place in the following forms: ( ...) c) by all other means that can contribute to strengthening, developing and strengthening that dialogue, including those established in the Thessaloniki Agenda, adopted in the Conclusions of the European Council in Thessaloniki, June 19 and 20, 2003".

In the Communication of the European Commission on Enlargement Policy from November 2023, it is stated that the country's compliance with the EU's foreign policy has significantly improved, especially in terms of EU statements and restrictive measures, and at the initiative of the Ministry of Foreign Affairs, and that it is necessary to continue to strengthen its capacities for the implementation and application of imposed sanctions. It is also stated that Bosnia and Herzegovina joined the statements of the EU in the General Assembly of the United Nations, the OSCE and the Council of Europe.

The EC Report for Bosnia and Herzegovina from March 2024 states that Bosnia and Herzegovina has achieved and maintained full compliance with the Common Foreign and Security Policy of the EU, signaling its clear commitment to the European path, and it was evaluated as an extremely important sign of common values and strategic direction in the new geopolitical context.

In order to maintain full compliance with the Common, Foreign and Security Policy of the EU, it is necessary to continuously strengthen the capacities for the application of restrictive measures. In this context, the implementation of the proposed reforms, especially those in the Policy Area 4 – Fundamentals/Rule of Law under point 4.1.1. and 4.3.1. (Coordination in the field of EU issues and democratic institutions; and the fight against corruption), should enable a high-quality and efficient establishment of a comprehensive mechanism of interdepartmental coordination of activities necessary for their implementation. This will significantly improve the harmonization of legislation in BiH with the acquis of the EU, especially with regard to Cluster 1 of the negotiations.

## SPECIFIC OBJECTIVES

Specific objectives of the Reform Agenda for Bosnia and Herzegovina shall be achieved through a set of reforms, steps and actions described in the Part II.

TABLE 1: LIST OF PRIORITY AREAS AND SPECIFIC OBJECTIVES

Policy Area Title	Article	Title
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<b>Fundamentals / Rule of Law</b>	3(2)(a)	Further strengthen the fundamentals of the enlargement process, including the rule of law and fundamental rights, the functioning of democratic institutions, at all levels, including at entity/regional and local level and including de-polarisation, public administration and fulfil the economic criteria; this includes promoting an independent judiciary, reinforcing security and stability in the region, strengthening the fight against fraud and all forms of corruption, including high-level corruption and nepotism, organised crime, cross-border crime and money laundering as well as terrorism financing, tax evasion and tax fraud, tax avoidance; increasing compliance with international law; strengthening freedom and independence of media and academic freedom; combating hate speech; enabling an environment for civil society, fostering social dialogue; promoting gender equality, gender mainstreaming and the empowerment of women and girls, non-discrimination and tolerance, to ensure and strengthen respect for the rights of persons belonging to minorities, including national minorities and Roma, as well as rights of lesbian, gay, bisexual, transgender and intersex persons
<b>Green and Digital Transition</b>	3(2)(j)	Accelerate the inclusive and sustainable green transition to climate neutrality by 2050, in accordance with the Paris Agreement and the Green Deal, in line with the 2020 Green Agenda for the Western Balkans and covering all economic sectors, particularly energy, including the transition towards a de-carbonised, climate-neutral, climate-resilient and circular economy, while ensuring that investments respect the 'do no significant harm' principle
	3(2)(k)	Promote the digital transformation and digital skills as an enabler of sustainable development and inclusive growth
<b>Human Capital Development and Retention</b>	3(2)(m)	Boost quality education, training, reskilling and upskilling at all levels, with a particular focus on youth, including tackling youth unemployment, preventing brain drain and supporting vulnerable communities and support employment policies, including labour rights, in line with the European Pillar of Social Rights, and fighting poverty
<b>Private Sector Development and Business Environment</b>	3(2)(f)	Accelerate the transition of the beneficiaries to sustainable, climate-neutral and inclusive economies, that are capable of withstanding competitive market pressures of the Union single market, and to a stable investment environment and reduce their strategic dependencies
	3(2)(g)	Boost regional economic integration in particular through progress in the establishment of the Common Regional Market
	3(2)(h)	Foster economic integration of the beneficiaries with the Union single market, in particular through increased trade and investment flows, and resilient value chains
	3(2)(i)	Support regional economic integration and enhanced integration with the Union single market through improved and sustainable connectivity in the region in line with trans-European networks to reinforce regional cooperation, good neighbourly relations, reconciliation, as well as people-to-people contact
	3(2)(l)	Boost innovation, research, and cooperation between academic institutions and industry in support of the green and digital transitions, promoting local industries with a particular emphasis on locally based micro, small and medium- sized enterprises and start-ups

#### *SPECIFIC OBJECTIVE 3(2)A*

**TITLE OF THE SPECIFIC OBJECTIVE: FURTHER STRENGTHEN THE FUNDAMENTALS OF THE ENLARGEMENT PROCESS, INCLUDING THE RULE OF LAW AND FUNDAMENTAL RIGHTS, THE FUNCTIONING OF DEMOCRATIC INSTITUTIONS, INCLUDING AT REGIONAL AND LOCAL LEVEL AND INCLUDING DE-POLARISATION, PUBLIC ADMINISTRATION AND FULFIL THE ECONOMIC CRITERIA; THIS INCLUDES PROMOTING AN INDEPENDENT JUDICIARY, REINFORCING SECURITY AND STABILITY IN THE REGION, STRENGTHENING THE FIGHT AGAINST FRAUD AND ALL FORMS OF CORRUPTION, INCLUDING HIGH-LEVEL CORRUPTION AND NEPOTISM, ORGANISED CRIME, CROSS-BORDER CRIME AND MONEY LAUNDERING AS WELL AS TERRORISM FINANCING, TAX EVASION AND TAX FRAUD, TAX AVOIDANCE; INCREASING COMPLIANCE WITH INTERNATIONAL LAW; STRENGTHENING FREEDOM AND INDEPENDENCE OF MEDIA AND ACADEMIC FREEDOM; COMBATING HATE SPEECH; ENABLING AN ENVIRONMENT FOR CIVIL SOCIETY, FOSTERING SOCIAL DIALOGUE; PROMOTING GENDER EQUALITY, GENDER MAINSTREAMING AND THE EMPOWERMENT OF WOMEN AND GIRLS, NON-DISCRIMINATION AND TOLERANCE, TO ENSURE AND STRENGTHEN RESPECT FOR THE RIGHTS OF PERSONS BELONGING TO MINORITIES, INCLUDING NATIONAL MINORITIES AND ROMA, AS WELL AS RIGHTS OF LESBIAN, GAY, BISEXUAL, TRANSGENDER AND INTERSEX PERSONS**

This specific objective shall be addressed through the **Priority Area 4 (Fundamentals/Rule of Law)** of the Reform Agenda.

There are 5 recognized Components with one Reform per each component addressing the specific objective.

TABLE 2: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(A)

Component	Reform Code	Title of the Reform
4.1.	4.1.1.	Coordination in EU matters and Democratic institutions
4.2.	4.2.1.	Functioning of the Judiciary
4.3.	4.3.1.	Fight against corruption
4.4.	4.4.1.	Strengthen the fight against organised crime by improving institutional cooperation among law enforcement agencies and with prosecutors' offices and courts; establishing specialised multi-agency investigation teams for complex cases; and implementing strategic, intelligence-led approach to fighting organised crime, leading to increase in convictions.
4.5.	4.5.1.	Fundamental rights
4.6.	4.6.1.	Visa Policy

Other segments of this specific objective shall be addressed as horizontal issues. Therefore, enabling environment for civil society, fostering social dialogue, promotion of gender equality and gender mainstreaming, empowerment of women and girls, non-discrimination and tolerance are going to be fully respected and promoted through all the reforms.

#### SPECIFIC OBJECTIVE 3(2)(J)

**TITLE OF THE SPECIFIC OBJECTIVE: ACCELERATE THE INCLUSIVE AND SUSTAINABLE GREEN TRANSITION TO CLIMATE NEUTRALITY BY 2050, IN ACCORDANCE WITH THE PARIS AGREEMENT AND THE GREEN DEAL, IN LINE WITH THE 2020 GREEN AGENDA FOR THE WESTERN BALKANS AND COVERING ALL ECONOMIC SECTORS, PARTICULARLY ENERGY, INCLUDING THE TRANSITION TOWARDS A DE-CARBONISED, CLIMATE-NEUTRAL, CLIMATE-RESILIENT AND CIRCULAR ECONOMY, WHILE ENSURING THAT INVESTMENTS RESPECT THE 'DO NO SIGNIFICANT HARM' PRINCIPLE.**

This specific objective is addressed through **Priority area 1 „Green and Digital Transition“** of the Reform Agenda.

There are 4 recognized components under this specific objective and 5 reforms.

TABLE 3: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(J)

Component	Reform Code	Title of the Reform
1.4.	1.4.1.	Full implementation of the 3 <sup>rd</sup> Energy Package for electricity and gas and the electricity integration package, including appointment of NEMO, unbundling, gradual tariff adjustment and market coupling
1.5.	1.5.1.	Implementation of the NECP and other related strategic documents (roadmap for just transition in coal regions)
	1.5.2.	Work on carbon pricing with the aim of having an ETS in place by 2030, implement climate legislation aligned with EU Climate Law, including commitments to climate neutrality
1.6.	1.6.1.	Implementation of the Renewable Energy Directive, including use of transparent and competitive procedures for deployment of renewable energy, permitting, guarantees of origin and first RES auction
1.7.	1.7.1.	Full implementation of the EED, EPBD, Eco-design and energy labelling legislation

#### SPECIFIC OBJECTIVE 3(2)(K)

**TITLE OF THE SPECIFIC OBJECTIVE: PROMOTE THE DIGITAL TRANSFORMATION AND DIGITAL SKILLS AS AN ENABLER OF SUSTAINABLE DEVELOPMENT AND INCLUSIVE GROWTH**

This specific objective is addressed through **Priority area 1 „Green and Digital Transition“** of the Reform Agenda.

There are 3 recognized components under this specific objective and 3 reforms.

TABLE 4: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(K)

Component	Reform Code	Title of the Reform
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1.1.	1.1.1.	Enable secure broadband, including 5G roll-out
1.2.	1.2.1.	Develop an e-governance Framework
1.3.	1.3.1.	Set up a comprehensive framework for cyber resilience (introducing requirements of NIS2 Directive and strengthening relevant institutions at all levels of government)

#### **SPECIFIC OBJECTIVE 3(2)(M)**

**BOOST QUALITY EDUCATION, TRAINING, RESKILLING AND UPSKILLING AT ALL LEVELS, WITH A PARTICULAR FOCUS ON YOUTH, INCLUDING TACKLING YOUTH UNEMPLOYMENT, PREVENTING BRAIN DRAIN AND SUPPORTING VULNERABLE COMMUNITIES AND SUPPORT EMPLOYMENT POLICIES, INCLUDING LABOUR RIGHTS, IN LINE WITH THE EUROPEAN PILLAR OF SOCIAL RIGHTS, AND FIGHTING POVERTY**

This specific objective is addressed through **Priority area 3 „Human Capital Development and Retention“** of the Reform Agenda.

There are 3 recognized components under this specific objective and 5 reforms.

TABLE 5: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(M)

Component	Reform Code	Title of the Reform
3.1.	3.1.1.	Increase share of children enrolled in early childhood education and care services country-wide
	3.1.2.	Increase quality of primary, secondary and higher education country-wide, including by aligning core curricula with labour market needs
	3.1.3.	Improve the link between VET and private sector and decrease the skills mismatch
3.2.	3.2.1.	Increase access to decent work throughout the country, including through piloting and full roll-out of the Youth Guarantee.
3.3.	3.3.1.	Harmonise parental leave rights country-wide and implement the social card.

#### **SPECIFIC OBJECTIVE 3(2)(F)**

**TITLE OF THE SPECIFIC OBJECTIVE: ACCELERATE THE TRANSITION OF THE BENEFICIARIES TO SUSTAINABLE, CLIMATE-NEUTRAL AND INCLUSIVE ECONOMIES, THAT ARE CAPABLE OF WITHSTANDING COMPETITIVE MARKET PRESSURES OF THE UNION SINGLE MARKET, AND TO A STABLE INVESTMENT ENVIRONMENT AND REDUCE THEIR STRATEGIC DEPENDENCIES**

This specific objective is addressed through **Priority area 2 „Private Sector Development and Business Environment“** of the Reform Agenda.

There is 1 recognized component under this specific objective and 1 reform.

TABLE 6: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(F)

Component	Reform Code	Title of the Reform
2.1.	2.1.1.	Strengthen governance and management and increase the efficiency and transparency of public enterprises, including POEs

#### **SPECIFIC OBJECTIVE 3(2)(G)**

**TITLE OF THE SPECIFIC OBJECTIVE: BOOST REGIONAL ECONOMIC INTEGRATION IN PARTICULAR THROUGH PROGRESS IN THE ESTABLISHMENT OF THE COMMON REGIONAL MARKET**

This specific objective is addressed through **Priority area 2 „Private Sector Development and Business Environment“** of the Reform Agenda There is 1 recognized component under this specific objective and 1 reform.

TABLE 7: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(G)

Component	Reform Code	Title of the Reform
2.1.	2.1.3.	Facilitate free movement of goods and services through reduced formalities, harmonisation of regulatory framework and mutual recognition of professional qualifications
2.1.	2.1.4.	Simplify processes to facilitate an enabling business environment

**SPECIFIC OBJECTIVE 3(2)(H)**

**TITLE OF THE SPECIFIC OBJECTIVE: FOSTER ECONOMIC INTEGRATION OF THE BENEFICIARIES WITH THE UNION SINGLE MARKET, IN PARTICULAR THROUGH INCREASED TRADE AND INVESTMENT FLOWS, AND RESILIENT VALUE CHAINS**

This specific objective is addressed through **Priority area 2 „Private Sector Development and Business Environment“** of the Reform Agenda There is 1 recognized component under this specific objective and 1 reform.

TABLE 8: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(H)

Component	Reform Code	Title of the Reform
2.1.	2.1.2.	Simplify and harmonise requirements to register and operate country-wide

**SPECIFIC OBJECTIVE 3(2)(I)**

**TITLE OF THE SPECIFIC OBJECTIVE: SUPPORT REGIONAL ECONOMIC INTEGRATION AND ENHANCED INTEGRATION WITH THE UNION SINGLE MARKET THROUGH IMPROVED AND SUSTAINABLE CONNECTIVITY IN THE REGION IN LINE WITH TRANS-EUROPEAN NETWORKS TO REINFORCE REGIONAL COOPERATION, GOOD NEIGHBOURLY RELATIONS, RECONCILIATION, AS WELL AS PEOPLE-TO-PEOPLE CONTACT**

This specific objective is addressed through **Priority area 2 „Private Sector Development and Business Environment“** of the Reform Agenda There is 1 recognized component under this specific objective and 1 reform.

TABLE 9: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(I)

Component	Reform Code	Title of the Reform
2.1.	2.1.2.	Simplify and harmonise requirements to register and operate country-wide

**SPECIFIC OBJECTIVE 3(2)(L)**

**TITLE OF THE SPECIFIC OBJECTIVE: BOOST INNOVATION, RESEARCH, AND COOPERATION BETWEEN ACADEMIC INSTITUTIONS AND INDUSTRY IN SUPPORT OF THE GREEN AND DIGITAL TRANSITIONS, PROMOTING LOCAL INDUSTRIES WITH A PARTICULAR EMPHASIS ON LOCALLY BASED MICRO, SMALL AND MEDIUM- SIZED ENTERPRISES AND START-UPS**

This specific objective is addressed through **Priority area 2 „Private Sector Development and Business Environment“** of the Reform Agenda There is 1 recognized component under this specific objective and 1 reform.

TABLE 10: REFORMS UNDER SPECIFIC OBJECTIVE 3(2)(L)

Component	Reform Code	Title of the Reform
2.2.	2.2.1.	Put in place a system to financially support innovative startups and MSMEs

**3 CONSISTENCY WITH THE OVERALL POLICY FRAMEWORK (INCLUDING THE ECONOMIC REFORM PROGRAMME, THE JOINT POLICY GUIDANCE AND THE ENLARGEMENT POLICY FRAMEWORK)**

Reform Agenda for Bosnia and Herzegovina is consistent with overall policy framework having particular connections and complementarity with Economic Reform Programme (2024 – 2026) and EC Priorities for BiH. Furthermore, by

implementing the Reform Agenda alone, BiH should contribute to gradual improvement of the EC Report as the report is relying on the set EC priorities for BiH.

Reform Agenda is tackling the following structural reforms from the ERP:

1. *Structural Reform nr. 1: Improvement of competitiveness through technological development and improvement of business environment – through proposed reforms under Priority Area 2*
2. *Structural Reform nr. 2: Improving efficiency of Public Enterprises - through proposed reforms under Priority Area 2*
3. *Structural Reform nr. 3: Conditions for green transition – through proposed reforms under Priority Area 1*
4. *Structural Reform nr. 4: Conditions for speeding digital transition – through proposed reforms under Priority Area 1*
5. *Structural Reform nr. 5: Increasing employment through alignment of education and development of practical skills and competencies for labour market – through proposed reforms under Priority Area 3*

When it comes to Structural Reform nr. 1 – The main objective is to improve the competitiveness of the economy by supporting technological development and improve important elements of business conditions in order to remove obstacles to greater investment in technological modernization and develop an economy based on knowledge and innovation and able to achieve a higher level of productivity.

Especially important is the second measure “Improving business conditions“ who’s primary objective is to improve the business environment, by reducing administrative obstacles and raise the level and quality of public services. These objectives are complementary to Reform Agenda reforms:

- 2.1.2. *Simplify and Harmonize Requirements to register and operate country wide*
- 2.1.3. *Facilitate free movement of goods and services through reduced formalities, harmonisation of regulatory framework and mutual recognition of professional qualifications*
- 2.1.4. *Simplify processes to facilitate an enabling business environment*

Structural Reform nr. 2 “Increased efficiency of POEs” shall be achieved through the implementation of Reform 2.1.1. “Strengthen governance and management and increase the efficiency and transparency of public enterprises, including SOEs”

Primary objective of Structural reform is to increase the quality of services of public enterprises and decrease the pressure they have on public finances. Measure will support increased transparency of their work and improve the oversight of their owners (RS and FBiH). Reform Agenda, reform nr. 2.1.1. shall focus on governance and transparency of POEs, climate pressure as well as the control and oversight over the POEs’ and decreasing the arrears. Furthermore, reform agenda shall aim at establishment of at least one PPP for the management of airport.

When it comes to Structural Reform nr. 3, primary objective is green transition and decreasing the carbon footprint of economic activities in line with the Sofia Declaration on Green Agenda for Western Balkans.

Structural Measure 1 “Energy transition and ensuring energy security, reform of the energy market and increased efficiency and increased share of renewable energy. Reform Agenda shall contribute to the achievement of those measures through Priority Area 1, Reforms:

- 1.4.1. *Full implementation of the 3rd Energy Package for electricity and gas and the electricity integration package, including appointment of NEMO, unbundling, gradual tariff adjustment and market coupling*
- 1.5.1. *Implementation of the NECP and other related strategic documents (roadmap for just transition in coal regions).*
- 1.5.2. *Work on carbon pricing with the aim of having an ETS in place by 2030, implement climate legislation aligned with EU Climate Law, including commitments to climate neutrality*
- 1.6.1. *Implementation of the Renewable Energy Directive, including use of transparent and competitive procedures for deployment of renewable energy, permitting, guarantees of origin and first RES auction*
- 1.7.1. *Full implementation of the EED, EPBD, Eco-design and energy labelling legislation*

Structural Reform nr. 4 “Digital Transition” main objective is to ensure the IT infrastructure needed for more dynamic development of e-services to businesses and citizens as well as to ensure sufficient level of cyber security.

Reform Agenda shall contribute to this objective through implementation of the following reforms:

- 1.1.1. *Enable secure broadband, including 5G roll-out.*
- 1.2.1. *Develop an e-governance framework*
- 1.3.1. *Set up a comprehensive framework for cyber resilience (introducing requirements of NIS2 Directive and strengthening relevant institutions at all levels of government).*

Structural Reform nr. 5 main objective is to improve employability of young people and improving efficiency of trainings and other active labour measures for all categories of unemployed people.

There are several reforms in the Reform Agenda contributing to the achievement of those objectives:

- 3.1.1. *Increase share of children enrolled in early childhood education and care services country-wide*
- 3.1.2. *Increase quality of primary, secondary and higher education country-wide, including by aligning core curricula with labour market needs*
- 3.1.3. *Improve the link between VET and private sector and decrease the skills mismatch*
- 3.2.1. *Increase access to decent work throughout the country, including through piloting and full roll-out of the Youth Guarantee.*

As for the Structural Reform nr. 6 “Improving the quality and efficiency of institutional mechanisms for the provision of social protection and health services” and the objective, Reform Agenda shall tackle the system of parental leave across the country and implementation of social card thus being fully complementary to the ERP.

Commission Opinion on Bosnia and Herzegovina’s application for membership of the European Union from 19 May 2019 sets 14 priorities for Bosnia and Herzegovina. Those 14 priorities are reflecting the Copenhagen and Madrid criteria as well as the progress vis-à-vis SAA.

Reform Agenda, especially reforms under Policy Area 4 (Fundamentals and Rule of Law) are strongly corresponding to those 14 priorities as illustrated in the following table

Nr.	Opinion Priority	Reform Agenda
1	Ensure that elections are conducted in line with European standards by implementing OSCE/ODIHR and relevant Venice Commission recommendations, ensuring transparency of political party financing, and holding municipal elections in Mostar	Indirectly through improvement and implementation of Col legislative framework
2	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.	4.1.1. “Coordination in EU matters and Democratic Institutions”, especially steps 4.1.1.2. “Improve the functioning of the EU coordination mechanism within the country notably by strengthening the quality assurance process, in view of preparation for the accession negotiations” and 4.1.1.4 “Adopt the Program for Alignment of Legislation in BiH with the Acquis (‘NPAA’) in line with SAA requirements, notably covering the full EU Acquis, the respective competences for its implementation, the required funding allocation and sources, and administrative capacities”
3	Ensure the proper functioning of the Stabilisation and Association Parliamentary Committee.	4.1.1. “Coordination in EU matters and Democratic Institutions”, especially the step 4.1.1.1. “Joint bodies under the SAA functions properly, with efficient working methods, with a single efficient and effective entry point for coordination on EU integration”
4	Fundamentally improve the institutional framework, including at constitutional level, in order to: a) Ensure legal certainty on the distribution of competences across levels of government; b) Introduce a substitution clause to allow the State upon accession to temporarily exercise competences of other levels of government to prevent and remedy breaches of EU law; c) Guarantee the independence of the judiciary, including its self-governance institution (HJPC); d) Reform the Constitutional Court, including addressing the issue of international judges, and ensure enforcement of its decisions; e) Guarantee legal certainty, including by establishing a judicial body entrusted with ensuring the consistent interpretation of the law throughout Bosnia and Herzegovina; f) Ensure equality and non-discrimination of citizens, notably by addressing the Sejdić-Finci ECtHR case law; g) Ensure that all administrative bodies entrusted with implementing the acquis are based only upon professionalism and eliminate veto rights in their decision-making, in compliance with the acquis	Indirectly through coordination and implementation mechanism of the Reform Agenda
5	Take concrete steps to promote an environment conducive to reconciliation in order to overcome the legacies of the war.	Indirectly through coordination and implementation mechanism of the Reform Agenda
6	Improve the functioning of the judiciary by adopting new legislation on the High Judicial and Prosecutorial Council and of the Court of Bosnia and Herzegovina in line with European standards	4.2.1. “Functioning of the Judiciary” 4.2.1.1. “Ensure that the asset declarations of judicial office holders are verified effectively by implementing the integrity-related amendments to the Law on the High Judicial and Prosecutorial Council (HJPC)”

		<p>4.2.1.2. “The transfer of the positions of the HJPC ICT department from project funding to the state budget is complete”</p> <p>4.2.1.3. “A functioning judicial appellate body is in place at the state level following adoption and implementation of a new Law on the Court of BiH”</p> <p>4.2.1.4. “A new comprehensive Law on the HJPC in line with European standards is adopted following consultations with practitioners and civil society, and taking into account monitoring results of HJPC integrity amendments; and it is implemented to ensure, among others, an independent judicial disciplinary regime, a performance appraisal system that is based on qualitative criteria, and merit-based appointments”</p>
7	Strengthen the prevention and fight against corruption and organised crime, including money laundering and terrorism,	4.3.1. “Fight against corruption” and 4.4.1. “Strengthen the fight against organised crime by improving institutional cooperation among law enforcement agencies and with prosecutors’ offices and courts; establishing specialised multi-agency investigation teams for complex cases; and implementing strategic, intelligence-led approach to fighting organised crime, leading to increase in convictions”
8	Ensuring effective coordination, at all levels, of border management and migration management capacity, as well as ensuring the functioning of the asylum system.	
9	Strengthen the protection of the rights of all citizens, notably by ensuring the implementation of the legislation on non-discrimination and on gender equality.	Indirectly through the implementation of the Priority Area 4 of the Reform Agenda
10	Ensure the right to life and prohibition of torture, notably by (a) abolishing the reference to death penalty in the Constitution of the Republika Srpska entity and (b) designate a national preventive mechanism against torture and ill-treatment	
11	Ensure an enabling environment for civil society, notably by upholding European standards on freedom of association and freedom of assembly	<p>4.5.1. “Fundamental Rights”</p> <p>4.5.1.1. “Cases of threats and violence against journalists and media workers are transparently and effectively registered and followed up by police and judiciary”</p> <p>4.5.1.4. “Legislation ensuring the enjoyment of freedom of expression, assembly and association is in place and enforced across the country, and restrictive proposals are withdrawn (notably the draft RS law targeting CSOs as foreign agents and any similar initiatives)”</p>
12	Guarantee freedom of expression and of the media and the protection of journalists, notably by (a) ensuring the appropriate judicial follow-up to cases of threats and violence against journalists and media workers, and (b) ensuring the financial sustainability of the public broadcasting system.	<p>4.5.1. “Fundamental Rights”</p> <p>4.5.1.2. “Defamation is decriminalized across the country.”</p> <p>4.5.1.4. “Legislation ensuring the enjoyment of freedom of expression, assembly and association is in place and enforced across the country, and restrictive proposals are withdrawn (notably the draft RS law targeting CSOs as foreign agents and any similar initiatives)”</p>
13	Improve the protection and inclusion of vulnerable groups, in particular persons with disabilities, children, LGBTI persons, members of the Roma community, detainees, migrants and asylum seekers, as well as displaced persons and refugees in line with the objective of closure of Annex VII of the Dayton Peace Agreement	4.5.1.4. “Legislation ensuring the enjoyment of freedom of expression, assembly and association is in place and enforced across the country, and restrictive proposals are withdrawn (notably the draft RS law targeting CSOs as foreign agents and any similar initiatives)”
14	Complete essential steps in public administration reform towards improving the overall functioning of the public administration by ensuring a professional and depoliticised civil service and a coordinated countrywide approach to policy making.	4.3.1.2 Align with merit principles and EU standards the state and entity-level laws on civil service recruitment, promotion and dismissals, to which cantonal level laws are adapted to

#### 4 KEY POLICY PRIORITIES

Key Policy Priorities of the Reform Agenda for Bosnia and Herzegovina are given in the table below with subordinate number of components, reforms, steps and activities.

Policy Area Title	Number of Components	Number of Reforms	Number of Steps	Number of Activities
Green and Digital Transition	7	9	34	101
Private Sector Development and Business Environment	2	6	27	70
Human Capital	3	5	24	128
Fundamentals	6	6	28	73
<b>Grand Total</b>	<b>18</b>	<b>26</b>	<b>113</b>	<b>372</b>

#### FUNDAMENTAL SECTORS

Acknowledging the fact that reforms in the area of fundamentals represent the basis of the overall reform processes of Bosnia and Herzegovina, the strategic focus of all levels of government will be precisely on these reforms.

Fundamentals/Rule of Law Area is centred on five key focus reforms: Coordination in EU matters and Democratic institutions, Functioning of the Judiciary, Fight against corruption, Strengthen the fight against organised crime and Fundamental rights.

For the European integration process in Bosnia and Herzegovina it is of critical importance to have effective European integration capacities at all relevant levels of government, in line with their respective competencies, as well as to ensure their effective cooperation and coordination in line with the provisions of the Decision on the system of coordination in the process of European integration in Bosnia and Herzegovina. Therefore, efforts will be made to ensure efficient work of all joint bodies under SAA and to improve efficiency of the coordination mechanism.

As regard judicial reform, in the coming period BiH will concentrate in particular to implement the integrity-related provisions of the Law on the HJPC to ensure the effective implementation of integrity checks in line with European standards and to finalise and adopt the new Law on the HJPC and the new Law on the Court of Bosnia and Herzegovina, in line with the respective Opinions of the Venice Commission.

Reforms associated with fighting corruption are key in the EU accession process and would foster greater public participation and improved social cohesion. Strengthening legal and institutional frameworks should be a priority, followed by efficient implementation and improved capacities.

Bosnia and Herzegovina will continue its efforts in the fight against organized crime with specific focus to address systemic shortcomings in the operational cooperation between law enforcement agencies fighting organised crime, weak institutional coordination, and little to no reliance on intelligence led policing.

Further efforts will be made to strengthen proactive approach to financial investigations and asset seizures, countering criminal infiltration in the political, legal and economic systems, while cooperation with Eurojust and the European Public Prosecutor's Office (EPPO) will be stepped up.

BiH will take steps to align its visa policy and regime with the EU. Visa policy includes mechanisms for protecting the interests of the state, protecting public order, and preventing irregular migrations and is an integral part of the external and security policy of both EU Member States and Bosnia and Herzegovina. In the process of joining the EU, Bosnia and Herzegovina has the obligation to align its visa policy with the visa policy of the EU, i.e., to harmonize its list of countries whose citizens need a visa to enter Bosnia and Herzegovina and the list of countries whose citizens are exempt from this obligation with the EU lists. Bosnia and Herzegovina lists are currently not fully harmonized. Bosnia and Herzegovina will introduce additional security measures to better screen visa-free arrivals.

## GREEN TRANSITION

The "green transition" in BiH refers to the transformative process of shifting toward a sustainable, climate-neutral, and environmentally friendly economy and society. The reforms in green transition encompass a diverse range of topics including energy sector transformation.

The transformation/transition of the energy sector, including the power sector in Bosnia and Herzegovina, began with the signing of the Treaty establishing Energy Community, ratified in 2006. With the ratification of the Treaty, BiH committed to gradually align with the EU *acquis* by transposing the relevant EU *acquis* in the areas of security of supply, competition, environmental protection, energy infrastructure, energy efficiency and use of energy from renewable sources. Based on the Treaty establishing Energy Community, BiH has started the process aiming to be included as a part of the internal market of the European Union. Therefore, the reforms aim to implement the measures defined by the Third EU Energy Package in the electricity and gas sectors, as well as to create a functional energy market well prepared to be integrated into the EU internal electricity market.

The development of the Emissions Trading System (EU ETS) is of primary importance for the decarbonization of the energy sector. It is expected that the ETS and CBAM in BiH will affect the use of coal for electricity generation, requiring the implementation of measures to support the labor market through investment in training, specialization and retraining of employees, as well as the development of entrepreneurship in regions with coal production.

BiH also has significant potential in renewable energy. Although the existing coal power plants are important for energy independence, many of them have reached the end of their production life, which additionally opens the opportunity for a transition to renewable energy. In addition to hydropower plants, BiH also has large and competitive solar and wind sectors. BiH plans to continue with activities to increase and diversify the share of renewable energy in overall energy consumption.

Achieving energy efficiency is one of the key priorities crucial for reducing energy consumption, lowering costs, and mitigating environmental impacts. Specific emphases will be given to the renovation of buildings.

## DIGITAL TRANSFORMATION AND DIGITAL SECURITY ISSUES

In the coming period of the implementation of the Reform Agenda, Bosnia and Herzegovina will focus on key components of digitization in order to strengthen its infrastructure and services, which is critical for enhancing the efficiency and availability of public services, as well as assuring competitiveness in the digital market.

The construction of broadband infrastructure is a top priority since it is essential to guaranteeing that urban and rural communities have equal access to the internet. The Framework Broadband strategy aims to provide all citizens with access to high-speed Internet. This is especially important for rural areas, where access to digital resources can significantly contribute to economic development and reducing the digital divide. This framework will also identify key broadband infrastructure and identify stakeholders. Broadband Internet security and the implementation of 5G networks are also of great importance. Alignment with EU's 5G network cybersecurity tool will enable BiH to build a robust and secure infrastructure that is ready for future technological challenges and needs.

Furthermore, e-signature and digital identity serve as the basis for modernizing public services. Citizens will have easier access to a range of administrative, tax, social, and educational services with the introduction of a digital identity wallet and the complete adoption of electronic identification documents. This will increase public administration efficiency and lower bureaucratic barriers. While Open Data Directive and e-Privacy Directive to promote transparency in data.

Another significant component is cyber security, with the goal of quickly enacting the Law in compliance with the NIS2 Directive, State and entity-level CSIRTs to be operational in line with NIS2 requirements and reach SIM3 mode. In order to preserve the integrity and security of public and private infrastructure, it is imperative to establish an efficient framework for cyber resilience that includes crisis management procedures and coordinated vulnerability detection. This will guarantee that key economic sectors and institutions at all levels can respond appropriately to cyber threats.

The purpose of these reform is to enable the necessary public infrastructure in the field of information and communication technologies in order to create the necessary preconditions for a more dynamic development of electronic services for the economy and citizens (e-services), as well as a greater degree of digitization of business based on secure and confidential exchange of data and documents. Due to the importance of this information-communication infrastructure for business conditions through the availability of digitized and efficient public services throughout BiH, as well as for the international competitiveness of the economy and integration into the EU legal system (transposition of appropriate directives in the field of electronic identity eIDAS and cyber security and network security, in accordance with the constitutional competences and existing laws of the Entities and Brčko District), and considering the complexity of the government setup of BiH, it is of particular importance to ensure a coordinated approach of all relevant competent levels and institutions in the implementation of this reform at every level of government.

The content of this reform in the domain of key information and communication infrastructure is defined within the uniform Strategic Framework for Public Administration Reform in BiH 2022-2025 with an action plan, which was adopted by the Council of Ministers and Entity governments. Also, in the coming period, several strategic documents necessary for the harmonization and implementation of its other elements will be adopted. In the field of e-communications, these are: Policy of the electronic communications sector of BiH and the Broadband Access Development Framework Strategy in BiH, with related action plans for both documents. At this moment BiH is in finalization of agreement on Digital Europe which should also greatly benefit digital eco system in BiH for business.

## **EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL OBJECTIVES**

The main goal of this reform is to improve the inclusion of children in early childhood education and care institutions. This is crucial for several reasons: early childhood programs not only support parents in their professional responsibilities, thereby enhancing their productivity in the workplace, but also create demand for new jobs in the field of early childhood education. The inclusion of children in quality early education programs contributes to the development of key skills necessary for future employment, creating a competitive workforce and contributing to the economic development of the community. At the same time, investing in early education programs reduces long-term costs for society and results in more efficient public finance management, contributing to the sustainability and prosperity of society as a whole.

The main goal of this reform is, also, to enhance the standards of primary and secondary education, with a particular focus on aligning core curricula with the dynamic requirements of the labor market. This reform is necessary because it enables students to acquire knowledge and skills that are globally in demand, providing them with better chances for employment and career development. Aligning education with the labor market contributes to building a sustainable, competitive, and inclusive society where individuals have the opportunity to fulfill their full potential. Additionally, aligning educational programs with the needs of the labor market stimulates innovation, economic development, and the emergence of new technologies, businesses, and industries. In this way, education becomes a driver of economic growth and competitiveness on a global scale, while also reducing the mismatch between supply and demand in the labor market, thereby reducing unemployment and the shortage of skilled workers, which negatively impacts economic development and society as a whole.

Finally, this reform is to improve the employability of young people after leaving the educational system and to increase the efficiency of training and other active employment policy programs for all categories of the unemployed. This reform aims to equip young people with the skills and knowledge required to thrive in the modern labor market, thereby enhancing their employment prospects and career development opportunities. By focusing on the alignment of educational curricula with labor market needs and ensuring that training programs are responsive to these demands, the reform seeks to create a more dynamic and relevant education system. This will enable young people to seamlessly transition from education to employment, reducing the gap between the skills they possess and the skills employers require. The reforms aims to create a robust and inclusive labor market where young people and unemployed individuals have ample opportunities to develop their skills, gain employment, and contribute to economic growth and societal well-being. By addressing the root causes of unemployment and skills mismatches, the reform will help build a more resilient and competitive economy, capable of adapting to future challenges and opportunities

The Reform 3.2.1 (Increasing Access to Decent Work Through Pilot and Full Roll-Out of the Youth Guarantee in Bosnia and Herzegovina) aims to increase access to decent work throughout Bosnia and Herzegovina by piloting and fully implementing the Youth Guarantee program. This initiative focuses on addressing the high youth inactivity rate by ensuring that all young people receive a quality offer of employment, continued education, apprenticeship, or traineeship within six months of becoming unemployed or leaving formal education. By targeting a 20% employment rate for young job seekers within this timeframe, the program seeks to foster economic inclusion and reduce youth unemployment, creating a more dynamic and resilient labor market.

Addressing data collection and labor law enforcement is essential to bolster the effectiveness of social protection policies and labor market reforms. Enhancing the Survey on Income and Living Conditions (SILC) aims to provide policymakers with reliable, timely, and transparent data. This improvement will facilitate informed decision-making, enabling the design of effective social protection policies that are based on accurate and comprehensive information. Consistent and accurate SILC reports are pivotal for addressing socio-economic disparities and promoting equitable development across the country.

Increasing the frequency and thoroughness of labor inspections caused significant controversy during the negotiation process. This initiative is pivotal for upholding labor laws and advancing occupational safety standards, aiming to safeguard workers' rights and ensure a fair working environment. By enhancing the frequency and rigor of inspections, the reform endeavors to create a workplace environment that is not only safer but also more compliant with regulations. This proactive approach aims to foster trust and collaboration between employees and employers, promoting a culture that values safety, fairness, and accountability throughout the labor market. The controversy surrounding this initiative stemmed from concerns about its potential impact on businesses, particularly regarding increased regulatory burden and operational costs. On the other hand, supporters emphasized the necessity of stricter oversight to prevent workplace

violations, protect worker health, and reduce the incidence of accidents and injuries. Despite the contentious nature of these discussions, the push for more robust labor inspections underscores a commitment to improving working conditions and ensuring compliance with labor laws. It reflects a broader societal aspiration to balance economic interests with social responsibility, aiming for sustainable development and equitable treatment of workers across all sectors. Ultimately, the success of this reform will hinge on effective implementation, stakeholder engagement, and ongoing dialogue to address concerns and optimize outcomes for both workers and employers alike.

Streamlining operations within Public Employment Services (PES), particularly by relieving them of administrative duties related to health insurance, is designed to enhance the efficiency and focus of PES staff. This reform allows PES to concentrate solely on employment services, thereby improving their capacity to support job seekers. This is particularly crucial for programs like the Youth Guarantee, which require a high level of focus on individual job seekers and rapid results. By adopting these changes, the reform seeks to create a more dynamic, responsive, and supportive employment service system that effectively meets the needs of job seekers and contributes to reducing unemployment and underemployment in Bosnia and Herzegovina.

The reform 3.3.1 (Harmonizing Parental Leave Rights and Implementing the Social Card in Bosnia and Herzegovina) aims to address significant disparities in parental leave rights and social benefits across Bosnia and Herzegovina. Currently, the country's fragmented maternal benefits system results in unequal access to maternity leave and benefits, particularly impacting unemployed mothers. By harmonizing these rights country-wide, the reform seeks to create a more equitable framework that ensures all parents, regardless of their employment status or region, receive consistent and fair support. This harmonization will involve a comprehensive action plan developed by the Federal Ministry of Labor and Social Policy, the Ministry of Health and Social Welfare of Republika Srpska, and relevant cantonal ministries, aiming for implementation by December 2025.

Implementing the social card is another critical aspect of this reform, designed to streamline access to social benefits and enhance the efficiency of the welfare system. The social card will serve as a centralized tool to manage and distribute social benefits, ensuring that all eligible individuals and families receive appropriate support based on their needs. By adopting pending legislation and regulations to implement this system, Bosnia and Herzegovina aims to cover 100% of beneficiaries by June 2027. This initiative will address existing data inadequacies and bureaucratic challenges, contributing to a more transparent and effective social protection system.

Overall, Reform 3.3.1 reflects Bosnia and Herzegovina's commitment to aligning with the 2030 Agenda and the Sustainable Development Goals by improving social protection policies. The harmonization of parental leave rights and the implementation of the social card will promote social equity, reduce regional disparities, and enhance the quality of life for families across the country. These efforts will require extensive collaboration, legislative reforms, and digital transformation, ensuring a unified and efficient approach to social welfare that meets the diverse needs of the population.

## PRIVATE SECTOR DEVELOPMENT AND BUSINESS ENVIRONMENT

Reforms related to private sector development and business environment should significantly contribute to economic growth in Bosnia and Herzegovina, through ensuring an enabling business environment throughout the country as well as providing financial support to SME's.

A stable and predictable business environment and a clear and transparent regulatory framework increase the confidence and enable companies to plan and invest with greater certainty. Reforms that simplify company registration, facilitate trade, and align domestic laws with EU standards make Bosnia and Herzegovina a more attractive destination for foreign investment.

Providing access to finance to SME's in BiH should boost the competitiveness and technological development through focused investments. The approach towards SME's between entities is rather different and calls for certain degree of harmonization which should allow for simpler and fairer application of cohesion policy financial instruments in the future.

## 'DO NO SIGNIFICANT HARM' PRINCIPLE

In relation to the respect of the 'do no significant harm' principle, the reforms proposed in the Reform Agenda shall undergo a detailed technical assessment in consideration of the six DNSH criteria as per the European guidelines, Regulation (EU) 2020/852 in order to estimate the direct and indirect effects for each action from a long-term perspective prior to implementation. The Taxonomy Report Technical Annex Updated methodology & Updated Technical Screening Criteria - 1 - March 2020 shall be used as the reference document for the detailed assessment<sup>3</sup>.

Each of the reforms shall be assessed for each of the 6 criteria in terms of the foreseeable impact according to three scenarios:

<sup>3</sup> [200309-sustainable-finance-teg-final-report-taxonomy-annexes\\_en.pdf \(europa.eu\)](https://ec.europa.eu/economy_finance/2020/03/20200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf)

- A) *The reform has zero or negligible impact on the goal*
- B) *The reform supports or substantially contributes to the environmental goal*
- C) *The reform requires a comprehensive DNSH assessment.*

Technical sheets shall be prepared for the assessment of each reform against each criteria and will allow for the specific scenario to be identified for each Step.

Having identified these scenarios, two approaches have been defined for the DNSH assessments:

1) *Simplified approach*

This approach is to be adopted if, for an individual goal, the action can be classified in one of the first two scenarios. The responsible administrations shall provide a brief justification to highlight the reasons why the action is associated with a limited risk of environmental damage, regardless of its potential contribution to the green transition.

2) *Detailed analysis and conditions that must be respected*

This approach is to be adopted for investments and reforms that fall within components such as Green and Digital Transition and Education which present a greater risk of affecting one or more of the environmental goals due to specificities or investment. This analysis is also required for actions that aim to make a substantial contribution to climate change mitigation.

This is likely to be the case for the infrastructural investments that will be implemented through the WBIF. It is expected that the WBIF will ensure the respect of the DNSH principle through their own procedures, following their detailed analysis and establishment of the conditions that must be respected. Where these conditions concern operational or other responsibilities of Bosnia and Herzegovina, they shall be discussed and agreed. In any other cases, BiH shall be responsible for the detailed analysis and establishment and monitoring of conditions. In these latter cases, BiH shall be responsible for the ex-ante and ex-post checks that the conditions are met and shall prepare the appropriate verification checklists.

During the implementation period, BiH shall be responsible for the on-going assessment and monitoring of the impact of the reforms on the 6 environmental objectives from the EU Taxonomy Regulation; in this respect, the WBIF shall provide the BiH will all the necessary information on the assessment (in the preparation phase) and on-going monitoring of the respect of the DNSH principle for the infrastructural investments it is responsible for.

## 5 MAINSTREAMING

The Reform Agenda for Bosnia and Herzegovina, shall be implemented to promote gender equality as a cross-cutting principle. It aims to empower women and girls and ensure the protection and advancement of their rights, aligning with the EU Gender Action Plan III and the UN Sustainable Development Goals.

BiH made its first attempt to calculate the Gender Equality Index in 2022 in line with the methodology developed by the European Institute for Gender Equality (EIGE) in cooperation with and under the support of the European Union (EU). It was developed by the Agency for Statistics of Bosnia and Herzegovina, the Agency for Gender Equality of Bosnia and Herzegovina and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) in Bosnia and Herzegovina, in cooperation with the European Institute for Gender Equality (EIGE) under EIGE's cooperation with the Western Balkans and Turkey within the Instrument of Pre-Accession Assistance (IPA) of the European Union 'Increased capacity of EU candidate countries and potential candidates to measure and monitor impact of gender equality policies (2018-2022)', funded by the European Union.

Although partial due to the unavailability of data, according to the Study "Moving towards the Gender Equality Index Bosnia and Herzegovina 2022", index shows similar behaviour as in the rest of the WB in almost all the scores and far below EU average.

Accessibility will be ensured in accordance with the UN Convention on the Rights of Persons with Disabilities. Particular attention will be paid to ensuring digital accessibility. People with disabilities face significant barriers in accessing public services, and the need for internet services is especially high among this population. The principle of digital accessibility will be respected through the use of WCAG standards and alignment with Directive (EU) 2019/882 on the accessibility requirements for products and services. The focus will be on implementing accessible digital solutions.

Therefore, wherever possible and applicable, gender dimension shall be taken into account, especially in the process of monitoring where indicators shall be disaggregated by gender and age, especially important in the Policy Area 3.

The Reform Agenda will also contribute to accelerating the green transition in line with the Western Balkans Green Agenda 2020, particularly through the implementation of the National Energy and Climate Plan, a carbon pricing mechanism for decarbonization, and reforms related to renewable energy sources, and energy efficiency.

## PART 2: DESCRIPTION OF POLICY AREAS AND RELATED REFORMS

### 1 POLICY AREA 1: GREEN AND DIGITAL TRANSITION

The green and digital transitions aim to promote inclusion, competitiveness, resilience, and well-being through a net-zero, environmentally friendly economy and society, utilizing digital technology. Coordinated government efforts are necessary to facilitate transitions by aligning policy actions across infrastructure and investment, as well as addressing uneven geographical impacts through local to national coordination.

As one of the key policy areas within the Reform Agenda for Bosnia and Herzegovina, Digital transition is expected to contribute and complement almost all other activities in the Reform agenda as a key enabling factor for business development, public administration access, human capital and retention policy as well as fundamentals through increased transparency of administration.

The Reform Agenda focuses on energy and green dimension aiming to accelerate the inclusive and sustainable green transition through adoption of EU-compatible standards and practices, fostering a competitive and transparent energy market while addressing environmental concerns. As governments become more reliant on digital infrastructure, keeping those foundations climate-proof is critical to avoiding weather-related economic disruption. Industry also has to improve its energy efficiency and utilize more renewable energy inputs for digital operations

#### COMPONENT 1.1. SECURE AND SUSTAINABLE DIGITAL INFRASTRUCTURE

##### REFORM 1.1.1. ENABLE SECURE BROADBAND, INCLUDING 5G ROLL-OUT

The implementation of secure broadband, coupled with the swift and efficient roll-out of 5G technology, marks a transformative leap BIH digital landscape. Secure broadband infrastructure not only ensures the integrity and confidentiality of data transmission but also fortifies networks against malicious threats, safeguarding user privacy and sensitive information. The deployment of 5G networks introduces speed and connectivity by integrating robust security measures.

##### CHALLENGES

Implementing secure broadband, especially in the context of rolling out 5G networks, poses challenges. Ensuring the security of data transmitted over these networks is crucial, given the sheer volume and sensitivity of information. Creating a map of existing infrastructure, backbone routes to global fiberoptics, and mapping all interconnection between providers in the country and neighboring countries is a first step forward. Secondly, the infrastructure required for 5G, demands significant investment and coordination among various stakeholders, including governments, telecom companies, and regulatory bodies. Building the necessary physical infrastructure while observing the security standards. Overcoming these challenges requires a concerted effort from both public and private sectors, emphasizing collaboration, innovation, and most importantly coordination between different government agencies on all government levels based on their mandate and responsibilities while having a single coordinating institution guarantee consistency and coordination with EU regulation as mandated by EU.

##### BENEFICIARIES

Digital transitions is key reform that will benefit wide range beneficiaries including business, citizens, government agencies, education and others. The impact of digital transition is probably the key reforms that can benefit everyone.

TABLE 11: STEPS WITHIN REFORM 1.1.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
1.1.1.1	Framework Broadband strategy and costed Action Plan adopted by BiH CoM	MTC BiH, RAKBiH, Ministry of communication all levels, AICT RS	December 2025
1.1.1.2.	Bodies in place and staffed at all levels for coordination of broadband infrastructure deployment, aligned with EU legislation	MTC BiH, RAKBiH, Ministry of communication all levels, AICT RS	December 2025
1.1.1.3.	Legislation across the country aligned with the EU Broadband Cost Reduction Directive, European Electronic Communications Code, and Gigabit Infrastructure ActLegislation	Ministry of communications all levels, RAK BiH, AICT RS	June 2026
1.1.1.4.	New Law on broadband security and 5G infrastructures roll-out implemented in compliance with the EU 5G Cybersecurity Toolbox at all levels	Ministry of communications all levels, RAK BiH, MoS BiH, AICT RS	December 2026

**STEP 1.1.1.1 Framework Broadband strategy and costed Action Plan adopted by CoMBIH**

The goal of the broadband strategy is to provide high-speed Internet access to all citizens. This is particularly important in rural regions, where access to digital resources can help drive economic development and bridge the digital divide. The framework will also identify essential broadband infrastructure and stakeholders. Broadband internet security and the deployment of 5G networks are also essential. Full compliance the EU's 5G network cybersecurity tool will allow BIH to create a strong and secure infrastructure that is prepared for future technological challenges and needs.

It is of essential importance that each entity and state-level government have the necessary resources and tools in place, rather than merely policy targets, to facilitate the effective roll-out of broadband infrastructure at respective levels and roles. The Broadband Framework can differ within two dimensions: operational and strategic Broadband Framework. While strategic Broadband Framework can describes intentions and targets at an abstract level, operational Broadband Framework adds indicators, responsibilities, and timeframes to clarify their measures.

There is no Framework Broadband Strategy in BIH in place and therefore, one needs to be prepared as a prerequisite for any kind of investment planning. The Framework Broadband Strategy needs to address the establishment of a Broadband Competence Office (BCO)

TABLE 12: ACTIVITIES WITHIN STEP 1.1.1.1.

Activity Code	Activity title	Responsibility	Source of verification
1.1.1.1.1.	Create “Strategic development of Broadband for 2023-2027” which will create road map for establishment of a Broadband Competence Office (BCO)	Ministry of communication all levels	Webpage of the Responsible institution during public consultations or Official Gazette
1.1.1.1.2.	Adopt Framework Broadband strategy	Ministry of communication all levels	Official Gazette or the webpage

**STEP 1.1.1.2. Bodies in place and staffed at all levels for coordination of broadband infrastructure deployment, aligned with EU legislation**

It is critical that each entity and state-level government have the appropriate resources and capabilities in place to enable the effective roll-out of broadband infrastructure at its specific levels of governmental responsibilities. The Broadband Framework is capable of being divided into two dimensions: operational and strategic Broadband Framework. While the strategic Broadband Framework may lay out intentions and targets in general terms, the operational Broadband Framework defines indicators, responsibilities, and timeframes. The broadband offices' roles will include helping achieve the EU objectives such as Gigabit Society and Digital Decade through the exchange of experiences and best practices of the EU Member States.

TABLE 13: ACTIVITIES WITHIN STEP 1.1.1.2.

Activity Code	Activity title	Responsibility	Source of verification
1.1.1.2.1.	Create national and entity level Action Plan for broadband infrastructure deployment, aligned with EU legislation	Ministry of communication all levels and AICT RS	Official Gazette
1.1.1.2.2.	Create legal framework for creating bodies for coordination of broadband infrastructure deployment on all relevant governmental levels.	Ministry of communication all levels and AICT RS	Official Gazette
1.1.1.2.3.	Create Broadband Competence Office (BCO) that are staffed and trained to support broadband infrastructure. Training should include EU broadband initiative, broadband technologies, mapping, investment, rural and access for all technologies.	Ministry of communication all levels and AICT RS	Council of Ministers Decision on Staffing and Recruitment, Supervision Plan, Supervision Reports, External audit on staff skills and training.
1.1.1.2.4.	Create catalogue of existing broadband infrastructure on each level	Ministry of communication all levels, RAK BiH	Webpage of the Responsible institution to include public Catalogue, Official Gazette announcement

Activity Code	Activity title	Responsibility	Source of verification
1.1.1.2.5.	Create GIS broadband map based on existing broadband and other communication infrastructure including relevant indicators needed for planning and analysis. Including white, grey and black areas with quality-of-service indicators.	Ministry of communication all levels, RAK BiH	Webpage of the Responsible institution publication of GIS maps and catalogue, Official Gazette announcement

In order to implement the activity 1.1.1.2.3., each entity will have to establish a broadband office, adequately staffed and equipped. It is estimated that each office shall have at least 5 employees. Trainings will have to be organized for employees which will be based on EU broadband relevant subject and initiative. It is estimated that the activity shall consume 2,5 million euros within 4 years. The baseline for first year is to create centralized GIS map of communication infrastructure that cover 10% of the country, second year and third year map out 70%, while remaining will be mapped by fourth year.

***STEP 1.1.1.3. Legislation at all levels across the country aligned with the EU Broadband Cost Reduction Directive, European Electronic Communications Code, and Gigabit Infrastructure Act***

The purpose of these reform is to enable the necessary public infrastructure in the field of information and communication technologies in order to create the necessary preconditions for a more dynamic development of electronic services for the economy and citizens (e-services), as well as a greater degree of digitization of business based on secure and confidential exchange of data and documents.

The Broadband Cost Reduction Directive aims to facilitate and incentivise the roll-out of high-speed electronic communications networks by lowering the costs of deployment with a set of harmonised measures.

European Electronic Communications Code seek to make broadband internet access and voice communications affordable and available throughout Europe through effective competition and choice. Where the needs of consumers are not met by the market, universal service obligations ensure that affordable adequate services are available regardless of personal circumstances like location, income or disability. Broadband internet must have sufficient bandwidth for using important services such as eGovernment, internet banking, and standard quality video calls.

Gigabit Infrastructure Act to ensure faster, cheaper, and simpler rollout of Gigabit networks installation, addressing the main hurdles like expensive and complex procedures for network deployment. The act is also instrumental to achieve the 2030 Digital Decade target on connectivity: ensuring cross-EU access to fast Gigabit connectivity and fast mobile data by 2030.

TABLE 14: ACTIVITIES WITHIN STEP 1.1.1.3.

Activity Code	Activity title	Responsibility	Source of verification
1.1.1.3.1.	Legislative framework at all levels on alignment with EU Broadband Cost Reduction Directive	Ministry of communication all levels, RAK and AICT RS	Official Gazette.
1.1.1.3.2.	Legislative framework at all levels on alignment with European Electronic Communications Code	Ministry of communication all levels, RAK BiH and AICT RS	Official Gazette.
1.1.1.3.3.	Legislative framework at all levels on alignment with Gigabit Infrastructure Act	Ministry of communication all levels, RAK BiH and AICT RS	Official Gazette.

***STEP 1.1.1.4 New Law on broadband security and 5G infrastructures roll-out implemented in full compliance with the EU 5G Cybersecurity Toolbox at all levels***

TABLE 15: ACTIVITIES WITHIN STEP 1.1.1.4.

Activity Code	Activity title	Responsibility	Source of verification
1.1.1.4.1.	Legislative framework on Law on broadband security in compliance with EU 5G Cybersecurity Toolbox	Ministry of communication all levels, MoS BiH and AICT RS	Official Gazette.
1.1.1.4.2.	Create strategic plan for 5G implementation and 5G spectrum roadmap	Ministry of communication all levels and RAK BiH	Webpage of the Responsible institution or Official Gazette

<b>1.1.1.4.3.</b>	5G multi-ban auction	MoCT BiH, RAK BiH	Webpage of the Responsible institution
<b>1.1.1.4.4.</b>	Licensing approval for 5G spectrum based on harmonized EU Decision	RAK BiH	Webpage of the Responsible institution
<b>1.1.1.4.5.</b>	Adopted resolution on 5G Pilot Cities	Ministry of communication all levels, RAK BiH and AICT RS	Webpage of the Responsible institution
<b>1.1.1.4.6.</b>	5G Rollout with target of 33% household coverage	Ministry of communication all levels, RAK BiH	Webpage of the Responsible institution or Official Gazette

Activity 1.1.1.4.3. “5G multi-ban auction” has the potential to be a great source of government revenue. For example, in Croatia, the total amount of RF spectrum fees achieved in the public auction was approx.. 50 million EUR.

In order to implement activity 1.1.1.4.6., a large investment in the new 5G technology and based on technical specifications for 5G a large number of new base stations will need to be built. It is estimated it can cost 3-5 billion EUR based on Ericsson 5G in emerging markets estimate. These total costs will greatly depend on a decision on the number of cities and population coverage, ensuring that the auction process is not overlapping with project preparation (TA) through WBIF.

The baseline for 1.1.1.4.6. activity is 33% metropolitan household coverage over 5G infrastructure.

## COMPONENT 1.2. DIGITALIZATION OF PUBLIC SERVICES

### REFORM 1.2.1. DEVELOP AN E-GOVERNANCE FRAMEWORK

Developing an e-governance framework is paramount in navigating the complexities of modern governance with efficiency, transparency, and inclusivity. Such a framework encompasses the seamless integration of digital technologies to streamline administrative processes, enhance service delivery, and foster citizen engagement. By leveraging digital platforms for interoperability, data management, and decision-making, governments can ensure accessibility to information and services for all citizens. Moreover, an effective e-governance framework promotes accountability and responsiveness by increasing transparency with Open Data regulation.

#### CHALLENGES

The digitalization of public services presents a host of challenges that governments and organizations must navigate. Ensuring access to digital platforms and services is critical, this can be done by increasing the number of digital services that are most relevant to citizens and businesses. Also address the need to provide the services to all citizens, regardless of their digital literacy and access to digital services in general. Moreover, maintaining cybersecurity measures to protect sensitive citizen and governmental data from cyber threats and breaches. Addressing privacy concerns and establishing clear regulatory frameworks to govern data usage and protection are essential for building public trust in digital services. Considering the current track record, promoting user adoption and engagement is key for sustainable digitalization. Overcoming these challenges demands comprehensive planning, collaboration across sectors, and coordination between government agencies at all levels.

#### BENEFICIARIES

Implementation of true eIDAS digital identity will mostly benefit citizens allowing for digital transition. Opening doors for large-scale digitization of public services and addressing one of the key issues till now like signing applications on behalf of citizens and allowing the government to issue digital decisions.

TABLE 16: STEPS WITHIN REFORM 1.2.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
<b>1.2.1.1.</b>	Adoption of the BiH Law on electronic identity and trust services for electronic transactions in line with the EU Acquis and subsequent harmonized entity legislation. The law has to include the single supervisory body for the whole country in line with the eIDAS 2 Regulation	Ministry of communication all levels, IDDEEA and AICT RS	December 2025
<b>1.2.1.2.</b>	Adoption and implementation of the interoperability framework enabling exchange of data between different administrative levels	Ministry of communication all levels, Ministries of Internal Affairs all levels, IDDEEA and AICT RS	December 2026

1.2.1.3.	Legislation aligned with Open Data Directive and e-Privacy Directive	Ministry of communication all levels, Ministries of Internal Affairs all levels, IDDEEA and AICT RS	June 2027
1.2.1.4.	Digital Identity Wallet Framework in place, including Architecture and Reference Framework	Ministry of communication all levels, Ministries of Internal Affairs all levels, IDDEEA and AICT RS	December 2026
1.2.1.5.	National Digital Identity Wallet in compliance with new EU Digital Identity Framework' in place	Ministry of communication all levels, Ministries of Internal Affairs all levels, IDDEEA and AICT RS	June 2027

**STEP 1.2.1.1. Adoption of the Law on electronic identity and trust services for electronic transactions. The law has to include the single supervisory body for the whole country in line with the eIDAS Regulation**

THE ADOPTION OF THE LAW ON ELECTRONIC IDENTIFICATION AND TRUST SERVICES FOR ELECTRONIC TRANSACTIONS MARKS A FIRST STEP FORWARD TO PROVIDE A REGULATORY ENVIRONMENT FOR SECURE AND SEAMLESS ELECTRONIC INTERACTIONS ALIGNED WITH EU eIDAS 2.0 REGULATION.

THE REGULATION ENABLES THE USE OF ELECTRONIC IDENTIFICATION MEANS AND TRUST SERVICES (I.E. ELECTRONIC SIGNATURES, ELECTRONIC SEALS, TIME STAMPING, REGISTERED ELECTRONIC DELIVERY, AND WEBSITE AUTHENTICATION) TO ACCESS ON-LINE SERVICES OR MANAGE ELECTRONIC TRANSACTIONS. BY CREATING A REGULATORY ENVIRONMENT TO ENABLE SECURE AND SEAMLESS ELECTRONIC INTERACTIONS BETWEEN BUSINESSES, CITIZENS AND PUBLIC AUTHORITIES THROUGHOUT THE ENTIRE EU.

TABLE 17: ACTIVITIES WITHIN STEP 1.2.1.1.

Activity Code	Activity title	Responsibility	Source of verification
1.2.1.1.1.	Legal framework on electronic identity and trust services for electronic transactions aligned with eIDAS 2.0 regulation	Ministry of communication all levels, Ministries of Internal Affairs all levels, IDDEEA and AICT RS	Official Gazette.
1.2.1.1.2.	Subsequent harmonized entity legislation to align with new BIH Law on electronic identity and trust services for electronic transactions in line with the eIDAS.	Ministry of communication all levels, Ministries of Internal Affairs all levels, IDDEEA and AICT RS	Official Gazette.
1.2.1.1.3.	Create and operationalise the single supervisory body for the whole country in line with the eIDAS Regulation (Commission Implementing Decision (CID) EU 2015/296 of Article 12(7) of the eIDAS Regulation, recital (4))	Ministry of communication all levels, IDDEEA, Ministries of Internal Affairs all levels and AICT RS	Council of Ministers Decision on Staffing and Recruitment Plan, Supervision Plan, Supervision Reports
1.2.1.1.4.	Acceptance of single supervisory body in to eIDAS Network	Ministry of communication all levels, IDDEEA and AICT RS	eIDAS network webpage
1.2.1.1.5.	Develop implementation plan for eIDAS certification by allowing trust providers to achieve eIDAS certification and requirements	Ministry of communication all levels, IDDEEA and AICT RS	Official Gazette.

eIDAS regulation is linked to Open Data Directive and e-Privacy Directive and coordination and alignment between these activities is required.

