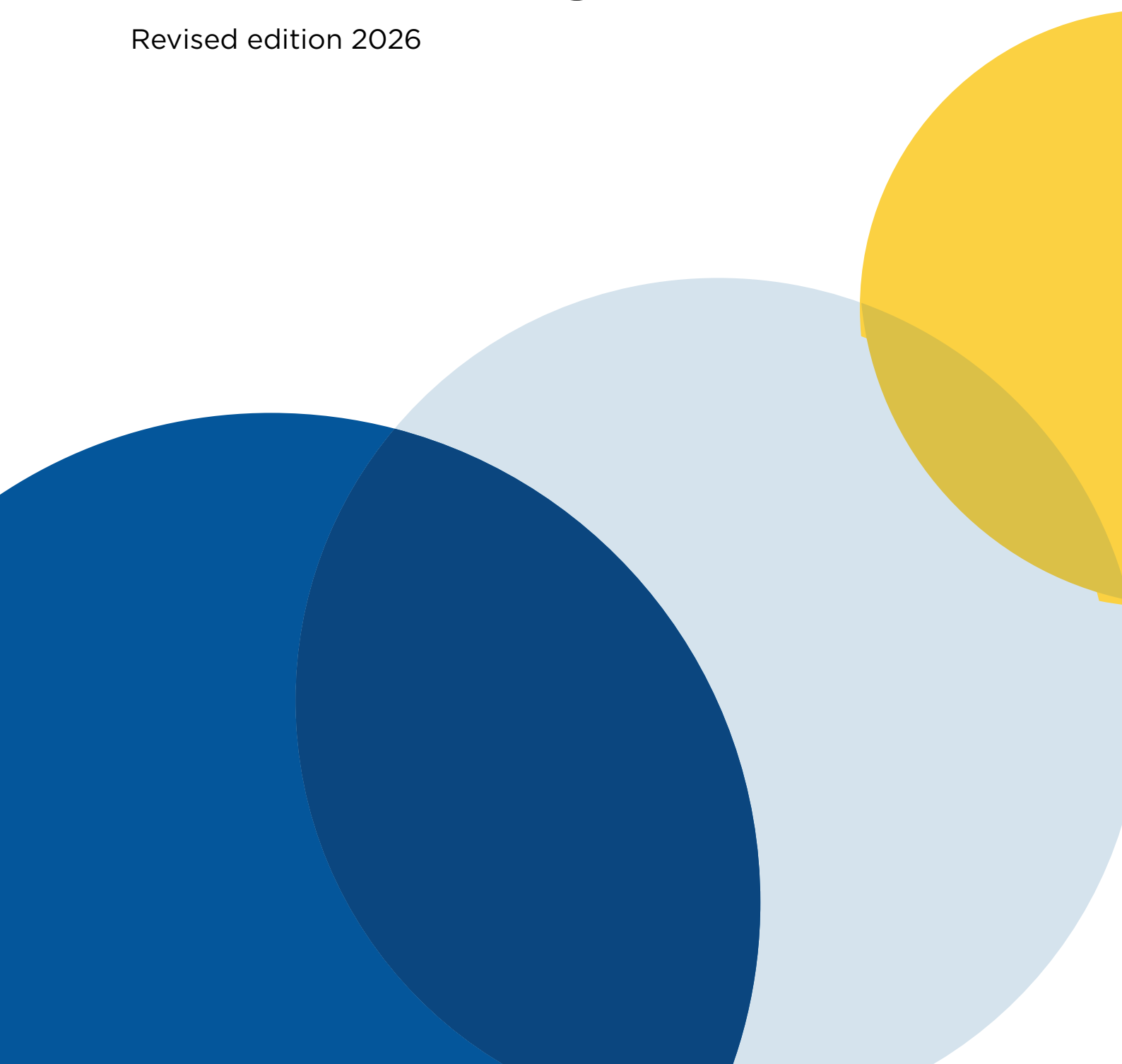


The impact of EU accession on local authorities in Bosnia and Herzegovina

Revised edition 2026



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Switzerland.



This publication has been published within the project "Strengthening Associations of Municipalities and Cities in Bosnia and Herzegovina", supported by the Government of Switzerland and implemented by the SALAR/SKL International, the Association of Municipalities and Cities of Republika Srpska (SOGRS) and the Association of Municipalities and Cities of the Federation of Bosnia and Herzegovina (SOGFBiH) in BiH. The content of this publication does not necessarily reflect the views of the Government of Switzerland.

Acknowledgements

This report has been prepared for the project 'Strengthening Associations of Municipalities and Cities in Bosnia and Herzegovina' funded by the Swedish International Development Cooperation Agency and the Swiss Agency for Development and Cooperation and implemented by SALAR International (part of the Swedish Association of Local Authorities and Regions). Lead authors for each chapter are:

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The authors would like to thank the following people:

- representatives of the municipalities and cities mentioned in Table 1 in the Introduction who gave generously of their time for interviews
- Borisa Mraović and Nedo Mahić, who conducted additional field visits, and Denisa Sarajlić, Technical Team Leader for SALAR International, who coordinated the process and provided valuable advice throughout the preparation of this report
- the staff and management of the Association of Municipalities and Cities of the Federation of Bosnia and Herzegovina and the Association of Municipalities and Cities of Republika Srpska for their continued support, cooperation and contribution throughout the preparation of this report, with particular thanks to Halko Basarić and Branislav Mišović, as well as Šejla Hasić and Predrag Pajić, for their engagement, advice and assistance in implementing the activities
- Tonka Krešić (Advisor to the Chairwoman of the Council of Ministers), Ermina Salkićević-Dizdarević (MP, Parliamentary Assembly of BiH), Ajla Ablaković and Selma Mešić (DEI), Kristel Illaste and Edbera Biković (Programme Managers, EU Delegation to BiH), Senad Oprašić (Assistant Minister) and Nada Mlinar (Ministry of Foreign Trade and Economic Relations of BiH), Nasiha Pozder (Minister of Environment FBiH) and Sabina Šahman-Salihbegović (Secretary, Ministry of Environment FBiH), Jakub Butković (Director, Office for Harmonization and Coordination of Payment Systems in Agriculture, Food and Rural Development of BiH), Emir Đikić (Director, consultED) and Simona Bošković (Secretary of the Committee for International Cooperation and European Integration, Union of Municipalities of Montenegro) for background interviews and further information
- Muhamed Durmić for highly professional translation of the text into local language
- representatives of the Public Procurement Agency of BiH, the Agency for Gender Equality of BiH and the FBiH Ministry of Environment and Tourism for helpful comments on an earlier draft.

List of abbreviations

AMC	Association of Municipalities and Cities
BAM	Bosnia and Herzegovina Convertible Mark
BD	Brčko District
BIH	Bosnia and Herzegovina
CA	Contracting Authority
CAP	Common Agricultural Policy
CEMR	Council of European Municipalities and Regions
CLIP	Country Level Implementation Plan
CLLD	Community-Led Local Development
CLRAE	Congress of Local and Regional Authorities of the Council of Europe
CSO	Civil Society Organisation
DEI	Directorate for European Integration
EAFRD	European Agricultural Fund for Rural Development
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIGE	European Institute for Gender Equality
EPR	Extended producer responsibility
ERDF	European Regional Development Fund
ESF	European Social Fund
ESI	European Structural and Investment (Funds)
FAO	Food and Agriculture Organization (UN)
FBiH	Federation of Bosnia and Herzegovina
FRMP	Flood Risk Management Plan
FUA	Functional Urban Area
GAP	Gender Action Plan
GBER	General Block Exemption Regulation
GDP	Gross Domestic Product
GHG	Greenhouse gas
GIS	Geographic Information System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HR	Human resources
IFI	International financial institution
ILO	International Labour Organization
IPA	Instrument for Pre-accession Assistance
IPARD	Instrument for Pre-accession Assistance for Rural Development
JIM	Joint Inclusion Memorandum
LAG	Local Action Group
LEADER	Links between the rural economy and development actions (in French)
LGA	Local Government Association
LGAP	Local Gender Action Plan

LGBTI	Lesbian, Gay, Bisexual, Transgender and Intersex
LSG	Local Self-Government (Unit)
MEAT	Most economically advantageous tender
MFF	Multiannual Financial Framework
MiPRO	Methodology for Integrated Local Development Planning
NA	Not applicable
NALAS	Network of Associations of Local Authorities of South-East Europe
NECP	National Energy and Climate Plan
NEET	Not in employment, education or training
NGO	Non-Governmental Organisation
NUTS	Nomenclature of Territorial Units for Statistics (in French)
OECD	Organisation for Economic Cooperation and Development
OG	Official Gazette
PFAS	Per- and polyfluoroalkyl substances
PM	Particulate matter
PP Portal	Public Procurement Portal
PPA	Public Procurement Agency
PPL	Law on Public Procurement
PPP	Public-Private Partnership
PRB	Procurement Review Body
PUC	Public Utility Company
RBMP	River Basin Management Plan
RS	Republika Srpska
SALAR	Swedish Association of Local Authorities and Regions
SEA	Strategic Environmental Assessment
SECAP	Sustainable Energy and Climate Action Plan
SGEI	Services of general economic interest
SIGMA	Support for Improvement in Governance and Management Programme
SME	Small and Medium-sized Enterprises
SPRD	Strategic Plan for Rural Development
TED	Tenders Electronic Daily
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
VAT	Value-added Tax
WBIF	Western Balkans Investment Framework
WHO	World Health Organization

1. Introduction

This report is a revised and updated version of an analysis first prepared in 2018 and presented at a conference in Sarajevo in March 2019 on the ‘Impact of the EU Accession Process on Local Self-Government Units in Bosnia and Herzegovina’. The report and conference were arranged by the two Associations of Municipalities and Cities (AMCs) with the support of the ‘Strengthening Associations of Municipalities and Cities in Bosnia and Herzegovina’ project, funded by the Swedish International Development Cooperation Agency and the Swiss Agency for Development and Cooperation.

The methodology remains the same. In cooperation with the AMCs, five areas of the EU acquis (the accumulated body of law and obligations that a new member state must take on) known to raise issues for local authorities were selected: public procurement, employment and social policy, regional policy and EU funds, rural development, and environment and communal services. A sixth thematic area – gender equality – has been added for this update. These are by no means the only relevant areas (see below), but they illustrate the different kinds of challenges and opportunities that accession will bring.

Each thematic chapter outlines the EU acquis of relevance for local authorities (focusing on key aspects rather than attempting to give an exhaustive account), then considers alignment of legislation in BiH and implementation at the local level. The local analysis is based partly on field visits to selected local self-governments (LSGs), both municipalities and cities with a balance of geographic and demographic conditions. Local experts in each area (see Acknowledgements) interviewed several LSGs, supplemented by broad-based interviews with a further 12 (see Table 1.1 below). With some overlap (since some LSGs were of interest for more than one thematic area), 30 (out of a total of 144) were visited altogether, and while this is not intended to be a fully representative sample, the exercise yields many practical examples of the issues that local administrations face – or, in some cases, are not yet aware that they will have to face.

Table 1.1: Interviewed LSGs

Public procurement*	Čelinac, Jezero, Livno, Prijedor, Tešanj
Employment and social policy	Čapljina, Trebinje and Ljubuški
Regional policy and EU funds	Gradiška, Dobo, Laktaši and Jajce
Rural development	Bosanska Krupa, Foča, Travnik and Trebinje
Environment and communal services	Istočna Ilidža, Istočno Novo Sarajevo, Istočni Stari Grad, Pale and Trnovo RS (City of East Sarajevo), Breza and Tešanj
Gender equality	Dobo, Gradiška, Istočna Ilidža, Lukavac, Sokolac and Tešanj (focus group discussion with members of AMCs’ Gender Equality Working Group); and Čapljina, Istočna Ilidža, Jajce, Maglaj, Novi Grad, Oštra Luka, Sokolac, Tomislavgrad, Trnovo RS and Zavidovići (interviews focused on gender as part of additional field visits)
Additional field visits	Čapljina, Istočna Ilidža, Jajce, Ključ, Maglaj, Novi Grad, Oštra Luka, Sokolac, Tomislavgrad, Trnovo RS, Zavidovići and Zenica

* This chapter also benefited from an earlier survey of LSGs on public procurement. Updated results on procurement are presented for a further 16 LSGs.

Part of the impact of accession may be said to have already occurred, since in most areas BiH legislation is at least partly aligned, and LSGs already face obligations and opportunities that would likely not apply if EU membership were not on the agenda. But in all the areas considered there are clear **implementation gaps**.

The remaining impact of accession might then be inferred from what it will take to close these gaps. However, this is hardly set in stone. How favourable the impact turns out to be for LSGs will depend critically on two factors: the national and entity laws and institutions that are put in place to implement the EU acquis; and local-level preparations and capacity building. Each chapter therefore considers what could be done to improve matters in these respects. The final sub-section in each thematic chapter highlights recommendations for AMCs and LSGs.

It is also worth underlining that impact does not mean how much easier or more difficult life will become for local officials. In many respects EU accession will be demanding in terms of both human and financial resources. Rather, the key metric is how accession affects LSGs' capacity to meet the needs of their citizens. This is not always easy to measure in objective terms, but quantitative and qualitative indicators are provided where possible.

One advantage that BiH has in the accession process is that a near neighbour has recently been through it. The final chapter looks at Croatia's experience. Some aspects – such as training on public procurement organised by the Association of Cities, or the establishment of a fund to help with co-financing and preparation of EU-funded projects – were positive. But on the whole, local authorities were not sufficiently prepared or involved in the process, especially early on. This had to change, partly in response to problems that arose, partly at the EU's insistence. Shortly after accession, EU funds accounted for around four-fifths of local public investments. With the benefit of hindsight, it would have been better – in the interests of the country as a whole – to have involved municipalities much sooner. The chapter on Croatia has not been revised, but several of the thematic chapters also consider aspects of Croatia's (among other countries') experience.

The EU and local government – a missing link?

The European Union is above all a union of member states. The Treaty on European Union (TEU, Article 4) states that the EU shall respect its members' 'national identities, inherent in their fundamental structures, political and constitutional, inclusive of regional and local self-government.'

While local and regional authorities have an important voice in the Committee of the Regions, it is the EU Commission and national representatives in the Parliament and Council that wield the decision-making power. During the accession process the Commission formally represents EU member states and addresses the candidate country at state level. Historically, local authorities have had little influence over the process.

Yet EU accession has a **profound impact on LSGs in their roles as employers, service providers, regulators, investors, purchasers of goods and services, enforcers of standards, and more**. Several studies have found that half or more of the items on the typical municipal council agenda are influenced in one way or another by the EU.¹ In some fields, such as waste and water treatment, energy efficiency of buildings or local economic development, local authorities bear the main responsibility for implementing the EU acquis.

As the level of public authority that is closest to citizens, and in many cases enjoys higher levels of trust than national governments, LSGs also have an important role to play in dialogue with citizens on what EU accession means (both obligations and opportunities), especially at a time of pervasive efforts to spread disinformation.

In previous accessions, the impact at the local level has often been underestimated, and lack of preparation, or failure by higher-level authorities to take local needs and interests into account, has proved to be a costly mistake. To give a few real-world examples:²

¹ See for example SKL International, [Local Government in the Nordic and Baltic Countries: An Overview](#), revised version, 2020, for details of studies in Denmark, Finland, Norway and Sweden.

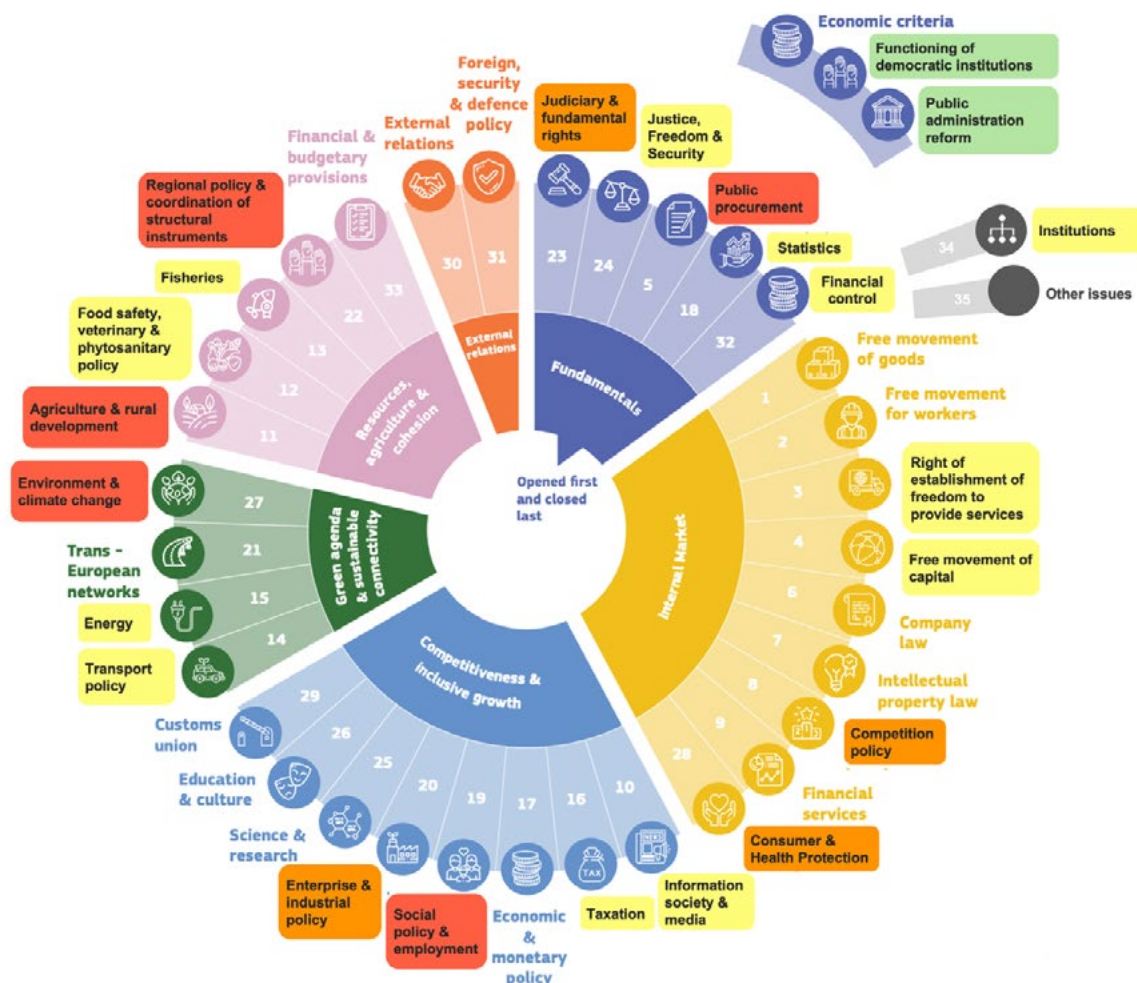
² These examples are from Sweden, Croatia and Romania respectively, although similar ones could be found for most acceding countries.

- A government report says that EU public procurement rules are 'unlikely to make very much difference to municipal self-government'. But when the new EU-inspired rules enter into force (with stricter procedures for lower-value contracts than the EU requires) the number of appeals going to court rockets from around 20 per year to some 3 000.
- Five per cent of EU rural development funding is reserved for Local Action Groups (LAGs) of public, private and civil society stakeholders to implement local development priorities. But not enough LAGs are operational before accession, forcing the national authorities to spend negotiating capital on cutting the reserved amount by half.
- National negotiators secure a transition period of over 10 years to close non-compliant municipal landfills. When the deadline is missed (by several years, and after failure to make full use of available EU funds), the member state is fined EUR 1.5 million plus EUR 600 per day by the EU Court for each of 31 unauthorised municipal landfills still in operation.

It should be underlined that none of these problems are due to EU accession in itself; with better preparation, all could have been avoided.

More recently, there has been greater awareness in candidate countries of the stakes for local authorities. Figure 1.1 below shows the chapters and areas of the EU acquis, with those generally seen as relevant to LSGs highlighted, based mainly on whether local government associations (LGAs) in the current candidate countries have conducted impact assessments and/or been involved in working groups or similar underlying the accession negotiations. Arguably, additional chapters could be shaded, but the figure suggests that well over half of the acquis raises concrete issues for LSGs.

Figure 1.1: Chapters and areas of the EU acquis – relevance for local authorities



Source: Based on survey responses from LGAs from 7 out of 9 candidate countries for the Platforma 'EU-EaP Local Leaders Seminar: Strengthening Local Government Capacities for EU Engagement in the EaP Region', Brussels, November 2024. For chapters shaded in yellow (orange, red), at least one (two, three) LGAs have conducted an impact assessment or taken part in working groups underlying the accession negotiations. 'Public administration reform' and 'Functioning of democratic institutions' are also highlighted (in green) as significant for local authorities in the authors' opinion.

It will be clear from the figure that the selected thematic areas for the present assessment are not the only relevant ones.³ Moreover, accession will have broader implications for local responsibilities in areas not confined to any one chapter of the acquis. Box 1.1 below gives some examples. Therefore, the present report, although updated, is still only a starting point for AMCs and LSGs in BiH in evaluating how EU accession will affect them.

³ See also Polaris, [Local Europe in Ukraine: Overview of the impact of EU integration on local authorities](#), 2026, Table 1, for a summary of some of the key implications for local authorities of the areas shaded in the figure.

Box 1.1: Broader impact of EU accession on key areas of local responsibility

Figure 1.1 above is structured by chapters and areas of the EU acquis. This is natural, since the accession negotiations follow the same structure, but it fails to capture the full extent of how accession will affect LSGs.

One example is **digitalisation**. There is no EU law requiring digitalisation of local public services, although several acts may have direct implications for data held by LSGs (e.g. the Open Data Directive requires public authorities to make data reusable and machine-readable while the INSPIRE directive requires interoperability and accessibility of digital spatial data).

But digitalisation is also assessed as part of Public Administration Reform, monitored through the SIGMA^{*} Principles of Public Administration. These apply to local and regional as well as national authorities and include:

- Principle 19: users at the centre of service design and delivery
- Principle 20: streamlined, high-quality service delivery
- Principle 21: services easily accessible online and offline, accounting for different needs
- Principle 22: digitalisation enabling data-driven, efficient, whole-of-government services.

Another example is **spatial planning**, a core area of local and/or regional responsibility in all member states. Again, there is no EU law on planning systems (the Treaty on the Functioning of the EU requires unanimity on 'town and country planning' precisely because this is a sensitive area of local and/or regional responsibility where some member states wanted to retain veto power).

Nevertheless, the work of spatial planners is affected by numerous acts in the acquis chapters on environment (as noted in chapter 6), energy, transport, information society and more. For example, local plans must provide for mobile phone masts, renewable energy facilities, protected nature areas, urban greenery, and much more, and they must be subject to a strategic environmental assessment with meaningful public consultation. There are also obvious advantages to coordinating strategic planning for the use of EU funds with spatial planning, not least since development consent is a key requirement for advancing projects in the pipeline.

Finally, LSGs have broad responsibility for **local economic development**, which may be influenced by EU approximation and funding opportunities in several areas. Chapters 3 and 4 touch on this: access to EU regional policy funding has obvious implications, while local initiatives on (e.g.) childcare or youth employment guarantees as part of EU employment policy coordination could improve labour market performance. Chapter 5 makes clear that local development strategies involving public, private and civil society stakeholders in rural areas are a key precondition for taking full advantage of EU rural development funding.

But there are many other aspects that a coherent local development strategy would need to consider. To give a few examples: the shift away from fossil fuels as part of EU climate goals; scope for public support to local small and medium-sized enterprises; the impact of free movement of goods and services on trade patterns and the location of economic activity; visa-free travel and tourism; improved transport links and sustainable urban mobility plans. This serves to underline one key message of the present report: that the **impact of EU accession on local authorities is not only about funding**.

^{*} SIGMA is the Support for Improvement in Governance and Management Programme, a joint initiative of the OECD and the EU.

What has changed since 2019?

Since the previous analysis, the outlook for EU integration in the Western Balkans has brightened, with a real prospect that two countries in the region (Montenegro and Albania) could join the EU in the next few years. Bosnia and Herzegovina (BiH) has advanced too, receiving candidate status in December 2022 and a green light for opening accession negotiations in March 2024. There is still a list of steps to be taken before negotiations proper can begin, and while some of these have been ticked off, at the time of writing (summer 2026) progress on others remains stalled in discussions at the level of entities and cantons.⁴

The EU acquis has also moved on, with significant developments in all of the thematic chapters covered here. This shows the need for the AMCs to be forward-looking, so the revisions here cover ongoing legislative reviews and new proposals wherever possible.

There is greater awareness than there was seven years ago of the relevance of EU accession for local governments and vice versa. For example, together with the Directorate for European Integration (DEI), the AMCs hosted a conference in September 2025 at which the EU Ambassador to BiH underlined the ‘crucial role’ of municipalities in the process, in line with the principle of subsidiarity, and participants from all levels of government noted the key role of LSGs in implementing EU standards under many chapters of the acquis.

There is also more experience to draw on from the other candidate countries. The Standing Conference of Towns and Municipalities in Serbia has produced numerous assessments of how alignment with various chapters of the acquis will affect LSGs.⁵ Local representatives in Montenegro have taken several initiatives to improve preparations at local level (see Box 1.2).

Box 1.2: Local preparations for EU accession in Montenegro

The EU Council’s ‘Ad Hoc Working Party on Drafting the Accession Treaty with Montenegro’ held its inaugural meeting in May 2026. The timetable is still uncertain and depends on decisions at both Montenegrin and EU level, but a possible scenario is that negotiations close and the Treaty is signed in late 2026 or early 2027. It must then be ratified by Montenegro and all 27 EU member states (which means parliamentary approval and perhaps in some cases referendums), so that accession could occur from the first half of 2028.

Several aspects of Montenegro’s preparations at the local level are worth noting:

- The Union of Municipalities of Montenegro (UoM) was able to advocate for a **revolving fund for pre-financing** of EU and other donor-funded projects. [Established in 2019](#) through an amendment to the Law on Local Self-Government Financing, this operates on a simple model: once an LSG has a signed project, it can borrow from the fund to cover project costs pending final reimbursement from the donor. This addresses, with minimal administrative burden, the cashflow issue that sometimes prevents smaller municipalities from applying for projects.
- UoM also established [networks](#) of municipal project managers and of external experts for writing EU and other projects. Part of the thinking here was that rather than designating EU officers to follow both funding opportunities and technical aspects of the acquis, it was better to focus on funding opportunities, and then expect members of networks on environment, urban mobility, spatial planning, etc. to follow technical aspects in their domains.
- Municipal representatives have taken part in **working groups underlying the accession negotiations** on 11 acquis chapters, by far the highest number among the candidate countries. UoM staff took part on chapters 5, 16, 22, 23 and 28, and municipal representatives

⁴ See the EU Commission’s November 2025 ‘[enlargement package](#)’ [report on BiH](#), pp. 19–21, for the latest official assessment.

⁵ Most of these are available (in Serbian) from <https://www.skgo.org/biblioteka/publikacije-analize-i-prog-dokumenta/pristupanje-EU?thematic=29>.

tatives (including members of the above-mentioned technical networks) on chapters 8, 11, 13, 19, 20 and 27.

Participation in the negotiation working groups has enabled UoM and municipal representatives to identify, at an early stage, how alignment with the EU acquis may affect local authorities and to ensure that their practical situation is taken into account in the preparation of new legislation and strategic documents. Through the working groups, UoM has been able to comment on proposed legal solutions, draw attention to the financial and administrative consequences for municipalities, and advocate for clearer division of responsibilities between the central and local levels. Even where comments did not immediately result in amendments, participation created an important channel through which implementation problems and local capacity limitations could be raised before legislation was adopted. It also helped UoM inform municipalities about forthcoming obligations and prepare its technical networks to support implementation.