In order to implement activity 1.2.1.2.3, the implementation of infrastructure to support interoperability framework will need investment in infrastructure, connectivity, and the creation of interfaces to collect data from multiple sources. It is estimated that the activity shall consume 3,0 million euros within 4 years, ensuring that this investment is not proposed for RGF support through the WBIF.

**STEP 1.2.1.2. Adoption and implementation of the interoperability framework enabling exchange of data between different administrative levels**

Public administrations should save time, reduce costs, increase transparency, and improve both data quality and the delivery of public services. Public administrations should provide key interoperable user-centric digital public services to

businesses and citizens, at national and Union levels, supporting the free movement of goods, people, services, and data throughout the Union. Public administrations manage large amounts of data in different formats, using different data management methods.

TABLE 18: ACTIVITIES WITHIN STEP 1.2.1.2.

Activity Code	Activity title	Responsibility	Source of verification
1.2.1.2.1.	Adoption of legal framework for interoperability framework enabling exchange of data between different administrative levels as mandatory data exchange protocol. To be aligned with Open Data Directive and e-Privacy Directive activities.	Ministry of communication all levels, Ministry of Justice all levels, Ministries of Internal Affairs all levels, IDDEEA, Data owners and AICT RS,	Official Gazette.
1.2.1.2.2.	Create the interoperability working group on all administrative levels to create a priority list of data to part of interoperability framework	Ministry of communication all levels, Ministry of Justice all levels, IDDEEA, Data owners and AICT RS	Official Gazette
1.2.1.2.3.	Developing and implementing interoperability framework infrastructure on different administrative levels	Ministry of communication all levels, Ministry of Justice all levels, IDDEEA, Data owners and AICT RS	Webpage of the responsible institutions

In order to implement activity 1.2.1.2.3, the implementation of infrastructure to support interoperability framework will need investment in infrastructure, connectivity, and the creation of interfaces to collect data from multiple sources. It is estimated that the activity shall consume 3,0 million euros within 4 years.

***STEP 1.2.1.3. Legislation aligned with Open Data Directive and e-Privacy Directive.***

The Open Data Directive and e-Privacy Directive will promote transparency in data allowing for an increase in public administration efficiency. The Open Data Directive focuses on the economic aspects of the re-use of information rather than on access to information by citizens. It encourages EU countries to make as much information available for reuse as possible. It addresses material held by public sector bodies in EU countries, at national, regional and local levels.

While e-Privacy Directive is an EU directive on data protection and privacy in the digital age. It regulates cookie usage, email marketing, data minimization, and other aspects of data privacy. For example, it requires that a website obtain a user's consent before storing user data.

TABLE 19: ACTIVITIES WITHIN STEP 1.2.1.3.

Activity Code	Activity title	Responsibility	Source of verification
1.2.1.3.1.	Legal framework on Open Data Directive mandating Open Data by design on all new IT systems.	Ministry of communication all levels, Ministry of Justice all levels, IDDEEA, Data owners and AICT RS	Official Gazette.
1.2.1.3.2.	Create the Open Data working group on all administrative levels to create a likely of Open Data Sets and services	Ministry of communication all levels, Ministry of Justice all levels, IDDEEA, Data owners and AICT RS	Official Gazette
1.2.1.3.3.	Create Open Data portal for all administrative levels including open data catalog, offer open data sets to public from different data sources.	Ministry of communication all levels, Ministry of Justice all levels, IDDEEA, Data owners and AICT RS	Webpage with public online catalog of Open Data services
1.2.1.3.4.	Legal framework on e-Privacy Directive	Ministry of communication all levels, IDDEEA, Ministry of Justice all levels and AICT RS	Official Gazette.
1.2.1.3.5.	Impact analysis of e-privacy directives and GDPR on existing government services.	Ministry of communication all levels, Ministry of Justice all levels, Ministries of Internal Affairs all levels, IDDEEA and AICT RS,	Official Gazette
1.2.1.3.6.	Implementation of changes as required by e-Privacy Directive on existing government services.	Systems owners that have sensitive data	Official Gazette.

#### **STEP 1.2.1.4. Digital Identity Wallet Framework in place, including Architecture and Reference Framework**

The EU Digital Identity Wallet allows you to manage and determine when and with whom your data is shared. It is a secure and simple means for EU citizens, residents, and businesses to verify their identities when using digital services. The platform will allow clients to securely retrieve, store, and share essential digital documents, as well as electronically sign or seal them. It will facilitate the public sector's digital transformation, allowing for greater access to digital services, including across borders. Businesses will find it easier to provide online services across Europe since the wallet ensures safe authentication for all potential customers in the EU.

TABLE 20: ACTIVITIES WITHIN STEP 1.2.1.4.

Activity Code	Activity title	Responsibility	Source of verification
1.2.1.4.1.	Legal framework aligned with EU Digital Identity Wallet Framework including Architecture and Reference Framework	Ministry of communication all levels, Ministries of Internal Affairs all levels, IDDEEA, Ministry of Justice all levels and AICT RS	Official Gazette.

#### **STEP 1.2.1.5. National Digital Identity Wallet in compliance with new EU Digital Identity Framework' in place**

The platform will enable clients to safely obtain, store and share important digital documents and electronically sign or seal documents. Providing the documents needed to open a new bank account, enrol in a university abroad, or apply for your next dream job will be both easy and secure. And your privacy will always be respected; you control what data is shared and who has access to it. It will facilitate the public sector's digital transformation, allowing for greater access to digital services.

The baseline for national digital identity wallet to have fully functional services by second year that includes service for at least 15 municipalities with at least 5 services each.

TABLE 21: ACTIVITIES WITHIN STEP 1.2.1.5.

Activity Code	Activity title	Responsibility	Source of verification
1.2.1.5.1.	Create implementation plan for Digital Identity Wallet Framework	Ministry of communication all levels, Ministry of Interior all levels, IDDEEA, Data Owners and e-government and AICT RS	Implementation Plan
1.2.1.5.2.	A minimum of one Mutual Recognition Agreement (MRA) with another WB6 country should be included in the Digital Identity Wallet implementation, as evidence of cross-border interoperability and alignment with the goals of the Balkan Identity Wallet.	Ministry of communication all levels, Ministry of Interior all levels, IDDEEA, WB6 participant country. and AICT RS	Council of Ministers Decision formal adoption of Implementation Plan including relevant Ministries
1.2.1.5.3.	Create services to support Digital Wallet and allow creation and sharing digital documents	Ministry of communication all levels, Ministry of Interior all levels, IDDEEA, Data Owners and e-government and AICT RS	Webpage promoting Digital Wallet

To implement the activity 1.2.1.5.2., Digital Wallet will have to build technical platform to manage digital documents. It is estimated that the activity shall consume 11 million euros within 4 years.

### **COMPONENT 1.3. CYBERSECURITY**

#### **REFORM 1.3.1. SET UP A COMPREHENSIVE FRAMEWORK FOR CYBER RESILIENCE (INTRODUCING REQUIREMENTS OF NIS2 DIRECTIVE AND STRENGTHENING RELEVANT INSTITUTIONS AT ALL LEVELS OF GOVERNMENT)**

Setting up a comprehensive framework which is fully aligned with EU NIS2 Directive for cyber resilience is crucial for digital e-government landscape. By aligning the framework with the requirements of the EU NIS2 Directive, we should build systems that are secure against cyber threats. Strengthening relevant institutions at all levels of government is essential to effectively implement and enforce this framework. By investing in cybersecurity measures and training, we can better protect our essential and important entities as defined by NIS2. The cyber resilience framework to help define

and safeguard e-government services ensuring the trust and stability. This framework will ensure that CSIRT response teams will be able to respond to cyber incidents.

## CHALLENGES

Implementing the cybersecurity framework outlined in the EU NIS2 Directive presents challenges. Harmonizing cybersecurity practices across diverse sectors including government sectors on all levels with the European Union requires navigating differing levels of technological maturity, regulatory interpretation, and organizational readiness. Ensuring compliance with stringent security standards and very timely reporting requirements demands significant resources and expertise from both public and private entities. Additionally, promoting a culture of cybersecurity awareness and resilience among stakeholders is crucial for effective implementation. The EU NIS2 Directives require a single point of contact and a very strict reporting timeframe which will require training, investments, and coordination on all levels of government while facilitating knowledge sharing across European countries. Just creating an analysis of which organizations are “essential” or “important” based on the NIS2 Directive will demand complex coordination between all government levels and industries in addition to a deep understanding of cybersecurity, IT audits, and NIS2 Directive requirements. Finally, one of the key challenges will be to ensure skilled cybersecurity experts are part of government services and can be attracted to stay and make continuous improvements in their cybersecurity skill sets.

## BENEFICIARIES

Implementation of cyber security resilience will benefit most government agencies. Will also improve cyber security posture across multiple organization and sectors. An organization's overall cybersecurity readiness, or security posture, is a reflection of its ability to recognize, defend against, detect, respond to, and recover from security threats. A robust security posture helps in preventing a number of risks including as ransomware, phishing scams, and data breaches. Sensitive data may be compromised in the absence of adequate protection, resulting in serious financial and reputational harm. It will also impact multiple sectors based on the NIS2 identification of “essential” or “important” organizations.

TABLE 22: STEPS WITHIN REFORM 1.3.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
1.3.1.1	The point of contact in the sense of NIS2 Directive is established	Ministry of Security BiH, Ministry of communication all levels, Ministry of Interior all levels and AICT RS	December 2026
1.3.1.2.	State and entity-level CSIRTs are operational in line with NIS2 requirements and reach SIM3 model FIRST membership maturity profile. Clear coordination mechanisms are set out among the CSIRTs in the country	Ministry of Security BiH, Ministry of communication all levels, Ministry of Interior all levels and AICT RS	December 2026
1.3.1.3.	Competent authorities as defined in the NIS2 are operational on state, entity and Brcko District levels: sufficiently staffed, equipped with supervisory powers, performing supervisory checks	Ministry of Security, Ministry of interior all levels, Ministry of communication all levels and AICT RS, Ministry and agency all levels responsible for Essential and important entities / sectors defined by the NIS 2 directive	December 2026
1.3.1.4.	Lists of entities in scope of the state, entity and Brcko District level laws corresponding to the NIS2 Directive are finalized	Ministry of Security of B&H, Ministry of communication all levels, Ministry of interior all level, AICT RS, Ministry and agency all levels responsible for Essential and important entities / sectors defined by the NIS 2 directive.	June 2027
1.3.1.5.	Frameworks introduced by NIS2 alignment (Coordinated Vulnerability Disclosure framework, crisis management framework), are in place and in use	Ministry of Security of B&H, Ministry of communication all levels, Ministry of interior all level, AICT RS, Ministry and agency all levels responsible for Essential and important entities / sectors defined by the NIS 2 directive.	December 2027

### ***STEP 1.3.1.1. The point of contact in the sense of NIS2 Directive is established***

NIS2 requires that all cybersecurity incidents be reported, whether or not the attack affected the entity’s operations. This is to assist authorities in better monitoring and responding to any threats. the NIS2 requirement that each EU member state appoint a central point of contact for compliance and a coordinating computer security incident response team

(CSIRT) for incident reporting, as well as a competent authority. The directive describes in great detail the process of reporting incidents that have a significant effect. Failure to comply with the NIS2 directive comes with stricter penalties.

Align these activities with existing decision such as Decision of the Council of Ministers of Bosnia and Herzegovina on the appointment of a team to respond to computer incidents published in "Official Gazette of Bosnia and Herzegovina, number: 25/17".

TABLE 23: ACTIVITIES WITHIN STEP 1.3.1.1.

Activity Code	Activity title	Responsibility	Source of verification
1.3.1.1.1.	Adoption of legal framework for NIS2 Directive	Ministry of Security BiH, Ministry of communication all levels, Ministry of Interior all levels and AICT RS	Official Gazette.
1.3.1.1.2.	Create the point of contact to enable cross-border cooperation between authorities based on NIS2 Directive	Ministry of Security, Ministry of communication all levels, Ministry of interior all levels	Official Gazette
1.3.1.1.3.	Operationalized and educate team as part of NIS2 contact point	Ministry of communication all levels, Ministry of Security, Ministry of interior all levels	Council of Ministers Decision on Staffing and Recruitment Plan, Supervision Plan, Supervision Reports Training Reports
1.3.1.1.4.	Adoption of legal framework for cybersecurity laws based on NIS 2	Ministry of communication all levels, Ministry of Security, Ministry of interior all levels	Official Gazette.

***STEP 1.3.1.2. State and entity-level CSIRTs are operational in line with NIS2 requirements and reach SIM3 model FIRST membership maturity profile. Clear coordination mechanisms are set out among the CSIRTs in the country***

NIS2 requires that all cybersecurity incidents be reported, whether or not the attack affected the entity's operations. This is to assist authorities in better monitoring and responding to any threats. The new Directive foresees a multiple –stage approach to incident reporting. Affected entities have 24 hours from the time they first become aware of an incident to submit an early warning to the CSIRT, during which time they can also seek assistance (guidance or operational advice on the implementation of potential mitigation measures) if they so desire.

The early warning should be followed by an incident notice within 72 hours after learning about the issue, and a final report no later than one month later. Failure to comply with the NIS2 Directive comes with stricter penalties. The administrative fines can be up to €10,000,000 or at least 2% of the total annual worldwide turnover in the previous fiscal year or €7,000,000 or at least 1.4% for important entities.

The baseline for CSIRT to reach incident notice reporting for less than 24 hours on 90% incident by second year of operation.

TABLE 24: ACTIVITIES WITHIN STEP 1.3.1.2.

Activity Code	Activity title	Responsibility	Source of verification
1.3.1.2.1.	Create action plan and responsibilities for action plan State and entity-level CSIRTs in line with NIS2 requirements	Ministry of communication all levels, Ministry of Security, Ministry of interior all levels, and AICT RS	Official Gazette
1.3.1.2.2.	Adoption of legal framework for State and entity-level CSIRTs in line with NIS2 requirements. Clear coordination mechanisms among the CSIRTs in the country is mandatory	Ministry of communication all levels, Ministry of Security, Ministry of interior all levels, and AICT RS	Official Gazette.
1.3.1.2.3.	Create, educate and ensure capability and capacity of CSIRT team in line with NIS2 requirements	Ministry of communication all levels, Ministry of Security, Ministry of interior all levels, and AICT RS	Council of Ministers Decision on Staffing and formally recruitment, Supervision Plan, Supervision Reports. External audit of CSIRT team.

1.3.1.2.4.	<i>State and entity-level CSIRTs reach SIM3 model FIRST membership maturity profile</i>	Ministry of communication all levels, Ministry of Security, Ministry of interior all levels, and AICT RS	Audt report by Certified SIM3 Auditors
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In order to implement the activity 1.3.1.2.4., CSIRTs teams needs to be adequately staffed and equipped. Clear coordination mechanisms need to be set among the CSIRTs in the country with clear roles and responsibilities. It is estimated that office shall have at least 7 employees. Technical trainings will have to be organized for employees. It is estimated that the activity shall consume 1,5 million euros within 4 years per each CSIRT team.

***STEP 1.3.1.3. Competent authorities as defined in the NIS2 are operational on state, entity and Brcko District levels: sufficiently staffed, equipped with supervisory powers, performing supervisory checks***

Another significant component is cyber security, with the goal of quickly enacting the Law in compliance with the NIS2 Directive, State and entity-level CSIRTs to be operational in line with NIS2 requirements and reach SIM3 mode. In order to preserve the integrity and security of public and private infrastructure, it is imperative to establish an efficient framework for cyber resilience that includes crisis management procedures and coordinated vulnerability detection. This will guarantee that key economic sectors and state institutions can respond appropriately to cyber threats.

TABLE 25: ACTIVITIES WITHIN STEP 1.3.1.3.

Activity Code	Activity title	Responsibility	Source of verification
1.3.1.3.1.	Create team of competent authorities based on industries as defined by NIS2	Ministry of Security of B&H, Ministry of communication all levels, Ministry of interior all level, AICT RS, Ministry and agency all levels responsible for Essential and important entities / sectors defined by the NIS 2 directive.	Council of Ministers Decision
1.3.1.3.2.	Ensure competent authorities sufficiently staffed (based on international good practices and standards), equipped with supervisory powers, performing supervisory checks as defined by NIS2	Ministry of Security of B&H, Ministry of communication all levels, Ministry of interior all level, AICT RS, Ministry and agency all levels responsible for Essential and important entities / sectors defined by the NIS 2 directive.	Council of Ministers Decision on Staffing and Recruitment Plan, Supervision Plan, Supervision Reports

***STEP 1.3.1.4. Lists of entities in scope of the state, entity and Brcko District level laws corresponding to the NIS2 Directive are finalized***

The NIS 2 requirement for all in-scope entities to take “appropriate and proportional technical, operational and organisational measures” to manage the risks posted to the security of their systems that are used for operations or provision of services. The Directive impacts multiple sectors based on the NIS2 identification of “essential” or “important” entities. NIS 2 obliges ‘essential’ entities to report and engage with the designated authorities in relation to cybersecurity incidents and threats. Essential list includes the entities such as: energy, drinking water, wastewater, transportation, banking, financial markets, governments, healthcare and many more.

The baseline NIS2 directive includes identification of Essential Entities, important Entities by first year of operation, and bringing 80% Essential Entities compliant to NIS2 directives by third year of operation. Where 80% important Entities compliant to NIS2 directives by fourth year of operation.

TABLE 26: ACTIVITIES WITHIN STEP 1.3.1.4.

Activity Code	Activity title	Responsibility	Source of verification
1.3.1.4.1.	Create by-law to identify Essential Entities, important Entities, critical sectors, significant incidents, and BIH specific include and exclude criteria as defined under NIS2	Ministry of Security of B&H, Ministry of communication all levels, Ministry of interior all level, AICT RS, Ministry and agency all levels responsible for Essential and important entities / sectors defined by the NIS 2 directive.	Official Gazette
1.3.1.4.2.	Lists of entities in scope of the state, entity and Brcko District level	Ministry of Security of B&H, Ministry of communication all levels, Ministry of interior all level, AICT RS, Ministry and agency all levels responsible for Essential and	The NIS2 list of entities in the scope are often non-public document to address this Council of Ministers should formally declaration that entities under NIS2 directive

		important entities / sectors defined by the NIS 2 directive.	must comply with NIS2 rules while Ministry of Security should monitor compliance.
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**STEP 1.3.1.5. Frameworks introduced by NIS2 alignment (Coordinated Vulnerability Disclosure framework, crisis management framework), are in place and in use**

European union agency for cybersecurity (ENISA) is creating the harmonised approach in coordinated vulnerability disclosure (CVD). ENISA actively promotes CVD and supported csirts in the adoption and development of CVD policies at the national level by continuously published guidelines, recommendations and analyses. it also maintains the eu centralized database called European Vulnerability Database (EUVD) to enables transparent access to enriched vulnerability information provided by multiple sources and national CSIRTs.

TABLE 27: ACTIVITIES WITHIN STEP 1.3.1.5.

Activity Code	Activity title	Responsibility	Source of verification
1.3.1.5.1.	Create Framework ensuring NIS2 alignment (Coordinated Vulnerability Disclosure framework, crisis management framework))	Ministry of Security of B&H, Ministry of communication all levels, Ministry of interior all level, AICT RS, Ministry and agency all levels responsible for Essential and important entities / sectors defined by the NIS 2 directive.	Official Gazette
1.3.1.5.2.	In place and operational Coordinated Vulnerability Disclosure framework, crisis management framework	Ministry of Security of B&H, Ministry of communication all levels, Ministry of interior all level, AICT RS, Ministry and agency all levels responsible for Essential and important entities / sectors defined by the NIS 2 directive.	Performance and incidents reports.

**COMPONENT 1.4. MARKET REFORMS**

**REFORM 1.4.1. – FULL IMPLEMENTATION OF THE 3RD ENERGY PACKAGE FOR GAS AND THE ELECTRICITY INTEGRATION PACKAGE, INCLUDING APPOINTMENT OF NEMO, UNBUNDLING, GRADUAL TARIFF ADJUSTMENT AND MARKET COUPLING**

Bosnia and Herzegovina is a contracting party of the Energy Community Treaty. The obligations and reforms listed below are binding for BiH by the Agreement and the decisions of the Ministerial Council. BiH will implement unbundling and certification of DSOs and TSOs”, “OPEN the day-ahead and intraday market”, “TSO and NEMOs joining the day ahead market with the EU”.

Bosnia and Herzegovina is strongly committed to fully align its legislation with the EU Third Energy Package for gas and the Electricity Integration Package which creates the foundation of the EU internal energy market. By Decision of the Ministerial Council of the Energy Community of December 15, 2022, Bosnia and Herzegovina has committed to align with and implement the Electricity Integration Package by 31 December 2023.

BiH has already taken some steps to draft the Law on Transmission, Regulator and System Operator of Electricity in BiH. The main goal of drafting the Law is to create legal ground for the establishment of an organized market Intraday and Day-ahead market and its integration with the regional electricity market. The Law on Transmission, Regulator, and System Operator of Electricity in BiH will have significant implications for the country's electricity sector. The amendments will enable reform of transmission system framework; market regulation and liberalisation as well as integration with the EU internal electricity market”. Furthermore, BiH will designate a "Nominated Electricity Market Operator" (NEMO) to perform tasks related to single day-ahead and single intraday market coupling (SDAC and SIDC) as provided by the EU *acquis*. The relevant provisions of the EU *acquis* will be transposed by the adoption of the Law on Transmission, Regulator and System Operator of Electricity in BiH, as well as related by-laws. The relevant provisions of the EU *acquis* will be transposed by the adoption of the Law on Transmission, Regulator and System Operator of Electricity in BiH, as well as related by-laws. Alignment with the Electricity Integration Package will establish a legal ground for the integration of Bosnia and Herzegovina electricity market into the EU internal market for electricity on the basis of reciprocity.

In addition with the alignment of the current legislation with the electricity integration package Bosnia and Herzegovina will work on fulfilling preconditions for obtaining the exemption from the Carbon Boarder Adjustment Mechanism (CBAM) by establishing its Emissions Trading System (ETS), establishing power exchange and coupling its electricity market into the EU internal market.

Equally, the Third Energy Package in the gas sector aims to create a more competitive, integrated, and sustainable gas market within the European Union. Legislation on gas in BiH will be fully aligned with the provisions of the Third Energy Package.

Transposition of relevant provisions of the EU *acquis* will enable the liberalization of the gas market in BiH.

Consequently, the implementation of reforms will lead to further liberalisation and integration of the BiH market into the single European energy market.

## CHALLENGES

The energy sector in BiH faces several significant challenges that impact its development, efficiency, and sustainability. A lack of a coherent, countrywide energy policy hinders the development of a cohesive and efficient energy sector. The energy market in BiH is not fully liberalized, the unbundling of the transmission system operator and the distribution system operators is not yet completed, and it is characterised by significant state control over production and distribution. This limits competition and efficiency. Aligning BiH's energy market with EU regulations and standards is challenging but necessary for market liberalization and integration with the single European energy market.

## BENEFICIARIES

Implementation of energy reform in BiH includes various stakeholders, from the public enterprises to the wider community. The ultimate beneficiaries are consumers. Consumers will be protected from unfair practices, ensuring they receive reliable and transparent information about their energy use and costs. Improved transparency and information as well as enhanced security of supply will be beneficial for the consumers.

TABLE 28: STEPS WITHIN REFORM 1.4.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
1.4.1.1.	Legislation at State level in the field of electricity is adopted and fully aligned with the Electricity Integration Package	BiH (MoFTER); FBiH (FMERI); RS (MER), BDBiH (DoCA)	December 2025
1.4.1.2.	Legislation in the field of gas is adopted and fully aligned with the Third Energy Package	FBiH (FMERI); RS (MER); BDBiH (DoCA)	December 2025
1.4.1.3.	Appoint one Nominated Electricity Market Operator (NEMO)	BiH (MoFTER), (DERK)	December 2025
1.4.1.4.	Unbundling and certification of all electricity distribution and transmission system operators (DSO and TSO) in line with the Electricity Integration Package	(DERK); TRANSCO BiH; FBiH (FMERI); RS (MER); FERK; REERS; ERS; EP BiH; EP HZHB	December 2025
1.4.1.5.	Continue implementation of the electricity integration package in line with Energy Community requirements: Open the day-ahead and intraday market Continue implementation of the electricity integration package by the TSO and NEMOs joining day ahead market coupling with the EU in line with Energy Community requirements	BiH (MoFTER), (DERK); FBiH (FMERI); RS (MER)	December 2025
1.4.1.6.	Electricity price for households reflect the market costs in line with EU best practice (for ex. linking bilateral supply contracts between the generator and the supplier of electricity to annual average of the day-ahead market price)	(DERK); FBiH (FMERI), (FERK); RS (MER), (REeRS); ERS; EP BiH; EP HZHB; JP Komunalno Brčko	December 2027

### ***Step 1.4.1.1. Legislation at State level in the field of electricity is adopted and fully aligned with the Electricity Integration Package***

The legal regulation defined at the state level of Bosnia and Herzegovina, which touches on the issue of energy security and the internal electricity market, is provided by the Law on Regulator, Transmission and Market of Electricity of Bosnia and Herzegovina.

The adoption of the Law will enable the designation of NEMO, the establishment of the day-ahead and intraday market and their coupling with single and intraday market (SDAC and SIDC). By-laws will prescribe in detail the implementation of the provisions of the Law on Transmission, Regulator and System Operator of Electricity in BiH including the implementation of the network codes and guidelines.

The Law on Transmission, Regulator, and System Operator of Electricity in BiH will have significant implications for the country's electricity sector. The Law will enable unbundling of transmission system operators; market liberalisation as well as integration with the EU single market.

TABLE 29: ACTIVITIES WITHIN STEP 1.4.1.1.

Activity Code	Activity title	Responsibility	Source of verification
1.4.1.1.1	Adoption of the Law on Transmission, Regulator and System Operator of Electricity in BiH	CoMBiH, PABiH	Official Gazette of BiH
1.4.1.1.2	Adoption of sub-legal acts based on the Law on Transmission, Regulator and System Operator of Electricity in BiH	BiH (MoFTER), (SERC), (NOSBiH), (TRANSCO);	Official Gazette of BiH, FBiH, RS

**Step 1.4.1.2. Legislation in the field of gas is adopted and fully aligned with the Third Energy Package**

Adopt and fully align the legislation in the field of natural gas with the Third Energy Package, through two entity Gas Laws.

Republika Srpska has a Gas Law (“Official Gazette of the Republika Srpska”, No. 22/18 and 15/21) that is aligned with the Third Energy Package. FBiH has a Draft Gas Law (February 2025).

In this way, the transposition and implementation of the Third Energy Package (i.e. granting regulatory powers to the appropriate body, implementing the obligations of unbundling the transmission system operator, adopting adequate network tariffs, opening the market, etc.) will be achieved also in the part of BiH (FBiH), where this has not been possible so far, due to the use of gas legislation that is not aligned with the EU acquis.

Also, conditions will be defined for resolving capacity allocation, development of the transport network, balancing, the gas market, establishment of network rules, certification and unbundling of transport system operators and other issues for the natural gas sector, including in the FBiH, where this has not been possible so far, due to the use of gas legislation not harmonized with the EU acquis.

TABLE 30: ACTIVITIES WITHIN STEP 1.4.1.2.

Activity Code	Activity title	Responsibility	Source of verification
1.4.1.2.1	Adoption of Legislation on gas	Vlada RS, Vlada FBiH, NSRS i PABiH, MER RS, FMERI FBiH	Official Gazette
1.4.1.2.2	Strengthening of administrative capacities including through the implementation of series of trainings provided to all stakeholders involved	(BDBiH - DoCA); FBiH (FMERI); RS (MER)	SAA Subcommittee on Transport, Energy, Environment and Regional Development papers

**STEP 1.4.1.3. Appoint one Nominated Electricity Market Operator (NEMO)**

As an entity designated by the competent authority to perform tasks related to single day-ahead or single intraday market coupling, NEMO in order to run the day-ahead and intraday integrated electricity markets in the EU.

BiH does not been made towards setting-up an organised day-ahead and intraday market and designating at least one nominated electricity market operator (NEMO). By appointment of one NEMO, conditions for day-ahead and intraday electricity market will be created.

TABLE 31: ACTIVITIES WITHIN STEP 1.4.1.3.

Activity Code	Activity title	Responsibility	Source of verification
1.4.1.3.1	Adoption of Law on Transmission, Regulator and System Operator of Electricity in BiH	CoMBiH, PABiH	Official Gazette

1.4.1.3.2	Adoption of sub-legal acts based on the Law on Transmission, Regulator and System Operator of Electricity in BiH	BiH (CoMBiH), (MoFTER), (DERK), (NOSBiH), (TRANSCO);	Official Gazette
1.4.1.3.3	One Nominated Electricity Market Operator (NEMO) appointed	BiH (CoMBiH), (DERK)	Official Gazette

**Step 1.4.1.4. Unbundling and certification of all electricity distribution and transmission system operators (DSO and TSO) in line with the Electricity Integration Package**

A legal framework for unbundling and certification of the transmission system operator is currently in the procedure of the adoption in PA BiH. Some steps in legal and accounting unbundling has been completed for distribution companies but there is no progress towards functional unbundling. The tasks of distribution system operators are not aligned with the requirements of Electricity Integration Package.

TABLE 32: ACTIVITIES WITHIN STEP 1.4.1.4.

Activity Code	Activity title	Responsibility	Source of verification
1.4.1.4.1	Adoption of Law on Transmission, Regulator and System Operator of Electricity in BiH	CoMBiH, PABiH	Official Gazette
1.4.1.4.2	Adoption of sub-legal acts based on the Law on Transmission, Regulator and System Operator of Electricity in BiH	BiH (CoMBiH), (MoFTER), (DERK), (NOSBiH), (TRANSCO)	Official Gazette
1.4.1.4.3	Process of unbundling and certification done in line with the Electricity Integration Package	(DERK), (FERK), RS(MER), (REERS), FMERI, TRANSCO, ERS, EP BiH, EP HZHB	Decisions adopted by TSOs and DSOs regarding the process of unbundling. Decision that the TSO is certified
1.4.1.4.4	Strengthening of administrative capacities including through the implementation of series of trainings provided to all stakeholders involved	BiH (MoFTER), (BDBiH - (DoCA); FBiH (FMERI); RS (MER)	Activity reports of competent institutions

**Step 1.4.1.5. Continue implementation of the electricity integration package in line with Energy Community requirements**

Bosnia and Herzegovina have not yet transposed the Electricity Integration Package. Since the Third Energy Package has neither been transposed not implemented, the electricity market remains governed by a legal framework which is not compliant and conducive for day-ahead and intraday market development. As a result, no progress has been made towards setting-up an organised day-ahead and intraday market and designating at least one nominated electricity market operator (NEMO).

Implementation of the activity under the electricity integration package is crucial for BiH to integrate electricity market into EU.

TABLE 33: ACTIVITIES WITHIN STEP 1.4.1.5.

Activity Code	Activity title	Responsibility	Source of verification
1.4.1.5.1	Adoption of Law on Transmission, Regulator and System Operator of Electricity in BiH	CoMBiH, PABiH	Official Gazette
1.4.1.5.2	Adoption of sub-legal acts based on the Law adopted	BiH (CoMBiH), (MoFTER), (DERK), (NOSBiH), (TRANSCO);	Official Gazette

1.4.1.5.3	Open the day-ahead and intraday market	BiH (CoMBiH), (MoFTER), (DERK), (NOSBiH),	Reports for SAA Subcommittee on Transport, Energy, Environment and Regional Development papers
1.4.1.5.4	Continue implementation of the electricity integration package by the TSO and NEMOs joining day ahead market coupling with the EU	BiH (CoMBiH), (MoFTER), (DERK), (NOSBiH), (TRANSCO);	Reports for SAA Subcommittee on Transport, Energy, Environment and Regional Development papers

#### **Step 1.4.1.6. Electricity price for households reflect the market cost price in line with EU best practices**

One of the measures in the energy sector reform is the gradual adjustment of electricity supply prices to market prices. This process aims to create a more competitive and transparent market environment, where prices are determined by supply and demand rather than public intervention. Through adjustment of electricity supply prices with market prices, BiH seeks to enlarge investment in the energy sector, improve cost-recovery mechanisms for electricity producers, and enhance the overall efficiency of the electricity market.

The first step BiH will initiate preparation of the study aiming to develop different scenarios for deregulations of electricity supply prices for households. Based on the result of study BiH will design and implement future measures. The activity is planned to be implemented in 2025. For the implementation of the activity BiH will request technical support from the donors.

TABLE 34: ACTIVITIES WITHIN STEP 1.4.1.6.

Activity Code	Activity title	Responsibility	Source of verification
1.4.1.6.1	Drafting Study on electricity prices	(MoFTER); (BDBiH - DoCA); (DERK); FBiH (FMERI) (FERK); RS (MER) (REERS)	Web pages of the competent authorities
1.4.1.6.2	Strengthening of administrative capacities including through the implementation of series of trainings provided to all stakeholders involved	(BDBiH - DoCA); (DERK); FBiH (FMERI) (FERK); RS (MER) (REERS)	Activity reports of competent authorities
1.4.1.6.3	Taking action on the basis of the results of the study	(BDBiH); (DERK); FBiH (FMERI) (FERK); RS (MER) (REERS)	Activity reports of competent authorities

## **COMPONENT 1.5. DECARBONISATION POLICY AND ETS ADOPTION**

BiH undertook a set of obligations by signing the Sofia Declaration on the Green Agenda for the Western Balkans (2020) following the 2030 UN Agenda, the Paris Agreement (2015) and the European Green Deal (2019), as well as the Treaty establishing Energy Community. The implementation of the commitments will lead to mitigation of climate change and environmental protection.

A key activity in the coming period is the finalisation and approval of the Integrated Energy and Climate Plan of Bosnia and Herzegovina for the period until 2030 (NECP). This document will define policies and measures to achieve the objectives in the period up to 2030 including the reduction of greenhouse gas emissions, energy from renewable sources, energy efficiency and electricity interconnection. NECP will play a critical role in driving the transition to a sustainable and resilient energy system, delivering economic, social, and environmental benefits.

A system of trading greenhouse gas emission units will be designed to achieve the EU's climate objectives by reducing greenhouse gas emissions in a cost-effective and economical way, based on the principle of *cap and trade*.

Accelerating coal transitions will impact workers and communities that depend on coal. For that reason, comprehensive stakeholder engagement and a set of policies to manage negative impacts will be developed. These need to cover the creation of decent work opportunities, support for workers affected by energy transitions and respect for fundamental labour principles and rights. The goal is to reach 20% of active workers/miners/workforce in coal regions reskilled by June 2027.

BiH will adopt climate legislation aligned with EU Climate Law including commitments to climate neutrality. The Law will also create legal bases for establishment of Monitoring, Reporting, Verification, and Accounting (MRVA). MRVA will support the BiH's energy and climate policies, helping to track progress towards renewables, energy efficiency and emissions reduction targets.

### **CHALLENGES**

Decarbonization policies and the adoption of ETS are critical tools in the fight against climate change. However, they come with significant challenges. Decarbonization often requires significant investments in new technologies and processes. Industries, particularly energy-intensive ones, may face increased operational costs, which can impact their competitiveness. Transitioning to a low-carbon economy may result in job losses in certain sectors, such as coal mining and fossil fuel industries, leading to social and economic challenges in affected regions. Carbon pricing and ETS can lead to higher energy prices, which may disproportionately affect low-income households and small businesses. Decarbonization and the transition to a low-carbon economy require substantial financial resources. Mobilizing investments from both public and private sectors is essential but challenging.

Decarbonization requires consistent and stable policy frameworks. Unstable legal and administrative framework can create uncertainty and hinder investments. Implementing and enforcing regulations across various sectors and regions can be complex. Ensuring compliance and preventing loopholes require robust regulatory mechanisms.

## BENEFICIARIES

Decarbonization policies and ETS adoption benefit a wide range of stakeholders by promoting environmental sustainability, public health, economic growth, and social well-being. It has implications for environment and public health, business and industry, consumers, local communities, global community, future generations.

### REFORM 1.5.1. – IMPLEMENTATION OF THE NECP AND OTHER RELATED STRATEGIC DOCUMENTS (ROADMAP FOR JUST TRANSITION IN COAL REGIONS).

The most significant activity in the coming period is the completion of BiH NECP. This document will contain objectives as well as reform of the energy sector following climate objectives until 2030, with projections until 2050. Adoption of the document is planned for the end of 2024. At the same time, the development of NECP of the Republika Srpska and the Federation of Bosnia and Herzegovina is progressing. The adoption is planned for the fourth quarter of 2024 after the public consultation.

About 14 major mines are currently active in BiH. 16.2 thousand workers (baseline) are employed in coal mines and thermal power plants: 11.5 thousand in Federation of Bosnia and Herzegovina and 4.7 thousand in Republika Srpska - 2.4 thousand workers are employed upstream in the coal value chain in firms dependent on mines and TPPs - 18,600 workers are at risk of losing their jobs in case of closure of mines and thermal power plants. Social impacts from coal mine closures and retirement of TPPs could be substantial. The economic consequences will reach even further as workers throughout the coal value chain will be impacted, as will the local economies for which coal activity has been an economic stimulus.

A draft Roadmap for the Just Transition of Coal Regions of BiH has been prepared. The goal of the document is to provide inputs for just transition of coal regions in the RS and the FBiH. Additionally, pilot projects are being prepared, and will be implemented together with the World Bank in local communities in coal regions. Roadmap will be considered/approved by The Government of FBiH and The Government of RS and by The Council of Ministers of BiH. Based on the approved Roadmap, cantons and local communities will draft action plans for the relevant regions.

TABLE 35: STEPS WITHIN REFORM 1.5.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
1.5.1.1.	Roadmap for just transition in coal regions adopted (timeline, progress indicators and envisaged funding sources) together with the establishment of the just transition governance process	BiH (MoFTER), (BDBiH); FBiH (FMERI); RS (MER) and other relevant ministers at all levels	December 2025
1.5.1.2.	5% of active workers/miners/workforce in coal regions reskilled and 10% working in new sectors (progress in implementation of just transition)	BiH (MoFTER), (BDBiH); FBiH (FMERI); RS (MER) and other relevant ministers at all levels	December 2027

#### STEP 1.5.1.1. Roadmap for just transition in coal regions adopted together with the establishment of the just transition governance process

TABLE 36: ACTIVITIES WITHIN STEP 1.5.1.1.

Activity Code	Activity title	Responsibility	Source of verification
1.5.1.1.1	Drafting and approving Roadmap for just transition in coal regions adopted (timeline,	BiH (CoMBiH), (GovBDBiH); Gov FBiH; Gov RS	Official Gazette

	progress indicators and envisaged funding sources)		
1.5.1.1.2	Establishment of the just transition governance process	BiH (CoMBiH), (GovBDBiH); Gov FBiH; Gov RS	Official Gazette
1.5.1.1.3	Drafting Action plans for selected areas	FBiH (FMERI); RS (MER) and other relevant ministers at all levels	Activity Report of MoFTER

***Step 1.5.1.2. 5% of active workers/miners/workforce in coal regions reskilled and 10% working in new sectors (progress in implementation of just transition)***

The just transition of the workforce in Bosnia and Herzegovina is a crucial element of the country’s energy transition, directly linked to commitments under the National Energy and Climate Plan (NECP) and the Green Agenda for the Western Balkans. However, its implementation faces considerable economic, institutional and social challenges. The transition away from coal is not only a policy priority but also an economic necessity, given the sector’s financial distress and the broader implications of decarbonization policies such as the EU Carbon Border Adjustment Mechanism (CBAM) and future Emissions Trading System (ETS) compliance.

The coal sector is no longer financially, economically or environmentally sustainable. The industry has been operating at a financial deficit exceeding 179 million BAM in 2023, with short-term liabilities surpassing total annual revenues. Moreover, unpaid social security contributions and ongoing state subsidies highlight the fragility of coal-dependent employment and the increasing burden on public finances (Agency for Statistics of BiH, 2023). The urgency of transitioning away from coal is reinforced by Bosnia and Herzegovina’s commitments under the Energy Community Treaty, NECP targets, and EU alignment requirements, which mandate a gradual phase-out of coal and a shift toward renewable energy. The country has pledged to increase the share of renewables, improve energy efficiency, and reduce greenhouse gas (GHG) emissions, all of which require structural changes in the labor market.

According to the Agency for Statistics of Bosnia and Herzegovina (2023), approximately 11,500 people are currently employed in coal mining and thermal power plants, while a broader workforce of around 20,000 workers is directly or indirectly dependent on coal-related industries, including suppliers, subcontractors, and service providers. These workers face significant economic uncertainty, as the sector’s long-term viability continues to decline.

Additionally, Bosnia and Herzegovina faces the imminent economic impact of the CBAM, which places a carbon price on imported goods from high-emission industries such as steel, cement and aluminum. Since coal-fired electricity generation remains a primary energy source, BiH exports will be directly affected, increasing economic pressures on energy-intensive industries and further accelerating the need for transition. The introduction of the EU ETS compliance requirements will also impact BiH, as the country will need to establish its own carbon pricing mechanisms and gradually phase out free allowances in emissions-intensive industries. These policy shifts will reduce the competitiveness of coal-based industries, making workforce transition and reskilling programs even more critical to economic stability.

Despite the clear need for transition, large-scale workforce reallocation faces significant economic, institutional and social barriers. In municipalities such as Gacko (62%), Ugljevik (55%), Banovići (53%), Breza (35%) and Kakanj (32%), coal-related state-owned enterprises (SOEs) dominate employment, limiting alternative job opportunities (World Bank, 2023). The absence of a formal just transition framework, lack of active employment programs and weak coordination between local and national labor institutions further hinder large-scale reskilling efforts. Moreover, coal workers often lack transferable skills, making it difficult for them to immediately shift into new sectors such as renewable energy, energy efficiency or sustainable manufacturing. The private sector in coal regions remains underdeveloped, and investment in green and circular economy industries is still in its early stages, preventing a rapid transition.

The proposed target of 5% of active coal workers reskilled and 10% employed in new sectors is based on a phased and structured approach that aligns with international best practices while acknowledging BiH’s financial and institutional limitations. Experiences from Poland’s Silesian region and Germany’s Ruhr Valley illustrate that workforce transitions in coal-dependent economies require long-term investments, policy coherence and sustained support mechanisms. In comparable cases, an annual reskilling rate of 3–6% was deemed feasible during the initial years of transition (World Bank, 2022). Given that BiH lacks a robust just transition framework and has a weaker economic base than these regions, a 5% reskilling rate over five years aligns with what has been realistically achieved elsewhere under similar conditions.

Unlike Poland and Germany, Bosnia and Herzegovina does not yet have large-scale labor market programs for coal workers, nor an integrated policy framework to guide the transition. Small-scale pilot initiatives, such as the World Bank’s Just Transition Feasibility Study (2023) and various EU-funded workforce retraining programs, have so far had limited impact. There is no centralized data on the number of coal workers who have transitioned to new sectors, but available

evidence suggests that most training initiatives in renewable energy and energy efficiency have targeted engineers and technical staff rather than miners and other coal-dependent workers. The lack of structured retraining for low- and mid-skilled workers remains a critical barrier.

Another challenge is the mismatch between the current labor market and the target of 10% of coal workers transitioning into new sectors. The NECP (2024) projects significant growth in renewable energy, energy efficiency and circular economy industries, with an estimated demand for at least 2,000 additional skilled workers in solar and wind energy by 2030. However, current job creation is heavily concentrated in specialized and higher-skilled positions, and systematic retraining programs that could transition coal workers into these sectors have not yet been established. Furthermore, private sector development in coal regions remains weak, limiting opportunities for re-employment. Without a coordinated industrial policy that stimulates investment and economic diversification, achieving the 10% transition target will be difficult.

Ensuring a successful transition will require substantial financial resources, particularly for reskilling programs and job placement initiatives. Based on EU-funded just transition projects (EU JTF, 2023), the estimated cost of retraining a worker for a skilled position in renewable energy or energy efficiency ranges from €5,000 to €15,000 per person, depending on the complexity and duration of the training. To reskill 5% of the workforce (~1,000 workers), a minimum investment of €5–10 million would be required for training alone, with additional funding necessary for wage subsidies, employment incentives and regional economic development measures. The World Bank’s feasibility study (2023) estimates that a just transition strategy for BiH would require at least €50 million over the next five years, covering reskilling, economic diversification and institutional capacity-building.

Beyond financial needs, legal, business, market and institutional interventions will be required to enable the transition. Key legal reforms include the establishment of a Just Transition Framework Law, defining the roles of national and local governments, financing mechanisms and industry obligations. This should be complemented by amendments to labor laws to ensure retraining programs are recognized as formal employment and new social security mechanisms to protect workers during the transition (MVTEO BiH, 2023). Business incentives should include tax reliefs and grants for companies investing in clean industries in coal regions, modeled on Slovenia’s post-coal industrial policies (European Commission, 2022).

While the 5% reskilling and 10% employment targets represent a realistic first step, their success depends on the establishment of clear financing mechanisms, an enabling industrial policy environment and effective institutional coordination. The absence of a structured just transition framework in BiH increases the risk of economic stagnation in coal-dependent regions unless urgent action is taken. Scaling up existing pilot programs, integrating international best practices and securing long-term financial support from EU and global partners will be crucial in building a sustainable, well-planned workforce transition that mitigates social and economic disruptions while driving BiH’s energy transition forward.

TABLE 37: ACTIVITIES WITHIN STEP 1.5.1.2.

Activity Code	Activity title	Responsibility	Source of verification
1.5.1.2.1	Drafting Action plans for selected areas	FBiH (FMERI); RS (MER) and other relevant ministers at all levels	OFFICIAL ACT OF ENTITY GOVERNMENTS
1.5.1.2.2	Implementation of Action plans	FBiH (FMERI); RS (MER) and other relevant ministers at all levels	Implementation reports from Entities RS and FBiH
1.5.1.2.3	Implementation of education sessions on green technologies and new business for miners	FBiH (FMERI); RS (MER) and other relevant ministers at all levels	Activity reports of competent authorities

**REFORM 1.5.2. – WORK ON CARBON PRICING WITH THE AIM OF HAVING AN ETS IN PLACE BY 2030, IMPLEMENT CLIMATE LEGISLATION ALIGNED WITH EU CLIMATE LAW, INCLUDING COMMITMENTS TO CLIMATE NEUTRALITY**

Following the EU practice, BiH will draft climate legislation. Legislation will represent a significant commitment to combat climate change and transition to a sustainable, low-carbon future.

ETS is one of the key tools for climate change adaptation and mitigation. The system will aim to create a financial incentive for companies to reduce their emissions by placing a price on carbon. In a flexible and cost-effective way will

contribute to achieve emissions reductions across various sectors of the economy. An important component in the implementation of the ETS system is the MRVA system, which enables the monitoring, reporting and verification procedure and is an integral part of the ETS compliance cycle. Implementation of MRVA will be based on adopted climate legislation aligned with EU Climate Law including commitments to climate neutrality.

TABLE 38: STEPS WITHIN REFORM 1.5.2.

Step Code	Title of the step	Responsibility	Deadline for the implementation
1.5.2.1.	Adopt climate legislation aligned with EU Climate Law including commitments to climate neutrality	(BDBiH - DfSPaPLA); FBiH (FMERI; FMOIT); RS (MER; MoSPCERS)	December 2025
1.5.2.2.	Full implementation of Monitoring, Reporting, Verification and Accreditation (MRVA) package adopted in the Energy Community	(BDBiH - DfSPaPLA); FBiH (FMERI; FMOIT); RS (MER; MoSPCERS)	December 2025

**Step 1.5.2.1. Climate legislation aligned with EU Climate Law including commitments to climate neutrality adopted**

Laws on climate to be adopted will establish a framework for achieving climate neutrality in BiH and a net domestic reduction in greenhouse-gas emissions by at least 55% (compared to 1990 levels - baseline) by 2030. New laws will also set up a necessary institutional framework.

Activities for establishing MRVA systems of an integrated NECP for BiH until 2030 were already initiated. Activities relate to the establishment of a broad list of indicators for monitoring the implementation plan in BiH. The methodology and accompanying institutional procedures for the collection and processing of data necessary for the calculation of indicators will be defined, as well as the training programme for target groups- institutions/stakeholders necessary for the functioning of the MRVA.

In parallel BiH will strengthen its capacities. The strengthening of capacities will be implemented through the series of the trainings provided to all stakeholders involved.

TABLE 39: ACTIVITIES WITHIN STEP 1.5.2.1.

Activity Code	Activity title	Responsibility	Source of verification
1.5.2.1.1	Drafting and adopting legislation and strategy aiming to achieve climate neutrality by 2050	PAFBiH; NSRS; BDA	Official Gazette
1.5.2.1.2	Strengthening of administrative capacities including through the implementation of series of trainings provided to all stakeholders involved	(BDBiH – DfSPaPLA, DoED); FBiH (FMERI; FMOIT); RS (MER; MoSPCERS)	Activity reports of competent authorities
1.5.2.1.3	Assessment of the impact of establishing the ETS system	MoFTER; (BDBiH - DfSPaPLA, DoED); FBiH (FMERI); RS (MER; MoSPCERS)	Reports of Ministries

**Step 1.5.2.2. Full implementation of Monitoring, Reporting, Verification and Accreditation (MRVA) package adopted in the Energy Community**

TABLE 40: ACTIVITIES WITHIN STEP 1.5.2.2.

Activity Code	Activity title	Responsibility	Source of verification
1.5.2.2.1	Study assessing all the components of MRVA system drafted	BiH (MoFTER); (BDBiH); FBiH (FMERI; FMOIT); RS (MER; MoSPCERS)	Reports of the Ministries
1.5.2.2.2	Sub-legislation on establishment of MRVA	Vlada FBiH; Vlada RS; BDBiH	Official Gazette
1.5.2.2.3	Strengthening of administrative capacities including through the implementation of series of trainings provided to all stakeholders involved	(BDBiH); FBiH (FMERI; FMOIT); RS (MER; MoSPCERS)	Activity reports of the competent institutions

## COMPONENT 1.6. RENEWABLES DEPLOYMENT

In the previous period, Bosnia and Herzegovina made progress in renewable energy, both in the regulatory part and in increasing energy production from renewable sources. This sector has also become attractive for investments. In addition to hydro power plants, BiH has a cost-competitive solar and wind potential sector.

In order to further strengthen its policy in renewable sector BiH will launch first RES auction and announce 3-year auction plan, permitting procedures time for renewables will be reduced by 50%, will ensure that installed capacity for prosumers will be more than 180 MW. Also, 0,9 GW of new renewable energy (solar and wind) capacities will be installed in accordance with the NECP and Energy Community targets.

### CHALLENGES

The renewable energy sector in BiH faces several significant challenges that hinder its development and potential. These challenges include regulatory, financial, technical, and social aspects.

There is often a lack of clear, long-term renewable energy policies and goals. This uncertainty discourages investment and development in the sector. Administrative procedures for obtaining permits and approvals for renewable energy projects can be lengthy and complicated, causing delays and increasing costs for developers.

Access to financing is a significant barrier for renewable energy projects. Limited availability of capital, high-interest rates, and perceived financial risks deter investors. The economic viability of renewable energy projects can be challenging, particularly in comparison to traditional energy sources like coal, which have historically been dominant in BiH.

Addressing these challenges requires a coordinated approach involving government, private sector, and international partners. It involves streamlining regulatory frameworks, enhancing financial mechanisms, investing in infrastructure, and fostering public awareness and acceptance of renewable energy.

### BENEFICIARIES

The development and utilization of renewable energy sources in BiH provide benefits to a wide range of stakeholders. These beneficiaries include local communities, the economy, the environment, and the broader society.

For the local communities it may lead to **job creation, economic development and energy access**. Renewable energy projects, create jobs in construction, operation, and maintenance. This can provide significant employment opportunities for local residents. The development of renewable energy projects can stimulate local economies by attracting investments and increasing economic activities in rural and underdeveloped areas. Remote and rural communities can gain improved access to electricity through decentralized renewable energy systems, enhancing their quality of life and enabling further economic development.

Deployment of renewables should be faster by reducing permitting procedures time for renewables but also introduction innovative supporting mechanism such as RES auction and prosumers aiming to achieve climate neutrality by 2050.

Renewable energy sources generate electricity without emitting greenhouse gases, helping to reduce BiH's carbon footprint and combat climate change. By reducing reliance on fossil fuels, renewable energy helps preserve natural resources and reduces environmental degradation associated with mining and fossil fuel extraction.

Integrating renewable energy into the energy mix diversifies the energy portfolio, enhancing energy security and reducing dependence on imported fossil fuels. Over time, renewable energy sources can lead to lower energy costs. Once installed, renewable energy systems have low operating costs and can provide long-term financial savings compared to the volatility of fossil fuel prices.

Developing domestic renewable energy resources reduces dependence on energy imports, enhancing national energy security and political stability. By investing in renewable energy, BiH can meet international commitments and align with EU energy and environmental standards, facilitating closer integration with the European Union.

The renewable energy sector offers lucrative investment opportunities for both domestic and international investors, fostering economic growth and innovation. Businesses that invest in renewable energy can enhance their corporate social responsibility profiles, improving their reputation and competitiveness.

Renewable energy contributes to sustainable development by ensuring that future generations have access to clean, reliable, and affordable energy resources. Investing in renewable energy and reducing greenhouse gas emissions helps mitigate the impacts of climate change, ensuring a more resilient environment for future generations.

The transition to renewable energy sources in BiH offers multifaceted benefits that extend across various sectors and stakeholders. While the initial challenges can be significant, the long-term advantages for the economy, environment, public health, and overall societal well-being make renewable energy an essential component of BiH's sustainable development strategy.

In the field of renewable energy sources, competences are primarily distributed at the entity level, while the performance of tasks and activities at the international level is assigned to the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina (MoFTER).

The capacities of competent institutions will be strengthened. The strengthening of capacities will be implemented including through the series of trainings provided to all stakeholders involved.

**REFORM 1.6.1 IMPLEMENTATION OF THE RENEWABLE ENERGY DIRECTIVE, INCLUDING USE OF TRANSPARENT AND COMPETITIVE PROCEDURES FOR DEPLOYMENT OF RENEWABLE ENERGY, PERMITTING, GUARANTEES OF ORIGIN AND FIRST RES AUCTION**

NECP BiH defines the targets for renewable energy sources (RES), energy efficiency (PEC & FEC) and GHG reduction including LULUCF

TABLE 41: STEPS WITHIN REFORM 1.6.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
1.6.1.1.	Launch first RES auction and announce 3-year auction plan	(BDBiH - DoCA); FBiH (FMERI); RS (MER)	December 2025
1.6.1.2.	Permitting procedures time for renewables reduced by 50% (including households, public buildings and large installations) to enable faster deployment of renewables	(BDBiH – DfSPaPLA, DoPS, DoCA); FBiH (FMERI); RS (MER)	June 2026
1.6.1.3.	Installed capacity for prosumers is more than 180 MW	BiH (MoFTER), (BDBiH - DfSPaPLA, DoCA); FBiH (FMERI); RS (MER)	June 2026
1.6.1.4.	At least 0,9 GW of new renewable energy (solar and wind) capacities installed (according to the NECP and Energy Community targets)	(BDBiH – DfSPaPLA, DoCA); FBiH (FMERI); RS (MER)	December 2025

**STEP 1.6.1.1. Launch first RES auction and announce 3-year auction plan**

TABLE 42: ACTIVITIES WITHIN STEP 1.6.1.1.

Activity Code	Activity title	Responsibility	Source of verification
1.6.1.1.1	Strengthening of administrative capacities including through the implementation of series of trainings provided to all stakeholders involved	(BDBiH - DoCA); FBiH (FMERI); RS (MER)	SAA Subcommittee on Transport, Energy, Environment and Regional Development papers
1.6.1.1.2	Preparation of technical documentation	(BDBiH - DoCA); FBiH (FMERI); RS (MER)	Ministries Reports;
1.6.1.1.3	Preparation of tender documentation	BiH (MoFTER), (BDBiH - DoCA); FBiH (FMERI); RS (MER)	Ministries Reports
1.6.1.1.4	Launch first RES auction	FBiH (FMERI); RS (MER), BDBiH (DoCA)	SAA Subcommittee on Transport, Energy, Environment and Regional Development papers

1.6.1.1.5	Create a 3-year auction plan	(BDBiH - DoCA); FBiH (FMERI); RS (MER)	Announced plan
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**STEP 1.6.1.2. Permitting procedures time for renewables reduced by 50% (including households, public buildings and large installations) to enable faster deployment of renewables**

The adoption of the regulations from the entities laws on the use of Renewable Energy Sources and Efficient Cogeneration will enable the integration of prosumers into the network and the exchange of electricity (surpluses).

In order to enable faster deployment of renewables, procedures need to be simplified. It is necessary to adjust the by laws on environment (define criteria for the conversion of forest or agricultural land into construction land, simplify the procedure for obtaining environmental permits, etc).

By establishment a one-stop shop at the local community with digitalization would contribute to faster project approval and better transparency of the procedures.

TABLE 43: ACTIVITIES WITHIN STEP 1.6.1.2.

Activity Code	Activity title	Responsibility	Source of verification
1.6.1.2.1	Adoption of by-laws based on Law on Use of Renewable Energy Sources and Efficient Cogeneration	FBiH (FMERI); RS (MER), BDBiH (DoCA)	Official Gazette
1.6.1.2.2	Adoption or amendment the by-laws in areas of environment that will regulate the permitting procedure for renewables and result in reducing time for issuing the relevant permits for RES	FBiH (FMERI); RS (MoSPCE), BDBiH (DoCA, DfSPaPLA, DoPS, DoA, OoPPM) and governments at all levels	Official Gazette
1.6.1.2.3	Establish a one stop shop to enable faster deployment of renewables	Vlada FBiH; Vlada RS	Report for SAA Subcommittee on Transport, Energy, Environment and Regional Development papers

**STEP 1.6.1.3. Installed capacity for prosumers is more than 180 MW**

The adoption of strategic documents, transposition of the EU acquis, the opening of the market, i.e. everything that is defined in the previously mentioned steps, will create the conditions for accelerating the construction of wind and SOLAR power plants. New legislation should regulate the method and conditions for participation in the electricity market, application of restrictions on the installed power of power plants for own needs, conditions and procedures for acquiring the status, rights and obligations, and other relevant matters. Simplification of legal and administrative procedures for registration in various registers and obtaining permits for prosumers should encourage new customers to start acting as prosumers.

TABLE 44: ACTIVITIES WITHIN STEP 1.6.1.3.

Activity Code	Activity title	Responsibility	Source of verification
1.6.1.3.1	Adoption of by-laws stemming out of the Law on Use of Renewable Energy Sources and Efficient Cogeneration	FBiH (FMERI); RS (MER), BDBiH (DoCA)	Official Gazette
1.6.1.3.2	Design and implement an incentive mechanism for prosumers	FBiH (FMERI); RS (MER), BDBiH (DoCA), and governments at all levels	Ministries Reports
1.6.1.3.3	Design a Report of Installed capacity for prosumers	BiH (MoFTER), (BDBiH - DoCA); FBiH (FMERI); RS (MER)	Ministries Reports

#### **STEP 1.6.1.4. At least 0,9 GW of new renewable energy (solar and wind) capacities installed (according to the NECP and Energy Community targets)**

In the framework of diversification of electricity, BiH has already taken significant steps to promote competition, cost-effectiveness, and the integration of renewables into electricity markets. The implemented measures have already given results. BiH aims to extend renewable energy and accelerate the deployment and integration of renewable in line with European 2030 and 2050 energy and climate policy objectives. The development of renewable energy priority infrastructure, market integration projects and policy priorities for renewable energy and speed up the implementation of priority infrastructure projects, as a matter of priority with a view to improving the functioning and decarbonisation of BiH energy markets. This reform will contribute to increase investments in the field of renewable energy, and the incomes generated from this sector, the security of supply with electricity. The implementation of this reform will reduce greenhouse gas emissions, affecting environmental protection.

TABLE 45: ACTIVITIES WITHIN STEP 1.6.1.4.

Activity Code	Activity title	Responsibility	Source of verification
1.6.1.4.1	Adoption of NECP	CoMBiH	Official Gazette
1.6.1.4.2	Create a Report of Installed capacity for new renewable energy (solar and wind)	BiH (MoFTER); FBiH (FMERI); RS (MER), BDBiH (DoCA)	Webpage of MoFTER;

## **COMPONENT 1.7. ENERGY EFFICIENCY**

### **REFORM 1.7.1 FULL IMPLEMENTATION OF THE EED, EPBD, ECO-DESIGN AND ENERGY LABELLING LEGISLATION**

Energy efficiency in BiH is regulated by the Law on Energy Efficiency of the Federation of BiH (Official Gazette of FBiH - No. 22/17) and the Law on Energy Efficiency of the Republika Srpska (Official Gazette of the RS, 2013), the Law on Spatial Planning and Construction ("Official Gazette of the Republika Srpska", No. 40/13, 106/15, 3/16 and 84/19) and the Law on Communal Activities ("Official Gazette of the Republika Srpska", No. 124/11 and 100/17). Based on the laws, several by-laws were already adopted partially transposing the EU *acquis* in this area.

In the following period, the priority will be the adoption of the secondary legislation. Special attention will be given to the establishment of a functional system of buildings energy certification, audits of the HVAC system, audits in industry and communal services. Improvement of energy efficiency will be further improved by adopting a strategic framework for the building's renovation at the state and entity level.

BiH is also planning to approve Buildings renovation Strategy and to implement annual rate of building renovation in accordance with indicative targets (number of public buildings renovated).

#### **CHALLENGES**

Energy efficiency is a crucial aspect of sustainable development, and its promotion in BiH faces several significant challenges. These challenges span regulatory, financial, technical, and social domains.

There is often an absence of cohesive, long-term energy efficiency policies and action plans. Inconsistent or unclear regulatory frameworks can hinder the adoption and enforcement of energy efficiency standards. Even where policies exist, the enforcement of energy efficiency regulations can be weak due to limited administrative capacity and resources.

Access to financing for energy efficiency projects is limited. High initial costs and long payback periods can deter investments in energy efficiency measures, especially for residential and small business sectors. Insufficient economic incentives, such as subsidies, tax breaks, or low-interest loans for energy efficiency improvements, reduce the motivation for individuals and businesses to invest in energy-efficient technologies.

A significant portion of BiH's building stock is old and inefficient, lacking proper insulation and modern energy systems. Upgrading these buildings to meet energy efficiency standards requires substantial investment and effort. There is often a lack of technical expertise and knowledge about energy efficiency measures and technologies among both the public and private sectors, hindering the implementation of effective energy-saving strategies.

Weak supply chains for energy-efficient products and services can lead to higher costs and limited access, further deterring adoption.

Enhancing the capacity of institutions and organizations to plan, implement, and monitor energy efficiency projects is essential but often lacking.

Reliable data on energy consumption and efficiency is crucial for planning and evaluating energy efficiency measures. Inadequate data collection and monitoring systems can hinder the assessment of progress and effectiveness. Setting up mechanisms to measure and verify energy savings from efficiency projects is challenging but necessary to ensure transparency and accountability.

Addressing these challenges requires a comprehensive approach that includes improving regulatory frameworks, providing financial incentives, investing in education and awareness campaigns, and enhancing technical and institutional capacities. By overcoming these obstacles, BiH can significantly improve its energy efficiency, contributing to economic growth, environmental sustainability, and energy security.

In the field of energy efficiency competences are distributed at the entity level while, the performance of tasks and activities falling within the competence of BiH and related to the definition of policy, basic principles, coordination of activities and harmonisation of plans of entity authorities and institutions on the international level is assigned to the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina (MoFTER).

## BENEFICIARIES

The beneficiaries of energy efficiency initiatives in Bosnia and Herzegovina (BiH) span a wide range of stakeholders, from individual households to businesses and the government.

One of the beneficiaries are households. Energy-efficient homes consume less energy for heating, cooling, and electricity, leading to lower utility bills for households. Energy efficiency measures, such as better insulation and efficient heating systems, improve indoor comfort levels by maintaining stable temperatures and reducing drafts. Furthermore, businesses and industries that invest in energy efficiency can significantly reduce their operating costs, enhancing their competitiveness and profitability. Energy-efficient equipment and processes can improve operational efficiency and productivity in industrial and commercial settings. Lower energy consumption directly translates to reduced greenhouse gas emissions, contributing to the fight against climate change. Energy efficiency reduces the demand for fossil fuels, conserving natural resources and reducing environmental degradation associated with energy production. The implementation of energy efficiency projects creates jobs in areas such as construction, retrofitting, manufacturing of energy-efficient products, and energy auditing. Energy-efficient buildings are often more attractive to buyers and renters, leading to higher property values and increased marketability. Financial institutions can benefit from the growing demand for financing energy efficiency projects, offering loans and other financial products tailored to this sector. Finally, Government and public sector can benefit by enhancing national energy security by decreasing reliance on energy imports and mitigating the impact of energy price volatility; lower energy costs for the government, freeing up resources for other public services and investments.

Energy efficiency in BiH presents a win-win scenario for various stakeholders, driving economic growth, enhancing energy security, reducing environmental impacts, and improving the quality of life for citizens. By addressing the challenges and leveraging the benefits, BiH can make significant strides towards a more sustainable and prosperous development.

TABLE 46: STEPS WITHIN THE REFORM 1.7.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
1.7.1.1.	The issuing of Energy Performance Certificates is ensured (in line with the EPBD regulation)	BDBiH, (FBiH) FMSP, (RS) MoSPCE	December 2025
1.7.1.2.	Adoption of the Buildings renovation Strategy	Vlada RS, Vlada FBiH, BDBiH, CoM BiH	December 2025
1.7.1.3.	Renovation of existing public buildings ongoing and aligned with the 3% Energy Efficiency Directive target	(BiH) MoFTER, BDBiH (FBiH) FMSP, (RS) MoSPCE, FBiH (FMER); RS (MER) and governments at all levels	June 2027
1.7.1.4.	Amend relevant legislation to improve decision-making on energy efficiency investments for	BDBiH, (FBiH) FMSP, (RS) MoSPCE, FBiH (FMER), RS (MER) and	December 2026

	homeowners and homeowners' associations (multi-apartment buildings)	governments at all levels (Entities and Cantons)	
1.7.1.5.	Increase annual rate of building renovation in accordance with the draft NECP indicative milestones of the long-term strategy for the renovation of the national stock of residential and non-residential buildings <sup>4</sup>	(BiH) MoFTER, BDBiH, (FBiH) FMSP, (RS) MoSPCE, FBiH (FMERI); RS (MER) and governments at all levels	June 2027
1.7.1.6.	Roll-out of consumption-based metering and billing for district heating	BDBiH; (FBiH) FMERI; (RS) MER: MoSPCE and governments at all levels (Entities and Cantons)	June 2027

#### **STEP 1.7.1.1. The issuing of Energy Performance Certificates is ensured (in line with the EPBD regulation)**

TABLE 47: ACTIVITIES WITHIN STEP 1.7.1.1.

Activity Code	Activity title	Responsibility	Source of verification
1.7.1.1.1	Implement adopted laws and by-laws on Energy Efficiency in line with the EPBD regulation	(BDBiH), (FBiH) FMSP and FMERI, (RS) MoSPCE and governments at all levels (Entities and Cantons)	SAA Subcommittee on Transport, Energy, Environment and Regional Development papers

#### **STEP 1.7.1.2. Adoption of the Buildings renovation Strategy**

In BiH, with the support of the GIZ project Decarbonization of the Energy Sector in Bosnia and Herzegovina, a draft Integrated Strategy for the Renovation of Buildings in BiH by 2050 was developed. The Strategy consists of the following parts: the FBiH Building Renovation Strategy, the RS Building Renovation Strategy in the RS and the Strategy for the Renovation of Buildings Owned by Administrative Bodies at the Level of BiH and in the BD BiH. Building renovation scenarios have also been subject to economic impact analysis. Its results are embedded in the optimal scenario, which determines the main energy efficiency targets during the development of the NECP. The FBiH Building Renovation Strategy is in the final phase of adoption. After the preparation of the final drafts of the RS Building Renovation Strategy and the Strategy for the Renovation of Buildings Owned by Administrative Bodies at the Level of BiH and in the BD BiH, it is expected that the final draft of the Integrated Building Renovation Strategy in BiH by 2050 will be prepared during 2024, after which the adoption procedure will be initiated.

A draft FBiH Long-Term Building Renovation Strategy by 2050 and an ex-ante evaluation were prepared in the FBiH. The draft Strategy is being harmonised with the ex-ante evaluation report. Subsequently, the updated draft Strategy and the ex-ante evaluation report will be sent to the Government and the Parliament for adoption.

In the RS, the previously prepared draft of the Strategy for Long-Term Support to Building Renovation in the RS and related strategic goals were updated. The draft Strategy is being finalised to be submitted to the competent institutions for their opinion.

TABLE 48: ACTIVITIES WITHIN STEP 1.7.1.2.

Activity Code	Activity title	Responsibility	Source of verification
1.7.1.2.1	Adopt Buildings renovation Strategy	CoMBiH, GFBiH, GRS, GBD	Official Gazzete; SAA Subcommittee on Transport, Energy, Environment and Regional Development papers

<sup>4</sup> Public sector buildings renovated - Mil 1.06 m2; Individual house renovated: Mil 4.55 m2 in the period 2021-2027, annual renovation rate 1.2 % of total residential area; multi-apartment buildings (without district heating (DHS)) renovated: Mil 1.46 m2 in the period 2021-2027, annual renovation rate 0.39 % of total residential area; multi-apartment buildings (DHS) renovated: Mil 0.66 m2 in the period 2021-2027, annual renovation rate 0.17 % of total residential area.

**STEP 1.7.1.3. Renovation of existing public buildings ongoing and aligned with the 3% Energy Efficiency Directive target1**

THE TRANSPOSITION OF THE ENERGY EFFICIENCY DIRECTIVE IS REFLECTED IN THE ADOPTION OF NEW LAWS ON EE AT ENTITY LEVELS AND BRCKO DISTRICT. NEW LAWS ON EE SHOULD BE ADOPTED IN FEDERATION OF BiH, REPUBLIKA SRPSKA AND BRCKO DISTRICT.

TABLE 49: ACTIVITIES WITHIN STEP 1.7.1.3.

Activity Code	Activity title	Responsibility	Source of verification
1.7.1.3.1	Transposition of Energy Efficiency Directive into BiH legislation	BDBiH – DoCA, OoPPM, (FBiH) FMSP, (RS) MoSPCE, FBiH (FMERI), RS (MER) and governments at all responsible levels	Official Gazzete
1.7.1.3.2	Marked based (ESCO) financing mechanism for public buildings established	(BiH) MoFTER, BDBiH – DoCA, OoPPM, (FBiH) FMSP, (RS) MoSPCE, FBiH (FMERI), RS (MER) and governments at all responsible levels	Reports of the Ministries; SAA Subcommittee on Transport, Energy, Environment and Regional Development papers
1.7.1.3.3	Adoption of Action Plans for renovation of public buildings	(BiH) MoFTER, BDBiH - OoPPM, (FBiH) FMSP, (RS) MoSPCE, FBiH (FMERI), RS (MER) and governments at all responsible levels	Action Plan published at the web page of the institutions; SAA Subcommittee on Transport, Energy, Environment and Regional Development papers

Approval of legislation will ensure that minimum energy efficiency requirements are established, and their application is controlled in the design phase of buildings. It is necessary to ensure the control of the application of requirements in the construction/renovation phase of buildings in the process of energy certification taking into consideration not only building envelope as it now but also HVAC system of the buildings. Additionally, it is necessary to ensure conditions for the full implementation of the building energy certification system through the establishment of a register of issued certificates and the provision of a quality control system for issued certificates. Besides adoption, the Laws and by-laws should be implemented, monitor, verified and reported. Adopted Action Plan for renovation of public buildings will earmark necessary financing to fulfil the renovation goal in existing government buildings.

**STEP 1.7.1.4. Amend relevant legislation to improve decision-making on energy efficiency investments for homeowners and homeowners' associations (multi-apartment buildings)**

It is necessary to adopt legislation that would enable easier investments in the energy efficiency of multi-apartment buildings in terms of the percentage of decision-making in the buildings. Current legislation requiring 100% consensus of the homeowners which is almost impossible to retrofit the building. It is necessary to enable decision-making from 51% to 66%.

TABLE 50: ACTIVITIES WITHIN STEP 1.7.1.4.

Activity Code	Activity title	Responsibility	Source of verification
1.7.1.4.1	Adoption of relevant legislation in areas of construction, spatial planning and environment that will improve decision-making on energy efficiency investments for homeowners and homeowners' associations (multi-apartment buildings)	(BDBiH – DoCA, DfSPaPLA, DoPS, DoA, OoPPM), (FBiH) FMSP, (RS) MoSPCE, FBiH (FMERI), RS (MER) and governments at all levels (Entities and Cantons)	Official Gazette

**STEP 1.7.1.5. Increase annual rate of building renovation in accordance with the draft NECP indicative milestones of the long-term strategy for the renovation of the national stock of residential and non-residential buildings<sup>5</sup>**

TABLE 51: ACTIVITIES WITHIN STEP 1.7.1.5.

The adoption and implementation of strategic documents and legislation, , i.e. everything that is defined in the previously mentioned steps, will create the conditions for accelerating the renovation of the national stock of residential and non-residential buildings.

Activity Code	Activity title	Responsibility	Source of verification
1.7.1.5.1	Adoption of NECP	CoMBiH, Vlada RS, Vlada FBiH, BDBiH	Official Gazette
1.7.1.5.2	Adoption of legislation for homeowners and homeowners' associations (multi-apartment buildings)	BDBiH (DoCA, DfSPaPLA, DoPS, DoA, OoPPM), (FBiH) FMSP, (RS) MoSPCE, FBiH (FMER), RS (MER) and governments at all levels (Entities and Cantons)	Official Gazette

It is necessary to amend the new laws and regulations of lower levels of government (entities and cantons) on the percentages of decision-making during building energy renovation, so that the maximum participation in decision-making is 66% or 2/3. It is also necessary to adopt financial mechanisms that will enable energy renovation of buildings with low-income households, such as the public ESCO mechanism.

**STEP 1.7.1.6. Roll-out of consumption-based metering and billing for district heating**

It is necessary to adopt legislation in heating energy to define the rights and obligations of connection, the possibility of installation and operationalisation of the heat meters in multi-apartments or at the cumulative one to the building, define tariffs according to the energy fuel, methods of disconnection from district heating.

TABLE 52: ACTIVITIES WITHIN STEP 1.7.1.6.

Activity Code	Activity title	Responsibility	Source of verification
1.7.1.6.1	Law on Production, Distribution and Supply of Thermal Energy/Heat adopted	(BiH) MoFTER, BDBiH (DoCA, OoPPM), FBiH (FMER); RS (MoSPCE) and governments at all levels (Entities and Cantons)	Official Gazette
1.7.1.6.2	Secondary legislation for heat consumption-based metering and billing adopted	(BiH) MoFTER, BDBiH (DoCA, OoPPM), FBiH (FMER); RS (MoSPCE) and governments at all levels (Entities and Cantons)	Official Gazette

## 2 POLICY AREA 2: PRIVATE SECTOR DEVELOPMENT AND BUSINESS ENVIRONMENT

Activities within the scope of this reform measure are provided for in strategic documents, namely the Comprehensive Public Finance Management Strategy in BiH for 2021-2025; in the RS, the Strategy on quality infrastructure of products and services of the Republika Srpska for 2019-2023 and the Public Finance Management Strategy of the Republika Srpska for 2021-2025 (under pillar II, measure II, reduction of the grey zone); "Strategy for attracting foreign investments to the Republic of Spska 2021-2027; SME Development Strategy of the Republic of Srpska for the period 2021-2027; Industry development strategy of the Republic of Srpska for the period 2021-2027." in the FBiH, the FBiH Development Strategy for 2021-2027 and the Public Finance Management Strategy of the Federation of BIH (in the field of reducing the grey economy) and the working draft of the Programme for Alignment of Legislation in BiH with the Acquis ("NPAA").

<sup>5</sup> Public sector buildings renovated - Mil 10.66 m2; Individual house renovated: Mil 4.55 m2 in the period 2021-2027, annual renovation rate 1.2 % of total residential area; multi-apartment buildings (without district heating (DHS)) renovated: Mil 1.46 m2 in the period 2021-2027, annual renovation rate 0.39 % of total residential area; multi-apartment buildings (DHS) renovated: Mil 0.66 m2 in the period 2021-2027, annual renovation rate 0.17 % of total residential area (June 2027)

## COMPONENT 2.1. – BUSINESS ENVIRONMENT

Establishing compliance with EU norms and standards not only facilitates trade and economic relations with the EU but also strengthens regional economic ties through regional initiatives such as Common Regional Market and CEFTA and prepares Bosnia and Herzegovina for future EU membership. Preparation for the future integration with the EU single market would be the priority area of economic reforms in Bosnia and Herzegovina, with the reforms aimed at offering a framework that promotes sustained economic development, political stability, and higher standards of living, all of which are beneficial in the global economic environment. However, the integration with the EU single market is closely intertwined with the commitment and the functioning of the Common Regional Market and full implementation of the CRM Action Plan.

This component's goal is to strengthen governance, enhance transparency, and facilitate operation of enterprises across the country. The goal will be achieved through reforms in several key areas such as:

- *Fortifying governance structures and bolstering the efficiency and transparency of POEs*
- *Simplification and harmonization requirements for business registration and operation on a country-wide scale*
- *Facilitating the free movement of goods and services through reduced formalities and harmonization of regulatory frameworks*
- *Simplifying processes, enhancing dispute resolution mechanisms, and deploying advanced technologies to streamline freight transport*

The beneficiaries of the Growth Plan reforms would include all business entities in Bosnia and Herzegovina and all its citizens. However, responsibility for implementation would be divided among entities, government ministries, regulatory bodies and private sector actors. The implementation timeline spans from December 2025 to December 2027. Key phases include the development, testing and enforcement of various regulator frameworks with significant milestones scheduled for end of 2025, end of 2026 and end of 2027. The overall approach ensures a structured and phased implementation, enabling adjustments and optimizations as required.

The challenges within these reform areas largely stem from the complexity of internal structure of Bosnia and Herzegovina with two entities and Brčko District, that often lead to political deadlock. That fact contributes to a complicated decision-making process thus preventing the agreement on the reforms and their implementation and leads to inefficiency in public administration. The country's internal market is fragmented with uneven rules throughout the country that highly influence the business environment. The persistent presence of the informal economy continues to exert adverse effects on business operations. Lack of investment and insufficient competitiveness of the economy further complicate the process of economic reforms.

Overcoming these challenges requires long-term commitment from all relevant stakeholders and strong focus on strengthening the country's economic foundations. The beneficiaries of the Growth Plan reforms would include all business entities in Bosnia and Herzegovina and all its citizens. However, responsibility for implementation would be divided among entities, government ministries, regulatory bodies and private sector actors. The implementation timeline spans from January 2024 to December 2027. Key phases include the development, testing and enforcement of various regulator frameworks with significant milestones scheduled for mid-2025, end of 2026 and end of 2027. The overall approach ensures a structured and phased implementation, enabling adjustments and optimizations as required.

In that sense, clear timelines and targets for achieving reform objectives together with responsible institutions and are clearly defined in this document.

The reforms in this Reform Area are mostly covered by the legislative alignment with the EU acquis and implementation of adopted legislation. In that sense, it is unfeasible to precisely estimate costs.

### REFORM 2.1.1. – STRENGTHEN GOVERNANCE AND MANAGEMENT AND INCREASE THE EFFICIENCY AND TRANSPARENCY OF PUBLIC ENTERPRISES, INCLUDING POES

Focus of this reform is on fortifying governance structures and bolstering the efficiency and transparency of public enterprises (POEs).

State-owned/public enterprises (POEs) account for a large part of the total economy and number of employed persons, but they operate with a low level of productivity - which significantly affects the competitiveness of the economy since they operate in strategic business sectors - and unsatisfactory financial and other business performance, which poses a risk on public finances. There are a total of 550 public enterprises which are owned by the Entities, but a few of the largest ones - in the energy, transport, and water management sectors - account for about 80% of fixed assets and 70% of the turnover of all public enterprises. Despite their presence in strategic, capital-intensive sectors, and wages that are 40% higher, productivity in the POE sector is lower than in the private sector. Average wages are 40% higher than in the private sector despite their lower productivity. Low profitability has started to undermine the financial position of POEs, and the level of assets is on the decline while the level of liabilities rises. Due to such trends, the POE sector represents a significant and growing source of fiscal risk. In addition, the current legal definition and classification of POE is not in

accordance with international standards and does not allow clear sectoral classification or comparisons. Current systems of supervision over the operations of POEs focus on the creation/implementation of sectoral strategies without any incentives to maximise shareholder value.

## CHALLENGES

The challenges are reflected in the identification of potential liabilities that may lead to negative effects on expected business results and produce significant fiscal risks. The challenges within these reform areas largely stem from the internal structure of Bosnia and Herzegovina, consequently leading to fragmentation of the country's internal market and influencing the business environment. The persistent presence of the informal economy continues to exert adverse effects on business operations.

## TARGET BENEFICIARIES

Successful implementation of reforms in Bosnia and Herzegovina requires coordination among various beneficiaries and stakeholders, clear implementation plans with defined responsibilities, and monitoring mechanisms to track progress and ensure accountability.

The final beneficiaries of economic reforms would include all citizens of Bosnia and Herzegovina, particularly those who are unemployed or underemployed. Reforms aim to stimulate growth, create job opportunities, and improve living standards for the population. Stakeholders involved in economic reforms may include government agencies responsible for economic policy, business associations, labor unions, and international financial institutions providing support and expertise. Responsibilities for implementation would be distributed among various government ministries, regulatory bodies, and private sector actors, with clear timelines and targets for achieving reform objectives.

## DESCRIPTION OF RESPONSIBILITIES AND STAKEHOLDERS INVOLVED.

As part of this reform, the transparency of operations of POEs and their better supervision by the Government of the Republika Srpska, Government of the Federation of BiH and Government of Brčko District will be established. Also, special attention will be paid to the continuation of restructuring of two important public enterprises in the Republika Srpska - the power management company (MH "Elektroprivreda Republike Srpske" a. d. Trebinje), which, after the separation of production, distribution and sale of electricity functions, focuses on the reorganisation of production and the holding as a whole, as well as of the railways that will have to prepare for the modernisation and renewal of the railroad network in accordance with the Green Agenda, after the completion of the reform processes of organisational and ownership restructuring. (Restructuring of SOEs in the energy sector in the FBiH is dealt with under the next reform).

Structural reform in the domain of improving the functions of supervision and control of POEs' operations in the FBiH is foreseen by the FBiH Public Finance Management Strategy and the FBiH Development Strategy 2021-2027, and in the RS by the Public Finance Management Strategy 2021- 2025 (pillar I: Fiscal framework, measures 3: Establishment of fiscal risks and measures 4: Financial supervision over the operations of public enterprises) and the Updated Action Plan for the reform of public enterprises 2022–2026. Also, regarding the restructuring of two strategic public enterprises in the Republika Srpska, the Energy Development Strategy of the Republika Srpska until 2035 and the Transport Strategy of the Republika Srpska 2016-2030 are relevant.

Through this structural reform, recommendations 2 and 5 from JC are implemented related to the management of potential liabilities of public enterprises and the strengthening of management with up-to-date public registers in both Entities and the provision of adequate human resources in the central supervision units in both Entities. In light of this assessment, Participants hereby invite Bosnia and Herzegovina to: Include in the forthcoming ERP 2025-2027 (i) a first assessment of fiscal risks and contingent liabilities related to publicly owned enterprises, and (ii) concrete policy measures to manage such risks and contain the emergence of new contingent liabilities. With a view to improving the quality of data aggregation and reporting, strengthen the analytical capacities of all institutions responsible for fiscal accounting and planning, and improve the procedures for preparing the ERP in order to ensure a timely submission and compliance with the requirements. Continue to strengthen the country's capacities in the areas of macroeconomic statistics, regional accounts, labour force survey and government finance statistics, in particular by agreeing on the national account sectorisation, and increase efforts to improve the coverage and timeliness of all statistics. Also, the reform is important for the fulfilment of the Copenhagen economic criteria on the need to boost competitiveness of the economy in the country at the time of integration in EU flows, within the EU accession negotiations with candidate countries. This reform largely comprises the continuation of previously started activities: The Government of the Federation of BiH and the Government of the Republika Srpska have established special organisational units for the coordination of supervision over the operations of public enterprises within the general secretariats and monitoring of fiscal risks within the ministries of finance; the process of capacity building of these units is underway, which, in addition to training, will also include the development of tools and registers of financial data for monitoring the performance of public enterprises owned by FBiH and RS. The plan is to continue working on improving the planning process, which includes the timely adoption of business plans in accordance with three-year projections and strategic development documents. In the following period, activities are planned to make these units fully functional and to establish comprehensive and up-to-date registers of public enterprises in the two Entities.

TABLE 53: STEPS WITHIN THE REFORM 2.1.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
2.1.1.1.	POEs registers at entity level is regularly updated and publicly available <sup>6</sup>	Government government RS, GBD	GFBiH December 2025
2.1.1.2.	Legislation related to POEs management to address climate considerations by providing guidelines for business planning and reporting of PoEs is aligned	Government government RS, GBD	GFBiH December 2025
2.1.1.3.	Regulation related to POEs governance and transparency aligned with best practice (OECD guidelines) including state ownership strategy, monitoring market disruptions, providing guidelines for business planning, procurement and reporting, addressing climate considerations	Government government RS, GBD, PAFBIH, NSRS, BDA	GFBiH December 2025
2.1.1.4.	POEs Oversight Units published annual report on POEs impact on economy including fiscal risk assessment stemming from direct and contingent POEs liabilities and state guarantees.	GS GFBiH, GS GRS, GS GBD, MF RS, MF FBiH	December 2025
2.1.1.5.	State aid legislation fully harmonized with European standards (consistent enforcement of state aid rules throughout the country, strengthen the operational capacities of the State Aid Council, align existing aid schemes with SAA obligations, establish benchmarks to transparency of aid allocation and increase quality of reporting	CoM BIH, State Aid Council of BiH, Government FBiH Government RS, GBD, Cantons	December 2026
2.1.1.6.	POEs arrears reduced by 30% in comparison to baseline 2023	Government government RS, GBD	GFBiH December 2025
2.1.1.7.	At least one public private partnership in effect for the management of airport infrastructure	GFBiH, GRS, G BD	June 2026

***STEP 2.1.1.1. PoEs registers at entity level is regularly updated and publicly available.***

Making the register of Publicly Owned Enterprises (POEs) publicly available enhances transparency. Citizens, stakeholders, and oversight bodies can access information about POEs, promoting accountability. Regular updates ensure that the information is current and reliable, which is essential for informed decision-making and public trust. The step and activities related to maintaining and publicizing the register of POEs are essential for promoting transparency, accountability, and good governance. They help ensure that information about POEs is accurate, accessible, and up-to-date, thereby supporting better oversight, risk management, and stakeholder confidence. Implementing these activities will help establish a robust system for managing and sharing information about Publicly Owned Enterprises, ultimately contributing to better governance and public trust.

This step will be implemented through the activities listed in the table below.

TABLE 54: ACTIVITIES WITHIN STEP 2.1.1.1.

Activity Code	Activity title	Responsibility	Source of verification
2.1.1.1.1.	Drafting and adoption of the rulebook on the register of POEs	GFBiH; GRS, GBD	Official gazette of FBiH, RS and BD
2.1.1.1.2.	Register of POEs operational and publicly available	GFBiH; GRS, GBD	Webpage of the register

***Step 2.1.1.2. Legislation related to PoEs management to address climate considerations by providing guidelines for business planning and reporting of PoEs is aligned***

This approach ensures POEs align with sustainable development goals, enhancing transparency, accountability, and resilience while supporting national and international climate commitments. Integrating climate considerations into POEs management through aligned legislation ensures that these enterprises contribute to national and global sustainability

<sup>6</sup> The content of the rulebook relates to the list of information and the manner in which it should be filled out, as well as responsibility for filling the register. Content of the rulebook will be based on the OECD Guidelines on Corporate Governance of State-Owned Enterprises. Reference added to footnote.

goals. The steps include reviewing and updating legislation, providing clear guidelines for business planning and reporting, and establishing robust monitoring and enforcement mechanisms. This approach not only mitigates environmental impacts but also enhances operational efficiency, risk management, and stakeholder trust, ultimately leading to more sustainable and resilient public enterprises.

This step will be implemented through the activities listed in the table below.

TABLE 55: ACTIVITIES WITHIN STEP 2.1.1.2.

Activity Code	Activity title	Responsibility	Source of verification
2.1.1.2.1.	Development and adoption of guidelines for business planning and reporting of POEs <sup>7</sup>	GFBiH; GRS, GBD	Official gazette of FBiH, RS and BD

***Step 2.1.1.3. Regulation related to POEs governance and transparency aligned with best practice (OECD guidelines) including state ownership strategy, monitoring market disruptions, providing guidelines for business planning, procurement and reporting, addressing climate considerations***

Aligning regulation related to POEs governance and transparency with best practices such as OECD guidelines ensures effective, accountable, and transparent management of these entities. This alignment enhances governance, builds stakeholder trust, ensures compliance, promotes sustainable practices, and mitigates risks. By developing a clear state ownership strategy, implementing robust governance and monitoring mechanisms, standardizing business planning, procurement, and reporting processes, and ensuring alignment with OECD guidelines, POEs can achieve better performance, transparency, and sustainability. A foundational step is to define the objectives of state ownership. These may include delivering financial returns, ensuring public service provision, or advancing long-term policy goals like sustainability and climate resilience. Develop a clear state ownership strategy that defines objectives, such as financial returns, public service delivery, and long-term policy goals like sustainability. Categorize POEs based on their primary functions (e.g., commercial or strategic) and engage stakeholders, including POE management, unions, and civil society, to ensure alignment with entities priorities. Ensure that the regulatory framework adheres to principles of good governance by emphasizing accountability, transparency, and professionalism. Clearly define the roles and responsibilities of the state as an owner, the POE boards, and management while safeguarding decision-making processes from undue political influence. POEs should regularly report on risks, market conditions, and performance. Collaboration with state and entity agencies and private sector actors is key to managing systemic risks effectively. Adopt a unified reporting framework in line with international standards, such as IFRS for financial reporting or GRI for sustainability. Conduct annual performance reviews covering financial, operational, and social outcomes, and publish findings to foster transparency. Ensure public access to reports to enhance trust and accountability. Provide training programs for POE boards and management on corporate governance, risk management, and sustainability. Establish advisory committees to guide POEs on emerging issues, including digital transformation and climate change.

This step will be implemented through the activities listed in the table below.

TABLE 56: ACTIVITIES WITHIN STEP 2.1.1.3.

Activity Code	Activity title	Responsibility	Source of verification
2.1.1.3.1.	Amendments to the Law on Public Enterprises in FBiH and to the Law on Public Enterprises of RS to align them with the OECD guidelines	GFBiH; GRS, GBD, PFBiH, NARS, BDA	Official gazette of FBiH, RS and BD,

***2.1.1.4. PoEs Oversight Units published annual report on POEs impact on economy including fiscal risk assessment stemming from direct and contingent POEs liabilities and state guarantees.***

Publishing annual reports on the economic impact of POEs by oversight coordination units and reports on fiscal risk assessment of POEs by ministries of finance is crucial for transparency, accountability, informed decision-making, and risk management. Implementing this involves establishing a robust reporting framework, conducting comprehensive fiscal risk assessments, compiling and reviewing the report, ensuring public access, and using the findings for continuous improvement. This approach aligns with international best practices and enhances the effective governance and management of public enterprises.

<sup>7</sup> The guidelines relate to transparency, fair treatment of shareholders and other investors, stakeholder relations and responsible business conduct, disclosure and transparency, and the responsibilities of supervisory boards of state-owned enterprises. These guidelines are prescribed by the OECD Guidelines.

This step will be implemented through the activities listed in the table below.

TABLE 57: ACTIVITIES WITHIN STEP 2.1.1.4.

Activity Code	Activity title	Responsibility	Source of verification
2.1.1.4.1.	Development and adoption of the Rulebook for annual reporting on POEs impact on economy including fiscal risk assessment stemming from direct and contingent POEs liabilities and state guarantees <sup>8</sup> .	GFBiH; GRS. MF RS, MF FBiH	Official gazette of FBiH, RS and BD

**Step 2.1.1.5. State aid legislation fully harmonized with European standards (consistent enforcement of state aid rules throughout the country, strengthen the operational capacities of the State Aid Council, align existing aid schemes with SAA obligations, establish benchmarks to transparency of aid allocation and increase quality of reporting)**

Harmonizing state aid legislation with European standards involves ensuring consistent enforcement, strengthening the State Aid Council, Administrative bodies entrusted with implementing, aligning aid schemes with SAA obligations, establishing transparency benchmarks, and improving the quality of reporting. This alignment enhances legal compliance, economic fairness, transparency, accountability, and overall governance, fostering a competitive and efficient market environment. To achieve this, countries need to adopt EU standards, build capacities, engage stakeholders, develop clear criteria, and ensure robust monitoring and reporting systems.

Bosnia and Herzegovina will continue to further align its legislative framework in the area of State aid with the relevant parts of the acquis. As part of this reform, a key priority will be to enhance the efficient operation of the State Aid Council. Furthermore, Bosnia and Herzegovina will bolster the administrative capabilities of the State Aid Council, Administrative bodies entrusted with implementing and intensify initiatives to promote transparency of aid allocation.

This step will be implemented through the activities listed in the table below.

TABLE 58: ACTIVITIES WITHIN STEP 2.1.1.5.

Activity Code	Activity title	Responsibility	Source of verification
2.1.1.5.1.	Law on State Aid aligned with the most recent EU acquis	CoM BiH, PABIH	Official Gazette of BiH, Tables of Concordance providing an overview of compliance of a draft/proposal of a legal act with the secondary sources of the EU law
2.1.1.5.2.	Adopt pending implementing legislation on State Aid in aligning existing programmes/schemes of the State aid in BiH.	CoM BiH, GRS, GFBiH, GBD	Official Gazette of BiH, RS, FBiH, Tables of Concordance providing an overview of compliance of a draft/proposal of a legal act with the secondary sources of the EU law
2.1.1.5.3.	Comply with obligations under Article 71(6) of the SAA by making swift progress in aligning the existing aid schemes with the acquis	SAC BiH, MOFTER	Subcommittee on internal market and competition, CC BiH, MOFTER self assessment
2.1.1.5.4.	Establish benchmarks to transparency of aid allocation	SAC BiH, MOFTER	Subcommittee on internal market and competition, SAC BiH, MOFTER self assessment
2.1.1.5.5.	Increase quality of reporting on state aid	SAC BiH, GRS, GFBiH, MF RS, MF FBiH, Cantons, BDBiH	Subcommittee on internal market and competition, SAC BiH, MOFTER self assessment

**STEP 2.1.1.6. POEs arrears reduced by 30% in comparison to baseline 2023**

Reducing POEs arrears by 30% compared to the 2023 baseline is crucial for enhancing financial stability, building creditor confidence, improving operational efficiency, and fostering economic growth. Achieving this reduction involves conducting a comprehensive financial assessment, implementing financial restructuring and optimization strategies, improving operational efficiency, strengthening financial governance and oversight, engaging stakeholders, and establishing robust monitoring and reporting frameworks. These steps ensure a systematic and sustainable approach to arrears reduction, aligning POEs with best practices and enhancing their overall financial health. Oversight Units are

<sup>8</sup> The guidelines will be prepared in accordance with the OECD Guidelines on Corporate Governance of State-Owned Enterprises (SOE Guidelines).

required to publish an annual report on the impact of state-owned enterprises on the economy, including an assessment of the fiscal risk arising from the direct and potential obligations of public enterprises and state guarantees, as defined in step 2.1.1.4. Considering that data on the total obligations of public enterprises are not available, it is necessary to obtain information from the mentioned reports and create an aggregate report.

This step will be implemented through the activities listed in the table below.

TABLE 59: ACTIVITIES WITHIN STEP 2.1.1.6.

Activity Code	Activity title	Responsibility	Source of verification
2.1.1.6.1.	Preparing reports on POEs by Oversight coordination Units FBiH, RS, Directorate for Finance BD	GFBiH; GRS, GBD	Oversight coordination Units FBiH and RS and Directorate for finance BD annual reports
2.1.1.6.2.	Report of reduction of POE arrears aggregated by the relevant entity ministry	Relevant entity ministry. POEs	Report of reduction of POE arrears aggregated by the relevant entity ministry

#### ***Step 2.1.1.7. At least one Public-Private Partnership in effect for the management of airport infrastructure***

Establishing a Public-Private Partnership for the management of airport infrastructure is important for improving efficiency, leveraging private sector expertise, sharing risks, and fostering economic development. Achieving this involves conducting a feasibility study, structuring a balanced Public-Private Partnership agreement, executing a transparent tendering process, finalizing the agreement through negotiations, and implementing a robust monitoring framework. This systematic approach ensures that the Public-Private Partnership delivers significant benefits to both public and private stakeholders while enhancing the quality and efficiency of airport operations.

This step will be implemented through the activities listed in the table below.

TABLE 60: ACTIVITIES WITHIN STEP 2.1.1.7.

Activity Code	Activity title	Responsibility	Source of verification
2.1.1.7.1.	Decision by one ore more governments/authorities to call for public tender for a public private partnership or concession. ,	GFBiH, GRS, GBD, Cantonal Governments	Subcommittee on internal market and competition, PPP plan published by relevant Entity Ministry
2.1.1.7.2.	Procedure for public private partnership or concession finalized in line with the provisions of respective Law on Public Private Partnership	GFBiH, GRS, GBD, Cantonal Governments	Information on concluded contract on Publi-Private-Partnership for an airport

#### ***REFORM 2.1.2. –SIMPLIFY AND HARMONISE REQUIREMENTS TO REGISTER AND OPERATE COUNTRY-WIDE***

The aim of this reform is to simplify and harmonize requirements for business registration and operation on a country-wide scale.

In terms of activities for implementation of the e-registration of business entities *in the FBiH*, the FBiH Government adopted a Decree on maintaining the register of business entities in the FBiH<sup>9</sup>.

The FBiH Law on Companies (Official Gazette of the FBiH, 81/15 and 75/21), drafted with the IFC technical assistance (World Bank) and EU experts, has largely succeeded in reducing administrative and technical procedures for registration and operation of domestic and foreign companies. Regarding future developments in the field of creating a single economic area, the IFC offered technical support to the FBiH Government and the involvement of EU experts in order to align the FBiH's laws on companies and public enterprises with the EU *acquis*. Those activities will be implemented is expected in the period to come.

The registration procedure *in the RS* was made simpler in 2013 with the introduction of a one-stop shop registration system (number of days needed to register a company decreased from 21 to 3, expenses decreased from EUR 700 to 100, and number of procedures decreased from 11 to 5). The registration procedure for entrepreneurs has also been simplified.

<sup>9</sup> Official Gazette of FBiH, 93/23

All necessary steps have been taken to establish business entities' e-registration (Finalisation depends on the issuing of digital signatures.).

The registration procedure in BiH is uniform and it is defined by the Framework Law on the Registration of Business Entities. There is no distinction made in the regulations governing the ongoing activities in the RS between business entities whose founders are domestic or foreign legal and/or natural persons.

In addition, there is a comprehensive list of all administrative procedures (pre-registration, registration and post-registration procedures) both for starting and conducting business in the RS. This also includes data for both domestic and foreign business entities. Data is publicly available at the web page Point of Single Contact portal <https://psc.rspska.vladars.net/>, and include 932 formalities (permits, certificates, decisions) for starting and conducting business.

Based on this data, the RS Government launched an extensive project in 2021 to optimise administrative procedures with the goal of suggesting actions for their simplification (or elimination). A Working Group comprising 42 members from competent ministries, other RS institutions, and the business community have been established, including dynamics and a unique methodology. A comprehensive analysis was conducted on all 932 formalities, and an Action Plan was adopted to simplify them. In total 95% of the planned 42 formalities were eliminated. For 243 formalities, simplification is envisaged. The simplification procedure is ongoing. Automated system for checking data on settled tax obligations and the automated acquisition of current extracts from the court register (and the register of entrepreneurs) are two examples of simplification.

At the beginning of 2023, a new Decision on the regulatory impact assessment was adopted (Official Gazette of the RS, 8/23), establishing a control mechanism for the introduction of new formalities in the RS in order to assess the necessity of introducing new licences, permits, certificates, etc.

#### REGISTER OF BUSINESS ENTITIES

The RS established a single register of business entities (both legal entities and entrepreneurs) back in 2013, and it includes data from commercial courts, the Tax Administration and APIF (in terms of activity classification). The register, available at [www.bizreg.esrpska.com](http://www.bizreg.esrpska.com), is the outcome of an initiative to create a one-stop shop registration system in the RS.

Apart from being publicly accessible, the RS business entities' register is also linked to and its data are incorporated into the regional BIFIDEX business entity portal.

The NCTS Bosnia and Herzegovina electronic transit procedure must be used for one year at the BiH level, after which it can apply to become a full member of the NCTS convention. At that point, businesses in Bosnia and Herzegovina will also have simplified procedures with much shorter waiting times at all borders where goods are being transported. Specifically, this means time and cost savings for the business community. Currently, the fifth phase is implemented, and an upgrade to the fifth phase or transition to the sixth phase is needed.

#### CHALLENGES

- *Digitalization: Lack of adequate digital infrastructure can hinder the implementation of a unified electronic registration system.*
- *The implementation of a unified electronic registration system may face challenges related to underdeveloped digital infrastructure, complex inter-institutional coordination, and inconsistent legislation. Simplifying procedures and harmonizing regulations is essential for faster and more efficient business registration..*

#### BENEFICIARIES

The beneficiaries are domestic and foreign entrepreneurs and those who will enter the entrepreneurship. This reform will standardize processes and make it much easier for entrepreneurs by simplifying processes thus encourage entrepreneurship.

TABLE 61: STEPS WITHIN THE REFORM 2.1.2.

Step Code	Title of the step	Responsibility	Deadline for the implementation
2.1.2.1.	Entities adopt and implement the necessary harmonized regulation allowing mutual recognition of licenses and certificates between them	.GFBIH, GRS,GBD,	December 2027
2.1.2.2.	E-registration enabled and functional across all respective levels of authority, including all preconditions related to e- signature/e stamps, enabling insight into companies' registration data	GFBIH, GRS, GBD, Courts FBIH, RS, BD	June 2027

2.1.2.3.	Accession to the Common Transit Convention	CoMBIH, PABIH, UINO	December 2027
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**Step 2.1.2.1. Entities adopt and implement the necessary harmonized regulation allowing Mutual recognition of licenses and certificates between the entities**

Adopting and implementing harmonized regulation for mutual recognition of licenses and certificates is crucial for facilitating trade, enhancing labor mobility, promoting economic growth, ensuring consumer protection, and fostering regulatory cooperation. To achieve this goal, a structural approach is essential. First, engaging stakeholders including governments at entity levels, professional associations, industry and consumer associations would ensure broad consensus and address challenges. When developing a robust regulatory framework, a comprehensive inventory of the administrative and technical steps should be prepared followed by establishment of effective monitoring and evaluation mechanisms. By following these steps, entities can ensure a seamless and efficient process for mutual recognition, benefiting businesses, professionals, and consumers alike.

This step will be implemented through the activities listed in the table below.

TABLE 62: ACTIVITIES WITHIN STEP 2.1.2.1.

Activity Code	Activity title	Responsibility	Source of verification
2.1.2.1.1.	Establish a list of licences and certificates that is to be recognised between the entities needed for companies to register and/or operate country-wide.	GRS, GFBIH, GBD	Self assessment by respective government
2.1.2.1.2.	Adopt and implement legislation providing for mutual recognition of licences and certificates between entities.	GRS, GFBIH, GBD	Self assessment by respective government
2.1.2.1.3.	Establish effective monitoring and evaluation mechanisms by adoption of by-laws	GRS, GFBIH, GBD	Evaluation report by respective government

**Step 2.1.2.2. E-registration enabled and functional across all respective levels of authority, including all preconditions related to e- signature/e stamps, enabling insight into companies' registration data**

Enabling and implementing e-registration systems across all levels of authority enhances efficiency, transparency, and accessibility in business registration processes. By establishing the necessary infrastructure, developing a supportive regulatory framework, providing training and capacity building, executing a phased rollout strategy, and implementing robust monitoring and evaluation mechanisms, entities can successfully transition to digital registration systems. This transformation not only improves government service delivery but also contributes to a more competitive and attractive business environment, fostering economic growth and development. The first step involves establishing the necessary regulatory framework for the implementation of e-signature, starting with the adoption of a Framework Law on e-Signature. This law will set the foundation, while the entities will subsequently enact their own laws in alignment with the Framework Law. Such a harmonized legal framework will enable mutual recognition of e-signatures and ensure a continuous process of e-registration across all levels of authority.

This step will be implemented through the activities listed in the table below.

TABLE 63: ACTIVITIES WITHIN STEP 2.1.2.2.

Activity Code	Activity title	Responsibility	Source of verification
2.1.2.2.1.	Adoption of an amended Law on e-Signature at the state level, aligned with EU acquis	CoMBIH, PABIH	Official Gazette of BiH, Tables of Concordance providing an overview of compliance of a draft/proposal of a legal act with the secondary sources of the EU law
2.1.2.2.2.	Adoption and implementation by-laws	CoMBIH, GRS, GFBIH,GBD	Official Gazette of BiH, RS, FBiH, Tables of Concordance providing an overview of compliance of a draft/proposal of a legal act with the

			secondary sources of the EU law
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### STEP 2.1.2.3. Accession to the Common Transit Convention

Common Transit simplifies customs procedures for goods in transit between countries, reducing administrative burdens and delays. Improves the speed and reliability of customs clearance, promoting smoother trade flows across borders. The IT tool used for Common Transit (NCTS) includes risk assessment features to detect and mitigate potential security threats associated with cross-border movements of goods. Ensures compliance with international customs regulations and standards, reducing the risk of penalties and delays. Accession to the Common Transit Convention will allow Bosnia and Herzegovina to streamline customs procedures, ensure security and compliance, support trade facilitation agreements, and improve data exchange and visibility in transit operations. By implementing a robust legal and regulatory framework, developing suitable technological infrastructure, engaging stakeholders, following a structured implementation approach, and monitoring performance, Common Transit accession can enhance cross-border trade efficiency.

Bosnia and Herzegovina must demonstrate its legislation, administrative procedures and relevant IT tools are compliant with the requirements of Common Transit before it can apply to become a party to the Common Transit Convention. At that point, businesses in Bosnia and Herzegovina will also have simplified procedures with much shorter waiting times at all borders where goods are being transported. Specifically, this means time and cost savings for the business community. As regards NCTS (the IT tool used by parties to the Convention) Bosnia and Herzegovina will need to upgrade NCTS to NCTS 6 to accede to the Convention on or after December 2027.

TABLE 64: ACTIVITIES WITHIN STEP 2.1.2.4.

Activity Code	Activity title	Responsibility	Source of verification
2.1.2.3.1.	Accession to the Common Transit Convention	CoMBiH, UINO	Subcommittee on energy and transport, CTC Working party invitation to Bosnia and Herzegovina to become a party to the Convention
2.1.2.3.2.	Decision on the ratification of the Convention on common transit procedure	CoMBiH, PABiH	Official Gazette of BiH

### REFORM 2.1.3. – FACILITATE FREE MOVEMENT OF GOODS AND SERVICES THROUGH REDUCED FORMALITIES, HARMONISATION OF REGULATORY FRAMEWORK AND MUTUAL RECOGNITION OF PROFESSIONAL QUALIFICATIONS

Through this reform, efforts will be directed towards facilitating the free movement of goods and services through reduced formalities and harmonization of regulatory frameworks.

The BiH Law on Foreign Trade Policy regulates free flow of goods and services in international trade. Foreign trade, which falls within the competence of the State-level authorities, is the responsibility of the Ministry of Foreign Trade and Economic Relations (MoFTER).

Institutions in the field of **quality infrastructure** that have been established at the state level as autonomous administrative organisations, in accordance with the Law on Ministries and Administrative Bodies of BiH, are accountable for their work to the Council of Ministers of BiH (CoMBiH). Quality infrastructure institutions established at the Entity and the BDBiH levels are accountable to the Entities' governments and the BDBiH. The Minister of Foreign Trade and Economic Relations of BiH issued a Decision appointing the Working Group for development of the Quality Infrastructure Strategy of BiH, No: 08-1-50-3394-19/19 of 26 November 2020. The Strategy aims at agreeing on a functioning of the quality infrastructure area in BiH.

The legislative framework in the field of accreditation consists of the following laws:

- Law Establishing the Institute for Accreditation of BiH
- Law on Accreditation of BiH

The Market Surveillance Agency of BiH (MSA) and the inspection authorities of the Entities and the BDBiH are competent bodies for the **market surveillance**. Complaint procedures are available to consumers. The Agency has established a procedure for addressing consumer complaints related to the safety of non-food products. Complaints may be submitted by phone, email or online form, which is available on the Agency's website. The procedure for filing a complaint is simple and it is described in detail, in the consumers section. The Agency initiates a Reactive Market Surveillance based on the information on unsafe products obtained by business entities, consumers, by means of regional notifications and from other sources.

One of the main causes of the problem is the lack of regulations within the framework of the Law on Consumer Protection of BiH. In the Republika Srpska, the legal framework for consumer protection policy is regulated by the Law on Consumer Protection in the Republika Srpska, ("Official Gazette of the Republika Srpska" No. 6/12, 63/14, 18/17 and 90/21), as well as by other regulations that regulate individual segments of consumer protection. The Law on Consumer Protection in the Republika Srpska regulates numerous issues related to the protection of the economic interests of consumers. The law establishes the fundamental rights of consumers when purchasing goods and services, the protection of the safety of life and health of consumers, the obligation to conduct commercial activities in a fair manner, the sale of products and the provision of services, product declaration, liability and warranty for a product or service, unfair business practices, services of general economic interest, contracts concluded outside business premises, sales based on distance contracts, unfair provisions in consumer contracts, electronic payment instruments, tourist package arrangements, timeshares in tourism, consumer protection bodies, consumer rights protection, supervision and penal provisions, as well as other issues related to the protection of consumer rights. Other problems relate to services of general economic interest. When handling the complaints, the Agency cooperates with competent inspection bodies and other authorities that are indirectly responsible for consumer protection. The Law on Consumer Protection in BiH was adopted in 2006, the Ombudsman drafted a Roadmap for harmonising legislation on consumer protection. In addition to the Roadmap, the Ombudsman sent an Information to the Council of Ministers of BiH, in accordance with Article 101 of the Law on Consumer Protection in BiH, and its implementation is pending.

Legislative framework for technical regulations are as follows:

#### **BOSNIA AND HERZEGOVINA (STATE-LEVEL)**

##### ***Law on Technical Requirements for Products and Conformity Assessment***

Pursuant to this Law, and in line with the implementing regulations - Instruction on terms of development and procedure of adoption of technical regulations , Programme of transposition of technical regulations and Decision on the plan of activities for implementation of the programme of transposition of technical regulations - the Ministry of Foreign Trade and Economic Relations of BiH adopted the orders that were aligned with the *acquis* that was in force at the time. Along with the orders, the Ministry of Foreign Trade and Economic Relations of BiH published lists of accompanying standards.

In the field of conformity assessment, a Rulebook on designation and supervision of conformity assessment bodies was adopted as an implementing regulation of the Law on Technical Requirements for Products and Conformity Assessment of BiH.

##### ***Law on Metrology of BiH***

This Law sets the competence of the Institute for Metrology of BiH to conduct conformity assessment of the measuring instruments. The Institute is competent for alignment of legislation with the directives for the field of metrology

Aligning rules and regulations with the core principles governing the EU Internal Market based on the four freedoms approach is essential for deeper integration with the EU. These freedoms create a foundation for seamless economic cooperation and market access, fostering a more dynamic and competitive business environment.

Free movement of people is one of the key policy areas of the CRM aimed at enabling the Western Balkans to implement one of the four freedoms of the EU single market. It is a significant step forward to removing barriers to mobility of people in the region, enabling approximately 18 million people to move freely within the region, also removing barriers to mobility of professionals, students, researchers and professors. The Western Balkans (WB) Foreign Ministers approved three regional agreements - on Freedom of Movement with Identity Cards, on Recognition of Higher Education Qualifications, and on Recognition of Professional Qualifications for Doctors of Medicine, Dentists and Architects – at the WB-EU ministerial meeting, organised within the Berlin Process by the German Government in Berlin on 21 October 2022. The fourth regional agreement was signed in Tirana 16 October 2023 - on the recognition of professional qualifications of nurses, veterinary surgeons, pharmacists, and midwives – at the Berlin Process Summit held in Tirana. Out of a total of 4 mobility agreements, BiH has ratified 2 - while the remaining two are yet to be ratified.

Adopt the Mutual Recognition Programmes for industrial products in line with the EU *acquis* is another step forward enabling movement of industrial goods through reduced formalities (e.g. acceptance of certificates and testing results), cutting red tape and trade related costs, improved security and safety, optimisation of procedures. One of the activities of the CRM was adoption of the MRPs for industrial products in line with the EU *acquis* (for example toy safety, low voltage, GPSD, machinery).

#### **CHALLENGES**

As with other reforms in this reform area, the challenges largely stem of the internal structure of Bosnia and Herzegovina with two entities and Brčko District, together with complicated decision-making procedures. This contributes to a complicated decision-making process thus preventing the agreement on the fulfilment of steps necessary for alignment with the EU *acquis* in this area.

#### **BENEFICIARIES:**

Target beneficiaries of reforms in this area are business entities and citizens of Bosnia and Herzegovina who will benefit from better regulations in the country's internal market. Advancement in this area can also lead to faster integration into the EU Single market.

TABLE 65: STEPS WITHIN THE REFORM 2.1.3.

Step Code	Title of the step	Responsibility	Deadline for the implementation
2.1.3.1.	Country wide strategy for the quality infrastructure adopted, Law on Accreditation, Law on Market Surveillance and Consumer Protection legislation in BiH in line with the most recent EU acquis adopted and implemented	CoMBiH, GFBIH, GRS; GBD	December 2025
2.1.3.2.	The three CRM mobility agreements signed by WB6 leaders on 3 Nov. 2022 in Berlin: on Freedom of Movement with Identity Cards, on Recognition of Higher Education Qualifications, and on Recognition of Professional Qualifications for Doctors of Medicine, Dentists and Architects; as well as the Agreement on Mutual Recognition of Professional Qualifications for Nurses, Veterinary Surgeons, Pharmacists and Midwives signed in Tirana on 17 Oct. 2023 adopted and ratified	CoMBiH, PABIH, BiH Presidency GFBIH, GRS, GBD	December 2025
2.1.3.3.	New Approach Directives in selected minimum three industrial fields annually transposed and framework for recognition of professional qualifications for 7 professions based on the EU system of automatic recognition adopted and implemented by the competent authorities.	CoMBiH, GFBIH, GRS; GBD	December 2025
2.1.3.4.	Mutual Recognition Programmes (MRPs) for industrial products in line with the EU acquis (electromagnetic compatibility, machinery and construction) adopted and implemented	CoMBiH, GRS, GFBIH, GBD	June 2026
2.1.3.5.	Full Transposition of the EU Directive on services in the internal market into legislation in Bosnia and Herzegovina, including the establishment of Contact Points for the provision of services at every level of government in BiH, which will be interconnected	CoMBiH, GRS, GFBIH, GBD	June 2027

***Step 2.1.3.1. Country wide strategy for the quality infrastructure adopted, Law on Accreditation, Law on Market Surveillance and BiH Consumer Protection legislation in line with the most recent EU acquis adopted and implemented***

Strengthening laws on accreditation, market surveillance, and consumer protection ensures that products are safe, reliable, and meet consumer expectations. Aligning with EU quality standards facilitates easier market access for domestic products in the EU and other international markets. By conducting thorough assessments, aligning legislation with international standards, strengthening institutional capacity, implementing effective enforcement mechanisms, and engaging stakeholders, BiH can create a conducive regulatory environment that supports sustainable growth, competitiveness, and integration into global markets.

This step will be implemented through the activities listed in the table below.

TABLE 66: ACTIVITIES WITHIN STEP 2.1.3.1.

Activity Code	Activity title	Responsibility	Source of verification
2.1.3.1.1.	Development of the Quality Infrastructure Strategy	MOFTER BiH, COMBIH, GFBIH, GRS, GBD	Quality Infrastructure Strategy prepared by MOFTER BiH
2.1.3.1.2.	Law on Accreditation aligned with the EU acquis adopted and implemented	CoMBiH, PABIH, GFBIH, GRS, GBD, NARS, PFBIH, BDA	Official Gazette BiH, Table of Concordance providing an overview of compliance of a draft/proposal of a legal act with the secondary sources of the EU law
2.1.3.1.3.	Law on Market Surveillance aligned with the EU acquis adopted and implemented	CoMBiH, PAGBIH, GFBIH, GRS, BD, NARS, PFBIH, BDA	Official Gazette BiH, Table of Concordance providing an overview of compliance of a draft/proposal of a legal act

			with the secondary sources of the EU law
<b>2.1.3.1.4.</b>	Consumer Protection legislation aligned with the EU acquis adopted and implemented	CoM BiH, PABIH, GFBIH, GRS, GBD, NARS, PFBih, BDA	Official Gazette BiH, Table of Concordance providing an overview of compliance of a draft/proposal of a legal act with the secondary sources of the EU law

***Step 2.1.3.2. The three CRM mobility agreements signed by WB6 leaders on 3 Nov. 2022 in Berlin: on Freedom of Movement with Identity Cards, on Recognition of Higher Education Qualifications, and on Recognition of Professional Qualifications for Doctors of Medicine, Dentists and Architects; as well as the Agreement on Mutual Recognition of Professional Qualifications for Nurses, Veterinary Surgeons, Pharmacists and Midwives signed in Tirana on 17 Oct. 2023 adopted and ratified***

The agreements signed by WB6 leaders on freedom of movement with identity cards, recognition of higher education qualifications, and recognition of professional qualifications aim to foster regional integration, facilitate mobility, and enhance professional opportunities within the Western Balkans. The adoption and ratification processes involve diplomatic negotiations, parliamentary approval, and subsequent implementation measures to ensure effective enforcement and compliance with agreed standards. These efforts contribute to strengthening regional cooperation, promoting economic development, and enhancing the mobility and professional opportunities for citizens across the WB6 region.

This step will be implemented through the activities listed in the table below.

TABLE 67: ACTIVITIES WITHIN STEP 2.1.3.2

Activity Code	Activity title	Responsibility	Source of verification
2.1.3.2.1.	CRM mobility agreement signed by WB6 leaders on 3 Nov. 2022 in Berlin on Freedom of Movement with Identity Cards adopted and ratified	CoM BiH, PABIH, BiH Presidency	Official Gazette of BiH
2.1.3.2.2.	CRM mobility agreement signed by WB6 leaders on 17 Oct 2023 in Tirana on Agreement on Mutual Recognition of Professional Qualifications for Nurses, Veterinary Surgeons, Pharmacists and Midwives adopted and ratified	CoM BiH, PABIH, BiH Presidency	Official Gazette of BiH

***Step 2.1.3.3. New Approach Directives in selected minimum three industrial fields annually transposed and framework for recognition of professional qualifications for 7 professions based on the EU system of automatic recognition adopted and implemented by the competent authorities.***

These directives establish harmonized technical standards across EU member states, ensuring that products meet common safety and performance requirements. By annually transposing New Approach Directives into national legislation, countries align their industrial regulations with EU standards. This harmonization facilitates smoother trade within the EU single market and reduces barriers to market entry for manufacturers. Establishing a framework based on the EU system of automatic recognition for professional qualifications (such as doctors, nurses, pharmacists, etc.) ensures that qualified professionals can practice their professions across borders without undergoing lengthy and burdensome recognition procedures. This framework enhances labor mobility, allows professionals to seek job opportunities in different EU countries more easily, and supports the free movement of workers within the EU.

This step will be implemented through the activities listed in the table below.

TABLE 68: ACTIVITIES WITHIN STEP 2.1.3.3

Activity Code	Activity title	Responsibility	Source of verification
<b>2.1.3.3.1.</b>	New Approach Directives in selected minimum three industrial fields annually transposed by the competent authorities based on Quality Infrastructure Strategy of BiH	COMBIH, GFBIH, GRS; GBD	Official Gazette of BiH, RS, FBIH BD, Subcommittee on internal market and competition,
<b>2.1.3.3.2.</b>	Recognition of professional qualifications for 7 professions based on the EU system of automatic recognition adopted and implemented by the competent authorities.	COMBIH, GFBIH, GRS; GBD, Cantonal Governments	Official Gazette of BiH, RS, FBIH BD, Subcommittee on internal market and competition

**Step 2.1.3.4. Mutual Recognition Programmes (MRPs) for industrial products in line with the EU acquis (electromagnetic compatibility, machinery and construction) adopted and implemented**

The adoption and implementation of Mutual Recognition Programmes for industrial products in line with the EU standards involve a structured and comprehensive approach based on the CRM and CEFTA mechanisms including the mutual recognition principle, conformity assessment procedures, national implementation, and robust market surveillance. This framework ensures that industrial products such as those related to electromagnetic compatibility, machinery, and construction can be freely traded within the EU while maintaining high safety and performance standards. By aligning closely rules and regulations with the core principles governing the EU Internal Market based on the four freedoms approach through mutual recognition arrangements, removing obstacles, and cutting costs and time needed for goods, services, capital and people to move freely across the region. This would lead to the improvement of growth and employment opportunities, as trade liberalisation, capital flows and mobility lead to market expansion, technology sharing, and more investments between the Western Balkans. Great potential of economies of scale will remain untapped unless transfer of goods, services, capital, and people becomes unhindered throughout the region. Free movement of goods is recognized in the CRM action plan for 2025-2028. Adoption of the MRPs is not dependant only on the actions of the authorities of BiH.

This step will be implemented through the activities listed in the table below.

TABLE 69: ACTIVITIES WITHIN STEP 2.1.3.4

Activity Code	Activity title	Responsibility	Source of verification
2.1.3.4.1.	Participate in CEFTA working groups on Free Trade in Goods in the area of Mutual Recognition Programmes (MRPs) based on Strategy for Quality Infrastructure in Bosnia and Herzegovina for industrial products in line with the EU acquis	CoMBiH, MOFTER BiH GFBIH, GRS; GBD.	Minutes of the meetings of the Working Group
2.1.3.4.2.	Harmonized legislation in line with the technically agreed decision of the CEFTA contact points.	CoMBiH, MOFTER BiH GFBIH, GRS; GBD.	Minutes of the CEFTA Meeting of the Contact Points

**Step 2.1.3.5. Full Transposition of the EU Directive on services in the internal market into legislation in Bosnia and Herzegovina, including the establishment of Contact Points for the provision of services at every level of government in BiH, which will be interconnected.**

Transposing the EU Directive on services in the internal market (Directive 2006/123/EC) into the legislation of Bosnia and Herzegovina (BiH) involves a comprehensive process to align legislation in BiH with EU standards and facilitate the free movement of services. This process includes legislative changes, the establishment of Contact Points, and ensuring interconnectivity at every level of government. This can be achieved by June 2027. The EU Directive on services in the internal market aims to create a single market for services within the EU by: Removing barriers to the free movement of services, simplifying administrative procedures, Enhancing the rights of service recipients and providers. Transposing the EU Directive on services in the internal market into BiH legislation and establishing interconnected Contact Points by June 2026 requires a coordinated and multi-faceted approach. By following these steps, Bosnia and Herzegovina can effectively align its legal framework with EU standards, facilitate the free movement of services, and enhance the overall business environment. This step will be implemented through the activities listed in the table below.

TABLE 70: ACTIVITIES WITHIN STEP 2.1.3.5.