Montenegro's experience suggests that AMCs in BiH should consider establishing or further strengthening thematic networks of municipal professionals, rather than relying only on a small number of general EU coordinators. EU integration affects almost every municipal department, including finance, procurement, environment, spatial planning, transport, social services and local economic development. It is therefore useful to combine a network of municipal EU/project officers with sectoral networks that can follow the relevant parts of the acquis.

Regarding EU-funded projects, AMCs can provide the greatest support by regularly sharing targeted information on calls, helping municipalities develop project pipelines before calls are published, providing practical training and mentoring, and facilitating partnerships between municipalities. Smaller municipalities may particularly benefit from a shared database or network of external experts, standard application and procurement documents, and mechanisms for exchanging successful project examples. A pre-financing or revolving fund is also very important so that cashflow does not become an obstacle to developing good project ideas.

According to UoM, there is still a risk of under-preparation at the local level in Montenegro. While some municipalities have developed experienced teams for EU projects and sectoral policies, capacity remains uneven. Smaller municipalities often depend on one or two employees with several different responsibilities, while staff turnover can quickly lead to a loss of institutional knowledge. In some cases, municipalities receive information about new obligations only after legislation or strategic documents have reached an advanced stage. With the benefit of hindsight, local financial, staffing and infrastructure implications should have been assessed earlier and more systematically for each relevant negotiation chapter.

In UoM's view, municipalities in Montenegro do not yet have fully sufficient human and financial capacity to meet all requirements that will come from EU accession. Capacity differs considerably between municipalities and policy areas. The main challenges include a limited number of specialised staff, difficulties in retaining trained employees, insufficient funds for major environmental and infrastructure investments, and the need to improve project preparation, procurement, contract management and reporting.

An additional challenge is the legally regulated salary calculation system, which limits the ability of municipalities to offer competitive salaries for certain specialised positions. Salaries available in the private sector are often considerably higher, making it difficult for municipalities to recruit and retain qualified professionals. This is particularly evident in areas such as EU project preparation and management, information technology, architecture and other technical professions. One of the key challenges will therefore be to develop mechanisms to attract, motivate and retain high-quality specialists within local administrations.

EU accession will bring important opportunities, but also considerably higher standards and implementation costs. Continued national support, predictable financing, practical training, more effective human resources policies and direct involvement of municipalities in the planning of reforms will therefore be essential.

An example of an important and complex issue where the association can play a beneficial role is public procurement and state aid rules in relations between municipalities and local public utility companies (see also chapter 6). UoM has addressed these topics through consultations, training activities, professional networks and communication with the relevant national institutions. Municipalities need clear guidance on issues such as the award of contracts to municipally owned companies, in-house arrangements, the entrustment and compensation of public service obligations, subsidies and other forms of financial support. These questions are especially important in sectors such as waste management, water supply, public transport and other services of general interest. Further practical guidance, based on concrete municipal cases, will be needed as Montenegro moves closer to membership.

More generally, one of the main lessons from Montenegro is that local authorities should not be treated only as final implementers of obligations agreed at the national level. They should be involved early in negotiations, legislative planning, preparation of action plans and assessment of financial consequences. Municipal associations have an important role in translating complex EU requirements into practical information for their members, collecting evidence from municipalities and representing their interests in dialogue with central government.

The final phase of negotiations should therefore be used not only to formally complete legal alignment, but also to verify whether local authorities have the staff, funding, technical guidance and institutional arrangements required for implementation from the first day of membership.

Is there greater awareness in municipalities and cities in BiH? Here, the assessment is mixed. There is general recognition that fulfilling EU obligations, e.g. in environment, can bring opportunities for capacity-building, project funding and institutional development. There is clear progress on public procurement, with increased capacity to implement EU-inspired requirements (see below). LSGs appear more aware of local economic development opportunities through EU funding and projects. A few have been highly successful in building up a portfolio of projects with themes ranging from energy efficiency to youth activation. These examples show that LSGs can be proactive even within a fragmented institutional system.

However, the same uneven pattern appears throughout the thematic chapters: while there are a few good examples, most LSGs are not aware of EU requirements and their implications for local authorities. Most do not have a designated officer for EU matters and are not sufficiently informed about or involved in the accession process. Yet field interviews confirm that LSGs do not want solutions imposed from above; they would very much like to be part of the dialogue and planning process, especially where new standards will affect local budgets, services and economic development.

The fundamental challenge – that local authorities are not systematically involved in the design of EU-related reforms, even though they are expected to implement or co-finance many practical measures – remains largely unresolved. Again, there is some progress, such as the active participation of the AMCs in consultations on procurement legislation. But the role of LSGs is often informal, project-based and dependent on local initiative rather than embedded in a coherent system. This limits the scalability of good practices and creates unequal outcomes across LSGs.

In addition, the AMCs still struggle to be seen as more than just stakeholders in the accession process. The 2019 report underlined the non-inclusion of local representatives in the Coordination Mechanism through which BiH responded to the EU's questionnaire on *acquis* alignment. In fairness, the AMCs were able to submit potential issues and questions to the DEI in November 2024 as part of preparations for the explanatory screening (where the EU explains the contents of the EU *acquis*). But they have not been involved, even with observer status, in discussions at this level.⁶

⁶ Pending establishment of the negotiating structure in BiH, one idea worth exploring would be (also drawing on Montenegro's experience – see the box above) for the AMCs to form technical committees (e.g. on environment and climate change, energy, regional development, etc.) and use these to monitor the work of the subcommittees under the EU-BiH Stabilisation and Association Committee (e.g. the Subcommittee on Transport, Energy, Environment and Regional Development), holding regular meetings with the subcommittee and following its six-monthly reporting to the EU.

The point to underline in this updated edition is the non-involvement of local representatives in designing BiH's [Reform Agenda](#). This was adopted (after some delay in reaching agreement among entities and cantons) in September 2025. In essence, it is a list of priority reforms and investments agreed between the EU and BiH. Part of BiH's funding under the EU's Growth Plan for the Western Balkans is disbursed as budget support to the state treasury in return for progress with reforms. Several of the thematic chapters stress the Reform Agenda also because it is widely seen as a model for pre-accession assistance under the EU's next long-term budget, from 2028 to 2034.

Non-inclusion of the local level is problematic for several reasons. First, important measures needed to improve implementation of the EU acquis (e.g. improvements to the spatial planning system) may be missing. Secondly, where reforms of relevance to LSGs (e.g. digitalisation of public services, a one-stop shop for renewable energy permitting, or increased pre-school enrolment) are included, their design does not benefit from local input. Thirdly, LSGs may be called on to help implement reforms without a clear picture of how this will be financed; they are effectively reliant on the goodwill of higher-level authorities to distribute part of the budget support received from the EU. There is a risk, in other words, of creating **unfunded mandates**.

Limited inclusion of local authorities in the Reform Agenda has been an issue in all Western Balkan countries and Moldova. Efforts are under way to strengthen local involvement in implementation and monitoring.⁷ But **greater involvement in the design** of measures stands out as a key advocacy issue for AMCs when the time comes to prepare the next reform agenda for post-2027. One idea would be for certain tasks (e.g. adaptation to climate change, protection from floods and droughts, and generally strengthening resilience) to be directed to local levels of government, with a part of the funding to follow.

Bosnia and Herzegovina's path towards EU accession

In BiH, it is often said that EU integration poses special challenges because of the unique constitutional structure of two entities along with Brčko District and, in the Federation entity, ten cantons. Indeed, the thematic chapters in this report refer to fragmentation as an institutional obstacle to effective implementation of the acquis and one of the main reasons why the country has been less successful than others in the region in making good use of EU pre-accession assistance funds.

Faced with this complexity, it would perhaps be understandable if the EU tended to regard LSGs as a level of government too far. But on the contrary, the assessment here suggests that the local level could hold the key to overcoming many of the coordination problems that have held the EU integration process back so far.

First, LSGs can help to **ensure effective and uniform implementation of the EU acquis** throughout the country. The territorial division is efficient by EU standards, with reasonably large and capable local units (average population 24 417, compared with 5 214 for the EU-27).⁸ The two Associations of Municipalities and Cities (AMCs) have a cooperative relationship, focusing on practical concerns of local democracy. Both have clearly addressed EU integration in their latest strategic plans.⁹

Secondly, there is no escaping the fact that LSGs are **essential providers of public and social services**. Their powers and responsibilities may need further clarification (see Box) and local finances need strengthening to enable them to fulfil their mandate. But the principle of subsidiarity – government closest to the people unless there are compelling efficiency reasons otherwise – dictates that key EU-related areas such as waste management, water treatment, local economic development or spatial and urban planning – should be handled primarily at the local level.

⁷ For example, through the joint European Commission and Council of Europe initiative LORAI – Local Observatory on Reform Agendas Implementation, implemented by the Congress of Local and Regional Authorities of the Council of Europe in partnership with the Network of Associations of Local Authorities of South-East Europe (NALAS), the Council of European Municipalities and Regions (CEMR), and LGAs in each beneficiary country.

⁸ NALAS, [Fiscal Decentralisation Indicators for South-East Europe: Tenth Edition](#), May 2025.

⁹ [Development Strategy for the Association of Municipalities and Cities of the Federation of Bosnia and Herzegovina 2022 – 2027](#) and [Strategic Plan of the Association of Municipalities and Cities of Republika Srpska for the Period 2022–2028](#) [local language].

Box 1.3: Local government functions in BiH

According to CEMR's 2016 overview of local and regional competences in Europe, municipalities and cities in BiH have the following competences:

- Economic development
- Spatial and urban planning
- Social care
- Civil protection and defence
- Environment
- Heating
- Local roads
- Sewage and solid waste disposal
- Water
- Culture and tourism
- Housing
- Pre-school
- Sports
- School building maintenance
- School bus transportation
- Ambulance services
- Health care supplies.

Unfortunately, the reality is more complex than this list suggests.

The BiH Constitution does not mention local self-government, with the notable exception of Amendment I on Brčko District. Municipalities and cities (which may be urban municipalities or a group thereof) thus depend on the constitutions and local self-government laws of the two entities, the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS).

The situation in RS is relatively straightforward. Municipalities and cities are the only sub-entity level of government, and the Constitution and the Law on Local Self-Government set out their exclusive competences in some detail. The main issue, as highlighted for example in monitoring reports from the Council of Europe's Congress of Local and Regional Authorities (CLRAE), is whether municipalities have sufficient autonomy in practice.

The situation in FBiH is more complex due to the intermediate level of cantons, which also provide some sub-entity services and have a role in determining municipal powers. Although the Law on the Principles of Local Self-Government includes a long list of municipal competences, some of these are also given in the Constitution as cantonal, or shared between cantons and the entity government. In practice, LSGs are able to do only part of what they are supposed to according to the law.

Thus, in both entities the competences assigned to LSGs are often far from being full or exclusive, which the CLRAE has identified as a 'serious breach' of the European Charter on Local Self-Government. Nor do local authorities have adequate financial resources of their own and of which they may dispose freely – a further breach of the Charter.

Local government revenues as a share of GDP amount to 4.1 per cent in FBiH and 5.4 per cent in RS, compared with an EU average of 10.8 per cent. The share has declined in recent years, partly because some of LSGs' share of VAT and other tax revenues has been used to repay debts incurred by higher levels. This is a worrying trend from the perspective of EU integration. A common finding in all of the chapters that follow is that effective preparation will require capacity building and adequate resources, both human and financial.

Sources: CEMR, *Local and Regional Government in Europe – Structures and Competences*, 2016). Congress of Local and Regional Authorities, *Local and regional democracy in Bosnia and Herzegovina*, 2012. Figures on local government revenues are for 2023 and from NALAS, [Fiscal Decentralisation Indicators for South-East Europe: Tenth Edition](#), May 2025.

Thirdly, this report shows that municipalities and cities, despite the constitutional and financial obstacles, **are making a valuable contribution towards the country's efforts to prepare for accession**. Among the highlights from this updated edition:

- The AMCs have contributed actively to consultations on the new (EU-inspired) Public Procurement Law, submitting mutually agreed proposals. LSGs now employ 14 certified public procurement trainers, and of 1 700 certified procurement officers in BiH, around 500 work in local administrations and other local public institutions.
- A small number of LSGs such as Zenica or Gradiška have extensive portfolios of EU-funded projects, ranging from local employment partnerships to resilience against urban heat islands. While this is largely dependent on individual initiative, and many other LSGs still lack capacity, it shows the potential for the local level to strengthen BiH's overall absorption capacity.
- Likewise, on gender equality, there are examples of LSGs that take part in the AMCs' joint Gender Equality Network and have made strides towards implementing EU and international best practice, for example on gender mainstreaming. However, there are others who are not yet aware that implementing EU standards will require action on gender equality at both local and higher levels, and that this will also be an advantage for those hoping to access EU funding.
- In employment and social policy, childcare and preschool services stand out as an area where proactive LSGs can contribute to EU alignment in several respects, including support for women's labour market participation, early childhood development, social inclusion and future EU-funded project opportunities.
- Although BiH is still ineligible for EU pre-accession support for rural development, some LSGs such as Trebinje or Sokolac have embraced the community-led local development approach, bringing producer associations, cooperatives, etc. together with civil society to support strategic investments in rural infrastructure, product branding, tourism, etc.
- In environment, the impact of EU rules at local level is growing, with requirements for integrated approaches combining environmental protection, climate mitigation and adaptation, digitalisation, and public participation. LSGs are making key contributions – for example, the Sarajevo Functional Urban Area coordinates climate response across Sarajevo Canton, the City of Sarajevo and the City of East Sarajevo, and has developed 49 policy recommendations through citizens' assemblies on (e.g.) urban mobility, localised solar energy communities, and safeguarding of vulnerable households through the clean energy transition.

However, LSGs continue to lose out due to blockages at higher levels. The lack of clarity over financing of local-level measures under BiH's Reform Agenda was noted above; this will certainly not be helped by the 10 per cent (EUR 108 million) reduction in available EU support due to delays in agreeing on the Reform Agenda. In rural development, failure to establish an accredited system for implementation of the Instrument for Pre-accession Assistance for Rural Development means that BiH has missed out on amounts in the order of EUR 150–200 million over the period 2021–27. Some of that could have been used for investments in rural infrastructure, agricultural modernisation, tourism and local economic development more generally.

Meanwhile, outward migration continues, with nearly a third of young people in 2024 expressing a strong or very strong desire to emigrate.¹⁰ While cantons, entities and the state still find it hard to agree on how to address the EU, forging a clearer path towards accession is perhaps the single most important thing that could be done to help mayors to attract foreign direct investment, create jobs and halt the exodus of skilled young people.

¹⁰ Friedrich-Ebert-Stiftung, [Youth study Bosnia and Herzegovina 2024: exploring the position, opinions and attitudes of young people in Bosnia and Herzegovina](#), Sarajevo, 2024.

General conclusions

Although EU accession is sometimes discussed in terms of ceding sovereignty to ‘Brussels’, one overall conclusion is that it can strengthen local authorities’ capacity to act for the benefit of their citizens. Moreover, this is due not only to EU funding opportunities. Responsibility for implementing EU standards can give local decision-makers a greater role in a wide range of policy areas, from pollution control to labour conditions.

A second general conclusion, based on the experience of EU member states, is that success or failure at the local level can make a big difference to the impact of accession for the country as a whole, especially in the early years. This is a vital point not least for national negotiators, who must be aware that it is not enough to transpose EU legislation and make the necessary institutional arrangements. They must also ensure sufficient capacity and resources to implement the new rules. And while LSGs and AMCs bear much of the responsibility for preparing effectively, they will also need support from higher levels, for example in the form of efficient arrangements for co-financing EU-funded projects, or a public procurement framework that promotes genuine competition while minimising the administrative burden for smaller contracting authorities.

In addition, in the benchmarks for closing negotiation chapters and clusters, the EU increasingly requests a track record in implementing key requirements. This means, for example, that local-level failure to undertake environmental assessments or blatant disregard for EU provisions on non-discrimination could become an obstacle in the accession negotiations.

A third general conclusion from the previous analysis was that it is never too early to start preparing. The AMCs have lived by that maxim, forming networks of EU officers, contributing to consultations on EU legislative alignment, helping members to apply for EU-funded projects, and generally raising awareness of the importance of EU integration for LSGs – and vice versa. With negotiations set to begin as soon as entities and cantons can agree on the remaining steps, accession seems a less distant prospect than it did seven years ago. The date for BiH’s entry into the EU may still be uncertain, but if mayors and local officials wait until a date is known, it will be too late to prepare effectively.

As BiH moves closer to the EU, our hope is that the present study can help municipalities and cities to play their rightful part in this process. As noted, each thematic chapter closes with recommendations to the AMCs and LSGs, so we will not repeat these here. But a final general conclusion that emerges strongly from the updated analysis is that local authorities should no longer be treated as final-stage implementers of centrally adopted legislation or occasional project beneficiaries. Rather, they should be recognised as **strategic partners in the accession process**, in the interest not only of LSGs themselves but also cantons, entities, BiH and indeed the EU.

2. Public procurement

2.1 Overview

The EU rules on public procurement are a cornerstone of the single market, and one of the main instruments for achieving smart, sustainable and inclusive growth and ensuring the best use of public funds. The core principles of EU legislation in this field are transparency, equal treatment, open competition and sound procedural management. For local authorities, procurement based on these principles aims to achieve value for money while also enhancing local economic development and local governance, not least by reducing the scope for patronage and corruption. While there are large potential benefits for local budgets, particularly in the form of increased transparency, the wider societal (indirect) benefits are even greater and include environmental sustainability, innovative and socially inclusive practices, improved public services and participation of small and medium-sized enterprises (SMEs).

However, implementing the EU rules (or rather the new national rules after full transposition of the EU directives) has often proved troublesome for local authorities. The procedures are in many cases stricter, and applying them correctly requires human resources and expertise. National authorities sometimes make procedures for low-value contracts more cumbersome than the EU rules actually require. And uncertainty often remains, both over the applicable rules and because it is easy to make mistakes, which can give unsuccessful bidders grounds to appeal. Appeals can lead to delays and, ultimately, damages and/or the annulment of contract awards.

The reform of the public procurement system through comprehensive amendments to the Public Procurement Law in 2022 was the decisive factor in BiH obtaining EU candidate status in December of that year, while subsequent reforms in this area were recognised as steps forward towards the opening of accession negotiations in March 2024.

Further alignment with the EU public procurement directives (full integration of electronic communication and information exchange into the procurement process, introduction and greater use of strategic procurement, strengthened integrity and the fight against corruption, and strengthening the key institutions and further professionalisation through adequate human and financial resources), as well as harmonising the legal framework on public-private partnerships (PPPs) and concessions with the EU *acquis*, are highlighted in the Reform Agenda as key ongoing priorities.

For local and regional authorities, the greatest challenges arise not from the core public procurement directives themselves, but from the complexity and fragmentation of the wider regulatory framework. National differences in transposing EU rules often create inconsistencies, complicating the application of procurement rules and increasing administrative burdens. As shown in a recent study for the European Committee of the Regions (CoR), this makes it more difficult to navigate procedures and fully exploit public procurement as a strategic policy tool.¹¹

These challenges are particularly relevant in BiH, whose public procurement system is highly decentralised. Of the 3 225 contracting authorities registered on the Public Procurement Portal (PP Portal), 1 290 operate at the local level. The total number of registered bidders is 24 830 (as of June 2026), of whom more than 20 000 are domestic and continue to dominate the market, receiving over 94% of the total contract value and more than 99% of all awarded contracts. In 2024, the estimated value of awarded contracts reached BAM 5.1 billion, representing 9.78% of GDP (down from 10.31% in 2023).

Although the rules on public procurement may be challenging to implement at the local level, there is no real alternative. The best local authorities can do is to prepare effectively, with the help of the AMCs, while seeking to ensure that the national authorities do not further complicate mat-

¹¹ European Committee of the Regions: Commission for Economic Policy, A. Valenza, L. Odoardi, E. Giorgino, G. E. Marchetti et al., How EU public procurement rules affect regions and cities, European Committee of the Regions, 2025, <https://data.europa.eu/doi/10.2863/O379789>

ters. Indeed, the AMCs are already advocating for several priorities in an ongoing public procurement reform, including clearer legal rules, a stronger professional status for procurement officers, simplified rules for low-value procurement, further digitalisation and transparency, more effective sanctions and practical advisory support for contracting authorities.

However, the impact of accession in this area will depend critically on the capacity to implement the relevant procedures efficiently. Despite significant progress in professionalisation and capacity building – including around 1 700 certified procurement officers in BiH, approximately 500 of whom work at the local level – administrative capacity remains a key challenge. A high number of appeals, growing legal complexity, heavy workloads and staff turnover continue to constrain the effective implementation of the procurement framework, highlighting the need for a highly skilled procurement workforce and adequate administrative capacity.

2.2 Key aspects of the EU acquis

The rules on public procurement were overhauled in 2014, with three new directives in force since April 2016: [Directive 2014/24/EU on public procurement](#), [Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors](#) and [Directive 2014/23/EU on the award of concession contracts](#).¹²

The essential principle is that contracting authorities must put contracts valued above certain thresholds out to tender throughout the EU,¹³ and may not exclude bidders from other EU countries or include criteria designed to favour local bidders. For local authorities, the thresholds are:

- EUR 5 404 000 for public works (e.g. construction of infrastructure), subsidised works (where a public authority grants a subsidy of over 50%, even when the purchaser is private), and concessions (where an economic operator constructs a work or provides a service in return for the right to charge users)
- EUR 750 000 for social and other specific services in areas such as health care, social security, education, cultural and administrative services
- EUR 216 000 for other service contracts, supplies contracts, design contests, etc.¹⁴

Even below these thresholds, fundamental treaty principles on non-discrimination, transparency and equal treatment still apply. This means, for example, that contracting authorities may not discriminate on grounds of nationality, and should advertise contracts widely enough to enable potential competition and review of the impartiality of procedures.¹⁵

Above the thresholds, specific procedures must be followed, and here it is easy for contracting authorities to make mistakes. The many pitfalls include (to give just a few examples) failure to advertise contracts correctly, direct award of additional works or services without competition, and vague or potentially discriminatory terms in tender specifications.

The **Remedies Directives** (in particular [Directive 2007/66/EC](#) on improving the effectiveness of review procedures concerning the award of public contracts) set out minimum standards for rapid and effective redress in cases where an economic operator with an interest in a procurement procedure believes that this has been run improperly.

Appeals take place through national instances, such as independent review boards in some countries, or directly in court in others. If an appeal is upheld, consequences may include suspended procedures, overturned or amended decisions, fines for contracting authorities and the award of damages to those harmed.

¹² There is also [Directive 2009/81/EC on procurement in defence and security](#), though this is less relevant for local authorities.

¹³ *Supplement to the Official Journal of the EU*, available exclusively in electronic format on the [Tender Electronic Daily \(TED\) website](#).

¹⁴ European Commission, [Thresholds - Internal Market, Industry, Entrepreneurship and SMEs](#).

¹⁵ Commission Interpretative Communication on the Community law applicable to contract awards not or not fully subject to the provisions of the Public Procurement Directives ([2006/C 179/02](#)).

Legal challenges have proved to be one of the more troublesome aspects of public procurement for local authorities in some countries. After Sweden joined the EU in 1995, for example, the number of appeals rose from a little over 20 per year to some 3 000. In around one-third of these cases, the procedure must be re-opened, which is costly. Not all of this is strictly due to the EU rules; the Swedish implementing legislation also requires a nationwide call for tender for contracts valued at more than 15% of the EU thresholds. The procedures are somewhat simplified, but still open to legal challenge in the national courts.

Besides actual appeals, the mere possibility of legal challenges may encourage a risk-averse approach. One example is where LSGs decide to provide services in-house, using their own staff, in part to avoid a procurement procedure. Another issue is uncertainty over whether competitive tenders are required in cases of sharing, trading or pooling services with other local authorities or public bodies, which may discourage efficient practices. There have been problems, for example, in waste management, where inter-municipal cooperation is common.

The rules in force since 2016 have been **simplified** in some respects, partly to make life easier for sub-national authorities. For contracts to be awarded under the restricted procedure or the competitive procedure with negotiation there is an option to publish a prior information notice that serves as notification of upcoming tenders throughout the year, instead of individual contract notices for each tender. The shift towards e-procurement (mandatory as of 2018) was expected to simplify procedures and reduce costs. The rules also aimed to transform public procurement into a strategic policy tool by allowing contracting authorities more scope to take green, social and innovative aspects into account.

On the other hand, the rules encompass areas that were formerly exempt, including many health, cultural, social and education services (albeit at the higher threshold of EUR 750 000), and concessions for services of relevance to local authorities, such as public lighting maintenance, parking services, chimney-sweeping or debt recovery. As long as concession agreements are reached through competitive and non-discriminatory tenders there should in principle be no problem. The same applies to public-private partnerships more generally.¹⁶

In 2025, the European Commission initiated an **evaluation** of all three 2014 Directives on public procurement, aiming to assess their effects between 2016 and 2024 and to **revise** them accordingly.¹⁷ The evaluation concluded that the objectives of the Directives had only partially been met and that the current public procurement framework lacks the agility, coherence and strategic focus needed to respond effectively to current and emerging challenges. Procurement procedures remain **too complex and rigid**, especially for smaller contracting authorities that generally lack administrative capacity. This is further complicated by **regulatory incoherence** between the public procurement directives and other sectoral legislation,¹⁸ while investments in **professionalisation** and capacity building have been limited. The use of strategic procurement objectives remains uneven across member states, while new priorities such as **economic security** and **strategic autonomy** have emerged. Also, despite improvements in **transparency**, **data gaps** and quality issues at both EU and national level hamper effective governance, strategic decision-making and the prevention of corruption.¹⁹ Furthermore, based on indicators from EU Tenders Electronic Daily (TED, e.g. the share of single bidding, the number of direct awards and cross-border bids), competition on the EU public procurement markets is decreasing.²⁰

16 See also Commission Interpretative Communication on the application of Community law on Public Procurement and Concessions to institutionalised PPP (IPPP), [2008/C 91/02](#).

17 The evaluation covers Directive 2014/24/EU, Directive 2014/23/EU and Directive 2014/25/EU. Commission proposals for revised directives were pending at the time of writing (according to the Parliament's [legislative train schedule](#) these are now expected in Q3 2026, with conclusion of negotiations expected in Q4 2027).

18 As a result of new adopted legislation, public procurement is now regulated not only by the 2014 directives, but also by over 50 different and often sector-specific EU legal acts covering a wide range of topics, such as new guiding principles for public procurement, exclusion grounds, international aspects of procurement, and resilience or social criteria. See Commission Staff Working Document [SWD\(2025\)0332](#) on the evaluation.

19 European Commission, Executive Summary of the Evaluation of the Public Procurement Directives, Staff Working Document [SWD\(2025\) 333](#).

20 European Court of Auditors, [Special Report 28/2023](#): Public Procurement in the EU. Less competition for contracts awarded for works, goods and services in the 10 years up to 2021.

The European Parliament, in its September 2025 Resolution on public procurement, added to calls for targeted reform to unlock the true potential of public procurement at EU level through simplified procedures, enhanced transparency and efficiency, increased participation of SMEs, broader use and alignment of non-price criteria, and prevention of fraud and corruption.²¹

From 2016 to March 2025, the Court of Justice of the EU issued 107 judgments on public procurement, primarily relating to Directive 2014/24/EU. Common problem areas include exclusion grounds, in-house provision and cooperation between contracting authorities, subcontracting, contract modifications, concessions, technical specifications, and selection criteria.²²

The announced reform is in line with the position of local and regional authorities on the EU procurement framework and practices. The study for the CoR cited above finds that:

- The current public procurement rules have created a complex framework for local and regional authorities to navigate, especially in certain sectors (such as energy, transport equipment and service, health, construction and sewage).
- **Insufficient oversight** by the European Commission of procurement implementation allows member states to introduce additional requirements ('gold-plating'), which increases administrative burdens, costs and legal uncertainty while undermining the simplification and innovation envisaged in the directives.²³
- **Limited administrative capacity** and a risk-averse culture often prevent local and regional authorities from implementing strategic and innovative procurement, viewing it as an additional administrative burden. Fears of legal scrutiny and penalties discourage the use of mechanisms such as pre-commercial procurement, dynamic purchasing and competitive dialogue, particularly in small municipalities with limited legal, technical and market expertise.
- Current **e-procurement** systems, both EU (including TED) and national, remain fragmented, under-utilised and insufficiently standardised. Procurement data are often incomplete, inconsistent and not machine-readable, and are still treated as a compliance requirement rather than a strategic governance asset and policy intelligence tool. This limits performance monitoring, market analysis and evidence-based policymaking, particularly for below-threshold procurement and contract implementation.