Activity Code	Activity title	Responsibility	Source of verification
2.1.3.5.1.	Establishment of the services legislation registers which are interconnected containing complete services legislation from all levels of government (BiH, FBiH, RS, BD, and ten cantons) that is relevant to the EU Services Directive	CoMBiH, GFBIH, GRS, GBD, Cantonal governments	Report on the establishment of the services legislation register
2.1.3.5.2.	Review legislation from the established register containing complete services legislation in order to identify the pieces of legislation that will have to be amended in order to be aligned with the Services Directive	CoMBiH, GFBIH, GRS, GBD, Cantonal government	Report on the reviewed legislation from the established registers
2.1.3.5.3.	Transposition of the Services Directive into BiH legal systems taking into account the distribution of	CoMBiH, GFBIH, GRS, GBD, Cantonal government	Official gazette of BiH, FBiH, RS, BD, Cantons, Tables of Concordance providing an

	competences in the field of internal and external trade in services among the levels of government		overview of compliance of a draft/proposal of a legal act with the secondary sources of the EU law
<b>2.1.3.5.4.</b>	Establishment of interconnected contact points at all levels of government that provide all the required functionalities of a Point of Single Contact and participation in the European system of national e-government portals	CoMBiH, GFBiH, GRS, GBD	Subcommittee on internal market and competition, Contact Points established and functional on dedicated web page

#### **REFORM 2.1.4. –SIMPLIFY PROCESSES TO FACILITATE AN ENABLING BUSINESS ENVIRONMENT**

This reform underscores the importance of simplifying processes, enhancing dispute resolution mechanisms, and deploying advanced technologies while improving the business environment, reduce administrative obstacles and raise the level and quality of public services that business entities in BiH, have to overcome, or count on in their business operations, respectively. Activities will be particularly focused on changes in legislation governing operations of business entities and institutions, especially related to the improvement of the regulatory framework of entrepreneurial infrastructure, and tax and administrative reforms, including digitisation, with the aim of reducing the grey economy and facilitating declaration of tax. Bosnia and Herzegovina has the obligation to harmonise the quality infrastructure system with the provisions of the Stabilisation and Association Agreement with the EU, which defines the harmonisation of the quality infrastructure system in BiH with the European model (Article 75). The adoption of the Quality Infrastructure Strategy of BiH in 2025 will follow the recommendation of the European Commission from the 2022 Report. Harmonisation of the legal framework in the areas of Free Movement of Goods with the law and rules of the EU and international agreements (CEFTA, WTO, etc.) in BiH implies the continuation of the harmonisation of national legislation on products with the acquis and principles of the EU and modern standards, as well as participation in the activities of transposition of harmonised European standards (EN) and their availability to users. It includes continuation of the removal of the so-called “conflicting” SFRY legislation and mandatory JUS standards from the legal system, as well as the establishment and improvement of a publicly available Register of valid regulations, Information points on products, on valid regulations and standards and designated certification bodies.

Unleashing the potential of the digital economy in the WB6 would facilitate exchanges of goods and services and intensify trade by enabling more products and services to be exported to more markets, often by younger firms. The internet is also reducing transaction costs, offering an avenue for the WB6 to accelerate their integration within the region, as well as with the EU and other developed markets. To integrate the Western Balkans into the pan-European digital space, the region needs to remove obstacles to e-Commerce, introduce interoperability and mutual recognition of electronic identification. The goal is more efficient and cheaper customs clearance of parcels in CEFTA, generated by regional electronic commerce;

New Law on the Prevention of Money Laundering and Financing of Terrorist Activities is te adopted. The Law was drafted with the support of the IMF consultants and representatives of the European Commission, while a working group made up of members from all levels of government relevant to this issue participated in its drafting. It is necessary to adopt bylaws defined by Article 101 of the Law on Prevention of Money Laundering and Financing of Terrorist Activities of Bosnia and Herzegovina.

#### **CHALLENGES**

Challenges related to the Anti-Money Laundering (AML) law in Bosnia and Herzegovina may include Complex Legal Framework and Lack of Coordination. Lack of coordination among different competent authorities and entities can hinder the effective enforcement of the law throughout the territory of Bosnia and Herzegovina.

Money Laundering Across Various Sectors is also a challenge. Money laundering may occur across different sectors of the economy, such as financial, real estate, or trade, requiring an integrated approach to prevent and detect such activities.

International Cooperation is crucial for combating money laundering. Addressing cross-border money laundering threats requires robust international cooperation and information exchange, which may be constrained by a lack of effective collaboration mechanisms.

Addressing these challenges requires the engagement of all relevant stakeholders, strengthening the capacity of competent institutions, continuous alignment with international standards, as well as enhancing coordination and cooperation among different sectors and entities in Bosnia and Herzegovina.

#### **BENEFICIARIES**

The targeted group for the Anti-Money Laundering (AML) law in Bosnia and Herzegovina may include:

- *Financial Institutions: Banks, insurance companies, investment firms, and other entities managing financial transactions.*
- *Non-profit Organizations: Entities collecting or disbursing funds, especially those subject to international transactions or foreign funding.*
- *Legal and Accounting Firms: Entities providing consulting, accounting, or legal services, which could be used to conceal illicit activities.*
- *Real Estate Agents: Real estate agents, art dealers, and others facilitating high-value transactions that could be exploited for money laundering purposes.*
- *Central Authorities and Regulatory Bodies: Organizations responsible for law enforcement and regulations pertaining to anti-money laundering efforts.*
- *Private Sector in General: Any company or individual engaged in financial transactions or asset management falls under the provisions of the Anti-Money Laundering law.*
- *Civil Society: Organizations and individuals involved in monitoring the implementation of laws and promoting transparency in financial transactions.*

This diverse set of stakeholders plays a crucial role in combating money laundering in Bosnia and Herzegovina by ensuring that legislation is consistently enforced and by identifying and preventing illicit activities.

TABLE 71: STEPS WITHIN THE REFORM 2.1.4.

Step Code	Title of the step	Responsibility	Deadline for the implementation
2.1.4.1.	Registers of beneficial ownership established and fully functional across all respective level of authority, in line with the EU acquis	MoS BiH, , MoJ FBiH, MoJ RS, JC BD	December 2026
2.1.4.2.	The domestic legislation that conflicts with EU legislation, including ex-Yu standards that conflict with those aligned with European standards mapped and repealed countrywide	CoMBiH, MOFTER, GFBiH, GRS, GBD	June 2027
2.1.4.3.	Dispute resolution framework improved and harmonised by adopting set of Laws for alternative dispute resolution across all respective levels of authority and implemented (i.e. Law on Mediation Procedure, Law on Arbitration, Law on Alternative Dispute Resolution)	MoJ BiH, MoJ RS, MoJ FBiH, JC BD	December 2026
2.1.4.4.	Anti-money laundering and combating the financing of terrorism (AML/CFT) Law and bylaws implemented and a good level of compliance with EU AML/CFT standards and international Financial Action Task Force (FATF) standards is achieved	MoS BiH	June 2027

***Step 2.1.4.1. Registers of beneficial ownership established and fully functional across all respective level of authority, in line with the EU acquis***

Establishing and ensuring the functionality of a Register of Beneficial Ownership across all levels of authority, in line with the EU acquis (EU laws and regulations), is crucial for several reasons. A Register of Beneficial Ownership helps to identify the ultimate owners and controllers of legal entities, such as companies and trusts. This transparency is essential for preventing money laundering, terrorist financing, and other financial crimes by exposing the individuals who benefit from illicit activities. Knowing the true owners of companies promotes better corporate governance practices, discourages fraudulent activities, and fosters trust among investors and stakeholders. Investors and consumers are more likely to engage with businesses operating in a transparent environment, which supports market integrity and sustainable economic growth. Establishing and ensuring the functionality of a Register of Beneficial Ownership in line with EU acquis is essential for promoting transparency, combating financial crime, enhancing regulatory oversight, and fostering fair competition in the market.

TABLE 72: ACTIVITIES WITHIN STEP 2.1.4.1.

Activity Code	Activity title	Responsibility	Source of verification
2.1.4.1.1.	Creation of a technical solution for the register of beneficial ownership	MoS BiH MoJ RS, MoJ FBiH, MoJ BD	Report on technical solution for the register prepared by MoS BiH

2.1.4.1.2.	Establish a register of beneficial owners, including through agreeing on the modalities for information provision by relevant authorities	MoS BiH, MoJ RS, MoJ FBiH, MoJ BD	Register accessible on respective web page
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**Step 2.1.4.2. The domestic legislation that conflicts with EU legislation, including ex-Yu standards that conflict with those aligned with European standards mapped and repealed countrywide**

EU membership or accession processes require countries to align their legislation with EU laws and regulations. Conflicting domestic laws hinder this alignment and can create legal uncertainties. Repealing conflicting laws eliminates discrepancies between domestic and EU laws, providing legal certainty for businesses, investors, and citizens operating within the country. This process not only facilitates access to EU funding and support but also reinforces the country's commitment to international norms and standards, benefiting both the government and its citizens in the long term.

TABLE 73: ACTIVITIES WITHIN STEP 2.1.4.2.

Activity Code	Activity title	Responsibility	Source of verification
2.1.4.2.1.	Establish a list of technical regulations in force	MOFTER BiH, GRS, GFBIH, GBD	List of technical regulations prepared and reported by MOFTER
2.1.4.2.2.	Mapping of technical regulation that conflicts with EU legislation, including ex-Yu standards	MOFTER BiH, GRS, GFBIH, GBD	List of conflicting regulation prepared and reported by MOFTER
2.1.4.2.3.	Repeal ex-Yu standards that conflict with European standards	CoMBiH, GRS, GFBIH, GBD	List of repealed ex-Yu standards prepared by respective governments/administrative bodies
2.1.4.2.4.	Introduce EU-compliant standards for repealed ex-Yu standards	CoMBiH, GFBIH, GRS, GBD	List of introduced EU compliant standards prepared by respective governments/administrative bodies

**Step 2.1.4.3. Dispute resolution framework improved and harmonised by adopting set of Laws for alternative dispute resolution across all respective levels of authority and implemented (i.e. Law on Mediation Procedure Law on Arbitration, Law on Alternative Dispute Resolution)**

The law on the mediation procedure exists at the BiH level while on entity levels the The Civil Procedure Act contains provisions on arbitration. Complete legal framework should be improved. Improving and harmonizing the dispute resolution framework through the adoption of laws on mediation, arbitration, and alternative dispute resolution methods is essential for enhancing judicial efficiency, reducing costs, preserving relationships, and ensuring legal certainty. Effective implementation of Alternative Dispute Resolution laws contributes to a fair and efficient dispute resolution environment that supports sustainable growth, innovation, and social stability.

TABLE 74: ACTIVITIES WITHIN STEP 2.1.4.3.

Activity Code	Activity title	Responsibility	Source of verification
2.1.4.3.1.	Analysis of existing legal solutions	MoJ BiH	Subcommittee for internal market and competition, Report on Analysis prepared by MoJ BiH
2.1.4.3.2.	Adoption of a framework for alternative dispute resolution across all respective levels of authority and adoption/amendment of relevant legislation	MoJ BiH, FMoJ FBiH, MoJ RS, JC BD	Subcommittee for internal market and competition, Official Gazette of BiH, FBiH, RS and BD

**Step 2.1.4.4. Anti-money laundering and combating the financing of terrorism (AML/CFT) Law and bylaws implemented and a good level of compliance with EU AML/CFT standards and international Financial Action Task Force (FATF) standards is achieved**

AML/CFT (Anti-Money Laundering/Combating the Financing of Terrorism) laws are crucial for detecting, preventing, and deterring money laundering activities, which can involve the proceeds of criminal activities such as drug trafficking, corruption, and fraud. Achieving compliance with EU AML/CFT standards demonstrates a commitment to international best practices and regulatory frameworks. It enhances the country's reputation as a responsible financial jurisdiction and facilitates cooperation with EU member states. Implementing AML/CFT laws and achieving a high compliance score with EU standards is critical for combating financial crime, enhancing national security, and promoting regulatory integrity in the financial sector.

TABLE 75: ACTIVITIES WITHIN STEP 2.1.4.4.

Activity Code	Activity title	Responsibility	Source of verification
2.1.4.4.1.	Adoption of the decision on the establishment of a permanent coordination body consisting of representatives of the competent authorities from Article 4 point aa) of the law	MoS BiH	Official gazette of BiH,
2.1.4.4.2.	Adopting a decision on Determining the factors on the basis of which it is assessed whether a business relationship or transaction is of low risk;	MoS BiH	Official gazette of BiH. Subcommittee for internal market and competition
2.1.4.4.3.	Adoption of the rulebook on Determining the manner of forming, updating and publishing the list of public functions from Article 4 point s);	MoS BiH	Official gazette of BiH, Subcommittee for internal market and competition
2.1.4.4.4.	Adoption of the rulebook on the types of data on transactions made by their clients that the Obligers from Article 5 of the Law will submit to the FOO in electronic form; establishment of a list of indicators for identifying suspicious transactions, i.e. assets and clients in connection with which there are reasons to suspect money laundering or financing of terrorist activities;	MoS BiH	Official gazette of BiH, Subcommittee for internal market and competition
2.1.4.4.5.	Adoption of a decision on how to create a list of high-risk countries with strategic deficiencies in the field of preventing money laundering and terrorist financing and countries where there is a higher probability of money laundering and financing of terrorist activities.	MoS BiH	Official gazette of BiH, Subcommittee for internal market and competition
2.1.4.4.6.	Adoption of the document Assessment of the risk of money laundering and terrorist financing in accordance with the recommendations of the Financial Action Task Force	MoS BiH	Official gazette of BiH, Subcommittee for internal market and competition
2.1.4.4.7.	Adoption of the Action Plan for the fight against money laundering and financing of terrorism in Bosnia and Herzegovina	MoS BiH	Official gazette of BiH, Subcommittee for internal market and competition

**REFORM 2.1.5. DEPLOYMENT OF E-FREIGHT AND INTELLIGENT TRANSPORT SYSTEMS**

This reform underscores the importance of simplifying processes, and deploying advanced technologies. The strategy for the development of transport infrastructure in Bosnia and Herzegovina is in the process of being developed and should be completed and adopted by the end of 2025. The eFTI Regulation adopted in 2020, will roll out fully by 2026 and the EU member states have already started preparation activities to enforce the digitalisation of freight transport and logistics to reduce administrative and operational costs. As the EU is one of the major partners, the Western Balkans aim to align with the EU developments, namely eFTI Regulation. Deploying E-Freight and Intelligent Transport Systems is pivotal for transforming the freight and logistics sector. These technologies enhance operational efficiency, reduce environmental impacts, and improve stakeholder collaboration. Governments, businesses, and international organizations must collaborate to address deployment challenges, develop standardized frameworks, and invest in infrastructure to realize the full potential of these systems.

TABLE 76: STEPS WITHIN THE REFORM 2.1.5.

Step Code	Title of the step	Responsibility	Deadline for the implementation
2.1.5.1.	Adopt legislative framework for alignment with Regulation (EU) 2020/1056 on electronic freight transport information (eFTI)	PABIH; MTC BiH BiH	December 2025
2.1.5.2.	Ratify Road international convention (eCMR) needed to deploy eFTI	PABIH; MTC BiH , BiH Presidency	December 2025
2.1.5.3.	ITS frameworks and standards for road and rail implemented	MTC BiH, MTC RS, MTC FBiH	December 2026
2.1.5.4.	ITS on 50 Kms of the TEN-T road network is operational	BiH (MTC), MTC RS, MTC FBiH	December 2027

**STEP 2.1.5.1. Aligned with Regulation (EU) 2020/1056 on electronic freight transport information (eFTI)**

Regulation (EU) 2020/1056 promotes the digitalization of freight transport information, replacing traditional paper-based systems with electronic formats. This enhances efficiency by reducing administrative burdens, paperwork, and processing times associated with logistics and transport operations. Transitioning to electronic freight transport information (eFTI) reduces costs related to printing, storage, and manual handling of paper documents. It also minimizes errors and delays in data processing, leading to overall cost savings for businesses and stakeholders involved in transport logistics.

This step will be implemented through the activities listed in the table below.

TABLE 77: ACTIVITIES WITHIN STEP 2.1.5.1.

Activity Code	Activity title	Responsibility	Source of verification
2.1.5.1.1.	Transpose Regulation (EU) 2020/1056 on electronic freight transport information (eFTI) into BiH legal system	PABIH, MTC BiH, MTC FBiH, MTC RS	Official gazette of BiH, Table of Concordance providing an overview of compliance of a draft/proposal of a legal act with the secondary sources of the EU law, verified by DEI BiH

**Step 2.1.5.2. Road international convention (eCMR) needed to deploy eFTI ratified.**

The eCMR Road International Convention facilitates the adoption of electronic consignment notes (eCMR), which replace traditional paper-based documents with digital formats. This promotes efficiency by streamlining administrative processes, reducing paperwork, and minimizing errors associated with manual data handling. Ratifying the eCMR Convention provides a recognized legal framework for using electronic consignment notes in international road transport. It ensures that eCMR documents are legally equivalent to traditional paper documents, enhancing legal certainty for transport operators and facilitating cross-border transport operations.

This step will be implemented through the activities listed in the table below.

TABLE 78: ACTIVITIES WITHIN STEP 2.1.5.2.

Activity Code	Activity title	Responsibility	Source of verification
2.1.5.2.1.	Ratification of Road international convention (eCMR)	PABIH; MTC BiH BiH Presidency	Official gazette of BiH

**Step 2.1.5.3. ITS frameworks and standards for road and rail implemented**

ITS technologies optimize traffic flow, reduce congestion, and improve the overall efficiency of transportation networks. This leads to faster travel times, lower fuel consumption, and reduced emissions. ITS can enhance road and rail safety through systems like collision avoidance, automated warning systems, and real-time monitoring of infrastructure conditions, thereby reducing accidents and improving emergency response. ITS provides real-time information to travelers about traffic conditions, alternative routes, public transport schedules, and parking availability. This improves the overall user experience and satisfaction with transportation services. Enhanced transportation efficiency supports

economic productivity by reducing time lost in traffic and improving supply chain logistics. ITS can reduce operational costs for transport operators and logistics companies by improving efficiency, minimizing delays, and optimizing resource allocation. This strategic approach helps create smarter, safer, and more sustainable transport networks capable of meeting future mobility challenges effectively. Within this step, it is necessary to harmonize the BiH legislation with the following EU acquis:

- *Directive 2010/40/EU of the European Parliament and of the Council of 7 July 2010 on the framework for the deployment of Intelligent Transport Systems in the field of road transport and for interfaces with other modes of transport (OJ L 207, 6. 8.2010, p. 1).*
- *Commission Implementing Decision 2011/453/EU of 13 July 2011 adopting guidelines for reporting by the Member States under Directive 2010/40/EU of the European Parliament and of the Council (OJ L 193,23. 7.2011, p. 48).*
- *Commission Implementing Decision (EU) 2016/209 of 12 February 2016 on a standardisation request to the European standardisation organisations as regards Intelligent Transport Systems (ITS) in urban areas in support of Directive 2010/40/EU of the European Parliament and of the Council on the framework for the deployment of Intelligent Transport Systems in the field of road transport and for interfaces with other modes of transport (OJ L 39, 16. 2. 2016, p. 48).*
- *Commission Delegated Regulation (EU) No 305/2013 of 26 November 2012 supplementing Directive 2010/40/EU of the European Parliament and of the Council with regard to the harmonised provision for an interoperable EU-wide eCall (OJ L 91, 3.4.2013, p. 1).*
- *Commission Delegated Regulation (EU) No 885/2013 of 15 May 2013 supplementing ITS Directive 2010/40/EU of the European Parliament and of the Council with regard to the provision of information services for safe and secure parking places for trucks and commercial vehicles (OJ L 247, 18. 9.2013, p. 1).*
- *Commission Delegated Regulation (EU) No 886/2013 of 15 May 2013 supplementing Directive 2010/40/EU of the European Parliament and of the Council with regard to data and procedures for the provision, where possible, of road safety-related minimum universal traffic information free of charge to users (OJ L 247, 18.9.2013, p. 6).*
- *Commission Delegated Regulation (EU) 2015/962 of 18 December 2014 supplementing Directive 2010/40/EU of the European Parliament and of the Council with regard to the provision of EU-wide real-time traffic information services (OJ L 157, 23. 6.2015,*
- *Decision No 585/2014/EU of the European Parliament and of the Council of 15 May 2014 on the deployment of the interoperable EUwide eCall service (OJ L 164, 3. 6.2014, p. 6).*

This step will be implemented through the activities listed in the table below.

TABLE 79: ACTIVITIES WITHIN STEP 2.1.5.3.

Activity Code	Activity title	Responsibility	Source of verification
2.1.5.3.1.	Adopt the BIH ITS strategy	CoM BiH, MTC BiH, MTC RS, MTC FBiH	Official gazette of BiH, Strategy adopted by MTC BiH
2.1.5.3.2.	Integrate ITS early in the planning and design process for all modes of transport by development of guidelines or regulations requiring the consideration of ITS in transport planning and design	MTC BiH, MTC RS, MTC FBiH	Official gazette of BiH, Self assessment by MTC BiH
2.1.5.3.3.	Establish a permanent ITS Steering committee, to coordinate all ITS initiatives, regardless of the mode, cooperate and participate with the EU ITS agencies and neighboring countries to ensure interoperability and integration of ITS technologies,	MTC BiH, MTC RS, MTC FBiH	Official gazette of BiH
2.1.5.3.4.	Develop a supportive regulatory and policy framework to facilitate ITS deployment and deployment of road traffic management centers.	MTC BiH, MTC RS, MTC FBiH	Official gazette of BiH, Self- assesment by MTC BiH
2.1.5.3.5.	Raise public awareness about the benefits of ITS and engage the public in the planning and implementation processes	MTC BiH, MTC RS, MTC FBiH	Webpage publications, social media publication, traditional media publication
2.1.5.3.6.	Establishing inter-agency agreements on ITS implementation that outline the shared objectives, responsibilities, and commitments of each agency and creating a performance monitoring framework to track the effectiveness and progress of ITS implementation,	MTC BiH, MTC RS, MTC FBiH	Official gazette of BiH

2.1.5.3.7.	Improve safety, capacity, and traffic management of the railway traffic in core TEN-T rail network by ensuring that 40% of the core TEN-T Railway Network to be in construction will include ERTMS,	MTC BiH, MTC RS, MTC FBiH	Self-Assessment by MTC BiH
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#### **Step 2.1.5.4. ITS on 50 Kms of the TEN-T road network is operational**

Implementing ITS on 50 kilometers of the TEN-T road network enhances traffic management, improves road safety, promotes environmental sustainability, supports EU transport policy objectives, and facilitates modal shift towards more sustainable transport modes.

This step will be implemented through the activities listed in the table below.

TABLE 80: ACTIVITIES WITHIN STEP 2.1.5.4.

Activity Code	Activity title	Responsibility	Source of verification
2.1.5.5.1.	Introduction of ITS in the newly built TEN-T road network.	MTC BiH, MTC RS , MTC FBiH	Subcommittee on transport, energy, environment and regional development, self assessment by MTC BiH

## **COMPONENT – 2.2. ACCESS TO FINANCE**

The purpose of this measure is to improve the business environment, reduce administrative obstacles and raise the level and quality of public services that business entities in BiH, have to overcome, or count on in their business operations, respectively. Activities will be particularly focused on changes in legislation governing operations of business entities and institutions, especially related to the improvement of the regulatory framework of entrepreneurial infrastructure, and tax and administrative reforms, including digitisation, with the aim of reducing the grey economy and facilitating declaration of tax.

### **REFORM 2.2.1. –PUT IN PLACE A SYSTEM TO FINANCIALLY SUPPORT INNOVATIVE STARTUPS AND MSMEs**

The main purpose of the structural reform, which consists of two measures, is to improve: the competitiveness of the economy by supporting technological development (the first measure) and important elements of business conditions (the second measure) in order to remove obstacles to greater investments in technological modernisation and develop the economy based on knowledge and innovation and able to achieve higher productivity level. This reform primarily concerns the fulfilment of the Copenhagen economic criteria on the need to boost competitiveness of the economy, i.e., to prepare it for integration in the EU economy, as an integral part of cluster 1, “Fundamentals”, within the EU accession negotiations with candidate countries. Also, it refers to parts of Recommendation 4 of the Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey from May 2023 (JC) pertaining to the simplification of administrative procedures, while the better integrated internal market (cluster 2) is treated within the framework of a special reform concerning the creation of conditions for digital transition. The structural reform was formulated in accordance with strategic documents at all levels, including the “2021-2024 Common Regional Market.

As part of this reform, it is planned to adopt Smart specialisation strategies of BiH and RS and Strategic guidelines for the harmonisation of SME support in BiH for 2023-2027. This measure is based on the following strategic documents, in the FBiH: FBiH Development Strategy 2021–2027, FBiH Tourism Development Strategy 2022–2027; and in the RS: SME development strategy of the Republika Srpska for 2021–2027; Industry development strategy of the Republika Srpska for 2021–2027; Strategy of development of science and technology, higher education and information society in the Republika Srpska for 2023-2029; Strategy for the development of agriculture and rural areas of the Republika Srpska for 2022-2027; Tourism Development Strategy of the Republika Srpska 2021–2027; the system of incentive programmes is defined by the Law on Incentives in the Economy of the Republika Srpska, with the aim of attracting investors with higher level of technological development.

The importance of small and medium-sized enterprises (SMEs) to countries’ economies is undisputed. They account for a large majority of firms and are responsible for generating, on average, more than half of countries’ employment and value added. As active members of the economy, they are also subject to regulations and policies enacted by government to improve the lives of citizens and businesses. However, because of their size and limited resources, these firms can find complying with regulations and understanding the legal environment cumbersome. SMEs face significant uncertainty when operating; consequently, when it comes to a new regulation, some small business may end up bearing the costs

without surviving long enough to enjoy its intended long-term benefits. Among regulatory management tools, the SME test provides policy makers with pertinent information on the potential impact of regulations on SMEs, considering their particularities and the proportionality of the impacts. The test can also help identify relevant potentially affected groups and support the design of regulatory or non-regulatory alternatives that help achieve the desired goals with fewer burdens on these firms. Even though more than two-thirds of OECD countries look at how regulations affect small businesses, the depth and breadth of this analysis vary. It can range from a simple check on whether SMEs could be affected to a full evaluation of impacts and policy alternatives, involving several rounds of consultations, or anything in between.

### Challenges

Many startups and SMEs in BiH face challenges in accessing financing due to limited availability of venture capital, angel investment, and bank loans tailored to their needs. A complex and sometimes ambiguous regulatory environment can pose challenges for startups and SMEs seeking financial support, leading to compliance burdens and delays in accessing funding.

### Target beneficiaries

The beneficiaries for implementing a system to financially support innovative startups and SMEs in Bosnia and Herzegovina (BiH) could include entrepreneurs and those who will be. Direct financial support would enable startups to access capital for research and development, product refinement, market expansion, and hiring skilled personnel. SMEs, particularly those engaged in innovative activities, would benefit from financial assistance to foster growth, improve competitiveness, and create jobs. Investors, including venture capitalists, angel investors, and private equity firms, would have opportunities to invest in promising startups and SMEs, potentially generating financial returns while supporting innovation and economic growth. Research and Development Institutions involved in research and development would benefit from increased funding opportunities to support innovative projects and collaborations with startups and SMEs. Economic development and job creation resulting from supported startups and SMEs can have positive spillover effects on local communities, including increased employment opportunities and economic vitality. Institutions offering entrepreneurship education and training programs would see increased demand as aspiring entrepreneurs seek to enhance their skills and knowledge to succeed in innovative ventures.

TABLE 81: STEPS WITHIN THE REFORM 2.2.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
2.2.1.1.	Entity levels Innovation Plans until 2025 are updated and harmonised	GRS, GFBIH, GBD	December 2025
2.2.1.2.	Country-wide smart specialisation strategy and a new 2026-2031 strategy and action plan for scientific development are adopted	BIH (DEP and WG for development of the Smart Specialisation Strategy of BIH),	December 2026
2.2.1.3.	Improve the regulatory impact assessment in process of drafting regulations to cover the impact on SMEs, in accordance with competences.	CoM BIH, GRS, GFBIH and GBD	December 2025
2.2.1.4.	Framework for Strategic guidelines for harmonisation of entity's support for SMEs and entrepreneurship is adopted, in particular startups and MSMEs in digital sector.	MODEC FBiH, MEE RS	December 2025

#### ***Step 2.2.1.1. Entity levels Innovation Plans until 2025 are updated and harmonised***

Harmonizing and updating Innovation Plans across entities (such as government agencies, research institutions, and private sector entities) fosters collaboration, reduces duplication of efforts, and enhances synergy in innovation activities. The entity governments collect data on innovation support from their respective jurisdictions and all lower levels (the FBiH Government from the cantonal and municipal/city levels, the RS Government from the municipal/city levels). After that, the entity governments define areas where there are differences in approach/acceptability or in other criteria, and then determine the method and deadlines for harmonization.

This step will be implemented through the activities listed in the table below.

TABLE 82: ACTIVITIES WITHIN STEP 2.2.1.1.

Activity Code	Activity title	Responsibility	Source of verification
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2.2.1.1.1.	Analysis of existing entity innovation plans	MODEC FBiH; MEE RS	Reports from the MODEC of FBiH and MEE of RS
2.2.1.1.2.	Updating and harmonizing innovation plans at all levels	MODEC FBiH; MEE RS	Official gazette of FBiH, RS, reports from the MODEC of FBiH and MEE of RS

**Step 2.2.1.2. Country-wide smart specialisation strategy and a new 2026-2031 strategy and action plan for scientific development are adopted**

A country-wide Smart specialization strategy ensures that innovation efforts are targeted towards sectors and areas where the country has competitive advantages and potential for growth. Adopting a smart specialization strategy is a complex but essential process for regional development and innovation. Through carefully planned steps, active stakeholder engagement, and continuous monitoring of progress, it is possible to develop and implement a strategy that maximizes regional potentials and contributes to sustainable economic growth."The process of dialogue with stakeholders (EDP) for the smart specialization strategy includes forming a working group with representatives from the government, industry, academia, and civil society. Steps include identifying key stakeholders, organizing workshops, meetings, interviews, and surveys, using digital tools, evaluating proposals, providing feedback, adapting the strategy, and transparent communication. This participatory method ensures the inclusion of all relevant actors and is based on real regional potentials and needs. In view of the formal adoption of the national smart specialisation strategy, competent implementation governance with relevant bodies and coordination mechanisms will be established and a managing body will be appointed and endorsed with coordination and development competences. The feasibility of the strategy will be secured by an operational action plan, detailing policy interventions and the corresponding financial coverage.

This step will be implemented through the activities listed in the table below.

TABLE 83: ACTIVITIES WITHIN STEP 2.2.1.2.

Activity Code	Activity title	Responsibility	Source of verification
2.2.1.2.1..	The development of a Smart Specialisation Strategy of BIH	BIH (DEP and WG for development of the Smart Specialisation Strategy of BIH),	Official gazette of BIH, reports from DEP and WG for development of 3S
2.2.1.2.2.	Adoption of a Smart Specialisation Strategy of BIH	CoM BIH	Official gazette of BIH
2.2.1.2.3.	Development of 2026-2031 strategy and action plan for scientific development	MES FBiH; MSTDHE RS , Cantonal Governments	Reports from MSTDHE of RS and MES of FBiH
2.2.1.2.4..	Adoption of 2026-2031 strategy and action plan for scientific development are adopted	Vlada FBiH, Vlada RS	Official gazette of FBiH, RS,

**Step 2.2.1.3. Improve the regulatory impact assessment in process of drafting regulations to cover the impact on SMEs, in accordance with competences.**

Regulatory impact assessment is applied across the country and has been expanded to cover the impact on SMEs, though it is not conducted consistently. By systematically integrating SME considerations into the regulatory drafting process through enhanced RIA practices, policymakers can create a more supportive regulatory environment. This approach not only reduces compliance costs and administrative burdens on SMEs but also promotes their growth, innovation, and resilience in the broader economy. Adoption of the methodology in accordance with the OECD Best Practice Principles on Regulatory Impact Assessment will gradually lead to a consistent assessment of impacts on SMEs in regulatory impact assessments during the early stages of law-making.

This step will be implemented through the activities listed in the table below.

TABLE 84: ACTIVITIES WITHIN STEP 2.2.1.3.

Activity Code	Activity title	Responsibility	Source of verification
2.1.1.3.1.	Development of methodology in accordance with the OECD Best Practice Principles on Regulatory Impact Assessment	CoM BIH, GFBIH, GRS, GBD	SIGMA report, Subcommittee on internal market and competition, self assessment of relevant ministries

**Step 2.2.1.4. Framework for Strategic guidelines for harmonisation of entity's support for SMEs and entrepreneurship is adopted, in particular startups and MSMEs in digital sector**

The laws governing investment funds have existed within entities for a long time. Although there are no laws on investment funds at the cantonal level, there is significant support for MSMEs approved by the Cantonal Governments. As a first step in preparing strategic guidelines, an analysis will be conducted to establish a solid foundation for analyzing the legislative framework and practices at all levels in Bosnia and Herzegovina. Following the performed analysis, adopting strategic guidelines aimed at harmonizing entity support for SMEs and entrepreneurship, especially startups and MSMEs in the digital sector, requires a systematic approach. By defining clear objectives, aligning regulatory frameworks, enhancing financial support mechanisms, building entrepreneurial capacity, and fostering collaboration, countries can create an enabling environment that nurtures innovation, fosters economic growth, and positions their digital economy for sustainable development in the global market. This strategic approach supports startups and MSMEs in overcoming barriers, seizing opportunities, and contributing to a vibrant and resilient entrepreneurial ecosystem.

TABLE 85: ACTIVITIES WITHIN STEP 2.2.1.4.

Activity Code	Activity title	Responsibility	Source of verification
2.2.1.4.1.	Analysis of existing entity support to small and medium-sized enterprises, especially startups and small and medium-sized enterprises in the digital sector	MODEC FBiH, FMF FBiH; MEE RS, Cantonal Governments	ERP, Yearly report for SMEs RS
2.2.1.4.2.	Development of strategic guidelines for harmonisation of entity's support for SMEs and entrepreneurship in particular startups and MSMEs in digital sector	MODEC FBiH, FMF BiH; MEE RS, AICT RS	Official gazette of FBiH, RS
2.2.1.4.3.	Analyse the effects of the application of the new legal framework for alternative investment funds is planned for the coming period, which will be a further guide for the improvement of the legal framework.	MODEC FBiH, FMF FBiH; MEE RS, MF RS	ERP, Yearly report for SMEs RS

### 3 POLICY AREA 3: HUMAN CAPITAL DEVELOPMENT AND RETENTION

#### COMPONENT 3.1. EDUCATION

##### REFORM – 3.1.1 INCREASE SHARE OF CHILDREN ENROLLED IN EARLY CHILDHOOD EDUCATION AND CARE SERVICES COUNTRY-WIDE

Preschool education in Bosnia and Herzegovina faces numerous challenges that hinder its development and accessibility. The first and most evident challenge is the limited number of children enrolled in preschool institutions. Historically, enrollment rates have been low, which is especially pronounced in rural and underdeveloped areas.

Enrolment in ECEC has been improving in FBiH in recent years, but remains concerningly low. In 2005, when the Strategic Directions for Preschool Education and Care in BiH were adopted by the BiH Council of Ministers, just 8% of the total preschool-age children in BiH were enrolled. In FBiH, in the pedagogic year 2021/2022, a total of 13,817 children between the ages of 3 and 6 years of age were enrolled in full-day or half-day preschool programs in 2021/2022. Given that the total population for this age group was estimated at around 60,690 in 2021, this corresponds to an ECEC coverage rate of just 22.76%. This rate is below the BiH average (33.2%), highlighting the need for further investments and improvements in the accessibility of preschool education. Though, in the year prior to primary school (5-6 years of age) this figure does rise significantly to 43.8% (in line with the BiH average rate of 44.1%), therefore reflecting a more than five-fold increase compared to 2005.<sup>10</sup>

Enrolment in ECEC has been improving in Republika Srpska in recent years, but remains concerningly low. Across Republika Srpska, the enrolment rate in full-day or half-day preschool programmes for 3- to 6-year-olds in the 2022/23 pedagogical year sits at 42.5%. Promisingly, enrolment in full- or half-day ECEC has been steadily increasing in recent years, rising from 38.5% in 2021/22, 37.1% in 2019/20, and 34.2% in 2018/19.<sup>21</sup> Further, in 2022/23, enrolment rate for

<sup>10</sup> Prioritizing children: The case of investment in early childhood development Federation of Bosnia and Herzegovina, INVESTMENT CASE FOR CHILDREN, United nations Bosnia and Herzegovina, Joint SGD Fund, March 2023

children aged 5 to 6 reaches 47.6% when including those children attending the preparatory preschool programme prior to enrolling in primary school.<sup>11</sup>

In the 2024/2025 school year, there are 529 preschool institutions operating in Bosnia and Herzegovina, of which 253 are public and 276 are private.<sup>12</sup> However, 8,685 children were not admitted to preschool institutions due to capacity constraints, clearly indicating structural limitations of existing facilities and insufficient access to preschool education.

These figures confirm the need for planning and implementing the construction of new preschool institutions in areas with insufficient capacity, as well as securing adequate funding for the expansion of existing public preschool institutions. Addressing these infrastructural challenges is one of the key steps towards increasing preschool enrollment rates and aligning with the strategic objectives for the development of early childhood education and care.

Recent PISA and TIMSS results from BiH highlight the importance of improving access to early learning opportunities. BiH has one of the lowest levels of access to pre-primary education among its peers. Access to early childhood education (ECE) in BiH is particularly low in stark contrast to the EU average of 95 percent.

Limited capacity in urban areas is one factor contributing to low preschool enrollment. Despite high parental demand for preschool education in certain urban areas (with waiting lists in larger cities such as Sarajevo, Banja Luka, Brčko, and Mostar), existing infrastructure and funding are insufficient to meet this demand. In 30 of BiH's 143 municipalities, not a single school offers a preschool program. ECE enrollment rates are especially low in rural areas, where fewer than 8 percent of children attend any type of ECE.<sup>13</sup>

In rural areas, higher unemployment levels, lower disposable income, and cultural norms around childrearing further limit ECE enrollment. The low level of ECE access in BiH is particularly concerning given strong global evidence on its role in developing foundational cognitive and socioemotional skills and breaking the cycle of intergenerational poverty.<sup>14</sup>

Additionally, a positive externality of greater ECE participation is its potential impact on increasing female labor force participation, which is of particular interest in BiH. However, learning gains from expanding preschool access depend on the quality of services, meaning that the agenda for improving quality is directly linked to the agenda for expanding access.<sup>15</sup>

The lack of preschool institutions in rural areas of Bosnia and Herzegovina further contributes to the low enrollment rate of children in kindergartens. According to the report by the Ministry for Human Rights and Refugees of BiH, many rural areas, returnee communities, and collective settlements lack preschool institutions, limiting opportunities for early childhood development. This lack of infrastructure in rural areas represents a significant barrier to children's participation in preschool education, which can have long-term negative consequences on their cognitive and socio-emotional development.

The absence of preschool institutions in rural areas of Bosnia and Herzegovina not only restricts access to early education but also significantly impacts unemployment, particularly among mothers. In rural areas, where preschool facilities are often unavailable, mothers are compelled to stay at home to care for their children, reducing their employment opportunities. According to data from the *Baseline Study on the Care Economy in Bosnia and Herzegovina*, women in rural areas spend an average of 6.5 hours per day on unpaid caregiving and household duties, compared to 6.2 hours for women in urban areas. This disparity further limits their economic activity and contributes to lower employment rates among women in rural communities.

Expanding the availability of preschool institutions in rural areas would not only provide children with access to early education but would also free up time for mothers, enabling them to participate in the labor market. This approach could help reduce the gender employment gap and contribute to the economic empowerment of women in rural communities.<sup>16</sup>

The Framework Law on Preschool Education mandates the harmonization of laws by competent educational authorities, but some cantons, such as the West Herzegovina Canton, have not yet adopted legislation aligned with the Framework Law. In the Herzegovina-Neretva Canton, the Draft Law on Preschool Education was approved in May 2025, with final

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<sup>11</sup> Prioritizing children: The case of investment in early childhood development Republika Srpska, INVESTMENT CASE FOR CHILDREN, United Nations Bosnia and Herzegovina, Joint SGD Fund, March 2023

<sup>12</sup> Agency for Statistics of Bosnia and Herzegovina, Demography and Social Statistics, Pre-school upbringing and education in the school year 2024/2025, Sarajevo, 14.02.2025.

<sup>13</sup> Bosnia and Herzegovina: Functional Review of Education Service Delivery; Phase II: Strengthening Institutions to Create a More Effective Education Workforce, World Bank Group, March 2021

<sup>14</sup> IBID

<sup>15</sup> IBID

<sup>16</sup> UN Women (2023). Overview of Key Characteristics, Policies, and Programmatic Options from the "Baseline Study on the Care Economy in Bosnia and Herzegovina" – Summary. Sarajevo, Bosnia and Herzegovina.

adoption expected by September 2025. This lack of full alignment further complicates the situation and hinders the effective implementation of preschool programs and standard

Funding represents another significant challenge. Ensuring sufficient funds for the expansion of existing preschool institutions and the construction of new facilities is crucial but currently insufficient. Without adequate financial resources, it is difficult to increase the capacities of preschool institutions and provide access to a larger number of children. Rural and underdeveloped areas, where the need for new facilities is most pronounced, present a particular problem.

The quality of educational programs is also one of the key challenges. Currently, there is a lack of professional development for preschool staff, which is essential for maintaining and improving the quality of education. Inclusive educational programs that would support children with developmental disabilities and gifted children are rare and insufficiently developed. Without appropriate training and support, preschool staff are unable to provide optimal care and education to every child.

Activities to achieve these goals include conducting needs assessments of preschool institutions to ensure access to educational programs for children, especially before starting school and for ages 3-5.

Planning and implementing new facilities will ensure sufficient space for children in appropriate environments, thereby promoting greater accessibility to early childhood education. Securing financial resources will enable the expansion of existing facilities and construction of new ones, further enhancing children's access to educational resources.

Professional development of staff will ensure that educators and administrators are well-prepared to provide quality educational support. Public campaigns will educate parents and the broader public about the importance of early childhood education, encouraging increased participation of children during the early growth and development phase. Moreover, through Public campaigns permanent cooperation will be established between preschool institutions and local and other media in order to promote examples of good practices and success in the work of preschool institutions. These campaigns on the importance of preschool education will be organized periodically and will be targeted target groups - parents, members of municipal councils, political parties, businesses, subjects, media, etc. Systematic monitoring of the number of children enrolled in preschool institutions also represents a challenge. Without adequate tracking, it is difficult to ensure that all capacities are optimally utilized and that the needs of children are met. Effective mechanisms for data collection and analysis need to be established to continuously monitor and improve the situation in preschool education. Developing effective monitoring and evaluation systems in early childhood education (ECEC) is crucial for ensuring quality and achieving desired outcomes for children. According to documents from the European Working Group on ECEC, the first step in this process is defining clear goals and quality standards. These standards should align with international guidelines and include expected outcomes for children, professionals, and programs

Building capacity for data collection and analysis, involving appropriate training to utilize new technologies and methodologies for monitoring and evaluation. Using tools such as surveys, on-site visits, and expert evaluations will aid in gathering relevant data. This data should be used to identify program strengths and weaknesses and implement strategies to address identified issues. Engaging all stakeholders, including parents, educators, administrators, and policymakers, in the monitoring and evaluation process will ensure transparency and accountability, further enhancing public trust in ECEC programs. This approach is based on guidelines and best practice examples published by the European Working Group on ECEC. Finally, systematic monitoring of children in preschool institutions will ensure transparency and enable policy adjustments to ensure that all children in need have access to quality early childhood education.

Collaboration among all relevant stakeholders in Bosnia and Herzegovina's education sector is crucial for the successful transformation of early childhood education. It is important for responsible institutions at all levels of government, including entities, cantonal and local educational authorities, to actively cooperate in aligning strategies, sharing resources, and supporting continuous improvement of preschool programs. This integrated approach enables effective management, adaptation to local needs, and implementation of best practices to ensure that every child in Bosnia and Herzegovina has access to high-quality early childhood education.

By addressing these challenges and implementing these activities, Bosnia and Herzegovina can enhance its preschool education systems. This will ensure that all children have access to quality early education and are better prepared for their future educational paths. Investing in preschool education will have a profound impact on children, families, and society as a whole and contributing to reduced socio-economic inequality.

TABLE 86: STEPS WITHIN THE REFORM 3.1.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
3.1.1.1.	60% of children in the year prior to school entry enrolled in early childhood education and care services (ECEC)	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	June 2027
3.1.1.2	50% enrolment for children 3-5	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	June 2027
3.1.1.3	15% enrolment for children 0-2	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	June 2027

**Step 3.1.1.1. 60% of children in the year prior to school entry enrolled in early childhood education and care services (ECEC)**

According to data from the Agency for Statistics of BiH, the enrollment rate for children aged 5 to 6 years reached 46% in the 2022/2023 school year, indicating progress in ensuring children's preparedness for primary education.<sup>17</sup>

For the 2023/2024 school year, data show a slight increase in enrollment within this age group, with the coverage rate rising by just over 1%, reaching 47.3%. This trend confirms the gradual improvement in access to preschool education in the year before starting school.<sup>18</sup>

Ensuring an enrollment rate of 60% for children in the year before starting school in the early childhood education and care (ECEC) system is a realistic and achievable goal that can significantly contribute to their cognitive, social, and emotional development.

The gradual increase in preschool enrollment over the past years has already shown a positive trend, with the enrollment rate for children aged 5 to 6 years reaching 47.3% in the 2023/2024 school year. Given this trajectory, increasing coverage to 60% can be achieved through targeted investments in preschool infrastructure, strengthening workforce capacity, and improving the accessibility of early learning programs.

This expansion would enable a greater number of children to develop pre-learning skills, social interaction abilities, and emotional regulation, thereby reducing developmental disparities upon entering primary school. Additionally, increasing enrollment represents a step towards reaching international educational standards and contributes to the long-term strengthening of the country's human capital.

Early childhood education lays a strong foundation for lifelong learning and success, improving school readiness and reducing the achievement gap. High enrollment rates in ECEC services contribute to better educational outcomes, increased social cohesion, and a more equitable society. High enrollment rates help address educational disparities, providing equitable learning opportunities for all children, especially those from disadvantaged backgrounds. Government authorities, including governmental agencies at all levels, preschool institutions, and local communities, must collaborate to increase ECEC enrollment. This involves expanding access to ECEC services, enhancing the quality of educational programs, providing financial support, and conducting public awareness campaigns to highlight the benefits of early childhood education. Engaging parents and caregivers through community outreach and support programs contribute to achieving high enrollment rates.

TABLE 87: ACTIVITIES WITHIN STEP 3.1.1.1.

Activity Code	Activity title	Responsibility	Source of verification
3.1.1.1.1	Need assessment of preschool institutions to ensure access to educational programs for children in the year prior to school entry.	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Report on the results of the assessment of the need for preschool institutions and preparation of recommendations for improving access to educational programs for

<sup>17</sup> Information on the Implementation of the Framework Law on Preschool Education in Bosnia and Herzegovina for the Year 2022, Ministry of Civil Affairs of Bosnia and Herzegovina

<sup>18</sup> Agency for Statistics, response to request, 16.07.2024

			children one year prior to school entry
3.1.1.1.2	Feasibility study	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government and local self-government units (LSG) of the Republika Srpska and FBiH as founders of preschool institutions.	Detailed Financial Projections Report
3.1.1.1.3	Based on the needs assessment and feasibility study, planning and implementation of the construction of new preschool institutions and facilities in areas with insufficient capacity.	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Official government records on the planning and execution of the construction of new preschool institutions or facilities.
3.1.1.1.4	Ensuring sufficient funds, based on the feasibility study, for the expansion of existing public preschool institutions and the construction of new facilities	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Financial records from relevant government departments of budgetary allocations for preschool institution expansion of existing and construction of new facilities,
3.1.1.1.5	Professional development of educational staff and directors of educational institutions	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government and local self-government units (municipalities and cities) of the Republika Srpska as founders of preschool institutions.	Official records of professional development activities maintained by educational institutions or relevant authorities.
3.1.1.1.6	Public awareness campaigns	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Official government records
3.1.1.1.7	Implementation of programs for children in the year prior to school entry from the beginning of March to the end of May countrywide	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Data from the statistical institutes of FBiH and RS.

### **Step 3.1.1.2. - 50% enrolment for children 3-5**

By the 2018/2019 school year, according to UNICEF estimates, the enrollment rate for children aged 3-5 years was 25%, indicating some progress but still remaining far below the desired level.<sup>19</sup>

According to the Agency for Statistics of BiH, data from the 2022/2023 school year indicate a notable increase in the enrollment rate for children aged 3 to 5 years, reaching 42%. This represents a substantial growth compared to the 25% recorded in 2018/2019, reflecting a steady upward trend in early childhood education participation.<sup>20</sup>

However, data for the 2023/2024 school year indicate a decline compared to the previous year, with the enrollment rate for children aged 3 to 5 years dropping to 35%.<sup>21</sup>

Enrollment of children between the ages of 3 and 5 in preschool education plays a major role in preparing them for formal schooling. Preschool education helps children develop essential skills, such as language, motor, and social skills, which contribute to their overall development. At this age, children benefit from structured educational environments that enhance their cognitive and social skills. Consistent participation in early childhood education programs helps bridge the gap between home and formal schooling, leading to better preparedness for primary education and improved long-term

<sup>19</sup> Information on the Implementation of the Framework Law on Preschool Education in Bosnia and Herzegovina for the Year 2022, Ministry of Civil Affairs of Bosnia and Herzegovina

<sup>20</sup> IBID

<sup>21</sup> Agency for Statistics, response to request, 16.07.2024

academic performance. Higher enrollment rates in this age group lead to better educational outcomes, increased social mobility, and a stronger foundation for lifelong learning. Local and cantonal educational authorities, preschool institutions and municipalities/cities must work together to increase enrollment for children aged 3-5. This includes building new preschool facilities, expanding existing ones, securing funding, and ensuring the availability of trained educators. Public campaigns to educate parents about the importance of preschool education and provide support for low-income families are also necessary to achieve this goal.

TABLE 88: ACTIVITIES WITHIN STEP 3.1.1.2.

Activity Code	Activity title	Responsibility	Source of verification
3.1.1.2.1	Need assessment of preschool institutions to ensure access to educational programs for children aged 3 to 5 years.	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Report on the results of the assessment of the need for preschool institutions for children aged 3 to 5 years..
3.1.1.2.2	Feasibility study	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government and local self-government units (LSG) of the Republika Srpska and FBiH as founders of preschool institutions.	Detailed Financial Projections Report
3.1.1.2.3	Based on the needs assessment and feasibility study, planning and implementation of the construction of new preschool institutions/new-preschool facilities suitable for children aged 3-5 years in areas with insufficient capacity	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Official government records on the planning and execution of the construction of new preschool institutions or facilities. .
3.1.1.2.4	Ensuring sufficient funds, based on the feasibility study, for the expansion of existing public preschool institutions and the construction of new facilities	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Financial records from relevant government departments of budgetary allocations for preschool institution expansion of existing and construction of new facilities,
3.1.1.2.5	Professional development of educational staff and directors of educational institutions	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of RS, Institute for the Development of Pre-University Education in Canton Sarajevo	Official records of professional development activities maintained by educational institution/relevant authorities.
3.1.1.2.6	Public awareness campaigns	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government/ Cantonal Pedagogical Institutes, Republic Pedagogical Institute of RS, Institute for the Development of Pre-University Education in Canton Sarajevo	Official government records
3.1.1.2.7	Implementation of systematic monitoring of the number of children aged 3-5 in preschool institutions	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Data from the statistical institutes of FBiH and RS.

### STEP 3.1.1.3. - 15% enrolment for children 0-2

According to data from the Agency for Statistics, in the 2023/2024 school year, the enrollment rate of children aged 0 to 2 years in preschool institutions in Bosnia and Herzegovina is 5.7%.<sup>22</sup>.

Enrolling children aged 0-2 in early childhood education programs requires specialized care and education, which necessitates tailored programs and facilities. Early childhood education during these formative years supports brain development, enhances social and emotional skills, and provides a safe and nurturing environment for young children. Early interventions can lead to long-term benefits, including improved health, educational, and economic outcomes. This requires innovative strategies and substantial investment in early childhood care services. The legislative framework must support the expansion of services for the youngest children. This includes aligning laws and policies to facilitate the development of early childhood care programs. Investment in specialized infrastructure will be necessary to accommodate the youngest learners and provide them with quality care. Educators and caregivers working with children aged 0-2 require specialized training. Professional development programs must equip them with the skills and knowledge needed to support the unique needs of this age group. Continuous training and support will be essential for maintaining high standards of care and education. Raising awareness about the importance of early childhood education for children aged 0-2 targeting parents, healthcare providers, and community leaders can help emphasize the benefits of early enrollment. Achieving this enrollment target requires coordinated efforts from governmental agencies, early childhood education providers, health services, and community organizations. This includes developing policies and funding programs that support early childhood education, expanding access to quality care services, and providing training for caregivers and educators. Outreach programs to inform and support parents, especially in rural and underserved areas, will contribute to increasing enrollment rates for this age group.

TABLE 89: ACTIVITIES WITHIN STEP 3.1.1.3.

Activity Code	Activity title	Responsibility	Source of verification
3.1.1.3.1	A comprehensive assessment of the needs of preschool institutions is required to ensure adequate space and care, particularly tailored to the needs of the youngest children, aged 0 to 2 years.	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Report on the Comprehensive Assessment of the Needs of Preschool Institutions for Providing Adequate Care Tailored to Children Aged 0-2 Years.
3.1.1.3.2	Feasibility study	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government and local self-government units (LSG) of the Republika Srpska and FBiH as founders of preschool institutions.	Detailed Financial Projections Report
3.1.1.3.3	Based on the needs assessment and feasibility study, planning and implementation of the construction of new preschool institutions/new-preschool facilities suitable for children aged 0-2 years in areas with insufficient capacity.	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Official government records on the planning and execution of the construction of new preschool institutions or facilities., including building permits, construction contracts, progress reports, and completion certificates issued by relevant authorities
3.1.1.3.4	Ensuring sufficient funds, based on the feasibility study, for the expansion of existing public preschool institutions and the construction of new facilities	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Financial records from relevant government departments detailing allocated funds for preschool institution expansion projects,
3.1.1.3.5	Professional development of educational staff and directors of educational institutions	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of RS,	Official records of professional development activities maintained by educational institutions/relevant authorities.

<sup>22</sup> Agency for Statistics, response to request, 16.07.2024

		Institute for the Development of Pre-University Education in Canton Sarajevo	
3.1.1.3.6	Public awareness campaigns	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of Republika Srpska Institute for the Development of Pre-University Education in Canton Sarajevo	Official government records
3.1.1.3.7	Implementation of systematic monitoring of the number of children aged 0-2 in preschool institutions	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education, Department of Education of the Brčko District Government	Data from the statistical institutes of FBiH and RS.

**REFORM 3.1.2 INCREASE QUALITY OF PRIMARY, SECONDARY AND HIGHER EDUCATION COUNTRY-WIDE, INCLUDING BY ALIGNING CORE CURRICULA WITH LABOUR MARKET NEEDS**

Career choice requires lifelong reflection on possible and suitable pathways in education and work, as well as continuous evaluation of professional decisions made. Therefore, aligning educational curricula with the needs of the labor market is crucial because students acquire knowledge and skills that are in demand worldwide. This alignment means that graduates will have better chances for employment and career development as they possess relevant competencies. Despite the importance of this alignment, several challenges hinder its effective implementation in Bosnia and Herzegovina. Decentralised education system and the lack of coordination between different levels of government and educational institutions complicate the consistent application of educational standards.

The introduction of curricula based on learning outcomes, including digital skills, ensures that students acquire competencies relevant to modern job markets, fostering innovation and economic growth in BiH. Providing internet access in schools supports the integration of digital technologies into education, enhancing learning experiences and preparing students for the digital age. Training teachers in digital skills is crucial for delivering high-quality education and ensuring that all students, including those with special needs, can benefit from modern teaching methods and resources.

By addressing these challenges through these targeted steps and activities, Bosnia and Herzegovina can significantly improve its education systems. This will ensure that students are better prepared for their future educational and career paths, contributing to the development of a sustainable, competitive, and inclusive society.

Many schools, especially in rural areas, face infrastructural issues, such as inadequate access to high-speed internet and modern ICT equipment. Financial constraints further exacerbate these issues, forcing schools to prioritize basic needs over investments in technology and professional development.<sup>23</sup>

Moreover, the lack of adequate training for teachers in enhancing digital skills is a significant obstacle. Rapid technological advancements require teachers to be proficient in using digital tools and resources, yet many lack the necessary skills and knowledge.

Introducing and applying curricula based on learning outcomes, including digital skills in line with the EU document Digital Competence Framework for Citizens (DigComp), requires an analysis of current curricula, recommendations for harmonization, and the adoption of new core curricula. Training programs for teachers and the development of educational resources will support the implementation of these curricula. Establishing a monitoring and evaluation system will ensure the effectiveness of these changes.

Improving internet access in schools is another priority. A thorough assessment of existing infrastructure will determine the availability and quality of internet connectivity. Schools will receive funding for equipment and internet services, and partnerships with telecommunications companies will be established to enhance internet access. Regular monitoring will track progress towards achieving full Wi-Fi coverage in schools.

30% of teachers in primary and secondary education will attend and successfully complete Digital Skills training in line with EU best practices. To consider Digital Skills training in line with EU best practices achieved, a series of interconnected actions must take place. This involves establishing a transparent and inclusive selection process, ensuring that a representative group of teachers from both primary and secondary education is chosen. The criteria for selection must be well-defined to guarantee diversity and inclusivity, reflecting the broad spectrum of teaching professionals across different regions and educational levels.

<sup>23</sup> OECD Reviews of Evaluation and Assessment in Education: Bosnia and Herzegovina, 2022

Digital skills programs must be meticulously crafted to align with EU best practices, incorporating the latest advancements in digital pedagogy. This phase requires collaboration with educational experts and digital training professionals to ensure that the content is both relevant and impactful. The implementation of the training requiring a well-coordinated effort to deliver the programs effectively. This could involve a blend of online and in-person training sessions/workshops, and providing adequate support materials and resources. The training must be engaging and interactive, fostering a conducive environment for teachers to acquire and refine their digital skills. Upon successful completion, teachers should receive certification that formally recognizes their achievement and validates their skills.

To address these challenges and improve the quality of education, several key steps and activities have been proposed. Adaptation of RS Law on Quality Assurance in Higher Education will set procedures and standards to ensure high-quality higher education, thereby improving the academic reputation and attractiveness of higher education institutions in the Republika Srpska. The process involves drafting, considering, and adopting the law, followed by its publication in the official gazette.

Adaptation of RS Law on Quality Assurance in Higher Education is necessary to establish and maintain high standards in higher education, attracting more students, researchers, and investments, thereby enhancing the country's global competitiveness. Accreditation of agencies by ENQA ensures that the quality assurance processes meet international standards, facilitating continuous improvement and international collaboration.

Accreditation of at least two agencies as members of the European Association for Quality Assurance in Higher Education (ENQA) will involve self-assessment evaluation reports, detailed action plans, and a final evaluation by the ENQA Review Panel. Achieving ENQA membership will provide international recognition and credibility, giving these agencies access to diverse resources, tools, and expertise to improve quality assurance processes.

TABLE 90: STEPS WITHIN TH REFROM 3.1.2.

Step Code	Title of the step	Responsibility	Deadline for the implementation
3.1.2.1.	Introduction and application by relevant authorities within the country of curricula based on learning outcomes, including those that concern digital skills (in line with the EU document Digital Competence Framework for Citizens (DigComp))	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of RS, Institute for the Development of Pre-University Education in Canton Sarajevo	June 2026
3.1.2.2.	200 schools / year covered with internet until full coverage with Wi-Fi accessible throughout the school	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH; Schools	December 2027
3.1.2.3.	30% of teachers in primary and secondary education exposed to training in Digital Skills in line with EU best practice	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of RS, Institute for the Development of Pre-University Education in Canton Sarajevo/ relevant educational authorities,	December 2027
3.1.2.4.	RS Law on Quality assurance in Higher Education enters into force	Ministry of Civil Affairs, Ministry of Scientific and Technological Development and Higher Education of Republika Srpska; National Assembly of Republika Srpska; Government of Republika Srpska	December 2025
3.1.2.5.	Accreditation of at least two agencies as members of ENQA	Ministry of Civil Affairs, Government entities responsible for overseeing and regulating higher education; The Agency for the Development of Higher Education and Quality Assurance of Bosnia and Herzegovina and the Higher Education Agency of Republika Srpska, Cantonal Ministries of education and the Government of the Brčko District of BiH	June2026

**Step 3.1.2.1. Introduction and application by relevant authorities within the country of curricula based on learning outcomes, including those that concern digital skills (in line with the EU document Digital Competence Framework for Citizens (DigComp))**

Aligning curricula with learning outcomes, including digital skills, is essential for equipping students with competencies relevant to modern job markets. This initiative promotes innovation, economic growth, and prepares students to effectively contribute to a digital society. It ensures that educational programs remain responsive to evolving workforce needs and technological advancements. Educational authorities, curriculum developers, educators, and industry stakeholders must collaborate to analyze current curricula, recommend updates aligned with the Framework for Digital Skills, and oversee the adoption and application of new curricula. Continuous feedback loops and evaluations are necessary to refine and improve curricula over time.

TABLE 91: ACTIVITIES WITHIN STEP 3.1.2.1.

Activity Code	Activity title	Responsibility	Source of verification
3.1.2.1.1.	Analysis and recommendations for harmonized application of core curricula in line with the Digital Competence Framework for Citizens (DigComp)	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of education, Department of Education of the Brčko District Government,	Benchmarks Report
3.1.2.1.2	Adoption of Core Curricula based on student learning outcomes including those that concern digital skills in line with the Digital Competence Framework for Citizens (DigComp)	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of education, Department of Education of the Brčko District Government	Revised core curricula based on learning outcomes in line with Digital Competence Framework for Citizens (DigComp).
3.1.2.1.3	Development of comprehensive training and capacity-building programs for teachers to effectively implement core curricula, including digital skills	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of the Republika Srpska, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education, Institute for Pre-University Education Development in KS	The content of programs for teachers to effectively implement the core curricula, including digital skills components.
3.1.2.1.4	Developing educational resources, materials, and guidelines to support the implementation of core curricula based on learning outcomes	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of the Republika Srpska, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education, Institute for Pre-University Education Development in KS	Education resources for teachers which support the implementation of core curricula based on learning outcomes
3.1.2.1.5	Establishment of a monitoring and evaluation system to assess the implementation of core curricula, and relevant training, resources, guidelines	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of the Republika Srpska, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education, Institute for Pre-University Education Development in KS	Reports from relevant educational bodies on the implementation of curricula based on learning outcomes within the country

**Step 3.1.2.2. - 200 schools / year covered with internet until full coverage with Wi-Fi accessible throughout the school**

Improving internet access in schools is crucial for integrating digital technologies into education, enhancing learning experiences, and preparing students for the digital age. Full Wi-Fi coverage ensures equitable access to educational resources and opportunities for all students, regardless of their geographic location or socioeconomic background. Collaboration among educational authorities, telecommunications companies, and governments at all levels of authority is important to assess current infrastructure, secure funding for equipment and services, and implement plans to expand internet access. Regular monitoring and feedback from school communities will ensure that coverage targets are met effectively.