2.3 Legislation and practice in Bosnia and Herzegovina

2.3.1 Approximation

Previously governed by different regulations across the country, unified public procurement rules were defined for the first time in BiH in 2004 with a law establishing a single public procurement market.²⁴ In accordance with the general EU standards on procurement, the Law stipulated that public procurement in BiH is implemented in line with the principles of efficient use of public funds, fair and active competition among potential bidders, transparency, equal treatment and non-discrimination between bidders.

The 2004 law remained in force (with minor changes) for ten years until the adoption of the new [Law on Public Procurement](#) (BiH OG, No. 39/14, hereafter denoted as PPL) in April 2014, which came into force six months later. This aimed to eliminate the shortcomings of the previous law by simplifying procedures, better preventing the misuse of public procurement procedures, specifying

²¹ European Parliament resolution of 9 September 2025 on public procurement [P10_TA\(2025\)0174](#).

²² [SWD\(2025\) 333](#), p. 7.

²³ For example, the basic national thresholds in the EU member states are much lower in comparison to the directives: in Denmark EUR 67 000 for services and supplies and EUR 400 000 for works; in Finland EUR 60 000 for supplies and services and EUR 150 000 for works; in France EUR 40 000; in Hungary EUR 23 000 for supplies and services and EUR 43 000 for works; in Lithuania EUR 29 000 for supplies and services and EUR 145 000 for works; in Portugal EUR 20 000 for supplies and services and EUR 30 000 for works.

²⁴ BiH Law on Public Procurement, Official Gazette (OG) of BiH No. 49/04.

ing the responsibilities of contracting authorities, eliminating administrative burdens for bidders, and further enhancing the transparency and efficiency of procedures.

Transparency is particularly important for reducing the scope for corruption and increasing the confidence of potential bidders in the fairness of the process. The PPL provides for the publication of an increasing amount of information on the PP Portal (e-Procurement system), including procurement notices, tender documentation, notices on contract awards and contract implementation, as well as decisions of the Procurement Review Body (PRB) and the Court of BiH. Interested parties may also attend public bid openings as observers. Furthermore, access to information is ensured (except for confidential information as defined in the PPL) in accordance with the Regulations on Freedom of Access to Information.²⁵

The PPL has also improved the public procurement system in BiH in several other respects, such as procurement planning, streamlined conditions for participation in tenders, and reduced possibilities for rejecting bids due to technical and/or formal errors.

In-house awards and other provisions relating to public utility companies are incorporated into the exclusions from the Law (Article 10), Chapter IV – Special provisions for utility contracting authorities operating in the water, energy, transport and postal services sectors (Articles 77–86), and in a specific implementing by-law (see also chapter 6 on the provision of services through public utility companies).²⁶

The adoption of the 2014 PPL represented a further step in harmonising BiH legislation with EU standards. The subsequent alignment of the PPL with the EU acquis was crucial for the country to obtain EU candidate status in December 2022, while subsequent amendments to the PPL, several by-laws, and the adoption of the new strategic framework were recognised as steps forward towards the opening of accession negotiations in March 2024.²⁷

Among the amendments introduced in 2022 were the removal of exemptions from the Law related to natural and legal monopolies; more detailed provisions on procurement planning, including the mandatory publication of procurement plans and contract modifications on the PP Portal; mandatory market analysis; an obligation to justify not dividing contracts into lots; stricter conflict of interest provisions; and additional transparency measures, including for low-value procedures. The 2024 amendments tightened the rules on filing appeals, for example by requiring proof of payment of the administrative fee upon initiating an appeal.

Several by-laws were also updated to reflect the changes in the PPL, but the problem of a very complex legal framework, with around twenty by-laws in place, remains and should (as planned) be given due attention in the drafting of new legislation.

Supported by UNDP and the EU Delegation, the Public Procurement Agency (PPA) prepared, and the BiH Council of Ministers adopted in April 2024, a new policy framework – the Public Procurement Development Strategy for 2024–2028 and an accompanying Action Plan. While the Strategy is praised in relevant SIGMA and EU reports for its open and inclusive drafting process and high quality, a key remaining concern is that, like the previous strategy, it does not include concessions and public-private partnerships (PPPs).

25 BiH Law on Freedom of Access to Information (OG BiH No. 61/23), FBiH Law on Freedom of Access to Information (OG FBiH Nos. 32/2001, 48/2011), RS Law on Freedom of Access to Information (OG RS No. 20/01).

26 [Instruction on the conditions and procedures under which a utility contracting authority awards contracts to an affiliated undertaking, a joint venture or a utility contracting authority forming part of a joint venture](#) (BiH OG No. 97/14).

27 Amendments to the PPL in 2022 (BiH OG, No. 59/22) and 2024 (BiH OG, No. 50/24) are included in the consolidated version linked in the text above.

The reason these segments are excluded is that the relevant competencies are divided across several levels of authority, with over 25 different concession laws (mostly outdated) and PPP laws at state, entity, cantonal and Brčko District level, creating overlaps and gaps that hinder consistent application. According to SIGMA's regional report, BiH is the most striking example of legal fragmentation in these fields, with consequences for public infrastructure investment.²⁸

The much-needed concessions reform raises complex issues in the country. Concessions in BiH are still primarily associated with the exploitation of natural resources (often granted for the maximum period of 30 years), rather than with financing and operating public infrastructure and services. Reform of the state-level legal framework has been delayed for more than a decade due to political deadlock. For years, the State Concessions Commission has highlighted the need to align the legislation with the EU Concessions Directive, particularly regarding the scope, principles and definitions of concessions, unsolicited proposals, transparency and equal treatment, the use of modern procurement techniques already provided for in the Public Procurement Law, effective legal remedies, contract monitoring, publication requirements, and anti-corruption and conflict-of-interest provisions.

The **RS Concessions Law** has been amended several times in recent years and is therefore more up to date than the legislation at the state and FBiH levels. In contrast, proposed amendments to the **FBiH Concessions Law** in 2017, to some extent repeated in 2025, would have weakened the role of local authorities by replacing their mandatory consent with a non-binding opinion in the concession approval process, while also reducing their influence over financial benefits and contract oversight. Following advocacy by the FBiH AMC, these amendments were not adopted. This serves to underline the importance of a **strong advocacy position on the concession reform** announced under the Reform Agenda, particularly since some concession laws provide that the amount of concession fees allocated to LSGs depends on their level of development, with this mechanism serving, among other things, to promote local economic development. However, concession revenues allocated to the local level are generally rather low and irregular. Several interviewed LSGs (Jezero, Novi Grad, Jajce, Maglaj) highlighted problems related to concession contracts and low concession fees, while only Tomislavgrad and Trnovo to some extent reported a positive experience.

Another major challenge for LSGs, and a key advocacy issue for the AMCs, is the restriction on the disposal of state property (prohibited by a series of decisions of the High Representative pending formal agreement on asset apportionment between the state and entities). This has significantly affected the award of concessions in areas of key local economic importance, particularly urban and construction land, with consequences for local budgets.²⁹

The most significant legislative developments in FBiH have taken place at the **cantonal level**. Several cantons, including Sarajevo and Posavina, have modernised their concession legislation in recent years, introducing more comprehensive provisions and providing a more favourable legal framework for investment than that currently available at the state or FBiH level.³⁰

Furthermore, the investment climate for infrastructure projects is supported to some extent by the legal frameworks for PPPs at various levels of government, as further elaborated in chapter 6.

The requirements and procedures determined by the PPL are stricter and more formal than in the EU directives, while the thresholds for the publication of international contract notices are lower:

- BAM 250 000 (c. EUR 128 000) for governmental institutions (including local institutions) in case of goods

28 M. Lemke, T. Kolar and D. Piasta, 'Overview of public procurement systems in the Western Balkans', SIGMA Papers, No. 76, OECD Publishing, Paris, 2025, <https://doi.org/10.1787/fac01d1b-en>.

29 See [comments by the President of the FBiH AMC Assembly](#) noting that the prohibition on disposal of state property is blocking municipal projects and calling on the High Representative to address this.

30 Aleksandra Martinović, [Sistem koncesija u bosni i hercegovini pravni i institucionalni okvir](#), Transparency International, 2024.

- BAM 400 000 (c. EUR 203 000) for legal persons established for a specific purpose, and for associations, in case of services
- BAM 800 000 (c. EUR 407 000) for sectoral contracting authorities
- BAM 9 million (c. EUR 4.6 million) in the case of works.

Even **below these thresholds**, the PPL continues to apply. Two procedures are available for low-value procurement:

1. **Competitive request for bids** (a simplified open procedure), for contracts with an estimated value below BAM 50 000 (c. EUR 25 000) for goods and services, and below BAM 80 000 (c. EUR 40 000) for works.
2. **Direct agreement**, for contracts with an estimated value equal to or below BAM 6 000 (c. EUR 3 000), with the possibility of increasing the annual contract value up to BAM 10 000 (c. EUR 5 000).

The PPL sets out two criteria by which bids may be evaluated: the lowest price, or the most economically advantageous tender (MEAT). In the latter case, other factors besides price include the quality of goods or services procured, technical merit, functional and environmental characteristics, operational costs, cost-effectiveness, after-sales service and technical assistance, period of delivery or period of execution, etc. In applying the criterion of MEAT, depending on the subject matter of the procurement, it is necessary to define and develop a detailed methodology with sub-criteria for evaluation of bids. This must be published beforehand so that potential bidders may prepare their bids accordingly. Thus, the criteria must not be changed during the procedure.

Although the 2022 amendments to the PPL introduced a definition of life-cycle costing, they did not further develop it in normative or methodological terms. A notable example here is Lithuania, which allocated 89.3% of procurement (by value) in 2023 to green initiatives (spurred by a Government Act that made it mandatory for almost every public procurement to be green). Denmark also stands out, with 59.9% of its public procurement volume being potentially green in 2022 (driven mainly by soft measures, such as guidelines published by the Danish Competition Authority).

According to the new **Public Procurement Strategy**, the overall goal is to establish a public procurement system in BiH that is modern, transparent, competitive, efficient and aligned with the EU acquis. To achieve this goal, the Strategy sets the following key strategic objectives for the further development of the public procurement system:

- An efficient and transparent legal protection system
- Transparent legislation, harmonised with the EU acquis
- Further digitalisation and the introduction of modern tools (electronic preparation of tender documentation, an online repository of certificates (e-Certis), electronic submission, opening and evaluation of bids, electronic drafting and publication of decisions, development of modules for investigative bodies, etc.)
- An efficient, analytical, informative, transparent and continuous **monitoring** process
- A transparent and competitive public procurement market that stimulates SME participation
- The introduction of strategic public procurement and secondary policy objectives (green, socially and gender-responsive procurement, centralised/joint procurement, and procurement accessible to SMEs), modelled on EU practice
- Strengthened integrity, the fight against corruption, and a stronger preventive effect against misconduct in all phases and areas of the public procurement system (e.g. stricter misdemeanour and criminal sanctions)
- Strengthening the key institutions of the public procurement system, enhancing their reputation, and further professionalisation of public procurement officers through adequate human and financial resources.

The Strategy further contains 43 measures, with 72 specific activities and clear, relevant, and measurable key performance indicators. As planned, the activities are being implemented gradually, taking into account the current capacities of contracting authorities and economic operators in the country.

At the end of April 2025, the PPA published the **preliminary Draft of the new Public Procurement Law**, inviting all interested parties to submit comments and proposals, and organised consultation events for target users and other relevant activities. The preliminary draft introduced some of the measures announced in the Strategy, such as dynamic purchasing systems, electronic catalogues, innovation partnerships, e-Certis and e-bids.

A second, [much more comprehensive draft of the new PPL](#) was subject to online public consultations at the end of 2025. However, it was assessed by SIGMA,³¹ the competent domestic institutions, the AMCs and other stakeholders as overly prescriptive and unworkable. Therefore, in early 2026, the Council of Ministers urged the PPA to continue preparing the new PPL in cooperation with the working group, the PPA Board, experts and other relevant stakeholders. Due to deadlocks within the PPA, however, the process is still ongoing. FBiH and RS Associations actively participate in this process and have submitted so far two sets of mutually agreed comments and proposals, as elaborated in section 2.4.2.

Turning to **implementation** of the legislation in force, the main institutions responsible for this are the PPA and the PRB.

The **PPA's** tasks include drafting laws, amendments and implementing regulations; raising awareness among contracting authorities and bidders on the regulations and their aims, procedures and methods; publishing manuals and instructions; designing and updating standard forms and models; and providing technical assistance and advisory opinions to contracting authorities and bidders regarding the proper application of the laws and implementing regulations.³²

Technical and advisory assistance are provided free of charge. Beyond this, however, the PPA has limited ability to provide direct support to contracting authorities on the implementation of public procurement procedures due to limited numbers, qualifications and skills of staff.³³ In recent years, the PPA has made commendable efforts to build capacity and share knowledge by issuing various analyses, opinions and legal explanations and by organising training and networking activities for professionals. However, some of the opinions issued need to be revised and further coordinated with the PRB and the Court of BiH.

The Procurement Review Body (**PRB**) is an autonomous institution that decides on appeals in public procurement procedures. It has 17 members with a main office in Sarajevo and two branch offices in Mostar and Banja Luka. The PRB main office is authorised to handle appeals for procurement values higher than BAM 800 000 (c. EUR 450 000), as well as for all procurements of the institutions and other contracting authorities of BiH and Brčko District. Branch offices are authorised to handle appeals for procurement values up to BAM 800 000 for contracting authorities headquartered in RS and FBiH respectively. At the end of 2024, the PRB had filled 38 out of 55 authorised positions (69%), which suggests that capacity remains insufficient for high-quality, efficient, and timely performance of functions.

The PRB plays a key role when it comes to reviewing the public procurement system. Although the number of appeals was extremely high in previous years, it has declined significantly since 2023, reaching 3 072 in 2024 – 966 fewer than in 2023 – and falling by almost half again to 1 684 in 2025 (see Table 2.1 below). According to the PRB, this decline is attributable to the above-mentioned

31 SIGMA (Support for Improvement in Governance and Management) is a joint initiative of the OECD (Organisation for Economic Cooperation and Development) and the European Union with the core goal of modernising public governance and administration in partner countries.

32 PPA publications, manuals, instructions as well as standard forms and models are available on the PPA web site (www.javnenabavke.ba) free of charge.

33 At the end of 2024, only 23 out of 28 authorised positions were filled.

legal changes, which improved the efficiency and transparency of the legal protection system and reduced the scope for abuse beyond initial expectations.

Table 2.1: Number of appeals 2014 – 2025

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
No. of appeals	1 132	2 011	2 684	2 901	3 652	3 230	3 868	3 782	3 721	4 038	3 072	1 684

In 2024, the PRB resolved 95.9% of the appeals received. The PRB headquarters in Sarajevo resolved 584 of 631 appeals (92.5%), the Banja Luka branch 716 of 739 appeals (96.9%), and the Mostar branch 1 646 of 1 702 appeals (96.7%).³⁴ Almost 90% of appeals were resolved within the statutory deadline. The average time to resolve an appeal was 27 days (median: 23), reflecting an improvement compared to the previous year.

Of the appeals decided on the merits, 68% were upheld, confirming that the remedies system remains an important corrective mechanism despite persistent irregularities in procurement procedures. Most appeals concerned deficiencies in tender documentation (36%), incorrect application of the law (33%), and irregularities in bids (31%). However, despite its legal authority, the PRB did not initiate any minor offence or criminal proceedings for violations of the PPL during 2024, whereas the PPA did.

According to the PRB's 2025 Annual Report,³⁵ 98% of appeals were resolved (402 by the Sarajevo headquarters, 396 by the Banja Luka branch and 762 by the Mostar branch). Of these, 1 209 appeals were decided on the merits, with as many as 70% being upheld.

The PRB further strengthened its institutional capacity through improved expertise, enhanced regional cooperation (in particular through the [Network of Public Procurement Review Bodies of South-Eastern Europe](#)) and digitalisation of internal communication. The publication of PRB and Court of BiH decisions on the PP Portal also improved transparency. By the end of May 2026, the Portal contained 28 289 PRB and Court of BiH decisions.

According to the **PPA annual report from 2024**, the total number of published procurement notices was 29 455, of which 17 133 (58.17%) were open procedures (valued at approximately BAM 3.6 billion or c. EUR 1.8 billion), followed by the competitive request for proposals, with 12 180 or 41.35%. These two procedures were predominant in the total number of notices, amounting to 29 313 or 99.52%, followed by 57 (0.19%) negotiated procedures with prior publication of contract notice, 52 restricted procedures (0.18%), and 33 design contests (0.11%). The number of negotiated procedures without prior publication of procurement notice was 1 850, valued at BAM 261 million (c. EUR 130 million) or 5.11 % of the value of all contracts awarded – down from EUR 153 million in 2023.³⁶

Despite the high number of appeals, the public procurement market in BiH remains underdeveloped, while competition remains weak. According to data from the PP Portal, the average number of bids per procedure was only 1.75 in 2024, while the average number of admissible bids was 1.61 (compared to 1.62 admissible, and 1.49 acceptable bids in 2023). The highest level of competition was recorded in competitive requests for quotations (1.98 bids received; 1.79 admissible), followed by open procedures (1.97 and 1.75 respectively). In the EU public procurement market by comparison, while the average number of bidders per procedure has decreased from 5.4 (2006–2010) to 3.4 (2017–2024), high-value contracts (e.g. worth more than EUR 20 million) still receive on average more than 9 bids.

³⁴ The higher number of appeals handled by the Mostar branch reflects its territorial jurisdiction and the additional cantonal level of government in the Federation of BiH, rather than a higher incidence of irregularities by contracting authorities.

³⁵ PRB, [Annual Report for 2025](#).

³⁶ PPA, [Annual Report on concluded contracts in public procurement procedures for the year 2024](#).

Public procurement continues to represent a significant share of the economy. In 2024, the estimated value of awarded contracts amounted to BAM 5.1 billion, equivalent to 9.78% of GDP (down from 10.31% in 2023). Direct agreements remained the most frequently used procurement procedure by number of contracts, although they accounted for only 3.3% of the total value of awarded contracts (BAM 169 million).

The growing number of contracting authorities registered on the PP Portal illustrates the highly decentralised nature of BiH's public procurement system, with the majority operating at the local level (Table 2.2).

Table 2.2: Number of contracting authorities (CAs) at different governance levels in Bosnia and Herzegovina

Level of governance	Municipalities and cities	Canton	Entity & BD*	State	TOTAL
Number of CAs	1290 (1011 + 279)	1137	690	108	3225

* Brčko District

Domestic bidders continued to dominate the market in 2024, accounting for over 94% of the total value and over 99% (244 685) of the total number of contracts awarded (0.82% were awarded to foreign bidders). As of June 2026, the total number of bidders registered on the PP Portal was 24 830, of which 20 481 were domestic and 4 349 foreign.

In its **annual monitoring reports**, the PPA consistently identifies recurring weaknesses in the implementation of public procurement procedures. The most common shortcomings relate to inadequate procurement planning, including frequent amendments, poor implementation of procurement plans, and limited coordination among contracting authorities, particularly at the local level. These weaknesses often result in procurement delays, duplication of work and higher costs.

The PPA also highlights persistent transparency and compliance issues, including the failure to publish contract award notices and procedural reports, procurement splitting to avoid the application of the appropriate procedures, and bidders' withdrawal from contract signature.

A further systemic challenge is the lack of qualified procurement staff, especially in smaller contracting authorities, along with insufficient expertise in drafting technical specifications and limited use of external experts. High staff turnover and difficulties in recruiting and retaining procurement professionals continue to undermine procurement quality (capacity-building for contracting authorities is covered in the next sub-section).

Finally, the PPA points to weaknesses in the remedies and enforcement system, including the phenomenon of 'professional appellants' (those who use the appeals process as a business tactic rather than out of a genuine grievance) and the unclear division of responsibilities between the PPA and the PRB for initiating minor offence proceedings.

As identified by the **bi-annual SIGMA assessments** and reiterated by **the EU Commission's 2025 Report for BiH**, there is room for improvement in several areas:

- The institutions responsible for concessions and PPPs at the State and Entity levels should develop a roadmap for harmonising the legal framework on PPPs and concessions with the EU acquis, including measures for improved coordination and consistent application throughout BiH.
- The PPA should propose amendments to the primary and secondary legislation to fully integrate electronic communication and information exchange into the procurement process, to enhance efficiency and reduce formalism (enabling electronic submission of tenders, electronic verification of qualifications, and implementing dynamic purchasing systems and electronic catalogues).
- While maintaining institutional independence, the PPA and the PRB should establish mechanisms to regularly coordinate the interpretation of procurement legislation, ensuring consistent application.

- The PPA should undertake targeted training initiatives aimed at improving the quality and integrity of tender documents.
- The PPA should facilitate the transition from the dominant use of the price-only award criteria by leading an extensive awareness campaign, building capacity and providing training for procurement officers to effectively implement non-price award criteria.
- The PRB, in collaboration with the PPA, should modernise the search engine on the PP Portal, to enable user-friendly and smart browsing of decisions by the PRB and the Court of BiH based on subject matter, keyword or legal provision.³⁷

As previously noted, most of these measures are covered by the current Public Procurement Strategy, and the PPA is working on them gradually and continuously, in line with the action plan and available resources. In the meantime, the search functionality for decisions of the PRB and the Court of BiH on the PP Portal has been significantly improved (by expanding the number of search parameters and enabling searches by document content),³⁸ most of the functionalities related to the electronic submission and opening of bids have been developed, and activities on developing a module for supervisory and investigative bodies were initiated (but interrupted due to the suspension of USAID-funded E-Governance activities), etc.

The importance of public procurement reform for ensuring good governance and transparency in public financial management – including efficient, effective and transparent budget execution, stronger internal controls, and the fight against corruption throughout the procurement cycle – is also emphasised in the [Reform Agenda of BiH](#). This concludes that, despite challenges in implementation, the overall performance of the public procurement system is broadly consistent with good international practices in terms of procurement methods, public access to procurement information and procurement complaints management. Step 4.3.1.4 of the Reform Agenda envisages the alignment of the relevant legislation (including concessions and PPP laws at all levels) with the EU acquis and adequate staffing of the PRB to enable it to fulfil its mandate. As of August 2026, however, no progress had been made in implementing these measures. As noted in section 1, local authorities were hardly consulted during the preparation of the Reform Agenda, nor were their capacities assessed.

2.3.2 Implementation at local level

Local government officials commonly regard procurement as a problem area with complex rules that are difficult to implement. Even where staff, officials, contractors and suppliers are familiar with the process they may not understand the purpose of some important steps. Procurement is supposed to ensure best value for money, but officials often complain that the rules cause delays, higher costs and lower quality of output than could be achieved ‘if we were allowed to just get on with it’. This can undermine the trust of the local community in the procurement process.

On the other hand, there are risks of errors and in some cases deliberate abuse of public procurement for personal gain by public officials and/or contractors. Good procurement practice includes many of the themes of good governance, including efficiency, effectiveness, transparency and accountability, with immediate benefits in terms of budget savings, improved quality of the goods, works or services procured and fulfilment of strategic environmental, social and innovative objectives.

Nevertheless, there are legitimate concerns. While complex procurement procedures may be needed for high-value investments, most procurement by local authorities in BiH is on a relatively small scale. Local firms often have the technical capacity to provide the goods, services or works requested, but may lack the necessary administrative capacity and familiarity with formal bidding procedures. These firms may be deterred from bidding by the complexity of the system or the cost

³⁷ OECD (2025), Public Administration in Bosnia and Herzegovina 2024: Assessment against the Principles of Public Administration, SIGMA Monitoring Reports, OECD Publishing, Paris, <https://doi.org/10.1787/969426b5-en>.

³⁸ [BiH Public Procurement Agency improves the e-Procurement system: New advanced search of Procurement Review Body decisions and Court of BiH judgments.](#)

of submitting a bid. In turn, local administrations may lack the capacity or financial or technical resources needed to fully implement the procurement procedures. This can lead to failure of the procurement process, whether due to procedural errors or to a shortage of bids.

For small contracts, the total cost of the bidding process, including advertising and administration costs, production and reproduction of documents, staff costs and the cost to bidders of preparing bids, providing bid securities, etc. are quite significant compared to the actual cost of the contract and the size of any saving through competitive bidding. If these issues apply in general, they apply all the more at the local level in view of the lack of staff and resources in many municipalities.

Analyses of the implementation of the PPL at the local level in both entities were conducted by the two AMCs in 2025.³⁹ The main findings, supplemented by interviews in May 2026 with selected LSGs (Čelinac, Jezero, Livno, Prijedor, Tešanj) and broad-based interviews with a further 12 LSGs (see Introduction), depict the current state of play in local public procurement.

Procurement planning

Procurement planning has become more systematic compared with the previous reporting period. LSGs increasingly base procurement plans on approved budgets, investment plans, the needs of organisational units, market analysis, the implementation of previous plans, and management instructions.

However, plans continue to be amended frequently, with most surveyed LSGs reporting more than 15 amendments per year (12 responses in FBiH and 11 in RS). The main reasons include: late allocation of funds from higher-level authorities, leading to delays; unanticipated donor funding; additional requests from management; insufficient planning by organisational units; and imprecise budget allocations. In some cases, the final procurement plan contained two or three times more procedures than initially planned. Frequent amendments were noted more often in FBiH, reflecting its more complex governance and financing arrangements. Table 2.3 below illustrates changes to procurement plans for 16 selected LSGs.

³⁹ The analyses were carried out within the framework of the Council of Europe project 'Strengthening Democratic Innovations and Promoting Human Rights at Local Level in Bosnia and Herzegovina (2024-2025)'. They included online surveys of all LSGs (41 responses from 38 units in FBiH and 29 responses from 28 units in the RS), a review of PP Portal data, and an analysis of relevant reports. The questionnaire covered all phases of the procurement cycle, including the organisation and capacities of the procurement function and LSGs' views on the legal framework.

Table 2.3: Changes to public procurement plans in 2024 and 2025 for 16 selected local authorities

LSG	No. of procurement procedures in the initial plan		No. of procedures in the final plan		No. of published changes		Increase in the number of procedures (final vs. initial plan)		Percentage increase	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Sapna (V)	84	62	143	111	22	23	59	49	70.2 %	79 %
Drvar (V)	14	25	19	44	3	5	5	19	35.7 %	76 %
Tomislavgrad (IV)	36	73	105	153	23	25	69	80	191.6 %	109.6 %
Livno (III)	63	91	148	152	5	5	85	61	134.9 %	67 %
Travnik (III)	129	149	253	239	38	25	122	90	94.6 %	60.4 %
Zenica (III)	164	161	253	234	77	63	89	73	54.3 %	45.3 %
Tešanj (II)	105	123	214	212	13	12	109	89	103.8 %	72.3 %
Vogošća (I)	139	110	244	230	15	16	105	120	75.5 %	109.1 %
Jezero (IV)	1	1	NA	NA	0	0	0	0	NA	NA
Kalinovik (IV)	26	21	35	29	9	10	9	8	34.6%	38.1 %
Han Pijesak (III)	56	54	63	57	7	5	7	3	12.5%	5.6 %
Novi Grad (III)	142	161	242	244	42	43	100	83	70.4%	51.6 %
Čelinac (II)	31	36	102	82	41	35	71	46	229	127.8 %
Milići (II)	28	31	46	45	9	8	18	14	64.3 %	45.2 %
Prijedor (I)	138	138	171	184	7	7	33	46	23.9 %	33.3 %
Trebinje (I)	149	155	191	205	19	32	42	50	28.2%	32.2 %

Source: Based on PP Portal data

Note: 16 LSGs selected from survey results and interviews to provide a representative picture across both entities of LSGs at different levels of development. For FBiH, categories range from I (highly developed) to V (extremely underdeveloped) and for RS from I (developed) to IV (extremely underdeveloped).