TABLE 92: ACTIVITIES WITHIN STEP 3.1.2.2.

Activity Code	Activity title	Responsibility	Source of verification
3.1.2.2.1	A thorough assessment of the existing infrastructure and CT equipment provision in schools (pre-primary, primary, secondary, higher education, VET) to determine the availability and quality of internet connectivity.	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education	Assessment report
3.1.2.2.2	Provision of funding to schools for the acquisition of essential equipment and internet services.	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education	Official documents between relevant authorities confirming the allocation of funds to schools.
3.1.2.2.3	Establishing partnerships with telecommunications companies to improve internet access in schools.	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Schools	Signed contracts between school authorities and telecommunications companies that define cooperation and plans for improving internet access.
3.1.2.2.4.	Regular monitoring of the number of schools with full coverage with Wi-Fi accessible throughout the school.	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education.	Official reports from the competent educational authorities about the progress of school internet coverage.

**Step 3.1.2.3. 30% of teachers in primary and secondary education exposed to training in Digital Skills in line with EU best practice .**

Training teachers in digital skills is essential for enhancing the quality of education and aligning teaching methods with contemporary standards. By equipping educators with the competencies needed to effectively use digital tools, this training supports improved student engagement and addresses the diverse learning needs of all students, including those with special educational requirements. A coordinated effort among ministries of education, teacher training institutions, educational technology specialists, and advisors on EU best practices is necessary to design and implement comprehensive training programs.

These programs should prioritize accessibility, relevance, and adaptability, integrating the latest advancements in digital pedagogy and supporting the ongoing professional development of educators. The initiative aims to train 14,759 teachers, representing approximately 30% of the total 36,897 teachers in primary and secondary education. This effort will enhance the digital competencies of educators, fostering more effective learning environments across schools.

TABLE 93: ACTIVITIES WITHIN STEP 3.1.2.3.

Activity Code	Activity title	Responsibility	Source of verification
3.1.2.3.1	Needs assessment to identify the current level of digital skills among teachers in primary and secondary education.	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of the Republic of Srpska, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education, Institute for Pre-University Education Development in KS	Need assessment report
3.1.2.3.2	Develop professional training programs for primary and secondary education teachers in digital skills based on EU best practices	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of the Republic of Srpska, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education, Institute for Pre-University Education Development in KS	The content of the professional training programs for primary and secondary education teachers in digital skills based on EU best practices.
3.1.2.3.3	Development Digital Skills educational programs tailored to the needs of teachers in primary and secondary education based on EU best practices	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of the Republic of Srpska, Pedagogical Institution of the Government of the Brčko	Content of Training prepared for professional development of teachers in Digital Skills

		District of BiH Department of Education, Institute for Pre-University Education Development in KS	
3.1.2.3.4	Implementation of Digital Skills educational programs customized to the specific requirements of educators in primary and secondary education, in line with EU best practices.	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of the Republika Srpska, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education, Institute for Pre-University Education Development in KS,	Report by educational institutions assessing the percentage of teachers who have been involved and successfully completed training in digital skills.
3.1.2.3.5.	Establishment of a monitoring system to monitor the coverage of primary and secondary school teachers who have successfully completed training in digital skills and they use them in their everyday work	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education Cantonal Pedagogical Institutes, Republic Pedagogical Institute of the Republic of Srpska, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education, Institute for Pre-University Education Development in KS	Monitoring report

#### **Step 3.1.2.4. - RS Law on Quality assurance in Higher Education enters into force**

Adaptation and implementation of the RS Law on Quality Assurance in Higher Education is necessary for setting clear procedures and standards that ensure the quality of higher education institutions in Republika Srpska. This law will enhance the academic reputation and attractiveness of these institutions, thereby increasing their competitiveness on a global scale. It is essential for attracting students, researchers, and investments, fostering a conducive environment for continuous improvement in higher education. Stakeholders such as governmental bodies, educational institutions, and quality assurance agencies must collaborate closely to ensure the effective implementation of this law. This includes drafting, reviewing, and adopting the legislation, as well as providing ongoing support for its enforcement through monitoring and evaluation mechanisms.

TABLE 94: ACTIVITIES WITHIN STEP 3.1.2.4.

Activity Code	Activity title	Responsibility	Source of verification
3.1.2.4.1	Adoption of the Law on the Agency for Higher Education of Republika Srpska	Ministry of Civil Affairs , National Assembly of Republika Srpska, President of RS;	Minutes of the National Assembly of republika Srpska
3.1.2.4.2	Publication of the Law on the Agency for Higher Education of Republika Srpska in the Official gazette	Ministry of Civil Affairs, National Assembly of Republika Srpska, Official gazette of Republika Srpska	Publication in the official gazette

#### **Step 3.1.2.5. - Accreditation of at least two agencies as members of ENQA**

Achieving accreditation by the European Association for Quality Assurance in Higher Education (ENQA) is crucial for ensuring that quality assurance processes meet international standards. Membership in ENQA provides agencies with access to valuable resources, expertise, and networks, enhancing their credibility and facilitating international collaboration in quality assurance practices. Accreditation processes involve self-assessment evaluations, action planning, and external evaluations by the ENQA Review Panel. It requires active participation from accrediting agencies, educational institutions seeking accreditation, and relevant governmental bodies to meet the criteria set by ENQA.

TABLE 95: ACTIVITIES WITHIN STEP 3.1.2.5.

Activity Code	Activity title	Responsibility	Source of verification
3.1.2.5.1	Self-assessment evaluation reports of agencies	Ministry of Civil Affairs, The Agency for the Development of Higher Education and Quality Assurance and the Agency for Higher Education of Republika Srpska	Self assessment reports

3.1.2.5.2	Detailed action plans outlining specific steps and milestones for achieving membership in ENQA	Ministry of Civil Affairs, The Agency for the Development of Higher Education and Quality Assurance and the Agency for Higher Education of Republika Srpska	Two action plans with defined specific steps for achieving membership in ENQA
3.1.2.5.3	Final evaluation report by the ENQA Review Panel on compliance with the Standards and Guidelines for Quality Assurance in the European Higher Education Area (ESG)	Ministry of Civil Affairs, ENQA Review Panel	ENQA Review Panel report
3.1.2.5.4.	Reaching a conclusion on compliance with the ESG by two agencies and confirmation of accession to ENQA membership.	Ministry of Civil Affairs, ENQA Committee	Confirmation of accession to ENQA membership

### REFORM 3.1.3 IMPROVE THE LINK BETWEEN VET AND PRIVATE SECTOR AND DECREASE THE SKILLS MISMATCH

High unemployment and mismatch in the labor market represent long-term structural problems in Bosnia and Herzegovina (BiH). The labor market faces structural problems such as a lack of in-demand skills, slow job creation, and a gap between educational profiles and employer needs. Many educational programs are not aligned with labor market demands, resulting in young people lacking practical knowledge and skills. Additionally, there is insufficient cooperation between educational institutions and employers, making it difficult to adapt educational programs to market needs<sup>24</sup>.

Challenges include decentralised education system, insufficient infrastructure, limited financial resources, and inadequate teacher training. Many schools, especially in rural areas, lack high-speed internet and modern ICT equipment. Teachers often lack digital skills, and some resist adopting new technologies, further hindering education quality. Moreover, active employment policies need better planning and effectiveness, as only a small percentage of employers hire directly from the education system.

To address these challenges, several steps and activities are proposed. Conducting an in-depth analysis of existing VET programs will determine the extent of work-based learning opportunities and the number of students utilizing them. This is essential because it allows for the identification of gaps and opportunities for improvement, ensuring that educational programs meet the real needs of the labor market. Developing new curricula, collaborating with employers to provide apprenticeships, and designing support systems for students are crucial because they enable the acquisition of practical skills that are directly applicable in the workplace, thereby increasing students' employability. In Republika Srpska, new curricula based on learning outcomes were adopted and have been implemented since 2021. These curricula have increased the number of hours allocated to practical training in secondary vocational and technical schools. The Law on Secondary Education and Upbringing ("Official Gazette of Republika Srpska," No. 41/18, 35/20, 92/20, and 55/23) and the Rulebook on the Manner of Education of Students in the Dual Education System and Practical Training with Employers ("Official Gazette of Republika Srpska," No. 5/24) regulate the implementation of practical training for secondary school students in practical training cabinets, school workshops, and other facilities equipped for instruction in accordance with relevant standards, as well as in facilities outside the school, at employers' premises. Additionally, the Ministry of Education and Culture of Republika Srpska adopted the Rulebook on the Implementation of Work-based learning during school holidays ("Official Gazette of Republika Srpska," No. 62/24). Out of 70 secondary vocational and technical schools, 50 – or 72.46% – have established cooperation with employers. Practical training with employers is implemented for 16% of students in secondary vocational and technical schools, involving a total of 1,186 employers.

Providing training for teaching staff and employers to implement work-based learning effectively is important because it ensures that all participants are equipped with the knowledge and skills necessary for successfully conducting practical training, thereby improving the quality of education and training. A quality assurance framework for adult education aligned with competencies is necessary. This involves analyzing existing adult education programs, defining clear goals and standards, and developing policies for consistent implementation.

VET teachers have a key role to play in implementing educational change and reforming work practices. In a rapidly changing world of work, there is a need for a variety of ways to organise training in a customer-oriented way so that it is achievable from a continue learning perspective. Competence can be acquired in different learning environments, in which case the teacher's role as a planner of study paths and as a recogniser of competence may be emphasised in the

<sup>24</sup> WESTERN BALKANS REGULAR ECONOMIC REPORT No.20 | Fall 2021, Greening the Recovery, World Bank Group

future. VET teachers have to have competence to guide their students towards future world of work. The new competence requirements encompass several key areas. Industry-relevant competence involves understanding and applying current industry practices, the ability to teach industry-relevant skills and knowledge, and the capacity to collaborate with private sector stakeholders. Pedagogical competence includes the application of modern teaching methodologies, skills in effective classroom management and student engagement, and proficiency in assessing student performance and providing constructive feedback. Subject-specific knowledge requires up-to-date expertise in the specific subject area and the ability to incorporate current research and trends into teaching. Digital literacy entails competence in using educational technology tools and the ability to integrate digital resources into teaching practices. Lastly, inclusive education involves skills in designing and implementing inclusive teaching strategies, as well as an understanding of diverse student needs and differentiation in instruction.

Achieving the professional development of teachers and trainers to align with new competence requirements involves a multifaceted approach aimed at enhancing the educational landscape. Needs assessment to identify the specific competencies that are required in the current and future educational context involves analyzing the existing skill gaps among teachers and trainers and understanding the new competencies dictated by technological advancements, pedagogical innovations, and global educational standards. The outcome of this assessment provides a framework for the development of targeted professional development programs which are meticulously crafted to address the identified competency gaps, incorporating best practices from international educational standards. The curriculum for design and development of professional development programs should be dynamic and inclusive, offering a blend of theoretical knowledge and practical applications. It should cover a wide range of areas, including digital literacy, innovative teaching methodologies, classroom management, and student engagement strategies. Implementing these professional development programs requires a coordinated effort to ensure accessibility and inclusivity. This may involve a combination of online and in-person training sessions, workshops, and seminars. Leveraging digital platforms can enhance the reach and flexibility of these programs, allowing teachers and trainers to participate irrespective of their geographical locations. To measure the effectiveness of the professional development programs, an evaluation system must be in place. This includes pre- and post-training assessments to gauge the improvement in competencies and the overall impact of the training. Continuous support and follow-up mechanisms are essential to ensure that the newly acquired skills are effectively integrated into everyday teaching practices. This could involve mentorship programs, peer collaboration, and access to ongoing professional learning communities. Such support systems help maintain the momentum of professional growth and encourage a culture of lifelong learning among educators. Regular monitoring ensures that the professional development initiatives are on track and meeting their objectives. Detailed reporting provides insights into the progress and outcomes, highlighting areas of success and identifying opportunities for improvement. Transparent communication with all stakeholders, including educational institutions, government bodies, and the educators themselves, fosters accountability and continuous enhancement of the professional development efforts.

In Republika Srpska, in accordance with the legal framework governing preschool, primary, and secondary education, teachers and professional associates are required to engage in professional development. This obligation is based on defined areas of specialization, including natural sciences, social and humanistic sciences, arts, pedagogical and psychological sciences, didactics and teaching methodologies, inclusion, and other areas relevant to the needs of the education system. Professional development is implemented in accordance with the Catalogue of Training and Professional Development Programs, which is defined, organized, and delivered by Republic Pedagogical Institute of Republika Srpska (RPZ). Continuous professional development of teachers and professional associates is also a strategic commitment of the Ministry. In accordance with these competencies, training programs for VET teachers will be developed. These programs will ensure that VET teachers attending training, which will be conducted in cycles at least four times a year, encompassing four modules. This structured approach aims to enhance the quality of education and better align it with industry demands, ultimately contributing to a more competent and skilled workforce.

This ongoing development helps maintain high educational standards, adapts teaching methods to current industry practices, and ultimately enhances student outcomes by providing them with relevant and up-to-date training. An assessment of updated competence needs should guide tailored professional development programs, supported by necessary resources.

Increasing the share of VET students employed within a year after graduation involves analyzing employment trends, aligning curricula with industry needs, providing career guidance, strengthening partnerships with industry stakeholders, promoting entrepreneurship, and monitoring employment outcomes.

Implementing these steps and activities will help solve unemployment and skills mismatch issues, creating favorable conditions for economic growth and development of Bosnia and Herzegovina.

TABLE 96: STEPS WITHIN THE REFORM 3.1.3.

Step Code	Title of the step	Responsibility	Deadline for the implementation
3.1.3.1	At least 40% of second-year VET-students should benefit from substantial exposure (at least 25% of programme) to work-based learning (EEA strategic framework)	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and Government of Brčko District BiH Department of Education	December 2026
3.1.3.2	Quality assurance framework for adult education in place, in line with competences	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and Government of Brčko District BiH Department of Education	June 2026
3.1.3.3.	Professional development of teachers and trainers to match new competence requirements	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of the Republika Srpska, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education, Institute for the Development of Pre-University Education KS	June 2026
3.1.3.4.	15% of VET students employed within a year after VET graduation	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Federal Employment Office, RS Employment Office, Cantonal Employment Services, Employers' Associations, Ministry of Economy, Chambers of Commerce at all levels	June 2027

***Step 3.1.3.1. At least 40% of second-year VET-students should benefit from substantial exposure (at least 25% of programme) to work-based learning (EEA strategic framework)***

Providing work-based learning opportunities in all its forms to second-year vocational education students ensures they acquire practical, industry-relevant skills that enhance their employability. However, there is currently no data at the state level in Bosnia and Herzegovina on the number of students engaged in work-based learning with business entities. According to the latest data from the Agency for Statistics of Bosnia and Herzegovina for the 2023/24 school year, 63,332 students are enrolled in secondary technical schools, of which 33,314 are female and 30,018 are male. Vocational schools have a total of 19,054 students, including 4,843 female and 14,211 male students. Exposure to real-world work environments helps students understand workplace dynamics, develop competencies, and make informed career choices. This alignment with the European Education Area (EEA) strategic framework ensures that educational programs are responsive to labor market demands. Educational authorities, vocational schools, and industry partners must collaborate to create and sustain work-based learning programs. Employers play a key role by providing practical teaching, internships, and training opportunities. Educators and curriculum developers must ensure that these experiences are integrated into students' educational pathways, and regular monitoring and feedback should be provided to continuously improve the quality of these programs.

TABLE 97: ACTIVITIES WITHIN STEP 3.1.3.1.

Activity Code	Activity title	Responsibility	Source of verification
3.1.3.1.1	Conduct an in-depth analysis of existing vocational education and training programs to determine the extent of work-based learning opportunities currently available and the number of students utilizing these opportunities.	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and Government of Brčko District BiH Department of Education Employers' Associations, Chambers of Commerce	In-Depth Analysis Report on Vocational Education and Training Programs
3.1.3.1.2	Develop a detailed plan based on the assessment results to increase the scope of work-based learning	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and Government of Brčko District BiH Department of Education	Strategic Development Plan

Activity Code	Activity title	Responsibility	Source of verification
3.1.3.1.3	Establish working group composed of representatives from relevant institutions for the development of standards and qualifications in VET - vocational education as part of development of the Qualification Framework in Bosnia and Herzegovina	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Republic Pedagogical Institute of the Republika Srpska, Cantonal Ministries of Education, the Government of the Brčko District of .  BiH Department of Education, Cantonal Pedagogical Institutes, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education, Institute for the Development of Pre-University Education KS	Qualification Framework in Bosnia and Herzegovina.
3.1.3.1.4	Development of new curricula, collaboration with employers to provide work-based learning programs and design support systems for students in accordance with the mandates of educational governing bodies	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and Government of Brčko District BiH Department of Education/ Cantonal Pedagogical Institutes, Republic Pedagogical Institute of RS, Institute for the Development of Pre-University Education in Canton Sarajevo/relevant educational authorities, Chambers of Commerce at all levels; Employers' union RS, Association of Employers of the Federation of Bosnia and Herzegovina	New curricula framework
3.1.3.1.5	Provide training for teaching staff and employers to implement work-based learning effectively	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and Government of Brčko District BiH Department of Education, Cantonal Pedagogical Institutes, Republic Pedagogical Institute of RS, Institute for the Development of Pre-University Education in Canton Sarajevo / relevant educational authorities, Chambers of Commerce at all levels; Employers' union RS, Association of Employers of the Federation of Bosnia and Herzegovina	Training Program Evaluation Report
3.1.3.1.6	Identify successful practices and areas for improvement through continuous monitoring of the program and adjust it accordingly to achieve the goals	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and Government of Brčko District BiH Department of Education/ relevant educational authorities, Chambers of Commerce at all levels; Employers' union RS, Association of Employers of the Federation of Bosnia and Herzegovina	Progress and Impact Evaluation Report on Student Learning Outcomes

### ***Step 3.1.3.2. - Quality assurance framework for adult education in place, in line with competences***

Establishing a quality assurance framework for adult education is vital for ensuring that adult learners receive relevant education and training. This framework helps maintain consistent standards across programs, ensuring that adult education aligns with labor market needs and supports lifelong learning. It also enhances the credibility and attractiveness of adult education programs. Governmental bodies, educational institutions, adult education providers, and quality assurance agencies must work together to develop and implement this framework. Stakeholders should participate in defining clear goals and standards, conducting regular evaluations, and updating policies based on feedback and best practices. Engaging adult learners in the process ensures that their needs and perspectives are considered.

TABLE 98: ACTIVITIES WITHIN STEP 3.1.3.2.

Activity Code	Activity title	Responsibility	Source of verification
3.1.3.2.1	Analysis of existing adult education programs and assessment of available resources, policies, and practices in the field of adult education. at the level of competent educational authorities	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and Government of Brčko District BiH Department of Education/ relevant educational authorities	Comprehensive program evaluation report
3.1.3.2.2	Defining clear goals and standards to ensure quality in adult education including key competencies and skills that adult learners need to acquire through education	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and Government of Brčko District BiH Department of Education/ relevant educational authorities	Goals and Standards Definition Report for Adult Education
3.1.3.2.3	Development of a framework for quality assurance of adult education at the level of competent educational authorities.	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and Government of Brčko District BiH Department of Education/ relevant educational authorities	Adult Education Quality Assurance Framework Report
3.1.3.2.4	Development of policies to ensure consistent implementation of quality standards in adult education at the level of competent educational authorities	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and Government of Brčko District BiH Department of Education/ relevant educational authorities	Report on the Monitoring of Utilization of Quality Standards in Adult Education at the level of competent educational authorities

**Step 3.1.3.3. Professional development of teachers and trainers to match new competence requirements**

Professional development programs for teachers and trainers ensure that they possess the competencies needed to deliver high-quality education. As the educational landscape evolves, educators must be equipped with up-to-date skills in digital literacy, modern teaching methodologies, and industry-specific knowledge. Digital literacy equips teachers and students with the skills to utilize digital tools effectively in teaching and learning, thus preparing learners for a technology-driven work environment. Similarly, sustainability plays a role in shaping future generations to understand and address environmental challenges by integrating principles of sustainable development into the curriculum. Encouraging entrepreneurial education fosters the development of creativity, innovation, and business skills, equipping students to thrive in competitive and dynamic job markets. Lastly, adaptability managing diverse and rapidly changing student needs, ensuring inclusive and effective learning environments. There are no available data for the 2023/2024 school year regarding the number of teachers specifically employed in secondary technical and vocational schools in Bosnia and Herzegovina. According to the latest data from the Agency for Statistics of Bosnia and Herzegovina for the 2022/23 school year regarding the number of teaching staff in secondary technical and vocational schools in Bosnia and Herzegovina, the total number of teaching staff employed in secondary technical schools is 7,793, of which 4,729 are women and 3,064 are men. In secondary vocational schools, this number is significantly lower, totaling 531 teachers, of which 314 are women. Overall, secondary technical and vocational schools employ a total of 8,324 teachers. The implementation of professional development programs will be conducted in cycles, at least four times a year, through a combination of online and practical workshops to ensure accessibility for all participants, regardless of their geographical location. Participation will be considered satisfactory if at least 70% of teachers and trainers, equating to approximately 5,826 individuals, take part in these programs, with each completing a minimum of two modules within one year. This ensures that students receive relevant and effective training, enhancing their learning outcomes and employability. Education governmental institutions, teacher training institutions, and professional development providers must collaborate to design and deliver these programs. Educators themselves should be actively involved in identifying their training needs and participating in continuous learning opportunities. Support from policymakers and educational institutions is necessary for providing the resources and creating an environment that promotes professional growth.

TABLE 99: ACTIVITIES WITHIN STEP 3.1.3.3.

Activity Code	Activity title	Responsibility	Source of verification
3.1.3.3.1	Development tailored professional development programs for teachers and trainers to develop necessary competencies at the level of competent educational authorities	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Cantonal Pedagogical Institutes, Institute for the Development of Pre-University Education in Canton Sarajevo Republic Pedagogical Institute of	Professional Programs Development Report Implementation Report

		the Republika Srpska, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education/ relevant educational authorities	
3.1.3.3.2	Provide necessary resources and support systems to facilitate access to professional development opportunities for all teachers and trainers the level of competent educational authorities	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Cantonal Pedagogical Institutes, Institute for the Development of Pre-University Education in Canton Sarajevo Republic Pedagogical Institute of the Republika Srpska, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education/ relevant educational authorities	Support Systems Report for Professional Development
3.1.3.3.3	Implementing and conducting tailored professional development programs for teachers and trainers to professionally develop and match new competences at the level of competent educational authorities.	Ministry of Civil Affairs, Ministry of Education and Culture of Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Cantonal Pedagogical Institutes, Institute for the Development of Pre-University Education in Canton Sarajevo Republic Pedagogical Institute of the Republika Srpska, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education/ relevant educational authorities	Impact analysis of professional development initiatives on teacher skills and competencies.

#### **Step 3.1.3.4 15% of VET students employed within a year after VET graduation**

Increasing the employment rate of vocational education and training graduates within a year of completing their studies is one of the possible steps in solving the problem of unemployment and skills mismatch. Ensuring that vocational education and training programs are aligned with industry needs helps students transition smoothly into the workforce, contributing to economic growth and development. Monitoring employment outcomes provides valuable insight into the effectiveness of VET programs and areas for improvement. Vocational schools, industry stakeholders, career counseling services, employment service, employment governmental agencies must work together to achieve this goal. This involves aligning curricula with labor market demands, providing career guidance and support, fostering partnerships with employers, and promoting entrepreneurship among graduates. Regular monitoring and evaluation of employment trends help refine educational strategies and improve student outcomes.

Currently, Bosnia and Herzegovina lacks a system to monitor the employment of these students, and relevant data on their entry into the labor market are unavailable.

Increasing the employment rate (15%) is a potential solution to the issues of unemployment and the mismatch between acquired skills and labor market needs. Establishing a system for tracking employability and analyzing employment outcomes will provide insights into the effectiveness of VET programs. Establishing a system for tracking employability and analyzing employment outcomes should involve coordinated efforts with key stakeholders, including Ministries of Education and Ministries of Labor and Employment, Chambers of Commerce and industry associations and employment agencies and labor market institutions for data collection and monitoring trends.

The implementation of this step will be based on an analysis or a Tracer study, which will provide the necessary data to establish the baseline for further employability tracking. The results of the study will serve as the foundation for developing mechanisms that enable monitoring the employment outcomes of VET graduates.

TABLE 100: ACTIVITIES WITHIN STEP 3.1.3.4.

Activity Code	Activity title	Responsibility	Source of verification
3.1.3.4.1	Developing an enrolment policy in accordance with the actual needs of the labour market and the development policies based on labour market needs assessments in the local communities	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Federal Employment Office, RS Employment Office, Cantonal Employment Services, Employers' Associations, Ministry of Economy, Chambers of Commerce at all levels	Official reports from government agencies responsible for labor market analysis and development policies

3.1.3.4.2	Harmonising the curricula in secondary education with current trends and needs of the labour market at the level of competent educational authorities.	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Pedagogical Institutes, Institute for the Development of Pre-University Education in Canton Sarajevo Republic Pedagogical Institute of the Republika Srpska, Pedagogical Institution of the Government of the Brčko District of BiH Department of Education/ relevant educational authorities, Federal Employment Office, RS Employment Office, Cantonal Employment Services, Employers' Associations, Ministry of Economy, Chambers of Commerce at all levels	Curriculum Harmonization Report for Secondary Education
3.1.3.4.3	Developing the Strategic Directions for the Development of Career Guidance at the level of competent educational authorities	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Federal Employment Office, RS Employment Office, Cantonal Employment Services, Employers' Associations, Ministry of Economy, Chambers of Commerce at all levels	Directions for the Development of Career Guidance Documents at the level of competent educational authorities
3.1.3.4.4	“Tracer studies” tracking the career paths and employment outcomes of VET graduates over time to assess the effectiveness of vocational education programs in facilitating successful transitions to the workforce.	Ministry of Civil Affairs, Ministry of Education and Culture of the Republika Srpska, Cantonal Ministries of Education and the Government of the Brčko District of BiH Department of Education, Federal Employment Office, RS Employment Office, Cantonal Employment Services, Employers' Associations, Ministry of Economy, Chambers of Commerce at all levels	Tracer studies report; .

## COMPONENT 3.2. LABOUR MARKET

### REFORM 3.2.1 INCREASE ACCESS TO DECENT WORK THROUGHOUT THE COUNTRY, INCLUDING THROUGH PILOTING AND FULL ROLL-OUT OF THE YOUTH GUARANTEE.

In its ambitious effort to reform the labor market and social welfare systems, Bosnia and Herzegovina faces several significant challenges. Key among these challenges is the need for improved data collection and availability, which is essential for informed policy decisions. Current efforts, such as the Survey on Income and Living Conditions (SILC) and the Labor Force Survey (LFS), highlight gaps in data collection procedures. Although the LFS is one of the most reliable data sources related to labour market, there are issues with the availability of data and reports from the EU-SILC, despite necessary surveys being conducted by agencies. Ensuring consistent and accurate data collection by December 2025 is crucial for informed policy decisions, but this requires overcoming issues related to funding, training, and coordination among various statistical agencies (step 3.2.1.1.).

Another major challenge is increasing the number of regular labor inspections by 25% by June 2026. This step is essential for enforcing labor laws and improving occupational safety. However, it demands considerable resources, including the hiring and training of additional inspectors, and efficient coordination among inspectorates. Addressing potential resistance from the business community and ensuring comprehensive coverage across diverse regions also present significant obstacles (step 3.2.1.2.).

Reforming the Public Employment Services System in Bosnia and Herzegovina is a continuous and comprehensive process, within which some public employment services have already made progress. The core objective of this reform is to ensure that only individuals who are actively seeking employment remain registered with public employment services, allowing these institutions to allocate adequate resources and provide them with adequate individual support for labor market activation. To achieve this, it is essential to implement a thorough reform that includes, among other measures, the separation of social and health protection from status of being registered at PES. This would ensure that social protection rights are accessed through the appropriate institutions rather than through unemployment registration. Such a change would enhance the efficiency of public employment services and allow them to focus on active (real) job seekers. Ensuring that PES staff are adequately prepared to focus solely on employment services without the administrative burden requires careful planning and execution, as well as the adjustment of legal framework, which can be

complex and time-consuming, to enable such a transition. It is encouraging that this reform has already been completed in the Republika Srpska, so the Federation of BiH and Brčko District BiH can learn from their experiences (step 3.2.1.3.).

One of the key steps in establishing a public employment service registry that includes only individuals actively seeking employment, as well as introducing Quality Assurance Indicators, is the initial division of public employment service databases into two categories: a database of active job seekers and a database of individuals registered for the purpose of accessing certain rights, referred to in the reform framework as “Inactive Job Seekers” (step 3.2.1.7.). This step essentially enables public employment services to assess how many of the total clients, i.e., unemployed individuals, are genuinely seeking employment, allowing them to focus more on these individuals. On the other hand, those who are not actively looking for a job would receive a simplification of obligations in terms of regular registration or the development of an individual employment plan. Of course, this phase should only be accepted as a temporary measure, never as a permanent solution. The ultimate goal would be to ensure that only those who are genuinely seeking employment remain on the records of public employment services, while anyone else would have no incentive to register in these databases. The reform has already been implemented within the Public Employment Service of the Republic of Srpska, which can be considered a good practice example for expanding this reform to the rest of the country, including the Federation of Bosnia and Herzegovina and the Employment Service of Brčko District.

This reform of public employment services will enable the reduction of the number of unemployed individuals per counselor (step 3.2.1.9.), ensuring that each person actively seeking employment is assigned a counselor who can dedicate themselves to their specific needs. Only then can we expect a significant increase in the number of people from vulnerable groups utilizing mediation services (step 3.2.1.5.), as well as a rise in the number of women and other vulnerable categories targeted by active employment measures. Special attention should be given to a clear definition of active labor market measures, as in current practice, active labor market measures are almost exclusively understood as subsidized employment measures, while many other activities, such as job clubs, and advisory support for self-employment, are often not sufficiently recognized as part of this framework. (step 3.2.1.6.).

This reform is crucial for improving the efficiency of public employment services, and one of the first coming challenges in front of PES is the implementation of the Youth Guarantee (YG), which requires a greater focus on individual beneficiaries and measurable outcomes within short timeframes (step 3.2.1.8.).

The Action Plans for YG at the entity level and in the Brčko District needed to elaborate the prescribed implementation phases. In this regard, separate competences of institutions that will play a key role in this process have been defined at these levels of government. The implementation of YG program presents a number of challenges for the public employment services system, with one of the key issues being the inclusion of young people who are outside any system of employment, training, or education. Identifying these individuals is making it necessary to develop an outreach plan that will, among the other activities, facilitate data exchange between relevant institutions, such as employment services and center for social work, a practice that currently does not exist (step 3.2.1.4.). This integrated approach helps address the multifaceted needs of young and vulnerable populations, making social and employment services more effective. Ultimately, these reforms contribute to a more dynamic, inclusive, and resilient labor market in Bosnia and Herzegovina.

The targeted final beneficiaries of these reforms are primarily young people and vulnerable groups, including women. These groups are expected to benefit significantly from the Youth Guarantee program and various employment and training initiatives aimed at improving labor market outcomes and promoting inclusivity. By focusing on these populations, the reforms aim to address unemployment and underemployment, fostering a more inclusive labor market. Several stakeholders are involved in the implementation of these reforms, including statistical agencies responsible for data collection, inspectorates in charge of labor law enforcement, and PES tasked with job mediation and support. Ministries of social policies and health play crucial roles in legislative adjustments and administrative transitions. Effective coordination among these stakeholders is essential to optimize the impact of the reforms, particularly in supporting vulnerable groups and ensuring compliance with labor laws.

Investments required for these reforms include enhancing data collection systems, increasing labor inspection capacities, restructuring administrative duties within PES, and developing technology infrastructure for data exchange. However, the reforms primarily require technical assistance and strong political will rather than extensive financial resources. The funds for piloting the YG are already secured, making this aspect of the reform relatively inexpensive. Continuous professional development for job counselors is also crucial. These investments are aimed at building a robust support system for job seekers and ensuring that the reforms are sustainable in the long term. The timeline for these reforms spans from 2024 to 2027, with specific deadlines set for each step to ensure systematic progress.

To measure the achievements of these reforms, clear indicators and regular monitoring are necessary. For instance, the successful implementation of SILC and LFS will be verified by their regular execution by December 2025. Similarly, a 25% increase in labor inspections by June 2026 will be measured through assessment reports and stakeholder feedback. The discharge of PES from health insurance duties, continuous data exchange between PES and centers for social work,

and increased mediation services for vulnerable groups will be tracked through various reports and data analysis. These measures ensure that the reforms are on track and adjustments can be made as needed to achieve the desired outcomes.

TABLE 101: STEPS WITHIN THE REFORM 3.2.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
3.2.1.1.	SILC (survey on income and living conditions) and labour force survey are introduced for regular implementation	Agency for Statistics of BiH, Institute of Statistics of Republika Srpska, FBiH Institute for Statistics	December 2025
3.2.1.2.	Total number of regular labour inspections throughout the country increased by 25%	Inspectorates RS, FBiH and BIH; Service for Foreigners' Affairs of Bosnia and Herzegovina	June 2026
3.2.1.3.	Discharge the public employment services (PES) from administrative duties related to health insurance at all levels	The Ministry of Civil Affairs of BiH (coordinating in the reporting process)  FBiH Ministry of Labour and Social Policy; Government of BDBiH – Department of Health and Other Services; FBiH Ministry of Health; Public Employment Services FBiH and BDBiH Cantonal employment services	December 2025
3.2.1.4.	Establish continuous data exchange between the PESs and Centres for Social Work for activation of vulnerable groups / users of social assistance	Public Employment Services RS, FBiH and BDBiH; Ministries of social policies RS, FBiH, cantons and BDBiH	December 2025
3.2.1.5.	Number of members of vulnerable groups receiving mediation services by PES staff increased by 10%	Public Employment Services RS, FBiH and BDBiH, cantonal employment services, Ministry of Labour, War Veterans and Disabled Persons' Protection of Republika Srpska; FBiH Ministry of Labour and Social Policy; BDBiH Government	December 2026
3.2.1.6.	15% increase of women and all other vulnerable groups targeted by ALMPs	Public Employment Services RS, FBiH and BDBiH, cantonal employment services, Ministry of Labour, War Veterans and Disabled Persons' Protection of Republika Srpska; FBiH Ministry of Labour and Social Policy; BDBiH Government	December 2026
3.2.1.7.	Improve PESs registries of active and inactive job seekers by including Quality Assurance indicators	Public Employment Services RS, FBiH and BDBiH, cantonal employment services, Ministry of Labour, War Veterans and Disabled Persons' Protection of Republika Srpska; FBiH Ministry of Labour and Social Policy; BDBiH Government	December 2026
3.2.1.8.	At least 20% of beneficiaries of YG are employed within 6 months after completion	The Ministry of Civil Affairs of Bosnia and Herzegovina  Public Employment Services RS, FBiH and BDBiH, cantonal employment services, Ministry of Labour, War Veterans and Disabled Persons' Protection of Republika Srpska; FBiH Ministry of Labour and Social Policy; BDBiH department	June 2027
3.2.1.9.	Ratio of job counsellors in Public Employment Services to job seekers is reduced to 1:500	Public Employment Services RS, FBiH and BDBiH	June 2027

**STEP 3.2.1.1. – SILC (survey on income and living conditions) and labour force survey are introduced for regular implementation and timely publication of results**

European Union Statistics on Income and Living Conditions (SILC) is a statistical tool used by the European Union to collect and analyze data on income, living conditions, and social exclusion. It provides essential insights into the economic and social well-being of households and individuals, enabling policymakers to design effective social and economic policies. The Statistical Program of Bosnia and Herzegovina 2025 – 2028 aims to enhance the country’s statistical infrastructure, aligning it with European standards and supporting the production of high-quality, reliable statistics. This program focuses on improving data collection, analysis, and dissemination in key areas such as income, living conditions, and social indicators, with the goal of better informing decision-making processes and promoting social development.

The integration of SILC into Bosnia and Herzegovina's statistical framework will contribute to achieving these objectives. Regulation (EU) 2019/1700, which establishes a common framework for European statistics on individuals and households based on sample data, is directly linked to SILC. SILC provides essential information on income, living conditions, and social exclusion, and this regulation sets methodological guidelines for collecting such data. The implementing regulations of the Commission, such as EU 2019/2242 and EU 2019/2180, ensure data quality through technical specifications and reporting on quality, enabling the comparison and analysis of living conditions across the EU. Delegated regulations EU 2020/256 and EU 2020/258 complement the basic regulation by allowing multi-annual planning and precise definition of variables for analysis, contributing to high-quality, comparable statistics that inform policies related to income and social conditions.

Implementing the Survey on Income and Living Conditions (SILC) in BiH is important for informed policy-making and socio-economic planning in the country. Regular collection of SILC data in BiH provides a vital source of information for identifying vulnerable populations and designing targeted policies and programs to address their needs effectively.

The timing of the publication of the SILC in Bosnia and Herzegovina is prescribed by the Agency for Statistics of Bosnia and Herzegovina (BHAS), which is the national statistical authority responsible for conducting and publishing the SILC. The Agency follows the established statistical frameworks and methodologies, including the European Union regulations and recommendations for national statistical institutes.

Published SILC reports are essential for informing decision-makers about the state of poverty and inequality and enabling stakeholders to evaluate the effectiveness of existing policies and interventions. Without regular and timely publication of these reports, it becomes difficult to track progress, identify issues, and make informed decisions to improve socio-economic conditions in the country. Moreover, making SILC findings publicly available fosters public awareness and engagement, promoting a more informed public discourse on socio-economic issues in BiH. To enhance the impact of SILC in BiH, it is imperative to prioritize the regular publication of comprehensive reports based on the collected data. This step not only supports evidence-based policy-making but also strengthens BiH's efforts towards achieving sustainable development goals and improving the overall well-being of its population. By ensuring transparency and accessibility of SILC findings, BiH can better address socio-economic challenges and promote inclusive growth and development across its diverse regions.

Regular implementation refers to the systematic and ongoing execution of a complete process. This involves not just the initial stages of data collection but also includes data processing, prepared microdata databases for transmission to EUROSTAT, social inclusion and poverty indicators calculated, longitudinal indicators developed, and the timely publication of reports ideally available in pdf and xls formats. Each of these stages is crucial for the overall success and integrity of the implementation process. Ensuring that all steps are regularly and consistently executed is essential for maintaining the quality and reliability of the information being produced. While the specific timing for publication may vary slightly depending on factors such as data collection schedules and processing times, the general expectation is for the SILC to be released on a regular annual basis. The exact publication dates are often outlined in the Agency's annual work plans and schedules, which are aligned with the need for timely and reliable data to inform policy decisions.

Despite the political willingness to implement SILC, several problems persist in the process right now. One of the main challenges is the inconsistent publication of SILC reports in BiH. The absence of published reports hinders transparency and accountability in governance, limiting access to crucial socio-economic insights for policymakers, researchers, and the public.

TABLE 102: ACTIVITIES WITHIN STEP 3.2.1.1.

Activity Code	Activity title	Responsibility	Source of verification
3.2.1.1.1.	Action plan for SILC (survey on income and living conditions) implementation prepared and accepted	Agency for Statistics of BiH, Institute of Statistics of Republika Srpska, FBiH Institute for Statistics	Statistical agencies workplan

3.2.1.1.2.	Fieldwork Preparation (logistics, data collection schedules, and materials), Data Collection (systematically and consistently across all respondents), and Quality Control Measures (to ensure data accuracy and reliability)	Agency for Statistics of BiH, Institute of Statistics of Republika Srpska, FBiH Institute for Statistics	Statistical agencies annual report
3.2.1.1.3.	Data Processing and Analysis	Agency for Statistics of BiH, Institute of Statistics of Republika Srpska, FBiH Institute for Statistics	Calculated indicators in accordance with the EU-SILC methodology, prepared microdata databases for transmission to EUROSTAT, a quality report on the survey produced, basic social inclusion and poverty indicators calculated, and longitudinal indicators developed.
3.2.1.1.4.	Reporting and Dissemination	Agency for Statistics of BiH, Institute of Statistics of Republika Srpska, FBiH Institute for Statistics	Published reports on Statistical agencies website: <a href="https://bhas.gov.ba/">https://bhas.gov.ba/</a> (December 2025)

### **STEP 3.2.1.2. – Total number of regular labour inspections throughout the country increased by 25%**

In Bosnia and Herzegovina, the labor market faces several challenges that highlight the urgent need for strengthened labor inspections. Despite existing labor laws, concerning trends such as widespread informal employment, insufficient enforcement of workplace safety regulations, and gaps in legal compliance persist, leaving workers vulnerable to exploitation and unsafe working conditions. A considerable number of workers are employed in informal sectors, where they may not have access to social security benefits, health coverage, or job protections. Additionally, industries with high-risk work environments continue to see accidents due to inadequate enforcement of health and safety standards. These issues not only undermine workers' rights but also hinder the country's economic growth, social stability, and its alignment with European Union labor standards. Strengthening labor inspections is crucial to addressing these concerns, ensuring fair treatment of workers, and promoting a safer, more transparent labor market.

Although traditionally the focus of inspection oversight has been on domestic workers, the growing number of foreign workers and the conditions in which they work have made this area a priority in inspection activities. Inspections should now give particular attention to the working conditions and rights of foreign employees to ensure their fair treatment and protection in the workplace. Attention should also be given to working conditions, payment, and workplace safety, with increased inspections planned to monitor and supervise the enforcement of labor rights for foreign workers, ensuring their adequate protection and safeguarding their rights in the workplace, but also illegal work of foreign workers.

The Council of Ministers of BiH has adopted a decision on establishing the annual quota for 2025, based on the proposal of the Ministry of Civil Affairs of BiH. The total annual quota for work permits for the extension and new employment of foreigners in Bosnia and Herzegovina has been increased to 7,229, which represents an increase compared to the previous year when the quota was 6,073 work permits. According to the distribution, 4,490 permits are allocated to the Federation of BiH, 2,000 to the Republic of Srpska, and 739 to the Brčko District. The largest number of permits was issued for the construction sector (1,727), manufacturing industry (887), and hospitality and tourism (584). This decision aims to better meet the needs of the labor market in Bosnia and Herzegovina while maintaining balance with the domestic workforce, ensuring greater control of the labor market and reducing illegal employment of foreign nationals.

The Federal Inspection Administration of Bosnia and Herzegovina, under the new Law on Inspections of the Federation of BiH ("Official Gazette of the Federation of Bosnia and Herzegovina", No. 73/14), is responsible for conducting inspection tasks within its jurisdiction. It oversees the enforcement of laws and material regulations, issues implementing regulations, handles appeals, coordinates cantonal and federal inspections, and monitors the work of cantonal inspectors. Additionally, it provides professional assistance, creates inspection supervision plans, maintains records of inspections and inspectors, organizes training and exams for inspectors, and participates in the preparation of federal regulations. The Administration ensures the implementation of regulations by the authorities of Bosnia and Herzegovina and communicates the measures taken to these authorities. Its detailed responsibilities are defined by over 100 laws and more than 800 implementing regulations.

In 2022, targeted inspection programs were carried out in specific sectors or among certain entities based on detected issues and the degree of illegality. These programs aimed to address persistent regulatory violations associated with the "gray economy," including unregistered employment, failure to issue fiscal receipts, unauthorized operations, and trading goods without provenance. The efforts resulted in 4,690 inspections, 1,521 joint inspections, and 124 follow-up inspections. Consequently, 2,142 fines totaling 3,068,936 KM were imposed, 498 correction orders were issued, 103 temporary work bans were enforced, and 292 entities were found not issuing fiscal receipts.

The federal labor inspection's limited jurisdiction over companies and institutions with majority state ownership means this sector is well-regulated with almost no "black market" activity, resulting in few violations. In 2022, there were 86 inspections related to labor relations, leading to 30 orders for correction and 22 fines totaling 26,100 KM. In the area of occupational safety, 88 inspections were carried out, resulting in 65 correction orders and 34 fines totaling 83,500 KM. Cantonal inspections reported 280 workplace injuries, including 13 fatalities and 267 severe injuries, and documented 499 new construction sites in 2022 (Federal Administration for Inspection Affairs Three-Year Work Plan of the Federal Administration for Inspection Affairs For the Period 2024 – 2026).

The Republic Administration for Inspection Affairs of Republika Srpska is responsible for enforcing laws and regulations through inspections across various sectors. It consists of thirteen inspection sectors, including food, market, agricultural, forestry, veterinary, water, technical, traffic, urban planning, environmental, labor, health, education and sports, and fire protection inspections. The Inspectorate oversees over 160 laws and 700 by-laws in approximately 70 areas, with inspectors stationed at 14 border crossings for foreign trade supervision.

In 2023, the Inspectorate conducted 27,646 internal inspections, achieving 100.3% of its plan, with 31% of inspections identifying irregularities, a 1.1% increase from the previous year. Controls in the field of labor relations, held by the Sector Inspectorate for labor inspection, yielded an expected result of 2,539 inspections, with an achieved result of 3,017 inspections. The planned financial amount was set at 847,579.18 units, while the expected amount reached 905,548.66 units. The execution percentage of inspections stood at 106.84% (Annual Report on the Work of the Republic Administration for Inspection Affairs of Republika Srpska for the Year 2023).

Informal employment remains a significant issue in Bosnia and Herzegovina, with rates consistently above 20% in recent years, except for a notable decrease to 14.3% in 2020. Gender disparities are evident, with women experiencing slightly higher rates of informal employment compared to men.

One of the challenges highlighted is the lack of publicly available data disaggregated by entities and the Brčko District, which is hindering monitoring efforts. Addressing informal employment is crucial not only for economic stability but also for improving social welfare and gender equity in employment.

Understanding the nature of informal work is crucial, as it varies widely in its social implications and enforcement outcomes. Agricultural activities stand out as a critical sector in Bosnia and Herzegovina, where informal employment rates consistently surpass 80% over the observed period (source: [https://rshiny.ilo.org/dataexplorer9/?lang=en&id=EIP\\_NEET\\_SEX\\_NB\\_A](https://rshiny.ilo.org/dataexplorer9/?lang=en&id=EIP_NEET_SEX_NB_A)). This sector's persistent high informality suggests entrenched challenges, demanding focused regulatory attention and enforcement efforts. However, it's essential to recognize that informal work in agriculture often involves social aspects such as familial labor or seasonal employment patterns, complicating enforcement without careful consideration of its socio-economic context.

Conversely, non-agricultural activities generally exhibit lower rates of informal employment, typically below 11%, and show a declining trend. Sustaining this positive shift towards formalization necessitates ongoing vigilance through robust labor market inspections and targeted policy interventions. These measures are crucial across all sectors to foster formal employment practices effectively while mitigating potential negative impacts on livelihoods and social dynamics associated with informal work arrangements. Thus, a nuanced approach is essential, balancing enforcement with support for transitioning workers and enterprises towards formalization to achieve sustainable and inclusive economic growth.

To tackle the pervasive issue of informal employment, Bosnia and Herzegovina should prioritize increasing the frequency and rigor of labor market inspections. Specifically, there is a need to intensify inspections in high-risk sectors, where informal employment rates are alarmingly high, but also to intensify inspections related to the employment of foreign workers. Strengthening enforcement efforts can lead to improved compliance with labor regulations, thereby reducing informal employment and enhancing working conditions.

Furthermore, enhancing data transparency and availability at the entity and Brčko District levels, is essential for informed decision-making and effective policy formulation aimed at promoting formalized and equitable employment opportunities. In conclusion, enhancing labor market inspections is pivotal for addressing informal employment challenges in Bosnia and Herzegovina. By targeting sectors with high informal employment rates, improving data availability, and implementing robust policy measures, the country can move towards a more formalized and inclusive labor market that fosters sustainable economic growth and social development.

TABLE 103: ACTIVITIES WITHIN STEP 3.2.1.2.

Activity Code	Activity title	Responsibility	Source of verification
3.2.1.2.1.	Assessment of Current Capacity	Inspectorates RS, FbiH and BiH, Service for Foreigners' Affairs of Bosnia and Herzegovina	Report of the performance audit or Annual work report Evaluated the current capacity of labor inspection agencies at the entity, and cantonal levels to determine the baseline number of inspections conducted annually, serving as an indicator of readiness for increasing labor inspection activities.
3.2.1.2.2.	Development of Action Plans and Srenghtning Inspectorates Capacities	Inspectorates RS, FbiH and BiH, Service for Foreigners' Affairs of Bosnia and Herzegovina	Workplans for coming year Developed action plans outlining specific targets, objectives, and timelines for increasing the number of regular labor inspections across different regions and sectors. Set achievable goals for each labor inspection agency based on their capacity, workload, and priorities.
3.2.1.2.3.	Stakeholder Engagement	Inspectorates RS, FbiH and BiH, Service for Foreigners' Affairs of Bosnia and Herzegovina	Annual work report and activities reports Meetings, workshops and seminars with relevant stakeholders, including employers' associations, trade unions, industry representatives, and civil society organizations, to raise awareness of the importance of labor inspections and encourage cooperation in ensuring compliance with labor laws and regulations.
3.2.1.2.4.	Promotion of Compliance Assistance and Voluntary Compliance	Inspectorates RS, FbiH and BiH, Service for Foreigners' Affairs of Bosnia and Herzegovina	Annual work report Reports on provided guidance, assistance, and resources to employers to help them understand and comply with labor laws and regulations proactively. Encouraged the adoption of voluntary compliance programs and initiatives that promote a culture of workplace safety, fair labor practices, and respect for workers' rights.
3.2.1.2.5.	Enhanced Inspection Field Work	Inspectorates RS, FbiH and BiH, Service for Foreigners' Affairs of Bosnia and Herzegovina	Report of the performance audit or Annual work report Implemented robust monitoring and reporting mechanisms to track the progress of labor inspection activities, including the number of inspections conducted, findings of non-compliance, enforcement actions taken, and outcomes achieved. Regularly reviewed and analyzed inspection data to identify trends, hotspots, and areas requiring targeted intervention. (June 2026)
3.2.1.2.6.	Decreasing informal employment, and benefits for society by enhancing social protections for workers, and fostering sustainable economic growth.	Inspectorates RS, FbiH and BiH	ILO reports on informal and formal employment: <a href="https://rshiny.ilo.org/">https://rshiny.ilo.org/</a>

**STEP 3.2.1.3. – Discharge the public employment services (PES) from administrative duties related to health insurance at all levels**

Public employment services have traditionally served as institutions through which unemployed individuals could access various rights and benefits. This approach has led to the creation of a client base that does not necessarily require the core service of employment services - job placement assistance. Therefore, a key aspect of employment service reform is to decouple the granting of rights from unemployment status. One of the most critical rights is access to health insurance, which should be regulated independently of unemployment status. This would reduce the number of individuals registered solely to claim unemployment-related benefits, allowing PES staff to focus more effectively on those actively seeking jobs, thereby improving overall efficiency. It is important to note that health insurance is only one of the rights accessed through PES or status of being unemployed. In the future, alongside reforming the way health insurance rights are granted, it will be necessary to assess other rights and actively work on their regulation for unemployed individuals (e.g. For child allowance in BD BiH), in a way that does not compromise the efficiency of public employment services.

Discharging the public employment services (PES) from administrative duties related to health insurance is crucial for improving efficiency and focusing on their core mission of labor market support. By removing the burden of health insurance administration, PES can streamline operations, reduce administrative overload, and enhance the quality of employment services such as job placement, skills development, and career counselling. This shift allows specialized agencies to handle health insurance matters more effectively, ensuring better coordination and service delivery. Additionally, individuals registered solely for health insurance purposes would no longer need to be part of the PES job seekers register. Ultimately, this separation of responsibilities leads to more effective use of resources, better outcomes for both jobseekers and health insurance beneficiaries, and improved overall system performance.

In the Federation of BiH and BD BiH, the delivery of employment services faces significant challenges due to the imbalanced ratio between advisors in public employment services and unemployed individuals. According to statistics from the Federal Employment Institute, 184,767 individuals achieve this right through PES register (February 2025). The highest numbers were recorded in the period of 2015-2016, with approximately 262,000 applications. During the COVID-19 pandemic in 2020-2021, the number started at 212,353 in early 2020 and rose to 225,867 by the end of that year.

In the Federation of BiH, this discrepancy leads to longer services waiting times, reduced effectiveness in providing tailored services, and a general overload of the system. One of the key contributing factors to this issue is that being registered as unemployed not only provides access to employment support services but also grants individuals free health insurance, which increases the number of individuals seeking to be registered. The Health Insurance Law ("Official Gazette of the Federation of BiH", No. 30/97, 7/02, 70/08, and 48/11) stipulates that the right to health insurance for an unemployed person is granted if they register with the unemployment records within 30 days after the termination of employment, the cessation of activity, or after the termination of salary compensation to which they are entitled under this law or under regulations adopted based on this law. This dual benefit makes registration highly sought after, further straining the limited resources and personnel available within public employment services. Additionally, the surge in demand often leads to inefficiencies in handling unemployment cases, making it more difficult to address the specific needs of each individual in a timely manner. Over time, efforts have been made to improve the system, but these challenges remain a significant barrier to effective service delivery. Situation is very similar in BD BiH.

Regional experiences in addressing this issue from Serbia, North Macedonia, and Montenegro, involves amending laws governing employment mediation, unemployment protection, and health insurance to reduce the number of individuals on the unemployment register solely for health benefits.

Republika Srpska, has already amended its laws to ensure the status of unemployment is not base for health insurance. The rights of citizens are prioritized by these legal solutions, and the insurance of the entire category of the population, which was previously insured as unemployed, has been regulated differently. Since unemployment is no longer the basis for registration for health insurance, a new basis will be individually determined for each individual. Unemployed persons are considered as individuals without income, and whether they are truly without income is determined through the records of the Tax Administration of the Republic of Srpska. A person without income, as of the introduction in 2020, was considered to be an individual whose income per member of the household does not exceed the amount of the minimum wage in the Republic of Srpska. Difficulties in the process arose due to confirmations from the Tax Administration, as the Health Insurance Fund and the Tax Administration did not initially develop the technical possibilities for data exchange, but over time, this problem was overcome.

TABLE 104: ACTIVITIES WITHIN STEP 3.2.1.3.

Activity Code	Activity title	Responsibility	Source of verification
3.2.1.3.1.	Conduct analyses of the legal framework	FBiH Ministry of Labour and Social Policy	Analyses of the legal framework conducted
3.2.1.3.2.	Make necessary legal amendments (the new Law on Employment Mediation and Social Security of Unemployed Persons and Amendments to the Law on Health Insurance)	The Ministry of Civil Affairs of BiH (coordinating in the reporting process)  FBiH Ministry of Labour and Social Policy; Government of Brčko District of Bosnia and Herzegovina – Department of Health and Other Services; FBiH Ministry of Health; Public Employment Services FBiH and BDBiH; Cantonal employment services	Official Gazette

3.2.1.3.3.	Provide support to the Health Insurance Fund during transition period and taking up new beneficiaries	Federal Ministry of Health; Health Insurance Fund; Cantonal employment services; Department of Health and Other Services - Government of Brčko District	Work plan and annual report of the Health Insurance Fund
3.2.1.3.4.	Communication and Outreach towards new Health Insurance Fund beneficiaries	Health Insurance Fund; Cantonal employment services; Department of Health and Other Services - Government of Brčko District	Work plan and annual report of the Health Insurance Fund  Ensured effective communication with stakeholders regarding the decision to discharge PES from health insurance administrative duties and minimized potential disruptions to beneficiaries during the transition. (December 2025)

***STEP 3.2.1.4. – Establish continuous data exchange between the PESs and Centres for Social Work for activation of vulnerable groups / users of social assistance***

Although this step can develop in various directions, it must be guided and implemented within the framework of Reform 3.2.1 “Increase access to decent work throughout the country, including through piloting and full roll-out of the Youth Guarantee,” under which it is classified. In Bosnia and Herzegovina, several challenges hinder the effective activation of vulnerable groups and social assistance recipients through data exchange between PES and Centres for Social Work (CSW). One of the main issues lies in the lack of system integration and weak coordination between relevant institutions, particularly between employment services and social welfare systems. While data is often stored in separate databases and governed by complex administrative procedures, these issues are further compounded by inadequate digital infrastructure and insufficient staff training in both sectors. It is important to note that social rights in Bosnia and Herzegovina are exercised exclusively at the entity and cantonal level, and coordination in this area should reflect that administrative structure. The absence of such coordination often results in duplication of efforts and reduced efficiency in the implementation of active labour market and social inclusion measures. Additionally, low levels of trust in efficiency of PESs, CSWs, and other public bodies - stemming from bureaucratic barriers and prior negative experiences - can discourage individuals from seeking support.

Establishing continuous data exchange between PES and CSW is crucial for the activation of vulnerable groups and users of social assistance. This collaboration aims to ensure that both agencies can share relevant information, providing a comprehensive understanding of the needs and circumstances of individuals. By integrating data between employment and social work institutions, these services can develop more targeted and effective strategies to support those in need, particularly the most vulnerable members of society who might otherwise fall through the cracks. To a large extent, data exchange refers to the official exchange of data regarding individual potential beneficiaries of the youth guarantee, and does not necessarily imply the development of electronic databases. Implementation of the step will depend from decided modality of implementation.

However, such data exchanges must be conducted with stringent data protection and privacy measures in place. Ensuring the confidentiality and security of personal information is paramount to maintaining the trust of individuals who rely on these services. This involves implementing robust encryption methods, establishing clear protocols for data access and sharing, and regularly auditing the systems for vulnerabilities. Additionally, compliance with national and international data protection regulations, such as the General Data Protection Regulation (GDPR), is essential to safeguard individuals' rights and prevent misuse of sensitive information. Through these efforts, PESs and Centres for Social Work can protect personal data while effectively coordinating to improve the support for vulnerable populations. In Republika Srpska, significant efforts have already been made in this direction, demonstrating a proactive approach to enhancing support for vulnerable groups. This progress sets a valuable precedent and provides a framework that the Federation is expected to address in the coming period. The organizational structure of Centres for Social Work and employment services at the cantonal level in the Federation presents additional challenges, requiring substantial effort and coordination to achieve similar outcomes. Establishing effective data exchange and collaboration across multiple cantonal institutions necessitates careful planning and resource allocation to ensure seamless integration and cooperation.

Regarding the cooperation between the cantonal employment services and social work centers in Federation of BiH, with the aim of activating vulnerable groups of unemployed persons/social assistance beneficiaries in the labor market, this activity has been recognized in the Employment Strategy of the Federation of BiH (2023-2030), and that social assistance beneficiaries will be included through innovative employment programs in the coming period.

Centers for Social Work play important role in identifying NEET (Not in Education, Employment, or Training) young people, as they have access to vulnerable groups and can recognize those not covered by formal systems such as employment services or educational institutions. NEET youth may, but do not necessarily, need to be registered with the

CSW. Through direct work with families, fieldwork, and collaboration with educational institutions, NGOs, and local communities, centers can identify young people who are not registered in official records and may be socially excluded or marginalized. Additionally, through counseling work, social workers can detect youth facing issues such as poverty, limited access to education, or lack of motivation, which are key factors contributing to their exclusion from educational and employment processes. In this way, CSW can take a proactive role in recognizing and engaging these young people, directing them to appropriate training, education, or employment programs, and helping to reduce social exclusion and create opportunities for their reintegration into social and economic systems.

The concept of an Outreach Youth Guarantee is particularly relevant in this context. Outreach efforts focus on identifying and engaging young people who are not known to public service providers, such as those not registered at PESs or social work centres. These young individuals are often "hard to reach," including early school leavers, young people facing substance abuse issues, and those who are homeless. The outreach process involves several critical stages: identifying these young people, establishing contact and engaging them, delivering tailored support programmes, and continuously monitoring and adjusting these programmes to ensure they meet the evolving needs of the youth. Republika Srpska, the Federation of BiH, and the Brčko District, as part of the implementation of the Youth Guarantee, will define an outreach strategies to actively connect with young people and involve them in the implementation of the Youth Guarantee program. The role of the Centers for Social Work in this process largely depends on the content and approach that will be adopted within this strategy, which will be developed by the relevant institutions. While the precise role of the Centers for Social Work will be clearly defined in accordance with the development of the outreach strategy, it is unquestionable that social workers will have a function in identifying, recognizing, and supporting young people, particularly those at risk of social exclusion, to help them access education, employment, or training opportunities, thereby contributing to the successful implementation of the Youth Guarantee.

The estimation of young people outside the system, particularly those in the NEET category, is indeed challenging due to the lack of a clear exchange or tracking system. However, the trends from available labor force surveys offer valuable insights. In 2023, the percentage of youth aged 18-24 leaving education before completion was 4.2%, showing a slight improvement compared to 2021, where it was at 4.7%. While this decrease suggests some positive movement, it still indicates that a significant number of young individuals may be entering the NEET category, representing a stable base of those who are neither in education nor in the labor market. The NEET rate itself saw a notable decrease from 19.9% in 2021 to 16.5% in 2023. While this is an encouraging trend, it still reflects a considerable portion of the youth population outside of structured educational or employment pathways.

With the working-age youth population reported at 360,000 in this period, the NEET group likely encompasses a significant portion of this total, which underscores the importance of targeted interventions to further reduce the NEET rate and integrate these young people into productive societal roles. Additionally, it will be important to change the data presentation methodology, as NEET is currently categorized up to the age of 24. Expanding this age range to include individuals up to 30 would provide a more comprehensive picture of youth disengagement.

However, it will be difficult to determine exactly how many of those in the NEET category can be reached through existing systems like CSW. Nevertheless, it is important to establish strong institutional cooperation to facilitate outreach and better target these young people with services and interventions. Effective collaboration across institutions, such as education, labor, social services, and local communities, will be crucial to ensure that support reaches the most vulnerable youth and helps them re-engage in education, training, or employment.

TABLE 105: ACTIVITIES WITHIN STEP 3.2.1.4.

Activity Code	Activity title	Responsibility	Source of verification
3.2.1.4.1.	Assessment of Current Cooperation	The Ministry of Civil Affairs of BiH (coordinating in the reporting process)  Public Employment Services RS, FBiH, cantons and BDBiH, local centers for social work  Ministries in charge of labour and social policies RS (Ministry of Labor, War Veterans and Disabled Persons' Protection of Republika Srpska, Ministry of Health and Social Protection of Republika Srpska), FBiH, cantons and BDBiH department	Annual work report and workplan  Conducted a thorough assessment of the existing data systems used by both PESs and CSWs. Identified strengths, weaknesses, compatibility issues, and data security concerns.
3.2.1.4.2.	Define Data Exchange Protocols	Public Employment Services RS, FBiH and BDBiH, Ministries in charge of labour and social policies RS (Ministry of Labor, War Veterans and Disabled Persons' Protection of Republika Srpska, Ministry of	Annual work report and workplan  Developed protocols and standards for data exchange between PESs and CSWs.