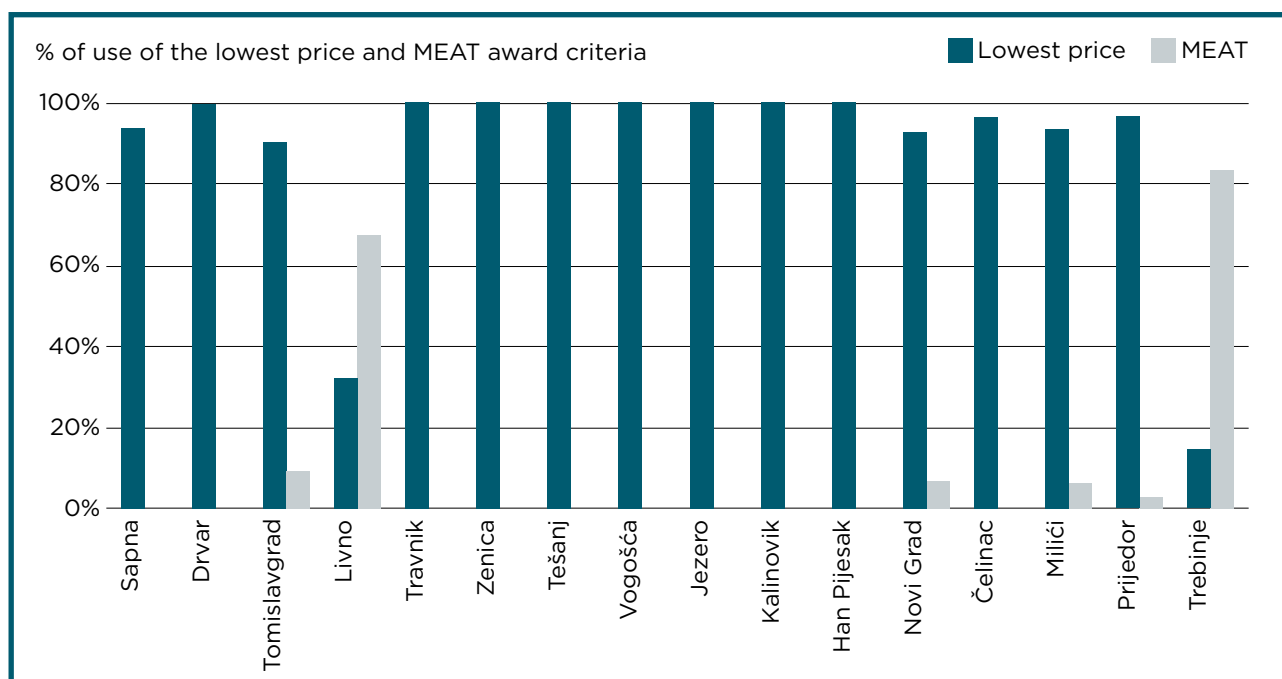
While procurement plans are generally published within the prescribed deadline (30 days after the adoption of the budget/financial plan), amendments were not always disclosed in a timely manner, which reduces transparency and limits bidders' ability to plan their participation. Nevertheless, this practice has improved.

More than 60% of surveyed local authorities monitor the implementation of procurement plans, although effective monitoring becomes more challenging when plans are repeatedly revised. Among those not carrying out such monitoring, there were 1 highly developed, 2 developed, 4 moderately developed, 3 underdeveloped and 2 extremely underdeveloped LSGs in the FBiH, and 1 developed, 1 underdeveloped and 2 extremely underdeveloped LSGs in the RS. Some of those interviewed were not even sure how to approach the process of monitoring the implementation of procurement plans, which highlights the need for education in this area.

Procurement procedures

When conducting procurement procedures, contracting authorities in BiH generally favour the lowest price criterion, as clearly reflected in the PPA's annual reports. The share of the *total value* of concluded contracts using the MEAT criterion was 17.57%, while the share using the lowest price criterion was 82.43%. The share of the MEAT versus lowest price criterion in the *total number* of concluded contracts was 22.78 % and 77.02 % respectively. The share for MEAT is highest for supplies (26.74%), followed by services (17.12%) and works (9.72 %).⁴⁰ At local level, the use of the MEAT criterion varies across LSGs, as illustrated in Figure 2.1.

⁴⁰ PPA, Annual Report for 2024.

Figure 2.1: Lowest price versus MEAT criteria in procurement procedures in surveyed LSGs in 2025

Source: Survey of LSGs for this report based on PP Portal data

Defining appropriate award criteria remains a challenge – analysis of procurement notices shows that the most frequently used sub-criteria under MEAT are delivery time and warranty period. Some LSGs also use the MEAT criterion to avoid e-auctions due to recurring problems with bidders.

The main challenges in conducting procurement procedures as reported by local authorities include a limited number of active bidders, excessive workload for procurement officers, insufficient expert support in drafting technical specifications, abnormally low tenders following e-auctions and withdrawal of the successful bidder before contract signature.

More than 60% of surveyed LSGs receive between two and three admissible **bids per procedure**, over 25% receive more than three, while some (mostly small, less-developed municipalities) receive only one. In around half of the surveyed LSGs, the highest-ranked bidder occasionally refuses to sign the contract, mainly due to excessive price reductions during the e-auction, insufficient capacity to perform the contract, changes in market prices, or unexplained withdrawal. According to several respondents, such cases may also indicate bidder collusion.

As regards technical specifications, most of the interviewed LSGs, particularly extremely under-developed ones such as Ključ, Trnovo and Oštra Luka, reported problems in this area, specifically with regard to technical specifications and documentation for larger infrastructure projects. These LSGs do not have the necessary internal capacity for this work, while hiring external experts can be very costly.

A procurement procedure may **result** in the award of a contract or framework agreement, or in the cancellation of the procedure. Table 2.4 presents the outcomes of procurement procedures in the sampled local authorities for 2024 and 2025, including the number of procurement notices (initiated procedures), cancellation notices (cancelled procedures), contract award notices (successful procedures), and decisions of the PRB and the Court of BiH (legally challenged procedures), based on data published on the PP Portal.

Table 2.4: Outcomes of procurement procedures in selected local authorities

LSG	No. of Procurement Notices			No. of Cancellation Notices			No. of Award Notices			No. of PRB decisions			No. of Court of BiH judgments		
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
SAPNA (V)	36	49	34	2	8	3	33	37	34	4	0	0	0	0	0
DRVAR (V)	10	13	15	1	4	0	9	9	10	4	1	1	0	1	0
TOMISLAVGRAD (IV)	46	47	62	4	2	5	40	35	50	12	10	1	1	0	1
LIVNO (III)	35	38	37	3	4	11	24	33	30	7	5	1	1	0	0
TRAVNIK (III)	68	98	68	12	23	13	60	90	67	7	4	1	0	0	1
ZENICA (III)	140	140	112	30	49	24	113	106	87	14	37	6	3	0	2
TEŠANJ (II)	77	71	86	12	8	12	64	76	66	7	1	1	0	1	0
VOGOŠĆA (I)	92	76	67	23	15	13	74	68	60	6	4	2	1	0	1
JEZERO (IV)	2	4	4	0	0	0	0	2	3	0	0	0	0	0	0
KALINOVIK (IV)	3	5	3	0	0	0	1	4	4	1	2	1	5	4	0
HAN PIJESAK (III)	9	17	7	1	0	0	8	19	6	2	2	1	1	0	3
NOVI GRAD (III)	22	24	29	3	3	1	31	41	35	14	2	0	0	0	0
ČELINAC (II)	19	32	31	2	1	2	20	39	45	0	0	0	1	0	0
MILIĆI (II)	24	19	15	3	0	1	21	20	16	0	3	0	1	0	0
PRIJEDOR (I)	52	70	62	16	16	11	47	78	67	6	6	5	0	2	2
TREBINJE (I)	48	60	54	3	3	4	44	66	50	2	3	2	0	0	0

Source: Survey of LSGs based on PP Portal data

Cancellations may result in increased transaction costs for both contracting authorities (CAs) and bidders and are more frequent among larger CAs, such as Zenica (21% in 2025), Vogošća (19%), Travnik (19%) and Prijedor (18%). In comparison, a quarter of the Danish EU tenders published during the first three quarters of 2021 were subsequently cancelled. The most frequent reasons for cancellations are that no tenders or requests to participate are submitted, or none of the received tenders are admissible. Other common reasons include bid prices exceeding the available budget, cancellation following a decision of the PRB, technical errors, identical bid prices (including after the e-auction), refusal of all ranked bidders to sign the contract, procedural irregularities during bid opening, and insufficient knowledge of the public procurement rules by local CAs.

As regards the **appeals process**, this seems to be less problematic at local level than for the country as a whole. This is perhaps not surprising given the low value of procurement and the limited amount of competition. The municipality of Čelinac represents an example of good practice, as shown in the table (and confirmed in an interview), while Zenica and Tomislavgrad recorded the highest number of appeals in relation to the number of procedures. There is an overall decrease in the number of appeals in 2025.

According to the 2025 survey, only 4 LSGs in the FBiH and 7 in RS received no appeals from bidders in 2024, while most reported between 2 and 5 appeals filed, mainly concerning contract award decisions, technical specifications and qualification requirements. Appeals were not upheld in the majority of these LSGs. In contrast, representatives of the municipality of Čelinac stated that they accepted well-founded complaints and amended the procurement documentation accordingly, which appears to have led to greater trust between suppliers and the municipality.

Analysis of the **PRB's decisions** indicates a less formalistic approach to decision-making than in previous years and a stronger focus on the objectives of the PPL (e.g. efficiency).

In addition to formal appeals, around 50% of local authorities in the FBiH (22 responses) were subject to **monitoring** by the PPA, most commonly once or twice. In most cases, they responded in accordance with the relevant Rulebook⁴¹ by providing the requested information and documentation and correcting identified irregularities, thereby avoiding potential appeals.

Integrity-related provisions and conflict of interest declarations are formally in place, but institutional oversight remains limited. Monitoring is occasionally conducted by civil society organisations (e.g. Transparency International), using advanced IT tools.

Strategic procurement

Although the potential of strategic public procurement remains largely untapped, some progress has been made in **centralised and joint procurement**. For this segment, the legislation is broadly aligned with the EU procurement directives, except for provisions relating to auxiliary procurement activities. In addition, the PPA, with the support of the USAID E-Government Activity, prepared a new implementing by-law,⁴² developed an IT module to support the implementation and piloted the establishment or reorganisation of Central Procurement Bodies in the Tuzla and Central Bosnia Cantons.

The 2025 survey showed that the vast majority of local authorities had not participated in centralised or joint procurement, mainly because they considered it unsuitable for their procurement needs, lacked knowledge of the relevant procedures, had insufficient coordination with potential partners or lacked institutional support. However, following training and awareness-raising activities organised by the PPA, the number of joint procurement procedures at the local level increased to 89 by the end of 2025.⁴³ Representatives of Tešanj, interviewed as an example of good practice in this regard, reported that joint procurement facilitated the division into lots and resulted in a higher number of bidders per tender.

Regarding **green public procurement**, although the legal framework has not yet fully developed the concept of life-cycle costing, there are no legal barriers to implementing sustainable public procurement through qualification criteria, technical specifications, contract award criteria or contract performance clauses. However, practical application remains limited, highlighting the need for greater awareness, further capacity building, the exchange of good practices, and support for contracting authorities.

When it comes to **gender equality**, the only explicit provisions currently relate to gender balance in the composition of public procurement commissions. However, the PP Strategy strongly emphasises this aspect of socially responsible public procurement. Montenegro's Public Procurement Law is noteworthy here: Article 118, under the 'price-quality ratio' criterion, allows contracting authorities to include parameters related to the participation of women in contract implementation, the overall employment structure of economic operators and the ownership structure of bidders.

At present, **reserved contracts** apply only to persons with disabilities. An interesting example here is Tuzla Central Purchasing Body's procurement of services for printing and binding of printed material through *reserved contracts* for CAs which employ persons with disabilities. This covers a large number of cantonal CAs, mostly primary and secondary schools located in smaller, underdeveloped municipalities, and could serve as a good example for other cantons as well as for LSGs within their jurisdiction, including in the RS.

As regard **SMEs**, some progress has been made, particularly by ensuring proportional qualification criteria and requiring CAs to justify decisions not to divide contracts into lots. In addition, future reporting through the PP Portal is expected to make it possible to monitor this indicator.

41 [Rulebook on the monitoring of public procurement procedures](#) (BiH OG, No. 72/16).

42 [Rulebook on joint procurement, centralized procurement and the establishment of a central purchasing body](#) (BiH OG, No. 29/24).

43 PPA, [Annual Report on the implementation of the Public Procurement Strategy for the period 2024–2028 in Bosnia and Herzegovina for 2025](#).

Good practices and practical tools for strategic procurement are available through the **URBACT** programme and can serve as a useful reference for local authorities.⁴⁴ For example, the Preston approach to strategic procurement, developed through the URBACT PROCURE and Making Spend Matter networks, has become a recognised European good practice for using procurement to achieve wider social and economic benefits. For another example, the City of Kavala (Greece) was awarded the 2024 URBACT Good Practice label for its innovative approach to sustainable public procurement.