		Health and Social Protection of Republika Srpska), FBiH, cantons and BDBiH department	
3.2.1.4.3.	Technology Infrastructure	Public Employment Services RS, FBiH and BDBiH, local centers for social work  Ministries in charge of labour and social policies RS (Ministry of Labor, War Veterans and Disabled Persons' Protection of Republika Srpska, Ministry of Health and Social Protection of Republika Srpska), FBiH, cantons and BDBiH department	Annual work report and workplan  Upgraded or developed technology infrastructure for seamless data exchange, implementing interoperable systems, integration platforms, and secure channels between employment and social work institutions.
3.2.1.4.4.	Data Harmonization	Public Employment Services RS, FBiH and BDBiH  Ministries in charge of labour and social policies RS (Ministry of Labor, War Veterans and Disabled Persons' Protection of Republika Srpska, Ministry of Health and Social Protection of Republic of Srpska), FBiH, cantons and BDBiH department	Annual work report and workplan  Standardized data elements and terminology used by PESs and CSWs to facilitate meaningful data exchange.  Established common identifiers for individuals, consistent service categorization, and shared definitions of key variables.
3.2.1.4.5.	Pilot Implementation	Public Employment Services RS, FBiH and BDBiH, local centers for social work  Ministries of labour and social policies RS, FBiH, cantons and BDBiH department	Annual work report and workplan  Conducted a pilot implementation of the data exchange system in select regions or offices. Monitored the process closely, gathered feedback from stakeholders, and identified areas for improvement.
3.2.1.4.6.	Scalability and Sustainability	Public Employment Services RS, FBiH and BDBiH, local centers for social work  Ministries of labour and social policies RS, FBiH, cantons and BDBiH department	Annual work report and workplan  Designed the data exchange system to be scalable and sustainable in the long term, considering factors such as future growth in data volume, changes in technology, and evolving regulatory requirements.

#### ***STEP 3.2.1.5. – Number of members of vulnerable groups receiving mediation services by PES staff increased by 10%***

If we consider public employment services and their core function, it revolves around mediating between unemployed individuals and employers, specifically facilitating the employment of job seekers in open positions advertised by employers. Since public employment services should, through their tools, have a good understanding of unemployed individuals, their strengths, and skills, they should be able to match them with suitable job opportunities through the mediation process. Only then do financial incentives come into play, as they are meant to compensate for the inefficiencies of job seekers who do not fully meet employers' criteria, e.g. from vulnerable groups or without experience.

The prerequisite for effective mediation is advisory work with unemployed individuals and a thorough assessment of their strengths and weaknesses in the labor market through individual employment plans. Employers needing workers can submit their requests to PES. Once the request is submitted, the PES' offices search their individual employment plans and database for suitable candidates and facilitate mediation. Advisors within the offices analyze each employer request based on Individual Employment Plans and other relevant data concerning unemployed individuals. This process may reveal candidates requiring financial assistance specified in their Individual Employment Plans to secure employment in sectors where employers seek workers. In such cases, advisors include these candidates on the list of potential hires.

Ensuring that active employment measures move beyond merely emphasizing financial incentives for employers. While crucial, these incentives represent just one aspect of a broader spectrum of interventions needed for effective mediation. This comprehensive approach includes advisory work with unemployed individuals, thorough assessments of their strengths and weaknesses in the labor market, counseling, job search support, job creation through public works, and training.

To truly fulfill their purpose and restore credibility in the labor market, public employment services must adopt these holistic strategies. Relying solely on financial transfers to employers, while important, currently falls short in enhancing the overall efficiency and effectiveness of employment services in fulfilling their mandate.

It's important to acknowledge that the definition of "vulnerable groups" is inherently broad and socially constructed within employment policies. This inclusivity means that virtually every individual registered with PES could be classified as vulnerable to some degree, based on varying degrees of employment barriers they face. However, due to the lack of

systematic data on mediation outcomes, it is not possible to statistically differentiate those from specific vulnerable groups (or vulnerable group as a whole) who have received mediation services. Moreover mediation as specific service does not exist in the list of provided services. Consequently, individuals who are deregistered from unemployment for employment purposes are often considered successfully mediated by default, even though their specific vulnerabilities and the efficacy of interventions may vary widely. In the absence of precise data on mediation outcomes, in this chapter has been followed this pragmatic approach.

At present, the mediation process faces many challenges, and it is questionable to what extent public employment services genuinely mediate between job seekers and employers or whether mediation is truly their primary focus. This is most evident in the absence of a clear definition of mediation and the lack of precise statistical data to determine the scope of mediation conducted by public employment services.

In August 2024, the number of registered unemployed persons in Bosnia and Herzegovina was 329,829, of which 196,029 were women, representing 59.4% of the total number of unemployed. All of these unemployed individuals are vulnerable in some way, but the issue of multiple vulnerabilities is particularly pronounced among certain groups, who are affected not only by unemployment but also by other social, economic, or educational factors. The issue of multiple vulnerabilities persists, as many unemployed individuals, especially women, face additional challenges, such as lower levels of education, lack of skills demanded in the labor market, or limited access to employment opportunities due to social and cultural factors (Agency for Statistics of Bosnia and Herzegovina, Year XVIII Sarajevo, 22.10.2024. Number 8, Demography and Social Statistics, Registered Unemployment, August 2024.).

Interviews with individuals engaged in statistical roles within cantonal employment services have revealed that all individuals who deregister from the employment registry due to finding employment are treated as successfully mediated. This practice can be justified as it aligns with legal definitions stipulating that mediation encompasses all actions and measures undertaken to connect unemployed individuals seeking employment, as well as employed individuals seeking job changes, with employers in need of personnel for employment contracts or engagements. A narrower definition would solely consider mediation as the referral of unemployed individuals to employers, which is not applicable in this case. In 2023, the Federal Employment Institute significantly removed 75,252 individuals from its records due to their employment. The composition of the employed population highlights a varied educational background: 14,216 individuals with University Degree (VSS), 25,864 with High School Education (SSS), 22,929 of Qualified Workers (KV), and 8,935 of Non-Qualified Workers (NKV), as reported by the BiH Labour and Work Agency (source: Database of Labour and Employment Agency of BiH)

In 2023, the Public Employment Service of Republika Srpska experienced a significant reduction of unemployed persons in its registry, removing 22,934 individuals due to their engagement in private activities or employment, averaging approximately 2,465 individuals per month. This marks a notable decrease of 6,648 individuals, amounting to a 22.5% drop compared to the previous year, as reported in the RS PES annual report. The composition of those employed reflects a diverse educational background: 5,287 individuals with University Education (VSS), 8,133 with High School Education (SSS), 6,206 of Qualified Workers (KV), and 2,142 with Non-Qualified Workers (NKV), according to data from the BiH Labour and Work Agency. These figures underscore both the shifting dynamics in employment patterns and the educational qualifications of the workforce in Republika Srpska during the specified period (source: RS PES Annual Report and Database of BiH Labour and Work Agency).

The key issue with data on employment mediation is the lack of a clear definition, as well as the differences in legal provisions and employer obligations. In Republika Srpska, employers are obligated to report the need for a worker, which is automatically recorded as an employment mediation request, regardless of whether the worker is employed through the Public Employment Service or not. In the Federation, such an obligation does not exist. Regional experiences vary, as in some countries there is an obligation to report the need for employment mediation, while in others there is no such obligation. Adding to this the requirement to monitor the number of mediated persons who are vulnerable under certain criteria, it can be said that such data is not tracked and, as a result, is not published. There is no protocol in place for transmitting this data, should it be collected in the future, to the BiH Work and Employment Agency for publication in its reports. Although data on users of employment mediation services can be derived from the annual reports of PES, significant discrepancies in data availability and processing exist between the entities in Bosnia and Herzegovina. In Republika Srpska, PES reports for 2023 are accessible and provide insights into the number of individuals who utilized these services. However, in the Federation of Bosnia and Herzegovina, the Federal Employment Institute does not consolidate data from cantonal employment services, making comprehensive analysis for this entity challenging. It is essential to establish a precise definition of mediation services and vulnerable groups and to ensure the regular availability of these data at the level of FBiH and RS.

TABLE 106: ACTIVITIES WITHIN STEP 3.2.1.5.

Activity Code	Activity title	Responsibility	Source of verification
3.2.1.5.1.	Develop a clear, methodologically aligned, and publicly accessible baseline for employment mediation services	The Ministry of Civil Affairs of BiH (coordinating in the reporting process)  Public Employment Services RS, FBiH and BDBiH	Annual reports
3.2.1.5.2.	Development of the holistic PES mediation strategy with prioritized vulnerable groups	Public Employment Services RS, FBiH and BDBiH, cantonal employment services, Ministry of Labour, War Veterans and Disabled Persons' Protection of Republika Srpska; FBiH Ministry of Labour and Social Policy; BDBiH Government	Annual reports
3.2.1.5.3.	To facilitate the process for employers in need of workers, the Employment Service should enable online submission of worker requests, streamlining procedures and make paperwork as easy as possible.	Public Employment Services RS, FBiH and BDBiH, cantonal employment services,	Annual reports
3.2.1.5.4.	Implement procedure for counsellors to conduct pre-selection of unemployed individuals (with which they are conducting advisory work) based on employer requests submitted for mediation, ensuring thorough screening to match candidates' profiles with job requirements effectively.	Public Employment Services RS, FBiH and BDBiH, cantonal employment services,	Annual reports
3.2.1.5.5.	Implement procedure that suitable candidates, verified by advisors, will be referred to employers. For those from vulnerable groups, offer participation in Active Labor Market Programs (ALMPs).	Public Employment Services RS, FBiH and BDBiH, cantonal employment services,	Annual reports
3.2.1.5.6.	Implement procedure that if there is no suitable candidates are found, advisors work with the employer to explore alternative solutions that meet their needs, potentially adjusting initial expectations due to objective factors or the lack of desired skills in the candidate pool or contacting more distant PES office.	Public Employment Services RS, FBiH and BDBiH, cantonal employment services,	Annual reports
3.2.1.5.7.	Data Analysis and Reporting	Public Employment Services RS, FBiH and BDBiH, cantonal employment services,	Annual reports  Report on number of unemployed persons received mediation services with trends, challenges, and areas for improvement.

**STEP 3.2.1.6. – 15% increase of women and all other vulnerable groups targeted by ALMPs**

Women are not inherently a vulnerable group, but systemic barriers often place them at a disadvantage in the labor market. These barriers include wage disparities, underrepresentation in leadership positions, concentration in lower-paying or informal sectors, and societal expectations that disproportionately place the burden of child care on women. These obstacles are further exacerbated by limited access to support services such as childcare and family leave. Similarly, other vulnerable groups, such as persons with disabilities, youth, the long-term unemployed, and ethnic minorities, face specific challenges, including discrimination, skill mismatches, and limited access to opportunities. Due to these challenges, women and other vulnerable groups are targeted through ALMP, aimed at addressing structural inequalities, improving employability, and promoting inclusive participation in the labor market. These targeted interventions help reduce inequality and contribute to broader economic and social equality, particularly in the context of Bosnia and Herzegovina, where the labor market faces high unemployment rates and structural issues.

In the absence of a precise definition of "vulnerable groups" in the context of employment, the groups targeted through employment programs, especially through financial incentives, have been analyzed. These programs often focus on

demographic groups facing significant challenges in finding employment due to various barriers. Experience shows that this approach effectively identifies groups that are particularly vulnerable in specific territories or regions. In the realm of employment and social policies in Bosnia and Herzegovina, "vulnerable groups" encompass demographic segments facing heightened risks of exclusion, discrimination, or marginalization within the labor market. These groups necessitate targeted interventions to surmount obstacles to employment and to foster their economic and social inclusion. Youth, particularly those lacking work experience or encountering difficulties transitioning from education to the workforce, face significant challenges. Women, often contending with gender biases and the dual responsibilities of work and caregiving, also fall into vulnerable categories. Long-term unemployed individuals, who endure extended periods without job opportunities, require support to reintegrate into the workforce effectively. Middle-aged and older adults, aged 40 and above, confront potential age-related discrimination and must adapt to evolving job market dynamics. Persons with disabilities face various barriers related to physical, sensory, intellectual, or mental health challenges that affect their employability. Ethnic minorities, including Roma, refugees, and internally displaced persons, encounter discrimination and systemic barriers that hinder their access to employment opportunities. Low-skilled or unskilled workers, lacking formal qualifications, struggle to secure adequate training and suitable job placements. Finally, demobilized soldiers and war veterans require specialized support to successfully transition into civilian careers and achieve sustainable employment Source: Labour and Employment Agency of B&H - Plan on Labor Market Policy Guidelines and Active Employment Measures for the year 2022, July 2023).

Financial incentives have been implemented in the same way for years, and their effects and reach are limited. Subsidies are expensive and very attractive to employers because they reduce labor costs, but at the same time, they cause market distortions. It is a misconception to think that active measures serve employers to create new jobs because that is not their purpose, except in cases of self-employment.

Financial incentives encourage employers to hire workers who are in a disadvantaged position in the labor market, rather than choosing those who fully meet their criteria. An employer who needs a worker can submit an application to the Employment Service. After submitting the application for a worker, the Employment Service searches the database for workers who meet the required profile, thus providing mediation services. There are two possible outcomes of the mediation process: the Employment Service mediates the employment of individuals from the registry who meet the employer's conditions, or if there is a program for certain target groups, the Service informs the employer that there is a program for the specific group subject to active measures.

The incentive measure, therefore, covers the costs of reduced worker productivity for a certain period. It is very important to precisely target vulnerable groups, in this case, women, and to provide them with all necessary support. The employer decides whether to hire a worker with or without a subsidy. It is crucial that workers eligible for subsidized employment are referred by the Employment Service to prevent employers from pre-selecting a worker and keeping them in unregistered employment while waiting for the program to start. Only if financial incentives are implemented in this manner can advisory work and Employment Service reform be successful.

According to the analysis of the Labour and Employment Agency of Bosnia and Herzegovina, in 2023, active employment measures were implemented with the aim of reducing unemployment, improving the employability of the workforce, and stimulating economic activity in the country. These measures covered various categories, including training programs, entrepreneurship development initiatives, as well as support for individuals returning to the labor market or undergoing rehabilitation.

The measures implemented in 2023 were focused on enhancing the competitiveness of the workforce and enabling the unemployed to acquire the skills necessary for the labor market. Training programs, funded under these measures, facilitated the improvement of professional skills and the acquisition of new competencies by the unemployed, thus increasing their employability. Special attention was also given to supporting start-up entrepreneurship, which created opportunities for opening new businesses and employing the workforce. Additionally, support was provided to individuals returning to the labor market or undergoing rehabilitation, helping them reintegrate into the work environment more easily. Furthermore, other initiatives were implemented to increase labor market flexibility, create new jobs, and reduce unemployment at all levels of government in the country.

The financial resources allocated for active employment measures in 2023 across Bosnia and Herzegovina totaled 86,808,158.53 BAM. Of this, 81,795,176.00 BAM was allocated to the Federation of Bosnia and Herzegovina, 3,632,171.53 BAM to the Republic of Srpska, and 1,380,811.00 BAM to the Brčko District. A total of 15,038 individuals were involved in these employment measures (13,564 in the Federation, 1,296 in the Republika Srpska, and 178 in the BDBiH). These investments demonstrated the commitment of all levels of government to reducing unemployment, improving the employability of the workforce, and ensuring sustainable employment in Bosnia and Herzegovina.

TABLE 107: ACTIVITIES WITHIN STEP 3.2.1.6.

Activity Code	Activity title	Responsibility	Source of verification
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3.2.1.6.1.	Increase counseling and guidance for women and other vulnerable groups and public communication and outreach, including to vulnerable groups	The Ministry of Civil Affairs of BiH (coordinating in the reporting process)  Public Employment Services RS, FBiH and BDBiH, Ministry of Labour, War Veterans and Disabled Persons' Protection of Republika Srpska	Annual work report and workplan – number of individual employment plans planned and implemented
3.2.1.6.2.	Create a new rulebook on implementation of the ALMPs through mediation services of persons that are involved into counselling	Public Employment Services RS, FBiH and BDBiH, cantonal employment services, Ministry of Labour, War Veterans and Disabled Persons' Protection of Republika Srpska; FBiH Ministry of Labour and Social Policy; BDBiH Government	Most commonly, active employment measures address only financial incentive to employers, but they represent just one of the measures, and in short they encompass counselling, job search support, job creation through public works and training.
3.2.1.6.3.	Developed PESs programs with prioritized vulnerable groups involved in ALMPs	Public Employment Services RS, FBiH and BDBiH, cantonal employment services, Ministry of Labour, War Veterans and Disabled Persons' Protection of Republika Srpska; FBiH Ministry of Labour and Social Policy; BDBiH Government	Plan on Labor Market Policy Guidelines and Active Employment Measures – Labour and Employment Agency of B&H
3.2.1.6.4.	Profiling and targeting eligible beneficiaries for available subsidies	Public Employment Services RS, FBiH and BDBiH, cantonal employment services	Annual work report and workplan
3.2.1.6.6.	Facilitation of employer-worker matching through mediation services	Public Employment Services RS, FBiH and BDBiH, cantonal employment services	Annual work report and workplan
3.2.1.6.5.	Regular decision-making sessions for subsidy approvals	Public Employment Services RS, FBiH and BDBiH, cantonal employment services	Annual work report and workplan
3.2.1.6.6.	Monitoring and evaluation of subsidy effectiveness	Public Employment Services RS, FBiH and BDBiH, cantonal employment services	Annual work report and workplan
3.2.1.6.7.	Data Analysis and Reporting on prioritized vulnerable groups involvement in ALMPs	Labour and Employment Agency of Bosnia and Herzegovina  Public Employment Services RS, FBiH and BDBiH, cantonal employment services	Report on number of vulnerable group members involved in ALMPs with trends, challenges, and areas for improvement.

### ***STEP 3.2.1.7. – Improve PESs registries of active and inactive job seekers by including Quality Assurance indicators***

Through many years, the employment service system has become a means for a large number of individuals to access rights that they can claim as unemployed persons. These rights have ranged from subsidized public transportation tickets to significant social protection, including health insurance. For some time now, reforms have been underway in the employment service system, with the primary goal of separating those seeking employment from those on the records of public employment services solely to access benefits. Republika Srpska has reached a point where, through the reduction of rights and the introduction of more active engagement (individual counseling) with the unemployed, it has significantly decreased the number of unemployed individuals per councillor, as only active job seekers remain on the records.

On the other hand, the Federation of BiH and the Brčko District are focused on first separating those who are genuinely seeking employment from those who are on the records of public employment services, with the ultimate goal of ensuring that only those actively seeking employment remain on the records. Draft Law on Employment Mediation and Social Security of Unemployed Persons in FBiH, currently in the public consultation phase, introduces a clearer categorization of these two groups. This reform enables employment measures to be more precisely targeted toward individuals genuinely interested in entering the labor market, while passive beneficiaries can access their rights without necessarily being registered with employment services. As part of the public consultation process for this law, a working group has

been established, comprising all relevant institutions, including the Federal Employment Institute and cantonal employment services. This group is responsible for analyzing the proposed amendments and aligning them with sector needs and institutional capacities. Throughout the consultation process, feedback and suggestions from stakeholders are collected to ensure that the final legal framework is both functional and sustainable. Once adopted, the law is expected to contribute to better resource allocation, more efficient job placement services, and more precise tracking of public employment service performance.

This will allow the efficiency of the public employment services to be measured based on how quickly they integrate employed individuals back into the labor market. The final phase of this entire process involves determining an appropriate system for managing the quality of work in public employment services. One system that has been successfully tested is the Yardstick Competition, which has been trialed by both Republika Srpska and the Sarajevo Canton several years ago.

Implementing a performance management system for PES involves integrating key indicators like the percentage of employed persons from each bureau and the number of staff members per unemployed person. These metrics serve distinct purposes: the former as an outcome indicator gauging each bureau's effectiveness in job placement, and the latter as an administrative efficiency measure highlighting how effectively resources are utilized. Although there are different performance methods and quality assurance indicators, it is important to mention one methodology that has already been tested at the PES of the Republika Srpska and the Cantonal Employment Service in Sarajevo. This methodology is called the Yardstick Competition, and it introduces a competitive dynamic among employment offices. Unlike traditional market competition, Yardstick Competition focuses on comparing operational costs and performance outcomes among similar organizations in terms of environment in which they operate. This approach encourages efficiency improvements and fosters accountability, crucial in environments where conventional market mechanisms may fall short in assessing PES effectiveness. The Yardstick Competition stimulates a race to optimize operational efficiency and maximize job placement outcomes across PES bureaus. This competitive framework not only drives cost-effectiveness but also ensures that resources are allocated efficiently to support unemployed individuals in securing employment. Through ongoing monitoring and adaptation of performance metrics like job placement rates and staff-to-unemployed ratios, PES can continuously refine its strategies to meet evolving employment challenges and deliver impactful outcomes for both job seekers and the economy at large.

The significance of assessing service provider costs or setting minimum cost benchmarks. However, in the context of PES, cost minimization is not the primary objective due to budget constraints. Instead, the focus shifts towards maximizing performance within allocated resources or budgetary limits. This approach aims to ensure that PES deliver impactful outcomes rather than merely managing expenditures. By prioritizing performance over cost reduction, PES can better fulfill their mandate of facilitating employment and enhancing labor market outcomes. Three key reasons argue against using costs as the sole metric for success in PES.

Firstly, while costs reflect resource utilization, the ultimate goal is achieving meaningful results such as successful job placements and sustainable employment. Secondly, the quality of PES services, particularly in reintegrating the unemployed into the workforce, is paramount but challenging to quantify solely through cost metrics. Emphasizing costs over quality could inadvertently compromise service delivery and long-term outcomes. Thirdly, as public institutions funded by taxes, PES are not profit-driven entities. Thus, optimizing the impact of public funds through effective service delivery is critical for maximizing societal benefits. Aligning with legislative mandates and strategic objectives, PES must prioritize goals like preventing unemployment, facilitating rapid job placement, and ensuring efficient management of unemployment benefits. Achieving these objectives requires robust performance indicators that accurately reflect the real-world impacts of PES activities.

These indicators should be resilient to external influences and manipulation, ensuring transparency and accountability in service delivery. Adopting a management by objectives approach operationalizes strategic goals into measurable benchmarks, driving continuous improvement within PES. This transformative approach shifts the focus from mere resource management to achieving high-quality outcomes that justify public investment. Simultaneously, ensuring active participation in advisory processes and streamlining registry requirements for users not actively seeking employment are essential steps in optimizing PES effectiveness and enhancing user engagement.

To achieve better results, all unemployed persons should be included in the advisory process of the employment services, and those who do not wish to participate should be removed from the registry. The reorganization of rights tied to registration assumes that many users will lose motivation to remain registered if they are not actively seeking employment. Whichever performance management method and quality assurance indicators are introduced, they should enable the comparison of the overall efficiency of the employment services system while also considering the local conditions in which employment offices operate.

TABLE 108: ACTIVITIES WITHIN STEP 3.2.1.7.

Activity Code	Activity title	Responsibility	Source of verification
3.2.1.7.1.	Adoption of the Law on Employment Mediation and Social Security of Unemployed Persons in FBiH,	FBiH Ministry of Labour and Social Policy	Law published on Official Gazette
3.2.1.7.2.	Based on activities from holistic PES mediation strategy identify key performance indicators (step 3.2.1.5.)	The Ministry of Civil Affairs of BiH (coordinating in the reporting process) Public Employment Services RS, FBiH and BDBiH	Annual work report and workplan Determined the primary activities related to active job search
3.2.1.7.3.	Develop performance management system	Public Employment Services RS, FBiH and BDBiH	Annual work report and workplan Identified QA indicators that align with the goals and objectives of each active job search.
3.2.1.7.4.	Staff Training and Guidelines: Provide training to staff members responsible for delivering employment services on the importance of PMS and how to adhere to performance standards. Develop guidelines and protocols for implementing performance indicators in their daily work.	Public Employment Services RS, FBiH and BDBiH, cantonal employment services	Annual work report and workplan QA indicators incorporated directly into the workflow and processes of each active job search activity. Updated documentation templates, software systems, and reporting mechanisms to capture relevant data.
3.2.1.5..	Regular Monitoring, Sanctions and Evaluation	Public Employment Services RS, FBiH and BDBiH, cantonal employment services	Annual work report and workplan Conducted periodic reviews, surveys, and performance assessments to track progress and identify areas for improvement.

**STEP 3.2.1.8. – At least 20% of beneficiaries of YG are employed within 6 months after completion**

By definition, the Youth Guarantee (YG) is a policy initiative aimed at ensuring that all individuals under the age of 30 receive a high-quality offer of employment, continued education, apprenticeship, or traineeship within four months of becoming unemployed or leaving formal education. This initiative is designed to swiftly integrate young people into the labor market or provide them with opportunities for further education and skills development. By offering timely and relevant pathways, the Youth Guarantee aims to combat youth unemployment and enhance young people's prospects for sustainable employment and personal development.

The EU Program Youth Guarantee in Bosnia and Herzegovina aims to address youth unemployment by ensuring that every young person in Bosnia and Herzegovina has access to education, training, or employment within a specified period after leaving education or becoming unemployed. To fully implement the Youth Guarantee in Bosnia and Herzegovina, it is crucial to develop and adopt an Implementation Plan. The Ministry of Civil Affairs of Bosnia and Herzegovina plays a central role in coordinating and reporting on the implementation of the Youth Guarantee, facilitating collaboration between relevant institutions at the entity and BD levels.

The Youth Guarantee Action Plan is a key component in the broader strategy for addressing youth unemployment, serving as a roadmap for the structured implementation of the program. Significant progress has already been made, with draft action plans developed for the Federation of BiH, Republika Srpska, and Brčko District. The final remaining Action Plan was approved by the Government of the Federation of BiH on December 16, 2024, through a Conclusion endorsing the Information on the program's implementation progress, which included the prepared Action Plan for review. This plan was also submitted to the Ministry of Civil Affairs of BiH, responsible for ensuring coherence and coordination in the development of a national-level Youth Guarantee Implementation Plan.

With the completion of entity and Brčko District action plans, the foundation has been laid for developing a comprehensive Youth Guarantee Implementation Plan at the state level. This represents a crucial step toward harmonizing efforts across different levels of government and aligning Bosnia and Herzegovina's employment policies with European standards. The next phase will involve strengthening the institutional framework by defining mechanisms for the appointed coordinators, clarifying the roles and responsibilities of relevant institutions in monitoring and reporting, and establishing clear implementation timelines.

Additionally, capacity-building activities will be conducted to enhance the ability of employment services and relevant stakeholders to execute the program effectively. Collaboration with the International Labour Organization (ILO) and entity-level institutions will be essential for refining the implementation strategy and ensuring that the Youth Guarantee pilot phase is successfully executed.

Efforts will also focus on engaging the private sector, educational institutions, and civil society organizations to create sustainable employment and training opportunities for young people. As Bosnia and Herzegovina moves forward with the Youth Guarantee, ongoing evaluation and adjustments will be necessary to address emerging challenges and optimize the program's impact. The ultimate goal is to create a long-term, structured approach to youth employment that reduces unemployment rates, enhances skills development, and facilitates a smoother transition from education to the labor market for young people across the country.

The piloting phase of the Youth Guarantee is scheduled for 2026 in Bosnia and Herzegovina (in Visoko, Čiluk and Prijedor). This phase will serve to evaluate the effectiveness of the implemented system, identify any necessary adjustments, and gauge its impact on addressing youth unemployment challenges. It is anticipated that through these efforts, the Youth Guarantee will contribute significantly to improving opportunities for young people transitioning into the labor market and promoting sustainable economic growth in the region.

While the available statistics for Bosnia and Herzegovina offer valuable insights into youth trends and the NEET category, they face challenges in accurately targeting specific age groups, particularly those covered by the Youth Guarantee. Despite this limitation, commendable data collection efforts lay a foundation for understanding and effectively addressing the needs of young people.

Encouragingly, the decreasing trend in NEET category from 2021 to 2023 indicates stability and potential improvements in youth engagement and employment. The NEET rate dropping from 19.9% to 16.5% over these years suggests positive developments in policies or initiatives aimed at integrating young people into productive economic activities. By continuing to refine data analyses methodologies and closely align them with the evolving needs of youth, policymakers can better tailor interventions and support mechanisms.

TABLE 109: ACTIVITIES WITHIN STEP 3.2.1.8.

Activity Code	Activity title	Responsibility	Source of verification
3.2.1.8.1.	Harmonize official statistics (LFS) with needs of the YG guarantee programme	The Ministry of Civil Affairs of BiH (coordinating ministry in the reporting process)  Agency for Statistics of BiH, Institute of Statistics of Republika Srpska, FBiH Institute for Statistics	Published LFS NEET 15-29 (30) indicator
3.2.1.8.2.	Establish baseline against which progress will be measured	The Ministry of Civil Affairs of BiH (coordinating ministry in the reporting process)  Ministry of Labour, War Veterans and Disabled Persons' Protection of Republika Srpska; FBiH Ministry of Labour and Social Policy; cantons; BDBiH department  Public Employment Services RS, FBiH and BDBiH	Established baseline in YG Implementation Plan
3.2.1.8.3.	Development of the Youth Guarantee Implementation Plan in Bosnia and Herzegovina	The Ministry of Civil Affairs of BiH (coordinating ministry in the reporting process)  Ministry of Labour, War Veterans and Disabled Persons' Protection of Republika Srpska; FBiH Ministry of Labour and Social Policy; cantons; BDBiH department  Public Employment Services RS, FBiH and BDBiH	Relevant RS, FBiH, BDBiH government documents

3.2.1.8.4.	Selected PES/employment bureaus and other involved actors are capacitated for Youth Guarantee management and implementation	The Ministry of Civil Affairs of BiH (coordinating ministry in the reporting process)  Ministry of Labour, War Veterans and Disabled Persons' Protection of Republika Srpska; FBiH Ministry of Labour and Social Policy; cantons; BDBiH department  Public Employment Services RS, FBiH, canonical employment services and BDBiH	Relevant RS, FBiH, BDBiH government documents: Number of PESs/employment bureaus and other involved entities with raised capacities to deliver YG services
3.2.1.8.5.	Implementation of piloting at selected pilot locations	Public Employment Services RS, FBiH, cantons and BDBiH	Relevant RS, FBiH, BDBiH government documents: Number of young people voluntarily registered to participate in the Youth Guarantee Program (GzM); number of young people who have received services through the Youth Guarantee Program: All types of quality offerings that will be available as part of the offerings to participants in the Youth Guarantee Program (GzM) include: number and types of trainings, retraining, upskilling programs, co-financing programs, self-employment opportunities, etc.
3.2.1.8.6.	Local pilot programmes are reviewed, model refined and promoted further	The Ministry of Civil Affairs of BiH (coordinating ministry in the reporting process)  Ministries of labour and social policies RS, FBiH, cantons and BDBiH department  Public Employment Services RS, FBiH, cantons and BDBiH	Relevant RS, FBiH, BDBiH government documents: No of programmes reviewed and subject to post-review stakeholder dialogue
3.2.1.8.7.	Dissemination of the YG	The Ministry of Civil Affairs of BiH (coordinating ministry in the reporting process)  Ministries of labour and social policies RS, FBiH, cantons and BDBiH department  Public Employment Services RS, FBiH, cantons and BDBiH	Relevant RS, FBiH, BDBiH government documents

#### ***STEP 3.2.1.9. – Ratio of job counsellors in Public Employment Services to job seekers is reduced to 1:500***

For public employment services to operate in an adequate and efficient manner, it is essential to implement a reform that removes individuals who are registered solely for the purpose of accessing various benefits but are not actively seeking employment. This would ensure that only job seekers remain on the registry, allowing employment counselors to manage a reasonable number of cases and provide effective support to each unemployed individual assigned to them. The core objective of all public employment service reforms is precisely this: to establish an appropriate ratio of unemployed persons per counselor so that advisors can provide meaningful and timely assistance. By optimizing this ratio, employment counselors would be able to help job seekers achieve their goals more effectively and facilitate their activation in the labor market in the shortest possible timeframe.

In the Federation BiH, the delivery of employment services faces significant challenges due to the imbalanced ratio between advisors in public employment services and unemployed individuals. As of 2019, this ratio was strikingly disproportionate, with one advisor serving every 2,000 unemployed persons, well above the international standard of 1 advisor per 1,000. This disparity varies markedly across cantons; for example, in the Central Bosnia Canton, the ratio improves to 1 advisor per 767 unemployed, whereas in the Tuzla Canton, it worsens to 1 advisor per 3,430 unemployed. These disparities highlight critical deficiencies in resource allocation and service accessibility, impacting the effectiveness of employment support and exacerbating socio-economic inequalities within the Federation. The skewed advisor-to-unemployed ratios severely compromise the quality of employment services provided. Advisors tasked with 1:2,000 ratios

face immense challenges in delivering personalized guidance and support to job seekers, hindering efficient job placement efforts (source: Employment Strategy of FBiH 2024-2030).

This situation not only impedes the timely matching of skills with available opportunities but also limits the ability to address diverse needs among the unemployed population. The variation in ratios among cantons underscores the uneven distribution of resources and priorities in tackling unemployment, underscoring the need for targeted reforms to enhance service delivery and equitable access to employment support across all regions.

In addressing these challenges, it's noteworthy that Republika Srpska has already made significant progress by finalizing reforms and enabling a more accurate depiction of unemployment statistics, by leaving on the unemployed register only those that are actively seeking employment. By implementing this reform, Republika Srpska has streamlined its employment services, allowing for more focused allocation of resources to support genuine job seekers. This proactive approach not only enhances the integrity of employment data but also serves as a model for the Federation BiH to consider in its efforts to improve service delivery.

In Republika Srpska, the ratio of unemployed individuals per employment counselors is currently around 330. The ongoing reform does not aim to increase this number in case of Republika Srpska, but rather to reduce it to the lowest reasonable and cost-effective level in cases of Federation BiH and BD BiH. The objective is to ensure more focused, meaningful, and higher-quality support to each unemployed person. While a lower caseload per employment counselors leads to more tailored guidance and better employment outcomes, this must be balanced against the need for responsible public spending, avoiding an unreasonably low number of clients per advisor. It is important to stress, this challenge should not be addressed by hiring more staff, but through systemic reforms that ensure only active jobseekers remain registered. Ensuring this balance should remain a key priority for the Public Employment Services in general. This functional assessment, conducted by the ILO, underscores the current dynamics of employment services within the region, highlighting the scale of support efforts aimed at addressing unemployment challenges effectively.

TABLE 110: ACTIVITIES WITHIN STEP 3.2.1.9.

Activity Code	Activity title	Responsibility	Source of verification
3.2.1.9.1	Assessment of Current Ratio	The Ministry of Civil Affairs of BiH (coordinating in the reporting process) Public Employment Services RS, FBiH, cantons and BDBiH	Annual PES reports
3.2.1.9.2	Analyse rights of unemployed prsons and redistribute responsibilities for its application were possible	Public Employment Services RS, FBiH, cantons and BDBiH	Report on implementation of the STEP 3.2.1.3.
3.2.1.9.3.	Optimize Workload Distribution: Review workload distribution among existing job counselors to ensure equitable allocation of responsibilities. Adjust caseload assignments based on counselor expertise, experience, and availability. Use e-tools wherever possible.	Public Employment Services RS, FBiH, cantons and BDBiH	Annual PES reports and workplans
3.2.9.1.4.	Continuous Professional Development	Public Employment Services RS, FBiH, cantons and BDBiH	Provided ongoing training and Annual PES reports and workplans.
3.2.9.1.5.	Strict application of the active job search rules and related sanctions	Public Employment Services RS, FBiH, cantons and BDBiH	Statistical reports on activities provided

## COMPONENT 3.3. SOCIAL PROTECTION SYSTEM

### REFORM 3.3.1 HARMONISE PARENTAL LEAVE RIGHTS COUNTRY-WIDE AND IMPLEMENT THE SOCIAL CARD.

The development of social protection policy in Bosnia and Herzegovina is outlined in two strategic documents prepared by the relevant ministries responsible for social policies in the entities (the Federal Ministry of Labor and Social Policy and the Ministry of Health and Social Welfare of Republika Srpska) and in the Brčko District of BiH (the Department of Health and Other Services): The draft strategic document has passed the parliamentary procedures of both Houses of the Parliament of the Federation BiH and has been adopted - the Strategy for the Development of the Social and Child Protection System in the Federation of Bosnia and Herzegovina for 2024-2030 ("Official Gazette of the Federation of BiH", No. 72/24 from September 13, 2024) and the Social Protection Strategy of Republika Srpska for the period 2023-

2029 (“Official Gazette of RS”, No. 108/23) are documents stemming commitment to implement the 2030 Agenda. The Framework for Implementing the Sustainable Development Goals were adopted by the Council of Ministers in 2021, following its approval by the Federation of BiH, the Republika Srpska, and the Brčko District governments. The framework serves to guide the current and upcoming strategic planning processes in Bosnia and Herzegovina, including Republika Srpska, Federation of BiH, and Brčko District of BiH.

In Bosnia and Herzegovina, inconsistencies in regulations create unequal access to maternity benefits across regions, disproportionately affecting unemployed mothers. Legal framework for maternity leave has improved, particularly in the Federation of BiH, significant discrepancies persist due to varying levels of economic development and additional benefits provided at the cantonal level.

Efforts to address broader social welfare concerns through initiatives like the development of a social card demonstrate a commitment to systemic improvement. These initiatives aim to streamline access to social benefits, enhance transparency, and optimize service delivery. However, they face significant challenges, including data inadequacy, bureaucratic hurdles, and technical complexities. While the objectives are ambitious, achieving them will require extensive collaboration, digital transformation, and legislative reforms to build a more inclusive and efficient welfare system that effectively meets the diverse needs of Bosnia and Herzegovina’s population.

TABLE 111: STEPS WITHIN THE REFORM 3.3.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
3.3.1.1.	Action plan for country-wide harmonisation and strengthening of parental leave in place, in accordance with competences	The Ministry of Civil Affairs of BiH (coordinating in the reporting process)  Federal Ministry of Labor and Social Policy, cantonal responsible ministries and, Ministry of Labour, War Veterans and Disabled Persons' Protection of Republika Srpska	December 2025
3.3.1.2.	Adopt pending legislation and regulation to implement social card	Federal Ministry of Labor and Social Policy, cantonal responsible ministries and the Ministry of Health and Social Protection of Republika Srpska	December 2025
3.3.1.3.	100% of the beneficiaries of social transfers covered by the social card to ensure targeting of social benefits in line with needs	Federal Ministry of Labor and Social Policy, cantonal responsible ministries and the Ministry of Health and Social Protection of Republika Srpska	June 2027

***STEP 3.3.1.1 Action plan for country-wide harmonisation and strengthening of parental leave in place, in accordance with competences***

Statistics show that approximately 32-35,000 mothers each year need to claim maternity benefits in Bosnia and Herzegovina (BiH). A large number of these women fail to claim this right due to budgetary constraints. The issue of protecting families with children, including the rights of mothers on maternity leave, falls under the jurisdiction of the entities and cantons (in FBiH).

In the Federation BiH, this matter is governed by the Labor Law of FBiH and the Law on the Basics of Social Protection, Protection of Civilian Victims of War, and Protection of Families with Children of FBiH, and the Law on Material Support to Families with Children in the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of BiH, No. 52/22). The Law on Material Support to Families with Children in the Federation of Bosnia and Herzegovina regulates the basis for material support to families with children, establishes basic material rights to support families with children, defines the procedure, conditions, and manner of exercising these rights, financing of material support to families with children, supervision, and other issues relevant to the provision of material support to families with children in the Federation of BiH. This law also regulates the right to maternity benefits for unemployed mothers in the amount of 55% of the minimal salary in the Federation of Bosnia and Herzegovina, in accordance with the provisions of the Labor Law.

Furthermore, according to cantonal regulations, these benefits can be higher than those prescribed Federation BiH law. Given the shared jurisdiction, cantons, in accordance with their capacities, can delegate certain rights, which has resulted in most cantons providing additional allowances for unemployed mothers. At the federal level, the Federation BiH has standardized the amount of the basic allowance, but differences between cantons still exist due to varying budgetary capacities and social protection policies implemented by cantonal authorities.

In Republika Srpska, maternity benefits are governed by labor, social welfare, and child protection laws, alongside regulations on realizing rights from child protection. A special fund is established under child protection law, granting employers the ability to access funds for compensating mothers on maternity leave. During the use of maternity leave, a woman has the right to compensation in the amount of the average salary she earned during the last 18 months before the start of maternity leave. If a woman has not received a salary for all of the last 18 months, when calculating the average salary for each month for which she has not received a salary, the amount of the lowest salary in the Republic is taken. This calculation aims to provide stability during maternity leave, with adjustments made in accordance with salary trends and economic conditions. The compensation serves as a safeguard, preventing significant income loss and helping mothers maintain financial security while caring for their newborns.

In the Brčko District, employed mothers are entitled to maternity benefits regulated by labor and health insurance laws, ensuring 80% compensation based on the mother's average salary over the last three months. Additionally, there's a maternal supplement for non-employed mothers, paid for three months and totaling 15% of the average salary in the Brčko District.

Overall, while there has been progress in the area of maternal rights and benefits in Bosnia and Herzegovina, disparities still remain. The inconsistency in maternity rights is reflected through various aspects of legislation and practice. In some cases, the duration of maternity leave is extended in the event of twins or the birth of a third and each subsequent child, while elsewhere it remains the same for all mothers, regardless of the number of children. Likewise, in one system the employer's registered office is taken as the basis for exercising rights, while in another the mother's place of residence is the decisive criterion. Differences also exist in the level of compensation: in some cases mothers receive their full salary, while in others they are entitled to allowances instead of salary, the scope of which varies depending on the administrative unit. Such fragmentation of the system leads to unequal conditions for mothers and hinders the establishment of a uniform standard of maternity protection.

Within the work of the inter-entity group (activity 3.3.1.1.10), it is necessary to specifically address the risk of discrimination against mothers on maternity leave based on their place of residence in relation to the employer's registered office and other relevant criteria. The protection of mothers and motherhood is one of the key obligations of Bosnia and Herzegovina under international human rights standards, in particular ensuring equal rights and opportunities for women throughout Bosnia and Herzegovina, without discrimination or unequal treatment on any grounds, including place of residence. The issue of exercising the right to maternity leave, i.e. the right to financial compensation during the same period, must be considered both from the perspective of the protection of mothers' rights and non-discrimination, and from the perspective of the protection of children's rights, bearing in mind that preventing the use of these rights in any segment directly violates Article 3 of the Convention on the Rights of the Child (CRC), namely the principle of the best interests of the child. Accordingly, the working group should propose measures to establish equal grounds for exercising rights and to ensure equal treatment and equal rights for all mothers in Bosnia and Herzegovina, without discrimination and without encroaching upon the competences of the entities.

TABLE 112: ACTIVITIES WITHIN STEP 3.3.1.1.

Activity Code	Activity title	Responsibility	Source of verification
3.3.1.1.1.	Canton-Level Assessment	The Ministry of Civil Affairs of BiH (coordinating in the reporting process) Federal Ministry of Labor and Social Policy and responsible cantonal ministries.	Assessment report finalized: Conducted a detailed assessment of existing parental leave policies in each canton, including entitlements, duration, eligibility criteria, and benefits. Identified disparities, inconsistencies, and areas of overlap between cantonal policies.
3.3.1.1.2.	Stakeholder Collaboration (cross-cantonal working group)	Federal Ministry of Labor and Social Policy and responsible cantonal ministries.	Decision on establishment Working group established and functional: Engaged with representatives from each canton, including government officials, employers' associations, trade unions, and advocacy groups. Established a cross-cantonal working group or committee to facilitate dialogue, share best practices, and coordinate efforts towards harmonization.

3.3.1.1.3.	Defining common principle and standards	Federal Ministry of Labor and Social Policy and responsible cantonal ministries.	Annual work report and workplan Identified common principles and standards that could serve as a basis for harmonizing parental leave policies across all cantons.
3.3.1.1.4.	Defining the model	Federal Ministry of Labor and Social Policy and responsible cantonal ministries.	Annual work report and workplan Developed a framework agreement or memorandum of understanding outlining shared objectives, commitments, and timelines for harmonization. Reconciled differences and reached consensus on key aspects of parental leave policy, such as duration, benefits, and eligibility criteria. Encouraged flexibility and compromise to accommodate diverse regional preferences and priorities while striving for consistency and equity.
3.3.1.1.6.	Legislative Reform at cantonal level	Federal Ministry of Labor and Social Policy and responsible cantonal ministries.	Annual work report and cantonal official gazette Adopted changes of cantonal laws: cantonal levels to enact harmonized parental leave policies that reflect the agreed-upon framework.
3.3.1.1.7.	Public Awareness and Education	Federal Ministry of Labor and Social Policy and responsible cantonal ministries.	Annual work report and workplan
3.3.1.1.8.	Monitoring and Enforcement (Establish mechanisms for monitoring and enforcing compliance with harmonized parental leave policies, including reporting requirements, grievance procedures, and penalties for non-compliance. Develop monitoring indicators and data collection tools to track the implementation and impact of harmonized parental leave policies over time.)	Federal Ministry of Labor and Social Policy and responsible cantonal ministries.	Annual work report and workplan Launched a public awareness campaign to inform residents of each canton about the benefits of harmonized parental leave policies and the process of implementation.  Provided educational materials, workshops, and seminars to employers, HR professionals, and employees to ensure understanding and compliance with the new policies.
3.3.1.1.9.	Evaluation and Adjustment	Federal Ministry of Labor and Social Policy and responsible cantonal ministries.	Annual work report and workplan Conducted regular evaluations of the harmonization process to assess progress, identify challenges, and make necessary adjustments to the implementation strategy. Solicited feedback from stakeholders and residents of each canton to ensure that harmonized parental leave policies meet the needs and expectations of diverse communities.
3.3.1.1.10.	Establish inter-entity group	Federal Ministry of Labor and Social Policy. Ministry of Labor, Veterans, and Disabled Protection of Republika Srpska.	Decision on establishment

### ***STEP 3.3.1.2 Adopt pending legislation and regulation to implement social card***

To fully grasp the scope of social welfare issues, understanding the number, structure of beneficiaries and demographic situation is crucial. The decrease in both minor and adult beneficiaries of social welfare suggests evolving strategies in social protection and welfare management in BiH. Efforts to streamline services and tailor support to specific demographic groups appear to have influenced these trends. As policymakers navigate these changes, the focus remains on ensuring equitable access to social welfare resources while addressing the diverse needs of beneficiaries across different age groups and socioeconomic backgrounds.

In 2022, the number of minor beneficiaries of social welfare/protection in Bosnia and Herzegovina totaled 107,850, marking a decrease from 127,682 reported in 2017. This decline reflects efforts and changes in social policies aimed at

addressing the needs of vulnerable youth. Meanwhile, adult beneficiaries of social welfare/protection, categorized by gender, numbered 402,186 in 2022, decreased from 413,890 in 2017. These figures underscore the dynamic nature of social welfare support systems, which adapt to economic conditions and demographic shifts over time (Agency for Statistics of Bosnia and Herzegovina. 2023. Social Welfare 2017–2022. Available at: [https://bhas.gov.ba/data/Publikacije/Bilteni/2023/SOC\\_00\\_2022\\_TB\\_1\\_BS.pdf](https://bhas.gov.ba/data/Publikacije/Bilteni/2023/SOC_00_2022_TB_1_BS.pdf)).

A situational analysis of social protection conducted by the World Bank identified, among other things, that child benefits cover only 10.3 percent of the poorest fifth of the population, and there are shortcomings in accessing rights related to abuse and various other inefficiencies within the system. In Republika Srpska, the right to child allowance is granted to beneficiaries who meet the conditions regarding the income census of family members; this does not mean that they are the poorest, as they may possess significant capital. Furthermore, the analysis of the legislative framework, within this situational analysis, revealed that the Law on Unified Principles within the framework of material support for persons with disabilities did not invalidate the Law on the Unified Regulation of the Right to Cash Benefits of Individuals in the Federation BiH, which falls under the jurisdiction of the Ministry of Finance and served as a precursor to this Law on Unified Principles.

A social card register in Republika Srpska is a project that intends to consolidate information on the social and economic status of individuals and households, enabling more efficient planning and implementation of social policies. Its purpose is to direct social assistance and other services to those who need them most while reducing abuse and improving system transparency. The social card register should include data on income, assets, employment, education, health status, and the use of social benefits, and it is typically part of a centralized information system that connects institutions such as centers for social work, employment agencies, and tax authorities. Its complexity explains information that only in Republika Srpska it should encompass over 90 rights defined in 15 laws that citizens can access at more than 400 locations. The project covers all rights and institutions, while leadership is on the Ministry of Health and Social Protection of Republika Srpska and the Ministry of Finance of Republika Srpska.

The project is structured into three phases: an analysis phase of current conditions relevant to the Social Card's development, drafting technical solutions, establishing an interoperable information system for the Social Card, and automating administrative procedures within the system. Concurrently, the drafting of the Social Card Law is planned during the second phase. Through the development of the Social Card registry, and the enactment of the Social Card Law, the goal is to create a database of socio-economic status for individuals and their associated persons. This includes consolidating, managing, and safeguarding data, as well as facilitating notifications with other information systems. The objective is to establish a unified record in social protection, enhancing the efficiency and effectiveness of social welfare based on comprehensive socio-economic data.

The Government of Republika Srpska, at its 7th session (February 10, 2023), has adopted an Information on initiating the project for developing the Social Card of Republika Srpska. The project aims to establish a unified information system - a registry containing data on the socio-economic status of beneficiaries of social protection rights and services.

The government has tasked the Ministries of Health and Social Welfare, Labor, and Veterans' Affairs to identify all relevant authorities managing administrative procedures or possessing data essential for the Social Card. Additionally, the Agency for Information and Communication Technologies of Republika Srpska, in collaboration with relevant bodies, will oversee and implement the establishment of the interoperable information system for the Social Card.

On February 27, 2025, at its 107<sup>th</sup> session in Banja Luka, the Government of Republika Srpska adopted the Draft Law on the Social Card, which regulates the establishment and management of a unified database called the Social Card. The law defines the content, access procedures, data processing, and storage within the Social Card, as well as other relevant matters concerning its establishment and administration. The cost estimate of approximately half a million KM for this phase.

The National Assembly of the Republic of Srpska (XIII Regular Session – March 28, 2025) has adopted the Draft Law on the Social Register, which aims to establish a comprehensive database on the socio-economic status of individuals and households to enhance the efficiency and transparency of social assistance programs. The draft law will be submitted for expert discussion within 60 days, during which relevant stakeholders, including government institutions, social policy experts, and civil society organizations, will have the opportunity to provide their input and recommendations before the final version is drafted and submitted for approval.

The preparatory phase has been completed, identifying the rights, institutions, and electronic records maintained by these institutions, along with assessing the technical and regulatory aspects of these electronic records. Additionally, a social card database has been created consolidating data from electronic records, and a simulation of the social card registry has been conducted, alongside a qualitative analysis of data from all records. In the first phase, a public procurement process is planned to create the social card registry (in Republika Srpska Register based on the Law on Unified Regulation of the Right to Cash Benefits), along with the enactment of laws on the social card and electronic governance. This phase also involves the identification and optimization of all administrative procedures conducted by institutions managing these

rights, as well as the redesign of the eSrpska portal through which citizens will access the registry. The second phase involves upgrading the existing registry to further enhance its capabilities.

On April 26, 2024, representatives of the World Bank presented a preliminary analysis of the social protection system to the Federal Minister of Labor and Social Policy, as part of the preparations for the development of the social card of the Federation of Bosnia and Herzegovina. The analysis conducted by the World Bank revealed that the current systems of social protection are not sufficiently efficient.

The initiative represents one of the most demanding and ambitious projects undertaken by the Federation of BiH government during its term, emphasizing its significance in addressing societal welfare issues. The partners of this initiative, who will provide expert and technical assistance, including through the delegation of experts in the fields of social work and protection, legal issues, financial consulting, and identifying key digital tools for future IT systems, are the European Union Delegation, as well as the non-governmental sector.

When it comes to a special working group, the Government of the Federation BiH (activity 3.3.1.2.3.), at its 11th session held on August 24, 2023, issued a decision appointing members of the Ministerial Coordination Body for Social Policy in the Federation of Bosnia and Herzegovina, on September 24, 2023. The task of this body is to exchange opinions and ideas on strategically important directions in the field of social protection, areas of joint action, improvement of the social protection system, and various other topics through regular meetings. The aim is to strengthen the social support and protection sector, as well as to harmonize social benefits throughout the entire Federation of Bosnia and Herzegovina. Regarding the body in the domain of action related to social and child protection in the implementation of the Law on Material Support to Families with Children in the Federation of Bosnia and Herzegovina, the Coordination Body for Social and Child Protection in the Federation of Bosnia and Herzegovina has been established. This body was appointed by the decision of the federal minister of labor and social policy, number: 05-02/1-2230/22 dated October 25, 2022.

Regarding the activity 3.3.1.2.2., concerning the development of a social card aimed at establishing a kind of social card of the Federation of Bosnia and Herzegovina, including the creation of an integrated registry of users of social services and benefits, it will enable the overview of individuals and groups in social need. Establishing a social card intends to provide clear insights into household incomes and family situations, enabling more effective planning of social support programs. With regard to electronic management and data protection, if it involves full digitalization, including electronic signatures and the protection of personal data, it should be noted that this falls under the jurisdiction of the state level and therefore cannot be the sole responsibility of the Federal Ministry of Labour and Social Policy.

Development of the Draft Law on the Unified Methodology for the Creation of the Social Map in the Federation of BiH, for the purpose of preparing the preliminary draft of this law, the Government of the Federation of BiH formed an Interdepartmental Working Group on March 13, 2025. The Working Group brings together experts from the fields of social protection, law, finance, and IT, including representatives of cantonal ministries, local self-government units, the Federal Development Programming Institute, and the Federal Institute for Statistics.

TABLE 113: ACTIVITIES WITHIN STEP 3.3.1.2.

Activity Code	Activity title	Responsibility	Source of verification
3.3.1.2.1.	Stakeholder Engagement and Coordination	The Ministry of Civil Affairs of BiH (coordinating in the reporting process)  Federal Ministry of Labor and Social Policy, responsible cantonal ministries  Ministry of Health and Social Protection of Republika Srpska	Annual work report and workplan  Established a dedicated working group comprising representatives from the ministries, relevant government agencies, local authorities, civil society organizations, and technical experts. Held regular meetings to foster collaboration, share information, and ensure alignment of objectives among stakeholders.
3.3.1.2.2.	Assess Legal and Regulatory Framework	Federal Ministry of Labor and Social Policy, responsible cantonal ministries  Ministry of Health and Social Protection of Republika Srpska	Annual work report and workplan  Conducted a situational analysis of social protection and analyzed the legislative framework. Conducted a comprehensive review of existing laws and regulations related to social protection, electronic governance, and data privacy.  Drafted and finalized legislation, including a law on the social card and electronic governance, to provide a clear legal framework for the project. Ensured that the legal framework aligned with the entity's priorities,

			respected data privacy rights, and facilitated interoperability with existing systems.
<b>3.3.1.2.3.</b>	Define content and model of the social card and in parallel the draft law	Federal Ministry of Labor and Social Policy, responsible cantonal ministries  Ministry of Health and Social Protection of Republika Srpska	Annual work report and workplan  Model defined
<b>3.3.1.2.4.</b>	Adoption of a new law on the social card of the FBiH and RS	Federal Ministry of Labor and Social Policy, responsible cantonal ministries  Ministry of Health and Social Protection of Republika Srpska	Official Gazette  Law adopted
<b>3.3.1.2.5.</b>	Developing the social card registry	Federal Ministry of Labor and Social Policy, responsible cantonal ministries  Ministry of Health and Social Protection of Republika Srpska	Official Gazette  The entire administration, from municipalities and local offices to the entity Government, needed to be digitized and integrated into one system. This involved digital transformation and data integration. Investments were made in upgrading digital infrastructure and technologies to support the development and implementation of the social card project. Existing databases and systems within the selected responsible ministries, local authorities, and other relevant institutions were integrated to create a unified platform for managing social benefits and services. Protocols and standards for data sharing, security, and privacy were developed to protect sensitive information while enabling efficient service delivery.
<b>3.3.1.2.6.</b>	Needs Assessment and System Design	Federal Ministry of Labor and Social Policy, responsible cantonal ministries  Ministry of Health and Social Protection of Republika Srpska	Annual work report for 2026 and workplan  Conducted a thorough needs assessment to identify gaps, inefficiencies, and user requirements within the current social protection systems.  Designed user-friendly interfaces and workflows for employees of the social protection system and services through the social card system data base. (December 2026)

***STEP 3.3.1.3 100% of the beneficiaries of social transfers covered by the social card to ensure targeting of social benefits in line with needs***

The current state of Bosnia and Herzegovina's social protection system underscores the need for concerted efforts to streamline regulations, enhance data systems, and improve service delivery mechanisms. By implementing comprehensive reforms, competent authorities in Bosnia and Herzegovina aims to reduce socio-economic disparities, and ensure fair and equitable access to social benefits for all citizens, in line with international commitments. These reforms are essential for creating a more efficient, transparent, and inclusive social welfare system.

To explain the challenge in improving the management of social protection rights one can use example of Republika Srpska, across a landscape where citizens currently navigate 90 distinct rights spread across more than 400 locations governed by 15 laws. Central to this challenge is addressing the potential duplication of social benefits and the bureaucratic complexity that often results in exclusion errors, where eligible individuals are unable to access their entitled benefits. However, successful implementation hinges on enacting legislation for the social card and electronic governance, essential for digitizing and integrating administrative processes from local municipalities to the competent government. This integration aims to centralize population data, facilitate automated updates to citizens' statuses, and streamline the distribution of social assistance in Republika Srpska. According to experiences of other countries, key expected challenges include inadequate data infrastructure, bureaucratic complexities in integrating diverse social benefits, and technical hurdles in ensuring secure and efficient management of personal information.

Main current activity within these efforts is implementation of the social card. Once the legal framework and implementation system for the social card are fully completed, it will be necessary to conduct process in several phases,

where the first phase of the initiative focuses on piloting a social card registry over a six-month period. A pilot phase should be used to test its functionality, identify potential challenges and bottlenecks, to make necessary adjustments before proceeding with full-scale implementation. It would be a crucial step in its full implementation process, as it allows for testing the system's functionality before full deployment. Through the pilot phase, potential technical, administrative, and procedural challenges can be identified and addressed in a timely manner. It also provides an opportunity to evaluate user experience and the efficiency of data collection, processing, and utilization regarding social assistance beneficiaries. This ensures that the system is tailored to the real needs of both citizens and institutions that will be using it.

The significance of piloting also lies in the ability to adjust institutional framework based on insights gained during the test phase. This stage helps verify whether the planned procedures are adequate and whether the system is capable to accommodate different categories of beneficiaries. Additionally, the pilot project can serve as a training ground for staff in institutions managing the social card, as well as a means to inform the public about its benefits. A successfully conducted pilot phase increases the likelihood that the final implementation will be smooth and effective, ensuring the long-term sustainability of the system.

Following the pilot phase, the next step will be ensuring the complete integration of all social assistance beneficiaries into the system, aiming for 100% coverage. This will allow the social card system to become fully operational, enabling more efficient and transparent distribution of social benefits. Given the complexity of such an undertaking, it is expected that the full implementation will require a transitional period to address technical, administrative, and logistical challenges that might occur from location to location. Adequate training for staff, public awareness campaigns, and continuous monitoring will be essential to ensure smooth adoption and effectiveness.

Achieving full coverage of social transfer beneficiaries under the social card system by June 2027 requires meticulous planning, robust stakeholder engagement, and effective governance to navigate regulatory complexities and ensure equitable distribution of social benefits.

Despite these efforts, potential resistance may arise from users accustomed to the current system of accessing multiple benefits. Concerns may center around disruptions or uncertainties in benefit distribution under the new social card system. Overcoming resistance entails clear communication about the benefits of the social card, such as improved efficiency, reduced paperwork, and enhanced accuracy in benefit allocation. Equally crucial is providing robust support during the transition, including comprehensive training and guidance on navigating the new system, to mitigate concerns and cultivate positive user engagement.

The overarching goal of this initiative is to minimize administrative errors, increase cost-effectiveness, enhance targeting of services based on genuine needs, and simplify access to social benefits. Additional digital transformation efforts include harmonizing and optimizing social benefits, reducing errors in eligibility assessments, expanding options for submitting requests and documents, and improving collaboration among various administrative bodies will be required. The phased rollout of the social card involves upgrading current systems and introducing a new operational framework designed for efficient administration and equitable distribution of social benefits, with completion targeted by June 2027.

TABLE 114: ACTIVITIES WITHIN STEP 3.3.1.3.

Activity Code	Activity title	Responsibility	Source of verification
3.3.1.3.1.	Pilot Implementation and Evaluation	The Ministry of Civil Affairs of BiH (coordinating in the reporting process)  Federal Ministry of Labor and Social Policy, responsible cantonal ministries and the Ministry of Health and Social Protection of Republika Srpska	Annual report of the line Ministry  Launched pilot projects in selected municipalities and cantons to test the functionality, usability, and effectiveness of the social card platform.  Gathered feedback from users, service providers, and administrators to identify strengths, weaknesses, and areas for improvement.  Evaluated the pilot's impact on reducing errors, improving targeting, enhancing cost-effectiveness, and streamlining service delivery processes.  (June 2027)
3.3.1.3.2.	Scaling Up and Expansion	Federal Ministry of Labor and Social Policy, responsible cantonal ministries and the Ministry of Health and Social Protection of Republika Srpska	Annual report and plan of the line Ministry  Scaled up the social card project gradually, expanding coverage to additional municipalities and target populations based on the lessons learned from the pilot phase.  Developed a phased implementation plan to ensure smooth scalability and minimize disruptions to service

			delivery. Mobilized resources and expertise for scaling up the project.
<b>3.3.1.3.3.</b>	Public Awareness and Capacity Building	Federal Ministry of Labor and Social Policy, responsible cantonal ministries and the Ministry of Health and Social Protection of Republika Srpska	<p>Annual report and plan of the line Ministry</p> <p>Launched public awareness campaigns to educate citizens about the benefits and procedures of the social card system and how to access social services and benefits.</p> <p>Provided training and capacity-building programs for government officials, frontline workers, and community leaders to enhance their skills in using and administering the social card platform.</p>

## 4 POLICY AREA 4: FUNDAMENTALS

### COMPONENT 4.1. DEMOCRACY

#### REFORM 4.1.1. COORDINATION IN THE EU MATTERS AND DEMOCRATIC INSTITUTIONS

For the European integration process in Bosnia and Herzegovina it is of critical importance to have effective European integration capacities at all levels of government, in line with their respective competencies, as well as to ensure their effective cooperation and coordination in line with the provisions of the Decision on the System of Coordination in the Process of European integration in Bosnia and Herzegovina (Official Gazette 72/16) as amended in 2018 (OG, 35/18).

The functioning of the mechanism needs to be strengthened and improved in the light of lessons learned from the preparation of the answers to the Commission’s questionnaire and on the basis of the experience of functioning so far, in order to make full, efficient and effective use of all the bodies of the coordination mechanism to allow BiH to speak with one voice to the European institutions in a quick manner. A clear distribution of competences and enhanced cooperation between different levels of government will be essential for the successful management of the next stages of EU integration as indicated in European Commission’s Key Priority 4 (a).

After the European Council decision on 21 March 2024 to open negotiations with BiH and inviting the Commission “to prepare the negotiating framework with a view of its adoption by the Council the moment all relevant steps set out in the Commission’s recommendation of 12 October 2022 are taken”, BiH is entering new phase in its relation with EU.

Following the adoption of the related methodology, as an Opinion key priority and an obligation under the SAA (Article 70), BiH should develop and adopt the Programme for Alignment of Legislation in BiH with the Acquis (NPAA). The Programme for Alignment of Legislation in BiH with the Acquis (NPAA) needs to reflect the role of the different levels of government based on their respective legislative competences, covering the full EU Acquis, the respective competences for its implementation, the required funding allocation and sources, and administrative capacities. The Directorate for European Integration has finalised the programme for EU integration and submitted it to the European Commission in early March for comments. The programme for EU integration is expected to be later adopted by the Council of Ministers. This programme for EU integration is a key step towards developing and adopting the Programme for Alignment of Legislation in BiH with the Acquis (NPAA).

Table 115: STEPS within the Reform 4.1.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
4.1.1.1	Joint bodies under the SAA functions properly, with efficient working methods, with a single efficient and effective entry point for coordination on EU integration	DEI, CoMBIH, Governments of all levels	December 2025

4.1.1.2.	Improve the functioning of the coordination mechanism <b>within the</b> country notably by strengthening the quality assurance <b>process</b> , in view of preparation for the accession negotiations	DEI, CoMBIH, Governments of all levels	December 2025
4.1.1.3.	Within the context of future accession negotiations, adopt a Roadmap on democratic institutions, addressing all outstanding institutional challenges identified in the 2019 Commission opinion on the EU membership application of Bosnia and Herzegovina	CoMBIH, and Governments of all levels as necessary	June 2026
4.1.1.4.	Adopt the Program for Alignment with the Acquis ('NPAA') in line with SAA requirements, notably covering the full EU Acquis, the respective competences for its implementation, the required funding allocation and sources, and administrative capacities.	DEI, CoMBIH, Governments of all levels	December 2025

***STEP 4.1.1.1 Joint bodies under the SAA functions properly, with efficient working methods, with a single efficient and effective entry point for coordination on EU integration***

In order to further improve functionality of Joint bodies under the SAA activities will be undertaken to analyse existing practices and working methods with aim to identify actionable recommendations for further improvements. Based on recommendations plan/roadmap for improvements will be drafted. In particular this step will be referring to the letter from NEAR ADG Popowski to then CoM Chair Tegeltija of May 2022, which detailing specific recommendations (appointment of the members of the standing delegation of BiH for the SA bodies; preparation and submission of BiH Discussion papers for the meetings of the SA bodies; Adjustments to the Rule of Procedures for the SAA bodies).

Table 116: Activities within step 4.1.1.1.

Activity Code	Activity title	Responsibility	Source of verification
4.1.1.1.1.	Drafting analysis on functioning of Joint bodies under the SAA in particular with regard to DG ENEST recommendations	DEI, Government all levels	Analysis on functioning of Joint bodies under the SAA
4.1.1.1.2.	Taking action on the basis of the results of the analysis	CoMBIH, Government all levels	Plan/Road map based on recommendations..

***STEP 4.1.1.2 Improve the functioning of the EU coordination mechanism within the country notably by strengthening the quality assurance process, in view of preparation for the accession negotiations***

Ensuring the full functionality of the coordination mechanism is essential for the continuation of the EU integration process in light of the start of negotiations. In this sense, the functional review will serve to identify possible improvements.

Table 117: Activities within step 4.1.1.2.

Activity Code	Activity title	Responsibility	Source of verification
4.1.1.2.1.	Functional review of the coordination mechanism with actionable recommendations	DEI, CoMBIH, Government all levels	Functional review of the coordination mechanism with actionable recommendation
4.1.1.2.2.	Taking action on the basis of the results and recommendation of the Functional review	CoMBIH, Governments of all levels	Plan/ Road map based on recommendations.
4.1.1.2.3.	Improvement of the regulatory framework	CoMBIH, and Governments of all levels as necessary	Official gazette.

***STEP 4.1.1.3 Within the context of future EU accession negotiations, adopt a Roadmap on democratic institutions, addressing all outstanding institutional challenges identified in the 2019 Commission opinion on the EU membership application of Bosnia and Herzegovina***

This step requires BiH to demonstrate tangible political commitment and institutional readiness for accession negotiations by addressing long-standing democratic deficits and outlined critical deficiencies. It involves creating and formally adopting a **Roadmap on Democratic Institutions**, which must systematically respond to **institutional and structural weaknesses** identified in the **European Commission's 2019 Opinion** and accompanying Analytical Report. The roadmap must therefore go beyond political declarations and include **concrete actions, timelines, responsible institutions, and indicators of progress**, ensuring **alignment with EU accession standards** (particularly Copenhagen criteria and Chapters 23 and 24).

Table 118: Activities within step 4.1.1.3.

Activity Code	Activity title	Responsibility	Source of verification
4.1.1.3.1.	Conduct Gap Analysis Based on 2019 Commission Opinion -Systematically map all outstanding institutional and democratic challenges.	CoMBIH, Government all levels	Gap Analysis
4.1.1.3.2.	Taking action on the basis of the results: Draft the Roadmap on Democratic Institution	CoMBIH, Governments of all levels	The Roadmap on Democratic Institutions
4.1.1.3.3.	Formal Adoption and Establish Monitoring and Reporting Mechanism	CoMBIH, and Governments of all levels as necessary	Official gazette.

**STEP 4.1.1.4 Adopt the Programme for Alignment with the Acquis (‘NPAA’) in line with SAA requirements, notably covering the full EU Acquis, the respective competences for its implementation, the required funding allocation and sources, and administrative capacities.**

Procedure of the adoption of the Programme for Alignment of Legislation in BiH with the Acquis (NPAA) will be concluded in order to ensure that the full *EU Acquis* is covered, with identified respective competences for its implementation and required funding allocation and sources including administrative capacities. The Directorate for European Integration has finalised the programme for EU integration and submitted it to the European Commission in early March 2024 for comments. In the next phase BiH will address EC comments provided to DEI that clarify the direction and substance of changes needed.

Table 119: Activities within step 4.1.1.4.

Activity Code	Activity title	Responsibility	Source of verification
4.1.1.4.1.	Drafting Programme for Alignment of Legislation in BiH with the Acquis (NPAA) (including addressing comments from EU commission)	DEI, CoMBIH, Government all levels,	Draft of the Programme for Alignment of Legislation in BiH with the Acquis (NPAA)
4.1.1.4.2.	Programme for Alignment of Legislation in BiH with the Acquis (NPAA) adopted	CoMBIH, Government all levels	Decision published in official gazette.

## COMPONENT 4.2. JUDICIARY

### REFORM 4.2.1. FUNCTIONING OF THE JUDICIARY

The main goal of this reform refers to strengthening the independence and integrity of the judicial system of BiH.

Bosnia and Herzegovina has some level of preparation to implement EU Acquis and European standards in the area of judiciary, according to EC commission report 2023. Some progress was made in this area. In September 2023, Bosnia and Herzegovina amended the Law on the High Judicial and Prosecutorial Council (HJPC) with the aim of establishing a system to verify the asset declarations of judges, prosecutors and HJPC members. The law also stipulates that within one year from the date of entry into force of this law, the Parliamentary Assembly of Bosnia and Herzegovina will pass the Law on the High Judicial and Prosecutorial Council, which will be harmonized with EU standards, as provided for in the Opinion of the European Commission on to Bosnia and Herzegovina's request for membership in the European Union. The application of the amendments to the law was prolonged at the initiative of the HJPC, given that an integrity department could not be established due to the fact that adequate budget funds were not planned, and that the recruitment procedures for the department could not be implemented in the short term provided for by the initial amendments to the law.

The primary short-term goal remains the implementation of integrity – related amendments to the HJPC in terms of the establishment of an integrity department and its full functionality. In parallel, intensive work on the preparation and adoption of the new law will be a key priority. The new Law on the HJPC will be drafted with aim to better regulate the appointment, appraisal and disciplinary procedures of members of the judiciary, to ensure integrity mechanisms and provide appropriate legal remedies against final decisions of the HJPC.

Another important activity within this reform is related to adoption of the Law on the Court of Bosnia and Herzegovina with a primarily aim to clarify the conditions for the exercise of jurisdiction by the Court of BiH, prevent conflicts of jurisdiction and ensure the required legal certainty in criminal matters. The text of the new law has been prepared and the procedure for its adoption will be completed in the following period. Further efforts will be made to improve the functioning of the judiciary, in particular as regards efficiency by reforming the enforcement procedure laws to relieve the courts of the burden of uncontested civil and commercial claims, or claims that could be resolved in more cost-effective methods out of the legal process.

Table 120: STEPS within the Reform 4.2.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
4.2.1.1	Ensure that the asset declarations of judicial office holders are verified effectively by implementing the integrity-related amendments to the Law on the High Judicial and Prosecutorial Council (HJPC)	HJPC, MoJ, MoFT	December 2025

4.2.1.2.	The transfer of the positions of the HJPC ICT department from project funding to the state budget is complete	HJPC, MoFT, MoJ	December 2025
4.2.1.3.	A functioning judicial appellate body is in place at the state level following adoption and implementation of a new Law on the Court of BiH	MoJ BiH, Parliamentary Assembly, HJPC	December 2025
4.2.1.4.	A new comprehensive Law on the HJPC in line with European standards is adopted following consultations with practitioners and civil society, and taking into account monitoring results of HJPC integrity amendments; and it is implemented to ensure, among others, an independent judicial disciplinary regime, a performance appraisal system that is based on qualitative criteria, and merit-based appointments	BiH CoM, Parliament Assembly BiH	December 2025
4.2.1.5	The backlog in civil cases concerning utility bills is reduced by 20% and for other civil cases by <b>10%</b> (baseline HJPC Report 2023 data)	SAIs, HJPC, Courts	June 2026
4.2.1.6	The backlog in civil cases concerning utility bills is reduced by 50% and for other civil cases by <b>20%</b> (baseline HJPC Report 2023 data)	HJPC, Courts	December 2027

***STEP 4.2.1.1 Ensure that the asset declarations of judicial office holders are verified effectively by implementing the integrity-related amendments to the Law on the High Judicial and Prosecutorial Council (HJPC)***

In order to further improve and strengthen accountability of judicial office holders it will be ensured consistent implementation of integrity related amendments to the Law on the High Judicial and Prosecutorial Council (HJPC). As crucial step in that regard will be to ensure functionality of the HJPC Integrity department.

As a prerequisite for the implementation of integrity-related amendments, priority will be given to the provision of adequate budget funds and the employment of personnel in the integrity department of HJPC. Consistent and complete implementation of the provisions of the amendments to the law concerning integrity implies the submission of asset declarations by holders of judicial functions (at the beginning of the mandate and the annual report), their verification and public disclosure, and disciplinary proceedings in accordance with the law in the case of established irregularities.

Judges and prosecutors are required to submit to the Council their initial and annual report on assets and interests, including the manner and time of acquisition and the purchase value, on income, interests, liabilities, expenses and guarantees for themselves, their spouses and common-law partners, parents and children and other persons with whom they live in a common household. The report is published on the Council's website, with the aim of strengthening the integrity, transparency and public trust in the work of the judiciary, and in order to prevent conflicts of interest and other improper influences in the exercise of judicial functions.

For the purpose of monitoring of the work of the Department in connection with the collection, verification and disclosure of asset declarations, as well as monitoring the overall functioning of the Department, and monitoring disciplinary procedures initiated based on the results of the report verification, the HJPC will hire experts who have an advisory role.

Table 121: Activities within step 4.2.1.1.

Activity Code	Activity title	Responsibility	Source of verification
4.2.1.1.1.	Integrity Department of HJPC established and functional	HJPC, MoJ, MoFT	HJPC Report
4.2.1.1.2.	Asset declaration of judicial office holders are verified effectively and decisions are transparent	HJPC – Integrity Department	HJPC Report

***STEP 4.2.1.2 The transfer of the positions of the HJPC ICT department from project funding to the state budget is complete***

According to the instructions given by the then Director of DG NEAR in a letter dated 19 January 2021, concerning the Project staff transition process to the state budget, HJPC adopted the **realistic** project positions transition plan and had intensive and constant communication with the CoM and donor community to implement the transition of positions to the state budget. As a precondition, HJPC adopted the Rulebook on Systematization, amending it to include these additional positions. According to the initial Transition plan, 15 positions were to be transferred to the state budget in 2024, 15 positions in 2025 and 8 positions in 2026. Almost half of these positions are foreseen for the ICT department,

while the rest is split between the Court efficiency department, Prosecutors efficiency department, Appointments and promotion department, as well as some supporting staff.

Table 122: Activities within step 4.2.1.2.

Activity Code	Activity title	Responsibility	Source of verification
4.2.1.2.1.	Budget funding secured and employment procedures implemented	HJPC, MoFT, MoJ	HJPC Report
4.2.1.2.2.	HJPC ICT Department fully operative	HJPC	HJPC Report.

***STEP 4.2.1.3 A functioning judicial appellate body is in place at the state level following adoption and implementation of a new Law on the Court of BiH***

In order to further strengthen the rule of law and legal certainty, the Law on Court will be adopted and an appellate body will be established, budget funds will be provided and appointment procedures will be implemented. The main goal of this step is the formation of an appellate body in order to ensure the independence of appeal procedures at the new appellate body. This step will result in the commencement of the work of the appellate body, i.e. proceedings before this body in accordance with the law. The Venice Commission opinions should be used to verify alignment with European standards.

Table 123: Activities within step 4.2.1.3.

Activity Code	Activity title	Responsibility	Source of verification
4.2.1.3.1.	Law on Court Adopted in line with European standards	MoJ BiH, Parliamentary Assembly	Official Gazette
4.2.1.3.2.	Secured budgetary funds, regulated status of employees and appropriate premises and material resources	MoJ BiH, Parliamentary Assembly, HJPC	HJPC Report

***STEP 4.2.1.4 A new comprehensive Law on the HJPC in line with European standards is adopted following consultations with practitioners and civil society, and taking into account monitoring results of HJPC integrity amendments; and it is implemented to ensure, among others, an independent judicial disciplinary regime, a performance appraisal system that is based on qualitative criteria, and merit-based appointments***

A key step in judicial reform is the adoption of a new comprehensive Law on the HJPC in line with European standards following wide consultations with practitioners and civil society while taking into account European Standards, Venice Commission opinion with aim to ensure *inter alia* merit-based appointments, a performance appraisal system based on qualitative criteria. When adopting the law, special attention will be paid to the results of monitoring the implementation of changes in the law concerning integrity, in order to improve the system based on experience in application.

The overall implementation of this step includes the establishment of all bodies provided for by the law, then starting the application of procedures for appointing judges and prosecutors in accordance with the provisions of the law. This step represents a key milestone in reforming the judiciary on the basis of merit, integrity and accountability.

Table 124: Activities within step 4.2.1.4.

Activity Code	Activity title	Responsibility	Source of verification
4.2.1.4.1.	Drafted Law on the HJPC by Working Group in line with Venice Commission Opinion	Working Group,	Draft Law
4.2.1.4.2.	Consultations with practitioners and CSOs and follow up opinion of Venice commission	MoJ	Report on consultations
4.2.1.4.3.	Law adopted in line with European standards and Venice commission opinion	Parliament Assembly BiH	Official gazette.

**STEP 4.2.1.5 The backlog in civil cases concerning utility bills is reduced by 20% and for all other civil cases by 10%**

As the baselines to calculate the reductions statistics from 2023 will be used.

Table 125: Activities within step 4.2.1.5.

Activity Code	Activity title	Responsibility	Source of verification
4.2.1.5.1.	Performance Audit of Courts in Civil Disputes	SAIs	Performance audit report
4.2.1.5.2.	Consultations and taking action on the basis of the results of the Performance Audit recommendation	HJPC, Courts	HJPC Report
4.2.1.5.3.	Road map for reducing civil cases (drafted)	HJPC	HJPC Report

**STEP 4.2.1.6 The backlog in civil cases concerning utility bills is reduced by 50% and for all other civil cases by 20%**

As the baselines to calculate the reductions statistics from 2023 will be used.

TABLE 126: ACTIVITIES WITHIN STEP 4.2.1.6.

Activity Code	Activity title	Responsibility	Source of verification
4.2.1.6.1.	Implementation of the activities from the Road map	HJPC, Courts	HJPC Report

## COMPONENT 4.3. FIGHT AGAINST CORRUPTION

### REFORM 4.3.1. FIGHT AGAINST CORRUPTION

The main goal of this reform effort is to create legal prerequisites for the fight against corruption and ensure consistent implementation.

The devastating consequences of corruption can be detected in almost all aspects of political, social and economic life in BiH. The complexity of the corruption problem lies in the fact that without progress on its elimination it is not possible to make powerful strides in the implementation of any reform process. The importance of intensifying anti-corruption efforts can not be overemphasized. Therefore, intensifying anti-corruption efforts will include wide range of targeted actions aimed at strengthening legal and institutional frameworks. Reforms associated with fighting corruption are key in the EU accession process and would foster greater public participation and improved social cohesion. Strengthening legal and institutional frameworks will be a priority, followed by efficient implementation and improved capacities.

As one of the priorities in the fight against corruption, activities will be undertaken to adopt a new legal framework for the protection of whistleblowers in line with the EU Acquis. In order to ensure consistent and complete protection of whistleblowers, harmonization of the legal framework for whistleblower protection at all levels will be ensured.

While all civil service laws regulate merit-based recruitment, promotion and demotion procedures, the merit principle is not fully enshrined in the laws and procedures and safeguarded in practise. In order to ensure the primacy of the merit principle relevant legislation will be revised to improve quality of examination and recruitment procedures at all levels.

With the adoption of the law on conflict of interest at the state level, the first step was taken in establishing a robust legal framework aligned with international standards for preventing conflicts of interest. In the following period, the focus will be on the establishment of a commission for the prevention of conflicts of interest and the consistent and complete implementation of the law. To step up anti-corruption efforts, new legislation needs to be adopted at all levels on the declaration of assets and conflict of interests in line with international standards, in particular relevant GRECO recommendations.

Public procurement reforms are crucial to strengthen anti-corruption safeguards throughout the entire procurement cycle. These reforms play a key role in ensuring good governance and transparency in government operations. BiH adopted new Strategy on Public Procurement 2024 with General goal:” The system of public procurement in BiH is a modern, transparent, competitive and efficient system, which is harmonized with the EU legal order”. The strategy foresees

adoption of a new law on Public procurement in line with EU Acquis. As far as concessions are concerned, highly fragmented legal framework needs to be aligned with EU Acquis and harmonised to eliminate overlaps, inconsistencies and uncertainties. Similarly, legislative framework for public private partnership will be revised in order to reflect EU Acquis and international standards

Bosnia and Herzegovina will continue to further align its legislative framework in the area of competition with the relevant parts of the acquis. Within this reform, one of the important priorities will be focused on ensuring the effective functioning of the Competition Council. In addition, BiH will strengthen the administrative capacity of the State Aid Council and step up efforts to raise awareness about State aid rules at all levels.

Further efforts are needed to establish a track record of proactive investigations, prosecutions and final convictions for corruption, in particular in high-level cases resulting in major damage to public funds. In that regard, particular focus will be on strengthening cooperation among prosecutors, law enforcement agencies and supreme audit institutions.

In relation to corruption cases, including at high level, the most recent statistical data and the case tracking provided by the authorities through the Commission's track record e-platform (Organised Crime and Corruption Track Record platform, OCCTR) will be aggregated to assess that there is an overall increase across the number of investigations, prosecutions, and final judgements by the competent law enforcement and judicial institutions and authorities. The monitoring also applies to the number and the overall value of seizures, freezing and confiscation of the proceeds of crime, as well as an increase of parallel financial investigations. The targets will be checked against 2026 and 2027 annual values. The baseline will be the average performance from the previous three years.

Table 127: STEPS within the Reform 4.3.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
4.3.1.1	A state-level law on the protection of whistleblowers in line with the EU acquis is adopted, to which all other levels of government are then aligned.	MoJ BiH, Parliamentary Assembly BiH, Entity governments and parliaments	December 2025
4.3.1.2.	Align with merit principles and EU standards the state, BD BiH and entity-level laws on <b>civil service</b> recruitment, promotion and dismissals, to which cantonal level laws are adapted	MoJ (BiH, FBiH), RS MALSG and Parliaments BiH, F BiH, RS, BD BiH, Cantons	December 2025
4.3.1.3.	A functioning system is in place for the prevention and repression of <b>conflict of interest</b> , notably by aligning the legislative framework with European standards at all levels of government; by setting up an independent and professional Commission for the Conflict of Interest at the state level; and by setting up functioning and independent anticorruption bodies at the entity and cantonal levels	MoJ F BiH, RS and Parliaments F BiH and RS	December 2025
4.3.1.4	Respective legislation covering public procurement, concessions and public private partnerships is brought in line with EU Acquis, and the Public Procurement Review Bodies at the state and entities level adequately staffed in order to fulfil their mandate	Public Procurement Agency, MoJ, Parliamentary Assembly BiH, Entity and Cantonal MoJs and Parliaments	December 2025
4.3.1.5	Legislation on competition policy is implemented and harmonised with European standards	MoFTER BiH, Competition Council Parliamentary Assembly	June 2027
4.3.1.6	BiH legislation on competition policy, including state aid is aligned and implemented at all levels of government in line with EU acquis requirements and all administrative bodies entrusted with implementing it, including the BiH Competition Council and BiH State Aid Council, are based only upon professionalism in their decision-making in compliance with the EU acquis, perform their duties and exercise their powers in an impartial and transparent manner, act fully independently from political and other external influence and in the interest of the effective and uniform application of the law.	MoFTER BiH, Competition Council, State Aid Council, Parliamentary Assembly	December 2026
4.3.1.7	An increase in the number of investigations, confirmed indictments and convictions is demonstrated in cases of corruption, including at high level	HJPC, Prosecutors, MoS BiH, MoIs, LEAs	June 2027

**STEP 4.3.1.1 A state-level law on the protection of whistleblowers in line with the EU acquis is adopted, to which all other levels of government are then aligned.**

As one of the priorities in the fight against corruption, activities will be undertaken to adopt a new legal framework for the protection of whistleblowers in line with the EU Acquis. In order to ensure consistent and complete protection of whistleblowers, harmonization of the legal framework for whistleblower protection at all levels will be ensured.<sup>25</sup>

TABLE 128: ACTIVITIES WITHIN STEP 4.3.1.1.

Activity Code	Activity title	Responsibility	Source of verification
4.3.1.1.1.	Ex-post Evaluation on existing state-level law and RS law on the protection of whistle-blowers drafted	MoJ BiH, MoJ RS	Ex-post evaluation report
4.3.1.1.2.	Based on Ex-post evaluation report (evaluation will include alignment with the EU acquis) Law on the protection of whistleblowers drafted and adopted	MoJ BiH, Parliamentary Assembly BiH	Official gazette.
4.3.1.1.3.	Entity laws harmonized with state laws drafted and adopted	Entity governments and parliaments	Official gazette.

**STEP 4.3.1.2 Align with merit principles and EU standards the state and entity-level laws and BD on civil service recruitment, promotion and dismissals, to which cantonal level laws are adapted to**

A prerequisite for establishing a functional and accountable public administration requires enhancement of the recruitment and selection processes for civil service and PE positions by implementing measures to ensure that they are open, competitive, merit-based, and transparent, with tenures extended beyond political cycles. Making public servants less reliant on political connections reduces the risks of corruption and can lower procurement costs. Therefore improvement of the CSL and mutual harmonization in line with EU standards and SIGMA recommendation will be undertaken.

While all civil service laws regulate merit-based recruitment, promotion and demotion procedures, the merit principle is not fully enshrined in the laws and procedures and safeguarded in practise. Additionally, the 11 civil service laws regulate job descriptions, job positions and related remuneration very differently. In order to ensure the primacy of the merit principle relevant legislation will be revised in a harmonised way across all government levels to improve quality of examination, recruitment, promotion, performance and dismissal procedures at all levels. This would require that all 11 civil service law are amended along common principles of merit and therefore, job positions, job descriptions and potential salary grid are unified across the civil service for a single and functional administrative space that allow to create a pool of human resources with common professional criteria. Such laws would need to be consulted with EU commission/SIGMA and agreed upon prior to adoption.

TABLE 129: ACTIVITIES WITHIN STEP 4.3.1.2.

Activity Code	Activity title	Responsibility	Source of verification
4.3.1.2.1.	Draft and adopt mutually harmonized amendments to CSL at state, BD BiH and entity level in line with EU Standards and SIGMA recommendation	MoJ (BiH, F BiH), RS MALSG and Parliaments BiH, F BiH, RS, BD BiH	Official gazette.
4.3.1.2.2.	Cantonal laws adapted and harmonized with FBiH law	Cantonal MoJ/Parliaments	Official gazette.

**STEP 4.3.1.3 A functioning system is in place for the prevention and repression of conflict of interest, notably by aligning the legislative framework with European standards at all levels of government; by setting up an independent**

<sup>25</sup> A comprehensive whistleblower protection law was recently adopted with IPA support (implemented by the Regional Anti-Corruption Initiative) in the Sarajevo Canton. It will be ensured that the state-level law foresees a level of protection and compliance with EU acquis at least equal to the one in the Sarajevo Canton.

**and professional Commission for the Conflict of Interest at the state level; and by setting up functioning and independent anticorruption bodies at the entity and cantonal levels**

With the adoption of the law on conflict of interest at the state level, the first step was taken in establishing a robust legal framework aligned with international standards for preventing conflicts of interest. In the following period, the focus will be on the establishment of a commission for the prevention of conflicts of interest and the consistent and complete implementation of the law. To step up anti-corruption efforts, new legislation needs to be adopted at all levels on the declaration of assets and conflict of interests in line with international standards, in particular relevant GRECO recommendations. Particular attention will be paid to ensuring that commissions at all levels are independent from political influence/interference, (including financial independence and operational independence in their activities). Functionality of commissions, at minimum implies adopting the relevant legislative framework, allocating the budget and appointing of commissions through a credible procedure. The Commission on Conflict of Interest is obliged to impartially, responsibly and objectively conduct the procedure for determining the existence of a conflict of interest in a specific action or situation and impose sanctions, in accordance with the provisions of the law. The Commission also establishes, updates and checks the Register of Public Office Holders and their assets. The Commission decides whether an action or situation of a public office holder constitutes a violation of this law and imposes sanctions, in accordance with the provisions of this law, i.e. decides whether an action or situation does not constitute a conflict of interest.

So far, eight professional, permanent bodies have been established, while at other levels there are ad hoc bodies. The Anti-Corruption Team of the FBiH is a co-ordinating body comprising representatives of different authorities rather than a fully fledged agency. RS does not have any corruption prevention body. Criteria for functionality of the anti-corruption bodies are: at minimum adopting the relevant legislative framework, allocating the budget and appointing the Head of the anti-corruption body.

TABLE 130: ACTIVITIES WITHIN STEP 4.3.1.3.

Activity Code	Activity title	Responsibility	Source of verification
4.3.1.3.1.	Commission on COI at the state level established and functional	MoJ, Parliamentary Assembly BiH	Official gazette.
4.3.1.3.2.	Entity Laws drafted and adopted harmonized with state law	MoJ F BiH, RS and BD and Parliaments F BiH and RS, BD	Official gazette.
4.3.1.3.3.	Setting up independent and functional anti-corruption bodies at entity and cantonal levels	Entity and cantonal authorities	Official gazette

**STEP 4.3.1.4 Respective legislation covering public procurement concessions and public private partnerships is brought in line with EU Acquis, and the Public Procurement Review Body at the state and entities level adequately staffed in order to fulfil their mandate**

Public procurement and Concessions reforms are crucial to strengthen anti-corruption safeguards throughout the entire procurement cycle. These reforms play a key role in ensuring good governance and transparency in government operations. Therefore, legislative activities with aim to improve and align legislative framework with EU acquis will be undertaken.

TABLE 131: ACTIVITIES WITHIN STEP 4.3.1.4.

Activity Code	Activity title	Responsibility	Source of verification
4.3.1.4.1.	Drafted and adopted Law on public procurement in line with EU Acquis	Public Procurement Agency, BiH MoFTER, BiH CoM, Parliamentary Assembly BiH	Official gazette.
4.3.1.4.2.	Drafted and adopted Law on Concessions in line with EU Acquis	Public Procurement Agency, MoFTER Parliamentary Assembly BiH	Official gazette.
4.3.1.4.3.	Drafted and adopted Laws on Concession at entity and cantonal level in line with EU Acquis	Entity and Cantonal authorities and Parliaments	Official gazette.
4.3.1.4.4.	Drafted and adopted Laws on PPP at entity and cantonal levels in line with EU Acquis	Entity and Cantonal authorities and Parliaments	Official gazette.

**STEP 4.3.1.5. Legislation on competition policy is implemented and harmonised with European standards**

In order to ensure the effective functioning of the Competition Council, BiH will amend the procedural deadlines to allow sufficient time for adopting decisions. The procedures for appointing the members of the Council will be revised as well in order to ensure merit based appointments.

TABLE 132: ACTIVITIES WITHIN STEP 4.3.1.5.

Activity Code	Activity title	Responsibility	Source of verification
4.3.1.5.1.	Law on Competition drafted	MoFTER , Competition council	Draft law
4.3.1.5.2.	Law on Competition adopted	Parliamentary Assembly	Official gazette.

**STEP 4.3.1.6. BiH legislation on competition policy, including state aid is aligned and implemented at all levels of government in line with EU acquis requirements and all administrative bodies entrusted with implementing it,<sup>26</sup> including the BiH Competition Council and BiH State Aid Council, are based only upon professionalism in their decision-making in compliance with the EU acquis, perform their duties and exercise their powers in an impartial and transparent manner, act fully independently from political and other external influence and in the interest of the effective and uniform application of the law.**

BiH will further align its legislative framework in the area of competition and State aid with the relevant parts of the *acquis*. In that regard decision-making procedures will be revised to ensure that decision making procedures are EU *acquis* compliant, based only on upon professionalism, impartiality and transparency, fully independent from political and other external influence. The rules on financing services of general economic interest will be further aligned with *acquis* as well as existing aid schemes.

TABLE 133: ACTIVITIES WITHIN STEP 4.3.1.6.

Activity Code	Activity title	Responsibility	Source of verification
4.3.1.6.1.	Law on Competition amended to ensure that decision-making processes in the Competition Council are EU <i>acquis</i> compliant, based only upon professionalism impartiality and transparency, fully independent from political and other external influence as well as other relevant issues.	MoFTER, CoM, Parliamentary Assembly	Official gazette.
4.3.1.6.2.	Law on State Aid amended to ensure that decision-making processes in the State Aid Council are EU <i>acquis</i> compliant, based only upon professionalism impartiality and transparency, fully independent from political and other external influence as well as other relevant issues.	MoFTER, COM, Parliamentary Assembly	Official gazette.

**STEP 4.3.1.7. An increase in the number of investigations, confirmed indictments and convictions is demonstrated in cases of corruption, including at high level**

Within this step, a special priority will be placed on prosecution of political corruption (high-level), bearing in mind its devastating consequences for the functioning of the judicial system as well as for the state and society as a whole.<sup>27</sup> An

<sup>26</sup> State aid providers, within the meaning of the law, are: Bosnia and Herzegovina, the Federation of BiH, the Republika Srpska, the Brčko District of BiH, cantonal, city and municipal administrations through authorized legal entities, and any legal entity that grants or manages state aid.

<sup>27</sup> The HJPC, as the regulatory body of the judicial system, at the session held on November 8, 2018, adopted a document entitled: "Definitions for the classification of cases of high level of corruption and organized crime", which for the first time separately introduced categories of cases " high-level

important segment within this step refers to the strengthening of international cooperation, effects of international cooperation have been very limited, but it is expected to grow with the start of operation of the EUROPOL contact point (EUROPOL contact point coordinator appointed also as EMPACT coordinator).

In relation to corruption cases, including at high level, the most recent statistical data and the case tracking provided by the authorities through the Commission's track record e-platform (Organised Crime and Corruption Track Record platform, OCCTR) will be aggregated to assess that there is an overall increase across the number of investigations, prosecutions, and final judgements by the competent law enforcement and judicial institutions and authorities. The monitoring also applies to the number and the overall value of seizures, freezing and confiscation of the proceeds of crime, as well as an increase of parallel financial investigations. Performance in 2026 should be compared to the average performance of the previous three years (2023, 2024, 2025), based on the data provided by the authorities to the Commission's Organised Crime and Corruption Track Record (OCCTR) e-platform.

TABLE 134: ACTIVITIES WITHIN STEP 4.3.1.7.

Activity Code	Activity title	Responsibility	Source of verification
4.3.1.7.1	Analysis of gaps, analysis of trends in indictments and convictions, target setting, / develop action plan of measures (legislative, operational, resources planning, horizontal and vertical cooperation, international assistance),	HJPC	Published Analysis
4.3.1.7.2.	Improved human and material-technical capacities of the institutions taking part in the fight against organized crime	Prosecutors, LEAs	Number of Investigations, number of indictments, number of convictions, on the basis of HJPC Data and EC reporting
4.3.1.7.3	Monitoring of disciplinary accountability, including for individual judges and prosecutors	HJPC	HJPC Report
4.3.1.7.4	Use of international operational assistance, EUROPOL, EMPACT etc.	MoS BiH, MoIs, LEAs	Official Report
4.3.1.7.5	RS amendments to allow focus of Special Departments (resolving possible overlaps in the competences of the department for economic crime and the special department for combating corruption, organized and the most serious forms of economic crime)	MoJ RS	Official Gazette
4.3.1.7.6	Setting up for Federation BiH Organized crime corruption department in Prosecutor office	MoJ F BiH, HJPC	Official report

## COMPONENT 4.4. FIGHT AGAINST ORGANIZED CRIME

### REFORM 4.4.1. STRENGTHEN THE FIGHT AGAINST ORGANISED CRIME BY IMPROVING INSTITUTIONAL COOPERATION AMONG LAW ENFORCEMENT AGENCIES AND WITH PROSECUTOR'S OFFICES AND COURTS; ESTABLISHING SPECIALISED MULTI-

corruption" and "high-level organized crime". After monitoring the application of the Definitions in question, and based on the observed shortcomings, the HJPC started revising the Definitions in question, and at the session held on June 23 and 24, 2021, it adopted the revised text of the Definitions of high-level corruption and organized crime<sup>15</sup>, with prescribed conditions for categorization within these types of criminal cases. In order to comply with the aforementioned Definitions, the HJPC also amended the Rulebook on the Automated Case Management System in Prosecutor's Offices (TCMS), which introduced these categories into the TCMS and assigned them special labels: "high-level corruption (KTKV) " and "high-level organized crime (KTOV)".<sup>16</sup> Also, these changes were incorporated into the Rulebook on orientation criteria for the work of prosecutors in prosecutor's offices in BiH<sup>17</sup>, which introduced a separate evaluation of this type of criminal case in the orientation norming system, depending on the way of its termination. However, the relevant changes were made exclusively within the prosecutor's system in BiH, while on the side of the court system, there was no possibility of separating these cases into a separate category of cases, which inconsistency can cause additional difficulties in practical work.

This reform’s objective seeks to advance the investigations and prosecution of organized crime in BiH in order to fulfil the interests of justice and conduct fair judicial proceedings against members of organized criminal groups and those enabling their criminal activities.

As pointed out in the document Organized Crime Threat Assessment in Bosnia and Herzegovina 2021, organized crime manifests itself through various types of crime, from illicit drug manufacture and drug trafficking to arms trafficking, economic and property crime, corrupt activities, cybercrime, and other types of criminal offences. The structural factors that enable organized crime in Bosnia and Herzegovina have also been identified. The reinvestment of proceeds of crime distorts legitimate market competition and undermines the country's entire economic system. Organized criminal groups constantly strive to infiltrate and take control of all significant structures of the state and society, in order to secure their illegally gained funds and avoid criminal prosecution.

In 2022, there were 39 investigations into organized crime with 336 suspects, 14 indictments with 58 accused, 20 convictions with 92 convicted, 38 with a conditional sentence, and 16 acquittals. This represent a drop compared with 2021 (735 suspects, 28 indictments with 190 accused and 22 sentences with 134 convicted).

Bosnia and Herzegovina will continue its efforts in the fight against organized with specific focus to address systemic shortcomings in the operational cooperation between law enforcement agencies fighting organised crime, weak institutional coordination, and a very limited exchange of intelligence.

In order to address existing shortcomings focus will be on strengthening cooperation among law enforcement agencies, notably by establishing specialised multi-agency investigation teams for complex cases involving economic crime, corruption and organised crime, improving secure exchange to access to databases and the secure exchange of information, strengthening financial investigations and establishing a firearms focal point;

Further efforts will be made to strengthen proactive approach to financial investigations and asset seizures, countering criminal infiltration in the political, legal and economic systems, while cooperation with Eurojust and the European Public Prosecutor’s Office (EPPO) will be stepped up.

Table 135: STEPS within the Reform 4.4.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
4.4.1.1	A mechanism is in place for tracing and recovery of assets derived through illegal activities at state and entity level	Prosecutors, LEAs, MoIs, MoJs	December 2025
4.4.1.2.	Increased number of investigations through the use of intelligence-led policing approach or joint investigation teams is demonstrated	Prosecutors, LEAs, MoIs, MoJs	December 2025
4.4.1.3.	An increase in financial investigations is demonstrated	Prosecutors, LEAs, MoIs, ITA, Tax Administration	June 2027
4.4.1.4	Increased number of investigations, confirmed indictments and convictions is demonstrated in cases of organised and serious crime	Prosecutors, LEAs, MoIs	June 2027

**STEP 4.4.1.1 A mechanism is in place for tracing and recovery of assets derived through illegal activities at state and entity level**

The key focus of this step is to create the preconditions for tracing and recovery of assets derived through illegal activities. Therefore, boosting cooperation among existing LEAs as well as strengthening mechanisms for international cooperation will be prioritised. The implementation of this step directly contributes to the implementation of Strategy against organized crime. Bosnia and Herzegovina will designate competences regarding an asset recovery mechanisms (*Asset Recovery Office*) at the state level to the already existing institution after analysis based on functionality criteria to which institution competence should be designated, in line with Directive 2024/1260 Main purpose of this activity will be to ensure coordination of identifying and tracing criminal assets and to improve effectiveness and facilitate operational cooperation with EU Member States in line with EU directives.

TABLE 136: ACTIVITIES WITHIN STEP 4.4.1.1.

Activity Code	Activity title	Responsibility	Source of verification
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4.4.1.1.1.	Boost cooperation and exchange of information among institutions at all level	Prosecutors, LEAs, MoIs, MoJs	Report on the implementation of the Strategy Against Organized Crime
4.4.1.1.2.	Adoption of standard operating procedures for financial investigation including for international cooperation	Prosecutors, LEAs, MoIs, MoJs	Report on the implementation of the Strategy Against Organized Crime
4.4.1.1.3.	Designation of an assets recovery competences to the already existing institution at State level based on functionality criteria	MoJ, CoM	Official gazette

**STEP 4.4.1.2 Increased number of investigations through the use of intelligence-led policing approach or joint investigation teams is demonstrated**

Within this step, the emphasis will be on usage of the intelligence-led policing (ILP) as a practice that leverages technological advances in both data collection and analytics to generate valuable “intelligence” that can be used to more efficiently direct law enforcement resources to the people and places where they are likely to do the most good.

Actions will be taken to ensure increase of capacity for intelligence collection, as well as the availability of intelligence, to allow pro-active investigations; the use of joint investigation teams should be systematic, therefore, decision on establishment of joint investigation teams will define mechanisms for cooperation, which will allow the regular use of joint investigation teams.

TABLE 137: ACTIVITIES WITHIN STEP 4.4.1.2.

Activity Code	Activity title	Responsibility	Source of verification
4.4.1.2.1.	Develop a proactive and tailored response to specific forms of organized crime	Prosecutors, LEAs, MoI	Report on the implementation of the Strategy Against Organized Crime
4.4.1.2.2	Strengthen cooperation among law enforcement agencies, notably by establishing specialised multi-agency investigation teams for complex cases involving economic crime, corruption and organised crime, improving mutual access to databases and the secure exchange of information, strengthening financial investigations and establishing a firearms focal point	CoM, entity governments	Decision on establishment – mechanism established
4.4.1.2.3.	Strengthening of the capacities of LEAs for ILP	MoIs	MoIs Reports

**STEP 4.4.1.3 An increase in financial investigations is demonstrated**

Targeting proceeds from crime is an efficient tool in the fight against corruption and organized crime, where the main motive is to acquire benefit. Under the concept of integrated financial investigation (from the suspicion of a criminal offence to the assets), financial investigation is conducted in parallel to criminal investigation in order to identify and trace material benefit acquired by the (the concrete) criminal offence, to identify the property of the suspects or third persons from whom confiscation of proceeds is possible, and to secure final confiscation through the implementation of temporary measures (securing, seizing). Instruction will be adopted in what cases financial investigations are undertaken and how they are carried out.

TABLE 138: ACTIVITIES WITHIN STEP 4.4.1.3.

Activity Code	Activity title	Responsibility	Source of verification
4.4.1.3.1.	Improve cooperation between ITA, Tax Administration and Prosecutors by establishing coordination body of tax administration;	Tax Administrations;	Coordination body established and operative
4.4.1.3.2	Improving cooperation between prosecutors and LEAs through adoption of instructions on financial investigations;	Prosecutors, LEAs, MoI	Number of investigation/indicments/convictions Organised crime and Corruption track-record Platform

#### **STEP 4.4.1.4 Increased number of investigations, confirmed indictments and convictions is demonstrated in cases of organised and serious crime**

Increased number of investigations, confirmed indictments and convictions is demonstrated in cases of organised and serious crime, including money laundering and drug trafficking” - explain in the narrative: the verification should include not only investigations, but also indictments and convictions of organised and serious crime. Performance in 2026 should be compared to the average performance of the previous three years (2023, 2024, 2025), based on the data provided by the authorities to the Commission’s Organised Crime and Corruption Track Record (OCCTR) e-platform.

TABLE 139: ACTIVITIES WITHIN STEP 4.4.1.4.

Activity Code	Activity title	Responsibility	Source of verification
4.4.1.4.1.	Improved human and material-technical capacities of the institutions taking part in the fight against organized crime	Prosecutors, LEAs, MOIs	Number of investigation/indictments Organised crime and Corruption track-record Platform

## **COMPONENT 4.5. FUNDAMENTAL RIGHTS**

### **REFORM 4.5.1. FUNDAMENTAL RIGHTS**

The key goal of this reform is to contribute to the creation of conditions for the effective protection of human rights and freedoms in accordance with international standards.

Bosnia and Herzegovina (BiH) faces significant challenges regarding fundamental human rights and the protection of marginalized and vulnerable groups. In its report on BiH published in November 2023, the European Commission expressed concerns about the key priority of freedom of expression, freedom of association and freedom of the media, as well as the protection of journalists in Bosnia and Herzegovina. It points out a “backsliding” in media freedom, noting that legislative and political pressure have increased and intimidation and harassment towards journalists continued without appropriate institutional follow-up. The BiH Journalists’ Association recorded an increase in attacks on journalists, with over 70 cases recorded in 2023, of which fewer than 25% were investigated.

Adoption of amendments to the criminal code in the Republika Srpska entity that re-criminalise defamation has a negative impact on the human rights situation, particularly on free and inclusive political discourse; the right to seek, receive and impart information; and press freedom.

In implementing steps under this component BiH will promote an enabling environment for gender equality, gender mainstreaming, empowerment of women and girls, and increasing the public and political participation of women. This is particularly relevant in the context of legislation against domestic and gender-based violence which still needs to be aligned with international standards, including the Istanbul Convention.

The issue of protection of personal data will also be addressed through commitment to align the legislation on personal data protection with EU acquis, the General Data Protection Regulation (GDPR) and the Law Enforcement Directive, and to provide for the full independence, and necessary resources to the Personal Data Protection Agency for its implementation.

In the coming period as an utmost priority BiH will concentrate efforts to ensure full respect, protection and promotion of freedom of assembly, association and expression, and will refrain from further actions that could adversely impact their exercise.

Table 140: STEPS within the Reform 4.5.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
4.5.1.1	Cases of threats and violence against journalists and media workers are transparently and effectively registered and followed up by police and judiciary	HJPC, Prosecutor offices at all level, LEA, Mols, MHRR, MoS	December 2025
4.5.1.2.	Defamation is decriminalized across the country	MoJ RS, Parliament RS	December 2027
4.5.1.3.	The steering boards of public broadcasters are fully composed, the debts of entity broadcasters with BHRT are settled, and BHRT has a sustainable fee collection system by adopting a new BiH Law on Public Broadcasting System	Parliaments BiH, F BiH and RS, PBS BiH, RS, F BiH, BiH CoM, FBiH/RS Government , CRA	December 2025

4.5.1.4	Legislation ensuring the enjoyment of freedom of expression, assembly and association is in place and enforced across the country, and no restrictive proposals are launched	Governments RS/FBiH/BDBiH/BiH, Parliament BDBiH/BiH	MoJs RS/FBiH/	December 2027
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**STEP 4.5.1.1 Cases of threats and violence against journalists and media workers are transparently and effectively registered and followed up by police and judiciary**

Primarily environment of this step is to ensure secure and enabling environment for the work of the journalists. In this sense, it is crucial to ensure that all threats and attacks against journalists are investigated and the perpetrators prosecuted. In such cases, it is especially important to investigate the background of the case (including organizers, orderers etc.) and to inform the public about the findings. Special part of the Annual report of the HJCP will be dedicated to cases of threats and violence against journalists and media workers.

Situational awareness and capacity building in Bosnia and Herzegovina institutions will be carried out to counter disinformation and Foreign Information Manipulation and Interference, as well as resilience building via digital and media literacy initiatives, support to media and fact checkers.

TABLE 141: ACTIVITIES WITHIN STEP 4.5.1.1.

Activity Code	Activity title	Responsibility	Source of verification
4.5.1.1.1.	Adopt procedures for prosecutor's offices and law enforcement agencies, in relation to dealing with reports of criminal offenses committed against journalists, editors, media workers, as well as all persons who perform tasks of public importance in the field of information.	HJPC, Prosecutor offices at all level, LEA, MoIs, MHRR, MoS	Procedures Adopted
4.5.1.1.2.	Regularly follow up and report to the public about criminal acts of threats and violence against journalists and media workers to including the result of institutional follow-up	HJPC, Prosecutor offices at all level, LEA, MoIs, MHRR, MoS	Reports
4.5.1.1.3	Situational analysis on capacities of BiH institutions to counter disinformation and foreign manipulations and interference	CoM, entity governments	Analysis

**STEP 4.5.1.2 Defamation is decriminalized across the country.**

The potential harmful consequences of the criminalization of defamation will be eliminated in such a way that such provisions are abolished from the criminal legislation, given that protection against defamation is ensured through civil legal procedures.

TABLE 142: ACTIVITIES WITHIN STEP 4.5.1.2.

Activity Code	Activity title	Responsibility	Source of verification
4.5.1.2.1.	Amendments to Criminal Code RS to decriminalize defamation drafted	MoJ RS	Amendments Official Gazette
4.5.1.2.2.	Amendments to Criminal Code RS to decriminalize defamation Adopted	Parliament RS	Official Gazette

**STEP 4.5.1.3 The steering boards of public broadcasters are fully composed, the debts of entity broadcasters with BHRT are settled, and BHRT has a sustainable fee collection system by adopting a new BiH Law on Public Broadcasting System**

The implementation of this step should ensure a functional, independent and self-sustaining system of public broadcasting in BiH. In this sense, in addition to adopting a new legal framework, it is necessary to ensure the resolution of mutual debts and the appointment of management personnel. A sustainable fee collection system implies a functional system that ensures the functioning of the public broadcasting system.

TABLE 143: ACTIVITIES WITHIN STEP 4.5.1.3.

Activity Code	Activity title	Responsibility	Source of verification
4.5.1.3.1.	Members of public broadcasters appointed	Parliaments BiH, F BiH and RS	Decisions on appointment
4.5.1.3.2.	Agreement on settling the debts of entity broadcasters with BHRT	PBS BiH, RS, F BiH, BiH CoM/MoCT, RS/FBiH Government	Agreement on debt settlement
4.5.1.3.3.	Working group for drafting a new Law on Public Broadcasting System established	CoMBiH, MoCT, CRA, RS/FBiH ministries of communication	Decision on establishment of WG
4.5.1.3.4.	New law drafted and adopted	CoM, Parliamentary Assembly	Report to EC on approved document or publish in official gazette.
4.5.1.3.5	Entity Laws on PBS harmonized in line with state-level law	Entity parliaments	Report to EC on approved document or publish in official gazette.

**STEP 4.5.1.4. Legislation ensuring the enjoyment of freedom of expression, assembly and association is in place and enforced across the country, and no restrictive proposals are launched**

TABLE 144: ACTIVITIES WITHIN STEP 4.5.1.4.

Activity Code	Activity title	Responsibility	Source of verification
4.5.1.4.1.	Analysis to identify legislation in BiH that undermines the effective enjoyment of the freedom of expression, assembly and association	BiH MoJ, FBiH, RS, and BD MoJ, in cooperation with civil society organizations	Public reporting
4.5.1.4.1.	Adopt/amend legislation to address identified areas where effective enjoyment is undermined alignment of legislation on freedom of assembly to European standards at all levels of government	Entity and cantonal governments, MoIs (BD is already covered)	Official Gazette
4.5.1.4.2	All laws on fundamental freedoms are aligned with European standards	Entity/cantonal governments	Official Gazette,

## COMPONENT 4.6. VISA POLICY

**REFORM 4.6.1. ALIGNMENT OF VISA POLICY WITH THE LIST OF EU COUNTRIES FOR WHICH A VISA IS REQUIRED, ESPECIALLY REGARDING COUNTRIES THAT POSE AN IRREGULAR MIGRATION OR SECURITY RISK TO THE EU.**

Visa policy includes mechanisms for protecting the interests of the state, protecting public order, and preventing irregular migrations and is an integral part of the external and security policy of both EU Member States and Bosnia and Herzegovina. In the process of joining the EU, Bosnia and Herzegovina has the obligation to align its visa policy with the visa policy of the EU, i.e., to harmonize its list of countries whose citizens need a visa to enter Bosnia and Herzegovina and the list of countries whose citizens are exempt from this obligation with the EU lists. Bosnia and Herzegovina lists are currently not fully harmonized. Bosnia and Herzegovina will introduce additional security measures to better screen visa-free arrivals.

Table 145: STEPS within the Reform 4.6.1.

Step Code	Title of the step	Responsibility	Deadline for the implementation
4.6.1.1.	Alignment of visa policy with the list of EU countries for which a visa is required, (especially regarding countries that pose an irregular migration or security risk to the EU) - <i>terminate at least one visa-free agreement with a country which is visa required for the EU (December 2025)</i>	Council of Ministers	December 2025
4.6.1.2.	Alignment of visa policy with the list of EU countries for which a visa is required, (especially regarding countries that pose an irregular migration or security risk to the EU) - <i>terminate at least</i>	Council of Ministers	December 2026

	<i>one visa-free agreement with a country which is visa required for the EU (December 2026)</i>		
4.6.1.3.	Alignment of visa policy with the list of EU countries for which a visa is required, (especially regarding countries that pose an irregular migration or security risk to the EU) - <i>terminate at least one visa-free agreement with a country which is visa required for the EU (December 2027)</i>	Council of Ministers	December 2027

**STEP 4.6.1.1. Terminate at least one visa-free agreement with a country which is visa required for the EU (December 2025)**

TABLE 146: ACTIVITIES WITHIN STEP 4.6.1.1.

Activity Code	Activity title	Responsibility	Source of verification
4.6.1.1.1.	Terminating visa-free agreements with country which is visa required for the EU - one in 2025	Council of Ministers	Official Gazette
4.6.1.1.2.	Bosnia and Herzegovina will introduce additional security measures to better screen visa-free arrivals	Council of Ministers	Official Gazette

**STEP 4.6.1.2. Terminate at least one visa-free agreement with a country which is visa required for the EU (December 2026)**

TABLE 147: ACTIVITIES WITHIN STEP 4.6.1.2.

Activity Code	Activity title	Responsibility	Source of verification
4.6.1.2.1.	Terminating visa-free agreements with country which is visa required for the EU - one in 2026	Council of Ministers	Official Gazette
4.6.1.2.2.	Bosnia and Herzegovina will introduce additional security measures to better screen visa-free arrivals	Council of Ministers	Official Gazette

**STEP 4.6.1.3. Terminate at least one visa-free agreement with a country which is visa required for the EU (December 2027)**

TABLE 148: ACTIVITIES WITHIN STEP 4.6.1.3.

Activity Code	Activity title	Responsibility	Source of verification
4.6.1.3.1.	Terminating visa-free agreements with countries which are visa required for the EU - one in 2027	Council of Ministers	Official Gazette
4.6.1.3.2.	Bosnia and Herzegovina will introduce additional security measures to better screen visa-free arrivals	Council of Ministers	Official Gazette

## 5 GENERAL CONDITIONS FOR PAYMENTS (FOR ALL POLICY AREAS)

### MACROECONOMIC STABILITY

According to reports from leading international institutions in 2025, global and EU economic activity is expected to continue growing. In line with these trends, Bosnia and Herzegovina is also projected to experience sustained economic expansion. The Directorate for Economic Planning (DEP), using current data and macroeconomic models, forecasts real GDP growth of 2.7% for 2025.

The baseline scenario assumes a more favourable external environment, particularly stronger growth in the EU and regional economies, and improved internal stability. Domestic demand, led primarily by higher private consumption and to a lesser extent by investments, is expected to remain the key driver of growth. The external sector is also projected to contribute more positively than in the previous year.

DEP anticipates that rising employment, increases in the minimum wage both in the Federation of BiH and in the Republika Srpska, stronger remittance inflows, and moderate inflation will boost household disposable income, leading to a 2.2% increase in private consumption. Alongside this, budgetary expansion at all levels of government is expected to support a 1.8% increase in public consumption. Combined, these will drive final consumption growth of 2.1%, contributing 1.8 percentage points to GDP growth. Given that consumption accounts for about 85% of GDP, it will remain the cornerstone of economic expansion.

Despite internal challenges, investment activity is expected to continue growing, albeit at a slower pace than in 2024, with a projected 4.5% increase, contributing around 1.1 percentage points to GDP growth.

In contrast to 2024, the external sector is projected to perform more strongly in 2025, driven by increased demand from key trading partners. Exports are forecast to rise by 3.4% (3.0% for goods, 4.1% for services), while imports are expected to grow by 3.6% (goods and services alike). This dynamic will slightly worsen the trade balance, subtracting around 0.5 percentage points from GDP growth.

Looking ahead, economic trends in Bosnia and Herzegovina between 2026 and 2028 will be significantly influenced by developments in the global economy, especially within the EU. While the aftermath of the COVID-19 pandemic and geopolitical tensions (notably the war in Ukraine) continue to impact global markets through trade, financial, and price shocks, international institutions such as the IMF, World Bank, and European Commission remain optimistic. They project global growth at around 3.3%, with the EU expected to see 1.8% GDP growth in 2026, 1.9% inflation, and 5.7% unemployment (European Economic Forecast, Spring 2025).

These external dynamics, along with Bosnia and Herzegovina's internal reform capacity, will be critical. DEP's baseline projections suggest average annual GDP growth of 3.1% over the period (3.0% in 2026, 3.1% in 2027, and 3.3% in 2028).

Domestic demand will remain the primary growth engine. Effective implementation of structural reforms, such as those outlined in the Economic Reform Programme (ERP) and Reform Agenda, should spur production, job creation, investment (both public and private), and export earnings. These developments are expected to raise disposable income and sustain private consumption growth, projected at an annual average of 1.8%.

Efforts toward fiscal consolidation will aim to gradually stabilize public finances by reducing expenditures and increasing revenues, thereby limiting public consumption growth to about 1.8% per year. With overall economic growth outpacing public spending, the share of public consumption in GDP is expected to decline slightly to around 18% by 2028.

Public policy will also seek to reallocate current spending toward investment. Improved business conditions could accelerate investment growth, with total investments forecast to grow by an average of 5.3% annually (4.1% in 2026, 5.6% in 2027, and 6.2% in 2028). While private investments (85% of total) will continue to dominate, public investments are expected to play a more prominent role.

EU integration progress and regulatory reforms are likely to increase investor confidence, attracting both domestic and foreign capital. Public investment, especially in road infrastructure, energy (green transition), and projects funded by international financial institutions, is projected to grow by about 7% annually. By 2028, public investment is expected to reach 3.5% of GDP.

Stabilisation of the external environment and improved competitiveness will support foreign trade. However, new challenges, particularly the EU's introduction of the Carbon Border Adjustment Mechanism (CBAM), could impact Bosnia and Herzegovina's export-oriented industries. Delays or partial implementation of necessary regulations could undermine the country's competitiveness in international markets.

Under such constraints, average annual export growth is projected at 4.3% for 2026–2028 (2.9% in 2026, 4.7% in 2027, and 5.3% in 2028). Services exports, which have become increasingly important, are expected to play a buffering role. As a result, the share of exports in GDP should reach approximately 42% by 2028.

Meanwhile, imports are expected to grow at a slower pace, averaging 3.4% annually, leading to a stable import share of around 53% of GDP. The export-to-import coverage ratio is projected to rise to about 78.5% by the end of the projection period. With export growth outpacing import growth, the trade balance is expected to stabilize at around 11% of GDP, making a neutral contribution to overall economic growth

**PFM system in Bosnia and Herzegovina is decentralized** to match the assignment of competencies to different levels of government. The legislative framework on public procurement is centralized, whereas all other PFM areas are legislated and managed at individual levels.

**The PFM strategies at each level and a comprehensive PFM Strategy<sup>28</sup>** were adopted in 2021 and 2022, respectively. The strategic framework contains reform measures in six broad pillars of PFM detailed below, supported with action plans that are updated and rolled-over annually. PFM reform plans and processes are in place to consider and incorporate new recommendations for improvement.

**Complementary strategies and policy papers** are ongoing for public procurement (Public Procurement Strategy 2024-2028<sup>29</sup>) and public internal financial control (PIFC Strategies 2020-2025)<sup>30</sup> and also demonstrate progress. There are specific institutional development plans in specific PFM functions (most notably in tax and external audit<sup>31</sup>). Together, these documents make up the strategic framework which sets the actions, timeline and monitoring framework for reforming public finances across all levels of government in line with international standards.

PFM systems at each level of government are subject to **regular audit** (see Section 5 on external audit) **and independent diagnostic assessments** including: Principles of Public Administration, PPA (most recently in 2024), Public Expenditure and Financial Accountability, PEFA (most recently in 2023), Public Investment Management Assessment, PIMA (most recently in 2023), and Open Budget Survey, OBS (2023).<sup>32</sup>

**Progress in the PFM reform has been achieved over time** but a number of challenges remain. PEFA (2023) notes “an overall improvement in PFM performance across all government levels in BiH compared to the previous PEFA assessment conducted in 2014.” Government-issued PFM reform monitoring reports support conclusions on satisfactory progress in the implementation of reform activities, albeit with delay in some instances.

**Progress with managing a relevant and credible PFM reform** program was seen as an adequate basis to initiate the first PFM Policy Reform Dialogue between the authorities and development partners that took the place in May 2024. The second PFM Policy Reform Dialogue took place in March 2025. The arrangements should accordingly be fit for monitoring PFM developments as a key success factor in implementation of the Reform Agenda.

PFM represents one of the pillars in the **PAR Strategic Framework 2022-2026**. In the [draft] PAR Revised Action Plan 2025-2027, the four levels of government have committed to collaborate on PFM reforms in the context of the 2026-2030 planning cycle.

The overview below provides a summary of main strengths and weaknesses, coupled with status of reform plans as consolidated in the Comprehensive PFM Strategy.

## **PILLAR I: FISCAL FRAMEWORK**

The common objective in this area is to “*Create reliable and predictable medium-term fiscal projections, improve fiscal coordination and improve the credibility of the medium-term fiscal framework and fiscal risks management.*”

All government levels manage the **aggregate revenue and expenditure** in their budgets largely within the approved levels. Main issues diagnosed by external assessments include conservative revenue plans and resulting over-execution of the set revenue targets (see under Pillar II for reforms in this area). On the expenditure side, in-year budget reallocations between the main budget categories at each level resulted in higher deviations.

In terms of the **composition of expenditure outturn**, performance was better in terms of the outturn by functional classification than in terms of the outturn by economic classification. The expenditure charged to a contingency vote was

<sup>28</sup> Comprehensive Public Finance Management Strategy in BiH 2021 – 2025; Strategy for Improving Public Finance Management of the Institutions of Bosnia and Herzegovina 2021 - 2025; Public Financial Management Reform Strategy of the Federation of Bosnia and Herzegovina 2021 - 2025; Public Finance Management Strategy of Republika Srpska 2021 – 2025; Strategy for the Reform of Public Finance Management of the Brčko District of Bosnia and Herzegovina 2021 - 2025.

<sup>29</sup> This strategy, developed through a highly inclusive process, outlines strategic priorities such as professionalization, green and socially responsible procurement, digitalisation, transparency, integrity, quality, centralisation and access for small and medium-sized enterprises (SMEs).

<sup>30</sup> Strategy for the Development of the Internal Financial Controls System in the Institutions of Bosnia and Herzegovina 2020-2025. Strategy for the Development of the Internal Financial Control System in the Public Sector of the Federation of Bosnia and Herzegovina 2021 – 2027. Strategy for the development of the system of internal financial controls in the public sector of the Republika Srpska for the period 2021-2025. Strategy for the development of the internal financial control system in the public sector of the Brčko District of BiH for the period 2021 – 2025.

<sup>31</sup> For example: ITA BiH Strategy for improvement of compliance with indirect taxation regulations 2022-2024 and Strategic Plan of BiH Supreme Audit Office 2021-2025

<sup>32</sup> OBS covers the level of the Institutions of BiH only. Other assessments cover all government levels.

under 1.5 percent of the respective total expenditure which corresponds to high level of performance that meets good international practices.

While the approach to setting **fiscal rules** is mixed across government levels, the overall debt and deficit levels for BiH are within EU benchmarks. In the case of RS, the established Fiscal Council analyses and verifies the macroeconomic and fiscal assumptions and projections used in the preparation of Government documents, provides an independent and credible assessment of economic policy, assesses basic fiscal risks and the probability that the Government will meet its goals in the future, assesses the extent to which the Government has met the set fiscal goals and checks whether the fiscal rules have been observed. In the case of FBiH, the Fiscal Coordination Body of FBiH was established with the aim of ensuring macroeconomic stability, fiscal sustainability and coordination of fiscal policy within FBiH.

Steps have been taken to develop the assessment of **fiscal risks** but more needs to be done and fiscal risk management needs to be improved. Annual financial reports of state-owned enterprises (SOEs), extra-budgetary funds and local governments (in FBiH and RS) are submitted to the competent authorities. Some of these reports are published, and some are consolidated (in FBiH, for extra-budgetary funds and municipalities, in RS for municipalities and extra-budgetary funds, and in BD).<sup>33</sup> Some progress is notable in setting-up and developing capacity of SOE oversight units in FBiH and RS.

## **Pillar II: Tax Revenue**

The common objective in this area is to *“Improve equality in taxation and improve revenue collection through compliance with tax regulations thus ensuring stable and transparent financing systems to cover budget expenditures.”*

**Tax administration** performs reasonably well at the level of BiH (indirect taxes) and the level of FBiH, RS and BD BiH (direct taxes). Up-to-date information on obligations and rights is available to the public through various channels across tax administrations. All government levels are making progress in line with the stated priorities in improving the legal framework, improving the business environment and restructuring the tax burden, reducing grey economy and tackling fraud and improving the performance of the four tax administrations. At the level of BiH, reform efforts are supported with the EU-funded twinning project that will strengthen the capacities of the Indirect Taxation Authorities in applying new laws, procedures and increasing the effectiveness of customs, Value Added Tax and excise controls.

## **Pillar III: Budget Planning and Preparation**

The common objective in this area is to *“Expand the budget coverage to ensure that total expenditures are directed towards strategic development priorities in the medium and annual term at all levels of government.”*

The **budget preparation** processes, as defined in the organic budget laws and annual budget circulars, is clearly defined. The Global Framework for Fiscal Balance and Policies (GFFBP), coordinated by the Fiscal Council,<sup>34</sup> sets out the agreed countrywide elements of the macro-economic framework within which the Framework Budget Documents (FBD) at each level are developed. These elements are: fiscal goals defined as the primary fiscal balance (primary surplus or primary deficit), projections of total indirect taxes based on macroeconomic projections, and their distribution for the next fiscal year, as well as a proposal for the upper limit of the debt budget of the institutions of BiH, RS, FBiH and DB. The aforementioned elements, the harmonisation of which represents the basic assumption for the budget planning of fiscal policy holders in BiH, constitute the essence of fiscal coordination in BiH. The procedure is the same for FBD at other levels of government in BiH. Bearing in mind the marked fiscal decentralisation and independence of each level of government in BiH in determining fiscal policy, the structure of budget expenditures presented in the GFFBP tabular overviews is indicative for each level of government, and each level of government determines in its FBD and annual budgets the final structure of expenditures and revenues in accordance with the adopted policies. In this process, each level of government in BiH has and applies its own laws and defines the preparation of FBD for the next three years.

**Medium-term perspective in expenditure budgeting** remains limited. FBD forecasts show variable credibility and do not have consistent ceilings for the same years in successive iterations. Key indicators, such as general government deficit and debt as a share of GDP, are not an integral part of the relevant information presented in the FBDs.

Improvements have been achieved in the **program budgeting** format and substance, largely with EU-funded technical assistance. Additional reforms, including further EU technical assistance to develop a new budget planning information systems, are underway and are expected to provide the necessary support to preparation of the budget in the program format across all levels. This will lead to strengthened links between policy priorities and strategic/medium-term planning and budgeting. Moreover, the reforms will ensure increased public availability of performance information on service delivery and support accountability for results from public spending.

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<sup>33</sup> In BD, the budget execution reports contain the consolidated report on budget execution and financial plans of extrabudgetary funds, extrabudgetary funds who apply budget accounting, and extrabudgetary users who are financed 50 percent and more from public revenues.

<sup>34</sup> a co-ordinating body composed of the Chair of the CoM, the President of the RS, the Prime Minister of FBiH, and the Ministers of Finance from the State level, FBiH and RS, supported by an advisory body made up of representatives from different MoFs and the Central Bank.

**Public investment management** reforms, implemented under the common measure to “Improve planning, management and reporting on public investments” at all levels, received EU-funded support which resulted in improvements of the regulatory framework, tools such as methodology for cost-benefit analysis and improved capacity for planning, management and monitoring at all levels except BD.<sup>35</sup> Repeated PIMA assessment reports (for the Institutions of BiH and FBiH) show improvements across a number of PIMA components, both in terms of design and effectiveness of practices. Baseline PIMA assessment reports (for RS and BD) also show evidence of recent improvements achieved in line with the strategic PFM reform framework. There is a technical specification for a new PIM information system (PIMIS), also in line with the reform plans to improve the software.

#### **Pillar IV: Budget Execution**

The common objective in this area is to “*Ensure efficient, effective and transparent budget execution in accordance with the legislation of all levels of government.*”

**Commitment controls** at the level of four principal government operated reasonably well, resulting in low level of arrears from the government budgets. Monitoring of general government arrears remains an issue to be tackled, targeted by strategic activities at FBiH and RS level which are still ongoing reforms.

All levels of government operate under the Treasury Single Account (TSA) arrangements which facilitates **cash and liquidity management**. The bank accounts, both revenue and expenditure, are regularly reconciled. Bank accounts operated outside of the TSA are used to manage some of the funding allocated to specific projects and is similarly well-controlled.

**Debt management** is an area of strength in terms of Recording and reporting of debt and guarantees, Approval of debt and guarantees and debt management strategy demonstrated sound performance that exceeds the basic level of consistency with good international practices across all levels. In line with the Comprehensive PFM Strategy, and supported by EU-funded technical assistance, the four levels of government strengthened the capacity to implement ESA 2010 methodology for debt reporting and harmonized public debt reporting for the BiH Economic Reform Programme.

In terms of development of **accounting and financial reporting**, in line with the respective measure in the Comprehensive PFM Strategy, the action plans were developed with EU technical assistance in 2024 for implementation of International Public Accounting Standards (IPSAS) in those government levels that are yet to achieve compliance with the standards. The efforts build upon already broadly high **financial data integrity**, meaning that access controls are ensured and there is an audit trail. At the same time, issues are noted with the level of integration of different information systems that support financial management within the individual government levels.

Amendments to the **Public Procurement Law (PPL)**, in force since 2022, aim to enhance transparency in the procurement process. Key changes include mandatory publication of procurement plans and contract modifications on the Public Procurement Portal, obligatory preliminary market analysis, enabling electronic conduct of direct agreements through the Portal, stricter conflict of interest provisions and the removal of exclusions for natural and legal monopolies. Challenges in practical implementation are reported, but the overall practice in applying the framework meets the basic level of performance broadly consistent with good international practices in terms of procurement methods, public access to procurement information and procurement complaints management. The regulatory framework for **concessions and public-private partnerships (PPPs)** remains fragmented, with over 25 different laws for concessions and PPPs,<sup>36</sup> and misaligned with basic EU principles.

#### **Pillar V: Internal Control**

The common objective in this area is to “*Mitigation of key business risks, improvement of the work of public sector entities and ensuring managerial accountability in practice through a functional and effective system of public internal financial controls.*”

The Comprehensive PFM Strategy reflects the contents of PIFC policy papers at all levels of government, developed in 2019-2020 to the same structure. The said structure aims for improvements in functioning of **financial management and control (including managerial accountability), internal audit and the harmonization functions** of the central harmonization units of the ministries of finance and BD Finance Directorate to manage the introduction of different systems and monitor their effectiveness. Moreover, in line with the PIFC concept, all government levels are working towards establishing and/or strengthening the budget inspection function with a special focus on investigating irregularities and ensuring corrective action in line with the findings and the penal provisions contained in the budget

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<sup>35</sup> Which is yet to establish a dedicated unit for PIM within the Finance Directorate.

<sup>36</sup> Law on Concessions of BiH, Law on Concessions of the Federation of BiH, Law on Concessions of the Republika Srpska, Law on Concessions of the Brčko District of BiH, cantonal laws on concessions, Law on Public-Private Partnership of the Federation of BiH, Law on Public-Private Partnership of the Republika Srpska, Law on Public-Private Partnership of the Brčko District of BiH, cantonal laws on public-private partnership.

legislation. The efforts are guided by the country's needs and benchmarks needed to meet the Chapter 32: Financial Control.

Reported recent progress in this regard includes increasing number of institutions that have mapped their business processes with emphasis on risk assessment (including risk registers) and optimization of control activities, information and monitoring to: (i) ensure fiscal discipline (controls over revenue, expenditure, assets and liabilities), (ii) support strategic allocation of resources and (iii) improve efficiency in service delivery. Internal audit guidance, training, certification and continuous professional development have been updated to align with the applicable standards at the time of their writing<sup>37</sup> and with good international practice.

In the recent past, EU-funded technical assistance provided numerous capacity development opportunities, inter alia, for strengthening the quality control and assurance of the established financial management and control (FMC) and internal audit systems. Successful efforts have been made to link up the work of personnel responsible for FMC and internal audit over annual assurance documents (such as statement of achievement of objectives at the level of IBiH or fiscal responsibility statement at the level of FBiH), thereby promoting and reinforcing the managerial accountability of top management for setting up and maintaining effective internal control systems.

Additional information on **internal control and internal audit** is available from Section 5 below.

#### **Pillar VI: External Audit**

The common objective in this area is to *“Improve the system of public financial management and disposal of public funds through efficient and effective supervision of external audit of each level of government, in accordance with the INTOSAI Framework of Professional Pronouncements.”*

The Comprehensive PFM Strategy focuses the efforts of **supreme audit institutions** (SAIs) at each level of government on (i) strategic institutional development (including deployment of strategic development plans, improvements in methodologies), (ii) strengthening the audit capacity (through increased specialist and non-specialist training and additional hiring where there were gaps), and (iii) improvement of follow-up of audit recommendations by the responsible institutions. External audit is generally assessed as well-performing at all levels of government (details in Section 5). It continues to benefit from regular support from the OECD SIGMA as well as other capacity development activities.

While PFM monitoring reports notes incremental progress in terms of number of recommendations implemented at the level of individual government, the European Commission annual 2024 monitoring reports identifies this as an area for further improvement. Efforts to introduce constitutional provisions on SAIs in the respective constitutions to reinforce their independence in line with international standards remain pending. Similar to internal control, the efforts in the area of external audit are guided by the accession priorities under the Chapter 32: Financial Control.

Additional information on **external audit** is available from Section 5 below.

## **TRANSPARENCY AND OVERSIGHT OF THE BUDGET**

There have been solid improvements in performance registered across all levels of government with respect to **comprehensiveness and transparency of public finances** in the period between the previous and latest PEFA assessment.

All levels of government use a broad range of **budget classifications**, with most governments meeting the mark for Sound performance above the basic level as per PEFA criteria. The adopted annual budget is classified according to administrative and economic classification, and functional classification (based on the Classifications of the Functions of Government) is partly in use as well.

**Budget documentation is largely comprehensive**, with all government levels demonstrating at least the basic level of performance, broadly consistent with good international practices. **Public access to fiscal information is secured**, albeit not aligned with best practices in terms of the deadlines in which they are made available. All levels of government in BiH systematically publish the draft budget, the adopted budget, as well as budget execution reports on their websites.<sup>38,39</sup> External audit reports are available to the governments, civil society organisations (CSOs) and the public.

<sup>37</sup> Updates to align with the revised 2024 standards of the Institute of Internal Auditors, effective as of 2025, are pending.

<sup>38</sup> Because of delays in the budget execution approval process, this can result in delays of one or several months. In 2023, due to delays at certain levels of government in the budget adoption process, not all of the aforementioned documents were available by the end of the year.

<sup>39</sup> The Institutions of BiH issue the Citizens' Budget, <https://www.mft.gov.ba/Content/Read/budzet-za-gradjane-institucija-bosne-i-hercegovine-i-meunarodnih-obaveza-bosne-i-hercegovine?lang=en>. Since 2020, the Federal Ministry of Finance create and published Citizen's Guide to the Budget for Federal level only. Available on link: <https://www.fmf.gov.ba/Content/Read/BudzetZaGradane>. Since 2018, the Ministry of Finance of the Republic of Srpska has been creating a Citizen's Guide to the Budget of the Republic of Srpska, which is published on the website: <https://vladars.rs/sr-SP-Cyrl/Vlada/Ministarstva/mf/PPP/Pages/Budzet.aspx>.

**In-year and year-end budget execution reports** are issued regularly, albeit not always in line with best practice requirements in terms of deadlines for public access. Coverage and comparability of in-year reports is an area of strength, allowing direct comparison to the original budget and including all items of budget estimates. Year-end reports at all levels of government are complete, containing full information on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations, and are supported by a reconciled cash flow statement (at all levels of government, except BD BiH) which corresponds to High level of performance that meets good international practices. While there is comparatively less non-financial information publicized alongside the reporting on the budget execution, all levels of government have instituted the obligations of the budget institutions to report annually on the activities performed against the medium-term and annual work plans.

While the legal framework aligns with good international practice, actual performance with **legislative scrutiny of budget proposals** could be improved across all levels. With the exception of the legislative scrutiny of the budget proposal in the RS, the overall performance on scrutiny of the annual budget proposal in terms of the scope, procedures and timing has been less than the basic level compared to good international practice. This has mainly been a factor of late submission of budget proposals and the accelerated procedure under which they are adopted, leaving little time for a meaningful analysis and debate. The involvement of the parliaments in medium-term fiscal planning is limited, with the focus still on the annual budget documents.

**Legislative scrutiny of audit reports** likewise shows areas of strength and weakness. The timing of the audit report scrutiny in RS and BD BiH was completed within six months from receipt of reports and within 12 months in IBiH. Legislative scrutiny of Audit Report of F BiH Budget Execution Report for 2019, 2020 and 2021 has not been completed by the legislature in the assessed period. In-depth hearings on key findings of audit reports that received qualified or adverse opinion secure transparency and ensure effective accountability mechanisms.

## PAYMENT SCHEDULE

## **PART 3: COMPLEMENTARITY AND IMPLEMENTATION OF THE REFORM AGENDA**

### **1 COMPLEMENTARITY WITH IPA III**

Reforms proposed under the Reform Agenda are coherent with the support to Bosnia and Herzegovina provided under the Instrument for Pre-Accession IPA and complementary to the IPA support. Certain proposed reforms also contribute to creating enabling conditions for IPA utilisation (for example in relation to developing and adopting countrywide sector strategic framework, such as with respect to the Framework Broadband strategy preparation, country-wide strategy for the quality infrastructure adoption, country-wide smart specialisation strategy).

Under the Instrument for Pre-Accession for the period 2021-2027 (IPA III) Bosnia and Herzegovina has so far prepared annual national/bilateral programmes for IPA 2021, IPA 2022, IPA 2023 and IPA 2024. All these programmes are approved and operational except for the IPA 2024 annual programme which is awaiting Financing Agreement conclusion.

An analysis of IPA 2021, IPA 2022, IPA 2023 and IPA 2024 Actions/Action Documents has been conducted and of their links with reforms from the Reform Agenda. Based on the conducted analysis it can be said that the largest portion of Actions is complementary with certain Indicative Reforms, while for a smaller number of Actions no direct link with the Indicative Reforms can be found. Attached are lists of IPA 2021-2024 annual programmes for Bosnia and Herzegovina with mapping of Action linkages with the Reform Agenda.

Bosnia and Herzegovina has also prepared and submitted proposals of Actions/Action Documents for the remaining IPA 2025, IPA 2026 and IPA 2027 programmes of the current IPA III instrument. These proposals were prepared according to the priorities identified by the European Commission. Bosnia and Herzegovina is currently awaiting relevance and maturity assessment of the proposed Actions. In the course of the preparation of these proposals due attention was paid to the reforms planned under the Reform Agenda to ensure that there is no overlap between these reforms and the prepared IPA annual programmes for Bosnia and Herzegovina for the IPA period 2025-2027. In addition, within the IPA 2025-2027 EU Integration Facility Action, specific support to the process of implementation of the Reform Agenda/Growth Plan has been integrated. Specific links of the proposed reforms and IPA exist in relation to all Reform Agenda Policy Areas.

Specific links of the proposed reforms and IPA exist in relation to all Reform Agenda Policy Areas.

Policy Area 1: Green and Digital Transition is linked to all four IPA III Thematic Windows, and specifically to Thematic Priorities: Window 1 Thematic Priority 3 – Fight against organised crime/security, Window 2 Thematic Priority 1 – Good governance (links of proposed reforms exist with IPA 2022 and IPA 2024 Actions primarily in the area of Public Administration Reform), Window 3 Thematic Priority 1 - Environment and climate change (links of proposed reforms exist with IPA 2022 Action in this respective area) and Thematic Priority 2 - Transport, digital economy and society, and energy (links of proposed reforms exist with IPA 2021, IPA 2023 and IPA 2024 Actions primarily in the areas of energy efficiency, security and transition), as well as Window 4 Thematic Priority 1 - Education, employment, social protection and inclusion policies, and health.

Policy Area 2: Private sector development and business environment is linked to two IPA III Thematic Windows and primarily to Window 4 Thematic Priority 2 - Private sector development, trade, research and innovation (links of proposed reforms exist with IPA 2021 and IPA 2024 Actions primarily in the area of private sector support as well as circular economy), as well as to Window 3 Thematic Priority 2: Transport, digital economy and society, and energy and Window 4 Thematic Priority 1 - Education, employment, social protection and inclusion policies, and health.

Policy Area 3: Human capital development and retention is linked to IPA III Thematic Window 4 Thematic Priority 1 - Education, employment, social protection and inclusion policies, and health, where links of proposed reforms exist with IPA 2021, IPA 2022 and IPA 2024 Actions, primarily in the area of employment as well as to some extent in relation to social protection.

Policy Area 4: Fundamentals/Rule of law is linked to IPA III Thematic Window 1 and Thematic Priorities 1 – Judiciary (links of proposed reforms exist with IPA 2022 Action, primarily in the area of strengthening the justice system and fight against organised crime), 2 – Fight against corruption, 3 – Fight against organised crime/security, 5 – Fundamental rights, 6 – Democracy and 7 - Civil Society, as well as with Window 2 Thematic Priority 2 - Administrative capacities and acquis alignment (links of proposed reforms exist with IPA 2021, IPA 2022 and IPA 2024 Actions primarily with respect to European Integration).

### **2 INVESTMENTS UNDER WESTERN BALKANS INVESTMENT FRAMEWORK (WBIF)**

The Draft of the Indicative list of investment projects of Bosnia and Herzegovina for possible support from the Reform and Growth Facility (RGF) through Western Balkan Investment Framework (WBIF) was made taking into account, besides the main WBIF criteria, the criteria of relevance and maturity. Currently, Bosnia and Herzegovina is preparing a draft list of projects in the transport, energy, digital and education sector. The final list will be communicated to the EC

upon its adoption by the BiH National Investment Committee and BiH Council of Ministers, that is a final step in the approval process within Bosnia and Herzegovina.

### 3 CONSULTATION

The development of the Reform Agenda (RA) for Bosnia and Herzegovina was the result of a collaborative and inclusive process that involved the wider public through comprehensive consultations. This process was not limited to the preparation of the List of qualitative/quantitative steps for the European Commission—it was also aimed at ensuring that every voice was heard and taken into account. Such an approach highlights the importance and key role of all stakeholders in shaping the Reform Agenda.

The consultation process began with the establishment of a dedicated Working Team (WT) for the development of the Reform Agenda, appointed by the Council of Ministers of Bosnia and Herzegovina. The WT consists of 22 members—representatives of state, entity, and cantonal levels of government, responsible for the relevant policy areas covered by the Agenda. The WT was tasked with submitting the final draft of the Reform Agenda to the Council of Ministers for adoption. The Directorate for Economic Planning (DEP) was appointed as the WT Coordinator.

Following the adoption of the Decision and Rules of Procedure of the WT, several meetings were held at the invitation of the Chair. In addition to physical meetings, intensive communication took place through online meetings with WT members and their alternates, as well as with the EU Delegation in BiH and the European Commission (DG NEAR). During these exchanges, WT members were introduced to the draft content of the Reform and Growth Facility's Regulatory Instrument and the Loan Request.

For Bosnia and Herzegovina to benefit from the Instrument, it was crucial to agree on a set of indicative reforms and to prepare the narrative part of the Reform Agenda. The narrative was to be submitted within three months of the entry into force of the Regulation on the Reform and Growth Facility—by 25 August 2024.

Within the given timeframe, the WT reached an agreement on a table of indicative reform steps. The first version of the List of qualitative/quantitative steps, dated 30 April 2024, was submitted to the European Commission. This version, around which a high level of agreement was achieved within the WT, contained 108 agreed and 3 non-agreed reform steps.

In parallel with the alignment of the List, the DEP launched consultations with WT members regarding the narrative part of the Reform Agenda. This complex and demanding process began on 10 May 2024 and involved not only agreement on the reform steps, but also the coordination and harmonisation of inputs necessary for drafting a coherent and jointly agreed narrative text of the Reform Agenda. The process required substantial human resources at all levels of government.

In June 2024, a large number of comments and suggestions were received and carefully reviewed forming the basis for further improvement of the narrative and refinement of reform steps.

In July 2024, the DEP, acting as the Coordinator of the Working Team (WT), organised the next phase of consultations through direct, face-to-face meetings with the business sector, civil society organisations and academia. The goal of these sessions was to present the process of drafting the RA and the specific reforms to be implemented by December 2027, as well as to gather comments and recommendations to further improve the document.

The business sector, as a key stakeholder in the reform process, was invited through the Foreign Trade Chamber of Bosnia and Herzegovina. A total of 2,000 representatives were invited, of which 28 participated in the session held on 24 July. Their contributions were highly appreciated and taken into account.

On the same day, consultations were held with civil society organisations and representatives of academia. Invitations were sent to 250 CSOs via the mailing list of the Centres for the Promotion of Civil Society, and to the academic community through the rectorates of 10 universities in BiH. A total of 22 representatives participated, and their recommendations and conclusions were reviewed and addressed.

In addition, it is important to mention that comprehensive consultations were held at the entity level, during the entire period, which were led by nominated institutions at their respective governments.

Subsequent negotiations between the European Commission and WT members resulted in a revised version of the List dated 14 March 2025, which now includes 112 aligned reform steps and 2 non-compliant steps. This marked significant progress in the collective work of the WT.

The last session of the Working Team was held in late February 2025, with the aim of agreeing on the organisation of a series of consultative meetings. These meetings were part of the broader consultation process aimed at aligning parts of the RA narrative in preparation for the official submission of the draft to the European Commission, while further improving the content.

Conditions for holding consultative meetings were met in late March 2025. A total of seven meetings were held with more than 350 participants. However, the meetings did not produce the desired outcome. As a result, the Working Team

submitted the draft Reform Agenda with comments to the Council of Ministers of Bosnia and Herzegovina for further action. At an extraordinary session held in late June 2025, the Council of Ministers tasked the competent ministries of the Council of Ministers of BiH, together with all relevant ministries at all levels of government, to continue activities aimed at harmonising comments with the goal of finalising the text of the Reform Agenda. The deadline for implementation is 45 days.

The next round of consultations is planned to take place following the finalisation of comments at all levels of government in Bosnia and Herzegovina, in the form of e-consultations. Through this process, the broader public will gain access to the List of qualitative/quantitative steps (version with 114 concrete steps) and the narrative of the Reform Agenda. E-consultations will be conducted in accordance with the BiH legal framework governing this area.

This multilayer consultation process ensures transparency, stakeholder awareness, and participation in both the process and its outcomes. The high level of interest shown by participants—especially during face-to-face consultations—demonstrates Bosnia and Herzegovina’s strong motivation to engage in this process.

Significant progress has been made in the drafting of the narrative part of the Reform Agenda. However, the challenge remains to ensure more efficient and concrete involvement of some members and alternate members of the WG across Bosnia and Herzegovina.

The principle of partnership, in line with Regulation (EU) No. 240/2014, will be fully applied during the implementation phase. In this respect, the National Reform and Growth Facility Coordinator will establish and maintain the partnership in accordance with the Regulation, to the extent possible.

#### **4 MONITORING, REPORTING, EVALUATION**

In accordance with Article 25 of Regulation (EU) 2024/1449 of the European Parliament and of the Council of 14 May 2024 establishing the Reform and Growth Facility for the Western Balkans, the European Commission is responsible for monitoring the implementation of the Facility and assessing the achievement of its objectives. The Facility Agreement will further define the general reporting obligations of Bosnia and Herzegovina (the Beneficiary) to ensure effective implementation and timely reporting on the implementation of the Reform Agenda.

#### **MONITORING AND REPORTING STRUCTURE IN BIH**

The monitoring and reporting structure in Bosnia and Herzegovina will include at least four key components: the Reform and Growth Facility Monitoring Committee (RGFMC), the National Reform and Growth Facility Coordinator (NRGFC), the Secretariat, and the Single Contact Point for each individual reform.

##### **REFORM AND GROWTH FACILITY MONITORING COMMITTEE (RGFMC)**

The RGFMC will be jointly established by the European Commission and Bosnia and Herzegovina to assess the degree and quality of the implementation of the reforms and investments foreseen under the Reform Agenda and Regulation (EU) 2024/1449. The Committee will consist of representatives from the European Commission, the National Coordinator, relevant institutions at all levels of government (state, entity, cantonal, and Brčko District of BiH), and, where relevant, bilateral donors, international organisations, IFIs, civil society organisations, the private sector, academia, and parliamentary representatives.

The Committee will adopt its own Rules of Procedure, defining its decision-making process, organisational structure, and communication protocols. The European Commission and the National Coordinator will co-chair the Committee. Meetings will be held at least once a year, with the possibility of ad hoc meetings. The establishment of the Committee will be formalised by a Decision of the Council of Ministers of BiH. The Committee will be responsible for monitoring the overall implementation of the Reform Agenda, reviewing and validating the Annual Implementation Reports, and assessing the Communication Plan.

##### **NATIONAL REFORM AND GROWTH FACILITY COORDINATOR (NRGFC)**

The NRGFC will be appointed by a Decision of the Council of Ministers of BiH and will serve as the main interlocutor with the European Commission. The NRGFC is responsible for ensuring coordination, management, and reporting under the Facility. The NRGFC oversees the implementation of the Reform Agenda and ensures the preparation and submission of monthly reports to the Monitoring Committee, semi-annual reports and Requests for Release of Funds to the Commission, and annual implementation reports to both the Monitoring Committee and the Commission. The NRGFC also issues guidance to responsible institutions, especially regarding data verification and on-the-spot checks (OTSC).

##### **THE SECRETARIAT**

The Secretariat will operate within the Office of the NRGFC. It will provide operational and technical support to the NRGFC and the Monitoring Committee. Its responsibilities include collecting and analysing documentation submitted

by relevant institutions, developing templates and reporting guidelines, and cooperating with line ministries at all levels of government in preparing indicator fiches for quantitative reform steps.

## **SINGLE CONTACT POINT FOR INDIVIDUAL REFORM**

Each reform step will have an assigned Single Contact Point. This point will be responsible for drafting and updating the implementation plan for the reform, submitting monthly updates to the Secretariat (by the 5th of each month), and providing data on reform progress, indicator achievement, control systems, OTSC results, implementation challenges and risks, and irregularity management. The contact point will ensure data integrity and evidence-based reporting and will establish internal networks for monitoring reform implementation. A legal act governing the communication flow, the designation and responsibilities of contact points, and their relations with other relevant actors will be developed and adopted at a later stage.

## **REPORTING FRAMEWORK**

The reporting framework will consist of implementation plans, monthly reports, semi-annual reports, and annual implementation reports.

### **Implementation Plans (IPs)**

The IPs will be compiled based on information collected from relevant actors at all levels of government and will include actions, timelines, responsibilities, and budgets. They will be updated monthly and will serve as the basis for tracking progress and identifying delays or reversals.

### **Monthly Reports**

Monthly reports will be prepared by the Secretariat based on data provided by institutions at all levels. The report will summarise the status of each reform using a colour-coded system (green: on track, yellow: at risk, red: delayed or non-compliant) and will include an overview of financial risks and interest accruals due to delays. In cooperation with competent institutions, the Single Contact Point must explain any delays in implementation.

### **Semi-Annual Report (SAR)**

The SAR will be prepared by the Secretariat and submitted by the NRGFC. It is due by 15 January and 15 July each year. The report will accompany the Request for Release of Funds (RRF) and will include evidence of step achievement, a Declaration of Assurance issued by the Ministry of Finance and Treasury, a statement on the fulfilment of general conditions, audit summaries from CHUs at state and entity levels, and checklists and verification outcomes.

### **Annual Implementation Report (AIR)**

The AIR will be prepared by the Secretariat and validated by the RGFMC. It will summarise progress, results, and identified risks. The final AIR will cover the entire implementation period of the Reform Agenda and will follow the template provided by the European Commission or CEF.

## **CONSISTENCY AND ACCURACY OF DATA**

Most reform steps rely on external and verifiable sources of evidence, eliminating the need for additional control. In cases where the sources are not of sufficient quality, the institutions responsible for the reform steps will be required to ensure the consistency and accuracy of data before submitting them to the NRGFC. If the Coordinator has doubts about the reliability of submitted data, it may conduct on-the-spot checks to verify achievement.

## **EVALUATION**

According to Article 27 of Regulation (EU) 2024/1449, the European Commission will conduct evaluations of the Facility. Bosnia and Herzegovina will provide all necessary support, access, and data to facilitate these evaluations.

## **LEGAL FRAMEWORK AND NEXT STEPS**

All rules of conduct and obligations related to the above-mentioned bodies will be defined through subsequent normative acts to be adopted by the Council of Ministers of Bosnia and Herzegovina, following the entry into force of the Facility Agreement.

## 5 CONTROL AND AUDIT

### INTERNAL CONTROL AND AUDIT IMPLEMENTATION

#### **Legal and institutional landscape for PIFC**

Internal control play a vital role in promoting transparency, accountability, and deterring misuse of public resources, contributing directly to Bosnia and Herzegovina's reform agenda. BiH has made progress in establishing a robust system of internal control (Public Internal Financial Control, PIFC) across all government levels aimed at providing assurance of responsible and efficient management of domestic and EU funds. Central harmonization units (CHUs), established within the ministries of finance, are tasked with developing the legal framework and methodologies to operationalize the internal control. CHUs also monitor the state of play in financial management and control and internal audit, with several quality reviews conducted and documented, and report annually of the effectiveness of internal control in public sector organizations. The reports are reviewed and endorsed by the respective governments, securing the necessary support to CHU conclusions on future improvements.

Financial management and control is developed along the lines of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework and internal audit aspires to comply with the Institute of Internal Auditors' International Professional Practices Framework (IPPF), known as of 2024 as the Global Internal Audit Standards. Alignment with good international practice is a high priority for all levels of government, as evidenced by existence of PIFC Policy Papers 2021-2025<sup>40</sup> that articulate reform priorities and actions for all three “pillars” of PIFC: financial management and control, internal audit and centrally harmonized approach in developing them. These policy papers have been further integrated in the PFM strategies, reflecting their importance and securing a link to the PAR framework.<sup>41</sup>

The CHUs coordinate key aspects of PIFC policy and its implementation through the CHU Coordination Board. Its role is to ensure consistent regulations and practices related to internal audit and financial management and control across the government levels. This collaboration fosters a unified approach to public financial management and minimizes inconsistencies across all governments.

BiH is the only country in the region so far that has digitized the processes for data collection and monitoring the development of PIFC. Developed with EU-funded technical assistance support, the application enables electronic process mapping, electronic risk registries, support to implementation of the internal audit process and improved internal control system reporting. It is free of charge and accessible to all public sector organizations. Besides facilitating collection of self-reported data on the status of internal controls in individual institutions, it provides the links between internal control and overall achievement of fiscal responsibility (including compliance) and/or achievement of institutional objectives of specific institutions in the public sector. This creates a solid data set for assessing the levels of assurance in individual public sector institutions and the ability to follow up weaknesses in any of the reporting institutions.<sup>42</sup>

To date, EU has provided substantial support to introduction and development of PIFC-compliant internal control and internal audit. EU-funded technical assistance projects spanning the period from 2010 to 2024 have provided support in development of the strategic documents (policy papers), set up of the coordination board and individual central harmonization units, legal framework and its updates, by-laws and implementing regulations, methodologies and guidance aligned with international standards and good practice, training, capacity development and certification of managers, finance staff and internal auditors, implementation of software solution and substantial communication and outreach effort. Good EU practice, including from new Member States has informed the efforts to establish a modern and cost-effective internal control system in the public sector of BiH.

#### **Implementation of internal control, including irregularity management**

The regulatory and operational framework for internal control in BiH is established, with comprehensive laws and guidelines across all four government levels, co-ordinated by the CHUs. Coordination of the internal control framework which is the remit of the CHUs is performing well. Establishment and development of the internal control systems rests with the heads of the respective institutions. In this context, the ambitious expectations that management and control practices needs to improve at all public sector institutions are thwarted by the complex composition of the public sector, that includes several thousand institutions (first and second level budget users, extra-budgetary funds, financial and non-financial public corporations) with varying levels of competent human resources, information systems support, organizational structures, and accountability and reporting lines. This makes the operationalization of the framework – and the monitoring and quality review of its day-to-day functioning – a technically and logistically demanding

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<sup>40</sup> Strategy for the Development of the Internal Financial Controls System in the Institutions of Bosnia and Herzegovina 2020-2025. Strategy for the Development of the Internal Financial Control System in the Public Sector of the Federation of Bosnia and Herzegovina 2021 – 2027. Strategy for the development of the system of internal financial controls in the public sector of the Republika Srpska for the period 2021-2025. Strategy for the development of the internal financial control system in the public sector of the Brčko District of BiH for the period 2021 – 2025.

<sup>41</sup> Especially regarding (managerial) accountability for compliance and results in managing public funds and service delivery.

<sup>42</sup> The coverage of the PIFC concept extends to the entire public sector.

requirements. CHUs have made significant efforts in collecting the data and created the preconditions for the MoFs at each level to review the quality of internal control systems.<sup>43</sup>

Segregation of duties is incorporated in legislation and many of key controls in the expenditure management process are taking place in the financial management information systems of the respective government level. On managerial accountability, regulations and procedures are mostly in place, but the actual delegation of authority is not yet well established. All PIFC policy papers (and PFM strategies in all governments) are aiming for improvements in this regard to support managerial accountability. Managerial accountability in practice is promoted through assignment of rights and responsibilities through documented procedures.

Risk management is facilitated by structured processes and standardized methodologies but the quality in their application is uneven at best. Despite the low scores on the actual regularity and completeness of risk management, the current level of development ensures adequate and effective management and control systems. As per legislation and methodological guidance applied at all government levels, the responsibility for conducting risk assessments and taking risk mitigation actions, including risk from irregularities and fraud (see sub-heading budget inspection below), is assigned to the management. The methodology for FMC requires that the risk registers identify mitigating actions, clearly specifying responsibility for their implementation and follow up.

One of the purposes of sound financial management and control is to safeguard assets and other resources from losses caused by mismanagement, unjustifiable spending and use, and from irregularities and fraud. The legal framework places the onus of managing risk from irregularities and fraud, and implementing procedures to prevent and correct irregularity and fraud on the head of the institutions. In the first instance, management of budget beneficiaries is expected to establish internal procedures for detecting and acting upon irregularities and (suspected) fraud as well as appointing an employee to whom irregularities and (suspected) fraud can be reported to.<sup>44</sup> Budget inspection (see below) is understood as the second line of defence.

### **Budget inspection**

While the internal and external auditors must have sufficient knowledge to assess the risk of fraud and how it is managed by the organisation, as well as to report suspected fraud to the competent authorities, they are not the principal actors in the fraud and irregularity management system. The budget inspection function is operational at the level of the FBiH and RS, while in the Institutions of BiH and BD BiH have plans in place to introduce and develop this function in the current strategic planning timeframe. Weaknesses in this regard include the need to increase the inspection capacity (in terms of number of staff and skills) and are ongoing at the respective government levels as per latest PFM reform monitoring reports. Recent strategic developments target further development of irregularity and fraud management through establishing and building capacity of the public sector institution to develop and implement integrity plans and, centrally in the ministries of finance, to introduce and develop budget inspection.

Budget inspection function is integral part of budget supervision system and is complementary to the activities of internal control and internal audit. Laws on budget<sup>45</sup> system at competent government levels are providing regulatory framework for budget supervision, control and audit and define the role of budget inspections. Although each of government level has its own organic law on budgetary system and there are some differences in certain areas (for example penalty provisions), in principle these laws contain similar provisions related to the budget supervision and budget inspections.

In principle, the responsibilities of budget supervision under the competences of ministries of finance and budget supervision includes inspections over compliance, timelines and purpose of budget spending. Budget inspections are performed by budget inspectors which are authorised employees of ministries of finance which are obliged to report any irregularities or non-compliance or undertake measures which are defined by respective laws.

Processes and procedures are more detailed in bylaws<sup>46</sup> which provide more detailed framework for budget inspections including scope of the budget inspections, the process of conducting budget inspection, as well as responsibilities and competences of budget inspectors.

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<sup>43</sup> Subject to resources available at the CHUs.

<sup>44</sup> For illustration, in the 2023 Consolidated PIFC Report, 70 institutions at the level of IBIH (90 percent) have reported having such procedure in place. In parallel, 71 institutions (93 percent) have reported having an appointed person/organizational unit within the institution to whom it is possible to report irregularity and (suspected) fraud. The numbers are lower at the level of the entities, inter alia, due to higher number of institutions involved.

<sup>45</sup> Law on Financing Institutions of BiH, Law on Budgets of Federation of Bosnia and Herzegovina, Law on Budget System of Republika Srpska.

<sup>46</sup> Decree on budget supervision in Federation of Bosnia and Herzegovina, Rulebook on budget inspection work in RS, Rulebook on the process, scope, manner and conditions for budget supervision.

The budget inspections may be conducted out at the request of respective Ministry of Finance, but also at the request of the authorised persons in budget users institutions, as well as by citizens requests.<sup>47</sup> Planning of budget supervision is embedded either in the (by)laws as a separate plan or as a part of annual plan of government units having budget inspection in its organisational structure. In case of identified irregularities or non-compliance, budget inspector is issuing a Resolution with instructions for corrective action, and in case of legal non-compliance, budget inspectors have to report to the court, prosecutor's office or other competent body, depending on the type of non-compliance.

### **Management declarations**

Ultimately, effective functioning of internal control in budget beneficiaries in the Institutions of BiH and the entities is ensured through annual signing and submission to the MoF of the statement of achievement of objectives and fiscal responsibility statements, respectively (equivalent of management declarations).<sup>48</sup> Through these documents, the head of the reporting institution confirms that they have ensured effective functioning of the system of internal control at the institution for the reporting period. For the Institutions of BiH, the statement includes an overview of actions taken as per audit recommendations received. Through the aforementioned declaration, the heads of institutions are also required to confirm that they have used the funds lawfully and for the intended purpose.

As noted above, CHUs at all levels have the mandate to carry out quality reviews of internal controls and internal audit while budget inspection is in place to follow-up on those aspects of management declarations that concern compliance with budgetary legislation.

### **Implementation of internal audit**

The regulatory framework for internal audit is adequate, methodologies aligned with the International Standards for the Professional Practice of Internal Auditing (2017) are in place and quality assurance mechanisms are being introduced to assess compliance and quality of internal audit work.<sup>49</sup> Internal auditors for the public sector are certified and subject to continuous professional development requirements. While staffing levels remain a concern across the government levels, the internal audit coverage of resources collected and spent through the budget, EBU's and insurance funds is substantial as illustrated below:

Level	Description of performance requirements met
IBiH	18 IAUs in the Institutions of BiH, that is the total number of IAUs which have to be established in accordance with the relevant regulations, perform internal audit based on the concluded agreement on the performance of the internal audit function in 73 institutions of BiH, out of a total of 75 institutions financed from the budget of the Institutions of BiH. The coverage of the budget of the Institutions of BiH (for 2024) by internal audit is 98.47% of total budget expenditures and 98.41% of budget revenues.*
FBiH	Of the 86 public sector entities in the Federation (according to the Rulebook on Criteria) and an additional four that requested an opinion on the rulebooks and systematized IAUs, 81 have a systematized internal audit unit, of which: - in all 21 Federation-level entities, all have a systematized IAU, in two IAUs there is no IAU employee (FMKiS and FMRPiO); - in all 10 cantonal ministries there is a systematized IAU, in three IAUs there is no IAU employee (MF HNK, MFZHŽ and MF Canton 10 Livno); - in 18 extra-budgetary users, all have a systematized IAU and at least one internal auditor employed; - of the 41 local governments, 32 have a systematized IAU, 3 have a systematized internal auditor, and six local governments do not have any form of internal audit (neither IAU nor an internal auditor), four IAUs are without IAU employees. <sup>50</sup> **
RS	The internal function is established in total of 82 budget organisations, 37 of them are part of the Republika Srpska government, 18 in the municipalities and 27 in public companies***
BD BiH	The internal audit function is not established yet [but plans are in place to set up and make functional]

<sup>47</sup> In FBiH this possibility is defined as at direct request, while in RS the control of the legality of spending budget funds is carried out by decision of the Minister of Finance, and on the basis of a previously established annual control plan. The annual control plan is proposed by the manager in charge of budget inspections. The plan is an integral part of the annual work plan of the Ministry of Finance and is approved by the Minister. If necessary, an extraordinary control may be carried out by order of the Minister, as an addition to the annual control plan. The budget inspector initiates a misdemeanor order if he determines that a responsible person in a budget user has committed a misdemeanor, in the area of regulations that the budget inspector controls.

<sup>48</sup> It is noted that the system applies at the level of budget beneficiaries, not necessarily at the level of all public sector institutions.

<sup>49</sup> Also, related to quality assurance of internal audit in the Federation of BiH, the Methodology for the implementation of assurance and improvement of the quality of internal audit in public sector organizations in the Federation of BiH was published ("Official Gazette of the Federation of BiH" number 21/25).

<sup>50</sup> The figure above (90) does not include public companies and other legal entities (in the CHJ records, 45 of them have established internal audit departments and two more organizations with an internal auditor).

Source: [Public Expenditure and Financial Accountability, Assessment Report 2023](#)

\* data for IBiH based on the most recent available (April 2025) from the CHU MFT BiH

\*\* data for FBiH based on the 2024 Consolidated Internal Audit Report for 2024 from the FMF CHU

\*\*\* data for RS based on the most recent available (April 2025) from the MoF RS CHU

Importantly, internal audit work extends beyond financial compliance, in line with the IA Manuals and CHU guidance on planning, implementing, reporting and following up the work of internal auditors. All government levels (except BDBIH) recorded sound performance levels in terms of adherence to standards and the nature of audits carried out. In the framework of bilateral cooperation, CHU MFT BiH has also introduced guidance for performance auditing by internal auditors.

Level	Description of performance requirements met
IBiH	Internal auditors in all internal audit units respect and adhere to the prescribed work methodology, Code of Ethics, and Internal Audit Standards, which are focused on evaluations of the adequacy and effectiveness of internal controls.
FBiH	Internal audit is focused on monitoring and evaluating the system of internal controls that includes all financial and non-financial processes in the organization, its adequacy, functionality, and effectiveness.
RS	International internal audit standards are applied. The internal audit checks the effectiveness of the internal control system and the practice of quality assurance is being improved for all internal audit units.*
BD BiH	The internal audit function is not established yet [but plans are in place to set up and make functional]

Source: [Public Expenditure and Financial Accountability, Assessment Report 2023](#)

\*annotated by CHU MF RS

Internal audit recommendations are followed up by the management through agreeing and signing the action plan to implement them, albeit implementation rates could be improved at all levels. Increasing the implementation of internal audit recommendations rate is targeted through PFM reform plans to ensure continuous improvement of governance, risk management and internal control arrangements is one of the strategic objectives shared by all government levels. This is aimed in two parallel threads: improving the quality of the internal audit work and instituting public accountability mechanisms to follow up on the status of implementation of the recommendations, by the issuing internal audit unit as well as the MoF CHU.

There are operational schemes for internal auditors' training, certification and continuous professional development, and substantial preparatory work has been done on instituting quality control and quality assurance procedures in line with the International Professional Practices Framework and the underlying standards. Further reform plans in this regard include strengthening the quality of internal audit work, including through CHU reviews and Quality Assurance and Improvement Programs (QAIPs) at the level of each institution with an internal audit function. Also, in the coming period, it is necessary to update legal and methodological documents for internal audit work in accordance with the new Global Internal Audit Standards, which entered into force in January 2025.

### **External audit**

Public finances are scrutinized by independent SAIs at each level of government. The SAI operates independently from the executive with respect to procedures for the appointment and removal of the Head of the SAI, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of the SAI's budget. This independence is assured by law. The SAI has unrestricted and timely access to records, documentation and information. The independence, mandate, and organisation of SAIs are not stipulated in the Constitutions, but they are clearly defined in SAI Laws, which set out their scope and operational framework.

The SAIs coordinate the functioning and development of the external audit function through their Coordination Board, PPA 2024 Report highlights the "Adequacy and coverage of the SAI mandate and its alignment with IFPP" and "Compliance of audit methodology with ISSAIs" as the areas of strength across the four government levels. Annual audits at all levels have highlighted relevant material issues and systemic and control risks.

The Laws on the SAIs give them legal authority to carry out audits on all public bodies and institutions, on companies in which the State-level or Entity government has a shareholding of 50% plus 1 share or more, as well as funds provided from the budget to any other institution. In 2023, the SAIs carried out all 153 mandatory financial/compliance audits and submitted all the related audit reports to the parliament for the financial year ended 31 December 2022. In 2023, the SAIs conducted 14 performance audits across various policy areas, including public administration, infrastructure, health, the environment, economic development, education and social security. These audits also addressed key policy domains, such as the green agenda, sustainability, climate protection, the Sustainable Development Goals, gender equality and digitalisation.

The most material financial reports at all government levels - including revenue, expenditure, assets, and liabilities - have been audited using ISSAIs during 2019, 2020, and 2021. The audits have highlighted any relevant material issues and systemic and control risks.

In addition to audits of financial statements and compliance audits, SAIs in BH have the capacity to implement a limited number of performance audits. All the audit reports are public (PPA, score 6/6) and there is an effective follow up of recommendations by the SAI. As per PEFA 2023 findings, the management response and parliamentary scrutiny are areas where further improvements are needed. In recent years, the SAIs have strengthened the supervision of the implementation of recommendations, including conducting follow-up audits. PPA 2024 notes an improvement in the implementation of SAIs' recommendations since the last assessment but the implementation rate remains low and needs further improvement. These areas are targeted for continued implementation in the remaining years of the PFM reform plans. Plans are likewise implemented to procure an Audit Management Software, with the EU technical assistance, than can be expected to increase the efficiency and improve the quality of external audit work.

## **INTERNAL CONTROL AND AUDIT FOR THE IMPLEMENTATION OF THE FACILITY AGREEMENT**

The above described system of Public Finance Management, including internal control and audit, as well as the different Strategies and Action Plans developed on the basis of internal and external assessments and defined areas of improvement, establish a basis to ensure adequate management of the facility agreement. Ongoing technical assistance programs in this area<sup>51</sup> will provide additional support in improving overall PFM framework in the course of development of new PFM strategy.

According to the established monitoring mechanisms and current legal and regulatory framework, administration bodies and institutions involved in the implementation of the Reform Agenda are obliged to comply with legal and regulatory requirements related to the compliance with budget expenditures rules.

Under current arrangements and further improvements of internal control and audit, regular checks are to be performed to support implementation of Reform Agenda activities to support envisaged regular implementation reports. In line with the regulations for supreme audit offices the different levels of government may implement both financial audits and performance audits in line with their competences.

## **ADDITIONAL CONTROL ARRANGEMENTS**

Additional control arrangements are provided as a combination of the current system embedded in legislation, further improvements according to the strategies and action plans related to PFM, as well as reforms implemented in the course of implementation of Reform Agenda. The PFM related measures, including control and audit, are described above, while specific Reform Agenda measures and activities will address also Public Procurement and State aid.

Activities related to the Public Procurement aim to increase efficiency and effectiveness of public procurement processes and strengthened internal controls in the area, while State aid rules measures aim to ensure transparency, fairness, and compliance with international trade and competition standards as described in relevant chapters above.

## **PREVENTION OF FRAUD AND CORRUPTION AND PROTECTION OF THE EU'S FINANCIAL INTERESTS**

For the protection of the EU financial interest, the legal framework is yet to be aligned with the EU *acquis*. With the Instruments of Pre-Accession Assistance to date delivered mainly under the direct management arrangements, the country has yet to develop reporting of irregularities aligned with the requirements for EU funds management. In the PFM strategic framework, however, all government levels are targeting development and strengthening of structures related with the EU funds management, important part of which are an Anti-Fraud Coordination Service (AFCOS) and the irregularity management system (IMS).<sup>52</sup>

The Council of Ministers of BiH adopted the "Strategy for the Fight against Corruption 2024-2028" and its accompanying Action Plan on 18 June 2024. The Strategy aims to improve normative and institutional framework at all levels of government in BiH aligned with relevant international and EU standard as well as to establish sustainable mechanism for preventing corruption and coordinating the fight against corruption. This implies proactive detection, indiscriminate and effective processing of corruption that results in a higher degree of rule of law, suppression of negative consequences of corruption and increased trust of citizens in government institutions.

Strategy defines three specific strategic objectives: 1) strengthening prevention system and coordination mechanism, 2) Strengthening the mechanisms for detecting and proving corrupt criminal acts and prosecuting perpetrators 3) Strengthening inter-institutional, regional and international cooperation.

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<sup>51</sup> For example EU4PAR, IMF FAD.

<sup>52</sup> The Ministry of Finance and Treasury is the contact point for cooperation with the European Anti-Fraud Office (OLAF). (EC 2024 country report).

Under the strategic objective 1 strengthening prevention system and coordination mechanism, there is activity named “Establishment of AFCOS Office and AFCOS Network related to the protection of the EU’s financial interests. The responsible stakeholders are the Central bank, Ministry of Finance and Treasury BiH, Ministry of Foreign Affairs and Council of Ministers BiH. The deadline for this activity is fourth quarter 2026 and this activity shall be funded from budget.

Other related activities defined by Strategy include: harmonisation of conflict of interest legislation across different government levels in line with GRECO recommendations, EU standards, Venice Commission Opinion from 2021, and recommendations from II cycle report on implementation of UNCAC for BiH. This activity is also planned to be funded from budget and implemented by competent ministries/institutions and parliaments by first quarter of 2025. In addition, there is technical assistance to support the whole process, a Twinning project supporting APIK in monitoring and reporting on the Strategy and Action Plan and the EU4Justice project, under a delegated agreement with three Member State agencies, which includes activities to strengthen cooperation with EU bodies such as OLAF.

### **Whistle-blower protection**

The whistle-blower protection is regulated by Laws at BiH and RS level. According to the “Strategy for the Fight against Corruption 2024-2028” and its accompanying Action Plan, the framework needs to be completed by adoption of the Law in FBiH and improved and existing legislation modernised.

In particular under Reform Agenda 4.3.1. Fight against Corruption, this area is identified as one of the priorities. Activities will be undertaken to adopt a new legal framework for the protection of whistleblowers in line with the EU Acquis. In order to ensure consistent and complete protection of whistleblowers, harmonization of the legal framework for whistleblower protection at all levels will be ensured.

### **COMPETITION AND STATE AID**

In accordance with the statutory competences of the Competition Council, the 2023 Work Program provided for the launch of an initiative in the fourth quarter of 2023 to the Ministry of Foreign Trade and Economic Relations of BiH, for the adoption of a new Law on Competition, in accordance with the Decision on the procedure for aligning BiH legislation with the EU acquis and aligned with relevant EU legislation. During the preparation of the preliminary draft of the Law on Competition and the initiative for its adoption, attempts will be made to amend parts of the Law in accordance with the recommendations of the European Commission from Opinion on BiH's application for EU membership and the Analytical Report. It should be noted that the Competition Council is charged with powers to initiate amendments to the Law on Competition, while the procedure for drafting and adopting the Law itself is the exclusive responsibility of the Ministry of Foreign Trade and Economic Relations of BiH, the Council of Ministers of BiH and the Parliamentary Assembly of BiH. Namely, the Law on the State Aid System in BiH was adopted after a compromise was reached, precisely, in connection with the decision-making of the State Aid Council of BiH. The State Aid Council of BiH (SAC) adopted a new Rulebook on internal organisation at the 131st meeting held on 21 March 2023, as approved by the Council of Ministers of BiH on the 6th meeting held on 16 March 2023, which created the conditions to strengthen operational capacities of the SAC. The implementation of the IPA II project EU support to legislation on the State aid began on 4 September 2023. According to the Rulebook on the internal organisation of the Competition Council, the Technical Service of the Competition Council in Sarajevo and the Competition Council Offices in Mostar and Banja Luka, which have the status of independent internal units of the Competition Council, operate as part of the Competition Council. In order to fulfil the obligation under Article 71(4) of the Stabilisation and Association Agreement, the Parliamentary Assembly of BiH adopted the Law on the State Aid System in BiH on 3 February 2012. The Law on Amendments to the Law on State Aid System in BiH was adopted at the 8th session of the House of Representatives, held on 15, 19 and 20 May 2020, and at the 8th session of the House of Peoples held on 25 June 2020. The amendments to the Law prioritised the transposition of Articles 107 and 108 of the Treaty on the Functioning of the EU, Council Regulation (EU) 2015/1588 and Council Regulation (EU) 2015/1589.

Pursuant to Article 24 Paragraph (1) of the Law on the State Aid System in BiH, and upon authorisation of the State Aid Council (SAC), the Entity Governments, the RS Government and the FBiH Government, as competent authorities for implementing the Law, adopted the following regulations:

- *Decree on the purpose, criteria and conditions for granting State aid in the RS ,*
- *Decree on the conditions and procedure for granting de minimis State aid ,*
- *Decree on granting State aid to economic operators entrusted with public services of general economic interest*
- *Decree on the method and procedure for notifying State aid in the RS ,*
- *Decree on the methodology for preparation of the annual report and the inventory of State aid granted in the RS*
- *Decree on the method and procedure for notifying State aid in the FBiH ,*
- *Decree on the methodology for preparation of the annual report on State aid granted in the FBiH ,*
- *Decree on the purpose, criteria and conditions for granting State aid in the FBiH ,*
- *Decree on the conditions and procedure for granting de minimis State aid ,*
- *Decree on terms of granting State aid in the form of compensation to economic entities entrusted with the operation of services of general economic interest .*

For the same purpose, the Council of Ministers of BiH adopted the Decision on the procedures and forms for submitting information and monitoring of State aid .

When it comes to the alignment of the State aid legislation with the acquis, the Ministry of Foreign Trade and Economic Relations drafted proposals for two regulations in accordance with the Law on the State Aid System in BiH. In accordance with Article 24 (1) of the Law on the State Aid System in BiH, the SAC approved the proposal for the Decision on the conditions and procedure for granting de minimis State aid at the 104th session held on 28 January 2021, and the proposal for the Decision on the purpose and conditions for granting State aid in the form of compensation to economic entities entrusted with the operation of services of general economic interest, at the 109th session held on 9 June 2021. The procedure for adoption of regulations by the CoM BiH has not been completed yet.

## **PUBLIC PROCUREMENT**

Public procurement in BiH is regulated by a single, country-wide legal framework composed of the BiH Public Procurement Law (PPL) and accompanying 20 bylaws. A PPL was originally adopted in 2004, while in 2014 BiH adopted a new law which was amended in 2022 with the overall aim to ensure the most efficient use of public funds. Although, 2014 PPL was triggered by efforts to align the legal framework with the Acquis, which included reform commitments made by BiH as a potential candidate country for European Union (EU) membership, the law is still not aligned with the acquis.

PPL was amended in 2022 and amendments to the Law started to be enforced at the end of 2022, and certain provisions of these amendments presented challenges when put into practice, such as provisions on unacceptable bids, i.e. should the offer be rejected if it exceeds the estimated value and newly introduced changes in public procurement contracts, that was added through amendments in Parliament.

Although not all by-laws envisioned by the amendments have been developed yet, throughout 2023 and 2024, a series of regulations were introduced. Some of the most significant ones include Regulation on the conditions and methods of using e-Auctions, Regulation on the procedure for awarding service contracts from Annex II of the Law on Public Procurement, Regulation on the implementation of joint procurement, centralized procurement, and the establishment of a central procurement authority, etc. During 2023, a new information system for central procurement authorities was developed.

As for the institutional set-up, it remains solid with clear functions and responsibilities of specific institutions. Main institutions are Public Procurement Agency and Public Procurement Appeal Office while additional, important role in the system is also within internal audit units, courts of justice and Agency for Protection and Coordination of Fight Against Corruption. More effort should be dedicated to full usage of all the involved institutions and coordination amongst them. All of them are presenting lack of capacity for effective and efficient performance of their tasks.

Furthermore, due to evident collusion of bidders identified by various institutions it is necessary to cooperate also with Competitiveness Council of BiH.

In March 2024, the Council of Ministers of Bosnia and Herzegovina adopted the Public Procurement Strategy in Bosnia and Herzegovina for the period 2024 – 2028 and an Action Plan for its implementation, thus fulfilling one of the recommendations outlined in the 2023 European Commission Report on Bosnia and Herzegovina. Although development and adoption were delayed 4 years, development of the Strategy involved various stakeholders, including some proposals from civil society being incorporated.

Based on the key findings from the situational analysis in the Strategy, 43 measures with 72 specific activities were developed.

Activities will be aimed at improving the legal protection system, harmonizing the existing legal framework with acquis, strengthening institutions and professionalization, introducing green, socially and gender-responsible public procurement, further digitalization of the public procurement process, increasing transparency, integrity and quality of the process,

introducing centralized public procurement, and empowering micro, small and medium enterprises for equal participation in the public procurement market in Bosnia and Herzegovina.

The strategy adopted key strategic goals that include:

1. *The system of legal protection is efficient and transparent.*
2. *Legislation in the field of public procurement is transparent and harmonized with the acquis.*
3. *Public procurement is developed through further digitization and the introduction of modern tools.*
4. *Monitoring of the public procurement system is an efficient, analytical, informative, transparent and continuous process with the aim of improving the system.*
5. *The public procurement system ensures a transparent and competitive public procurement market, which is stimulating for small and medium-sized enterprises.*
6. *Strategic public procurement and secondary policies modeled on EU countries are introduced into the public procurement system.*
7. *In all phases and areas, measures are introduced into the public procurement system to strengthen integrity, the fight against corruption and provide a general preventive effect.*
8. *The provision of personnel and material resources and professionalization strengthen the key institutions of the public procurement system, their reputation in the public and the role of public procurement officials.*

## **6 COMMUNICATION**

A comprehensive communication plan will ensure the public awareness of EU funding for the Reform and Growth Facility for the Western Balkans (RGF) in Bosnia and Herzegovina, under the framework of the New Growth Plan for the Western Balkans. The communication and visibility activities will be planned and coordinated with relevant institutional stakeholders, including the EU Delegation and EU Commission and in line with relevant communication frameworks in Bosnia and Herzegovina, at relevant levels of governance, aiming to deliver a unified messaging on policy reforms and on both expected and achieved outcomes.

The Directorate of Economic Planning (DEP), the Ministry of Finance of BiH, the Republika Srpska Ministry of Finance and the Institute for Development Programming of the Federation of Bosnia and Herzegovina and Department of European Integration and International Cooperation of Brcko District alongside with other respective institutions and bodies at respective levels of governance, could be seen as possible channels/stakeholders for the implementation of communication efforts related to RGF, which will be integrated with the broader communication strategy for EU funding. This integration aligns with the overarching coordination guidance of the European Commission, aiming to create synergies that bolster key messages related to EU integration and EU support for Bosnia and Herzegovina and adherence to EU communication regulations, which includes displaying the EU emblem and a funding statement, "funded by the European Union" or "co-funded by the European Union", in relevant promotional materials and initiatives, when financed or co-financed by the EU.

The communication plan will target several key objectives:

1. To convey how EU-supported reforms will help Bosnia and Herzegovina advance towards EU integration, encouraging its socio-economic growth and progress in fundamentals;
2. To showcase the benefits of these reforms and investments for citizens and businesses in Bosnia and Herzegovina;
3. To clarify the purpose and operation of the RGF;
4. To ensure visibility of EU financial contributions;
5. To contribute to strategic communication around EU support for Bosnia and Herzegovina, promoting EU values, the benefits of accession process, and that EU membership will drive growth and investment in Bosnia and Herzegovina.

Specific communication and visibility goals will be tailored for each policy area, with institutions implementing targeted communication plans consistent with the overall communication strategy. The main narratives and messaging will form the basis for all campaign activities

The target audiences will include the institutional stakeholders, economic and social partners, civil society organizations, the general public, and media representatives. Additional audiences, such as experts and specialized media, will be engaged to enhance the communication reach for each policy area.

Communication will be made accessible, respecting the requirements of UN CRPD Article 9 and EU Directive 2019/882, ensuring inclusivity across all groups, including marginalized communities.

Multiple communication channels will be used, encompassing audiovisual media, social networks, print media, promotional materials, and participation in local events. Specific annual plans per policy area will precisely define activities, such as press releases, key articles, media events, and audience-focused engagements. Messages will be tailored for each target audience, with customized media kits and materials.

This communication plan will be shared with the European Commission, and joint initiatives will be organized with the EU Delegation to maximize impact. The communication strategy will remain a dynamic document, updated annually to reflect the current progress, and evaluated against benchmarks to ensure its effectiveness.

The communication strategy is a live document, which will be updated and refined annually by detailed plans, following the state of play of the achievement of milestones and targets across all activities. The annual communication plans will be monitored based on benchmarks, specified in the communication plan.

The Secretariat shall be responsible for monitoring the implementation of the national communication plan, consolidating the monitoring reports on the annual communication plans and for the on-going evaluation of the achievement of benchmarks and key communication performance indicator targets.

**7 ANNEXES**

**ANNEX 1 – STEPS AND PAYMENT CONDITIONS BY POLICY AREA**

**ANNEX 2 – COMMENTS RECEIVED DURING THE CONSULTATION PROCESS**

**ANNEX 3 – MONITORING DATABASE'**