Contract management

Contract management remains one of the most challenging stages of the procurement cycle, particularly for works contracts. Surveyed LSGs reported frequent changes to project designs during implementation, resulting in significant additional and unforeseen works. Some respondents also raised concerns about possible collusion between contractors and supervising engineers, with negative implications for the quality of contract performance.

In most surveyed LSGs, contract implementation is **monitored** under internal rules, while others assign this responsibility to designated officials or committees. A small number of LSGs do not monitor contract implementation systematically (one underdeveloped, one moderately developed and one highly developed LSG in the FBiH, and one moderately developed LSG in the RS). Although the PPL requires the **publication** of contract modifications, more efforts are needed to ensure their timely and accurate disclosure.

Regarding **cooperation with the main institutions of the system**, LSGs' attitudes, opinions and experiences vary. In general, the technical support of the PPA was rated the best, while the speed of resolving lawsuits by the Court of BiH, and the quality of the PRB's decisions, were rated lower. Some respondents also pointed to inconsistent decision-making across PRB branch offices in similar cases, as well as to variable quality and ambiguity of their decisions, which create legal uncertainty for participants. When it comes to the advisory assistance of the PPA, respondents highlighted the citation rather than interpretation of legal provisions as a shortcoming. They also pointed out at differences of opinions between PPA and PRB on certain matters.

The overall conclusion is that much has changed in local implementation practices since the previous assessment. However, many of these changes have been largely formal in nature, stemming from the new legal framework, and there is still insufficient evidence to conclude that they have significantly contributed to greater value for money, increased competition or budgetary savings.

2.4 Potential and opportunities for influence

2.4.1 Influence at EU level or through the accession negotiations

The *acquis* on public procurement concerns fundamental Treaty principles, which means that there is no prospect of derogations or transitional arrangements as regards the general application of the rules.

Local authority associations are active in attempting to influence the ongoing revision of the EU directives, both through the Committee of the Regions (CoR) and through their national representatives in the Council and Parliament. For AMCs in BiH, however, this potential channel of influence will only open after accession.

The study for the CoR cited above would place cities and regions at the centre of the EU public procurement reform with the following policy recommendations to improve legal certainty and reduce divergent national practices:

⁴⁴ [Strategic Public Procurement | urbact.eu](https://urbact.eu).

1. Clarify key provisions in the public procurement directives: Streamline and interpret critical legal concepts such as MEAT.
2. Embed strategic objectives beyond procurement law: Integrate green, social and innovation criteria into product standards, technical regulations and funding instruments to facilitate their use.
3. Align procurement with broader EU strategies: Introduce incentive mechanisms such as enhanced co-financing through cohesion policy and the European Semester to promote strategic procurement, while ensuring coordination across governance levels.
4. Tackle gold-plating through improved oversight: Strengthen the EU Commission's monitoring of national transposition to prevent unnecessary hindrances to simplification and innovation.
5. Systematically involve committed stakeholders such as local and regional authorities, SMEs and social economy organisations in all stages of reform, beyond formal consultations.
6. Enhance procurement data infrastructure: Develop a harmonised, interoperable EU data system that captures disaggregated, real-time procurement data (including from local and regional authorities) to enable targeted policymaking and improve transparency.
7. Pilot EU-level procurement sandboxes: Create legally secure environments where local and regional authorities can test innovative procurement practices under monitored, temporary derogations from standard rules.
8. Strengthen multi-level capacity building: Develop a coordinated EU strategy to professionalise public buyers, tailored to the diverse needs of local and regional authorities, including modular training, helpdesks and aligned support tools.⁴⁵

The recent EU evaluation of the public procurement directives also suggests that local authorities are particularly dissatisfied with the rules governing contract modifications, in-house procurement and the limited possibilities for negotiation within public procurement procedures and excessive requirements for SMEs which are often embedded in local economies.

For BiH, these recommendations are particularly relevant in the context of the EU accession process because they provide **guidance** not only for ongoing alignment of legislation with the EU acquis, but also for improving its practical implementation. Greater legal clarity, stronger stakeholder involvement, enhanced digitalisation and interoperable procurement data would support policymakers in preparing more coherent legislation, strengthen the capacity of institutions responsible for implementation and oversight, and help local contracting authorities apply procurement rules more efficiently while making greater use of strategic procurement.

2.4.2 Influence at national/entity level

How the EU procurement directives are transposed into national legislation is a key issue for local authorities. As noted above, several countries have made the rules stricter and/or more burdensome than required by the EU directives, particularly regarding thresholds for formal procurement procedures. This is also the case in BiH.

Here it is important to recall that the EU acquis also applies to procurement below the thresholds; even for low-value contracts, procurement must be transparent and non-discriminatory, and it is in local citizens' interest that it should be so. Thus, the argument is perhaps not so much that the thresholds should be significantly raised, but rather that the PPA and PRB should do everything in their power to simplify and smooth procedures in a way that encourages genuine competition while minimising costs and complexity, particularly for smaller contracting authorities in underdeveloped LSGs.

When asked to assess the legal framework, more than 60% of respondents to the 2025 survey considered it only partially adequate, while significantly fewer were either fully satisfied or fully dissatisfied. Overall, CAs assess the legal framework overall as incomplete, fragmented and, in

⁴⁵ CoR, [Study: 'How EU public procurement rules affect region and cities'](#)

some cases, ambiguous, allowing inconsistent interpretation and creating legal uncertainty. Some of the recommendations submitted by AMCs during the ongoing approximation are based on the following priorities identified by LSGs:

- **Clarify exemptions, including those applicable to natural and legal monopolies**, to avoid situations in which contracting authorities are forced to circumvent the law in practice.
- **Better regulate the status of public procurement officers** to support professionalisation.
- **Increase the threshold for low-value procurement** to avoid disproportionately complex procedures for low-value contracts and improve efficiency.
- **Revise the requirement for CAs to publish notices in the Official Gazette**, despite their availability on the PP Portal, as this creates an unnecessary administrative burden and costs.
- **Enhance the transparency of the e-Procurement Portal** by publishing PRB decisions and Court of BiH judgments, improving their searchability, and strengthening cooperation within and between the key institutions of the procurement system, to promote more consistent case law and greater legal certainty.
- **Establish a central database of qualification certificates** to simplify procedures and reduce the risk of bidders submitting false evidence.
- **Strengthen sanctions for non-compliant bidders**, particularly those who withdraw after the contract award decision.
- **Ensure consistency** between the public procurement legislation and other applicable legislation governing specific areas (e.g. price adjustment mechanisms for fuel, insurance, etc.)

To support the implementation of the legal framework, local contracting authorities also called for **an online helpdesk or advisory service**.

Previous sections have highlighted a number of shortcomings in the current system. One that stands out is the limited ability of the state-level institutions to provide support to CAs, particularly in the form of consistent advice or even training. It is perhaps understandable that municipalities with relatively low procurement budgets compared to higher-level authorities are not yet the top priority today. But in the aggregate and in terms of the number of procedures, they are highly significant, so that efforts to improve the efficiency of the procurement system must also consider the needs of local CAs.

One model that may be worth pursuing is for the AMCs to provide advisory services to municipalities jointly with the national authorities. In Finland, for example, there is a Public Procurement Advisory Unit run jointly by the Ministry of Employment and Association of Finnish Local and Regional Authorities. This will, however, require a commitment of time and resources from the national, as well as local, level.

2.4.3 Preparation at local level

The complexity of the EU public procurement framework, shaped by strategic policy objectives and geopolitical and technological developments, together with its transposition into the domestic legislation of BiH, underscores the need for a highly skilled procurement workforce and adequate administrative capacity.

The PPL and the relevant Rulebook⁴⁶ require the appointment of a **procurement committee** for all procurement procedures except direct agreements. The Rulebook also prescribes the required expertise of procurement committee members, as well as gender-balanced representation and the management of conflicts of interest. CAs with an annual procurement budget exceeding BAM 1 million are also required to establish, by an internal act, the position of **procurement officer**.

⁴⁶ **Rulebook on the Establishment and Functioning of Procurement Committees, consolidated version available at:** [Agencija za javne nabavke BiH - Prečišćeni tekst Pravilnika o uspostavljanju i radu komisije za nabavke](#).

The procurement committee is primarily responsible for the opening and evaluation of bids and for making a recommendation on the outcome of the procedure. In the absence of a procurement officer or procurement unit, it may also perform other procurement-related tasks.

Based on the results of the 2025 survey, almost all local CAs have a designated public procurement officer with the majority having more than 10 years of professional experience, while only a few LSGs rely on personnel with less than one year of experience. However, these officers often perform additional duties. On the other hand, more than 70% of surveyed CAs do not have a dedicated **organisational unit** for public procurement. Where such units exist (in 3 highly developed, 4 developed and one medium developed LSG in FBiH and in 3 developed, 2 medium developed and 1 extremely underdeveloped LSG in RS), they typically comprise between one and six employees. More than 50% of respondents believe that the number of employees working in procurement is **insufficient**. Furthermore, attracting and retaining qualified staff is a challenge even for developed LSGs (for example, the only procurement officer in the interviewed municipality of Tešanj stated that she will soon retire and does not know who will be responsible for public procurement in the municipality thereafter).

To support contracting authorities, the PPA developed Guidelines for **internal procurement rules**, with particular emphasis on procurement planning and contract management. By April 2025, most surveyed local CAs had adopted such internal acts, while six in the Federation of BiH (1 extremely underdeveloped, 2 underdeveloped, 2 medium developed and 1 developed LSGs) and three in RS (all among the least developed municipalities) had not yet done so.

While the national framework for public procurement is relevant, perhaps the most important step that local authorities can take to maximise the benefits and minimise the costs of implementing EU procurement rules is training and awareness-raising at the local level. In the first place, a basic understanding throughout the organisation of the need to carefully follow procurement procedures can help to avoid costly mistakes.

The PPA is responsible for the **professional training** of procurement officers, the certification of registered trainers and the supervision of their work. As of 2026, the register includes more than 163 certified trainers, of whom 14 are employed by municipalities or cities (six in FBiH and eight in RS). This number tripled compared to the previous reporting period, largely due to the EU-funded project *Strengthening the Public Procurement System in Bosnia and Herzegovina* (2019–2022). Given their practical experience, some of these trainers are well placed to address the day-to-day challenges faced by local CAs, and their expertise could be further utilised.

The EU project also introduced the certification of public procurement officers, which continued after the end of the project. As of March 2026, 1 700 certified procurement officers were registered, approximately 500 of whom work at the local level (in local administrations, public enterprises, courts, schools, hospitals and other local public institutions).⁴⁷ In addition to donor-funded projects, training is provided by the PPA, civil service agencies and private training providers.

The majority of the 2025 Survey respondents participate in procurement-related education and training. Obstacles for those that do not participate are: lack of financial resources, lack of management support or lack of interest. Lack of financial resources was a constraint in 1 extremely underdeveloped and 3 moderately developed LSGs in the FBiH, and 4 extremely underdeveloped, 1 underdeveloped and 1 moderately developed LSGs in the RS. Indeed, while training courses organised by consulting firms are somewhat expensive, particularly for LSGs with limited funds and/or larger number of procurement officers, the occasional free-of-charge (mainly online) training courses organised by the PPA are attracting an increasing number of participants and should continuously be organised in the future.

Almost all respondents from both entities expressed **the need for further training**. This is particularly relevant when it comes to more complicated issues such as understanding EU best practice and EU Court rulings and will be even more relevant once the new PPL is adopted, targeting fur-

⁴⁷ PPA, List of public procurement officials ([Spisak službenika za javne nabavke](#)).

ther digitalisation, strategic procurement, integrity and corruption prevention, and professionalisation and capacity building.

Given that various mistakes in bids are often subject to complaints, training is also needed for economic operators.

Increased training will require additional resources. As stated, this is one area where AMCs should consider taking a more active role, drawing on experience from Croatia (see chapter 8), Finland, and other countries.

2.5 Indicators of potential results

Procurement is a field where special care is needed in defining the impact of EU accession. If impact were judged by whether accession makes local officials' lives easier or harder, the assessment might well be negative. In addition, as noted, one difficulty is that national governments often make the rules stricter or more cumbersome than the EU framework actually requires, which surely cannot be blamed entirely on EU accession.

But once we consider potential benefits to citizens in the form of greater value for money, reduced opportunities for corruption, environmental sustainability, innovative and socially inclusive practices, improved public services and SME participation (**indirect benefits**) the balance shifts. This is all the more relevant since strategic public procurement plays a key role in the effective implementation of EU cohesion policy by helping public authorities use public investment to promote sustainable growth and regional development.

In BiH the impact at local level (both positive and negative) appears limited so far, with few instances of problematic appeals on one hand, but no evidence of increased competition on the other. However, the impact (both positive and negative) is growing in parallel with several legal reforms (law and secondary legislation) introduced in recent years, including the ongoing one, as well as with their gradual implementation, which takes time to produce tangible effects in practice.

Table 2.5 shows total budgets and procurement costs for the surveyed LSGs (procurement costs are based on data from summary reports on the PP Portal and rely on the accuracy of CAs' reporting).⁴⁸ While the share of procurement in the total budget varies across them, it approaches 50% in some cases and even exceeds 60% in one municipality. Thus, even if municipal procurement is small in the context of the BiH procurement market, the costs and benefits of implementing the EU rules may be highly significant at local level.

Table 2.5: Total budgets and procurement costs for the surveyed municipalities

LSG	2023		2024		2025	
	Budget (in BAM)	Procurement share (%)	Budget (in BAM)	Procurement share (%)	Budget (in BAM)	Procurement share (%)
Sapna (V)	8 891 137	21.3	8 791 246	32.9	7 404 763	41.8
Drvar (V)	4 750 000	15.1	3 997 000	8.8	6 318 630	14.6
Tomislavgrad (IV)	16 992 492	19.9	21 740 442	22.9	19 797 237	19.4
Livno (III)	16 739 ,345	15.5	19 240 240	29.4	20 694 857	20.3
Travnik (III)	26 645 319	21.8	29 819 690	44.5	34 785 635	22.4
Zenica (III)	81 203 147	33.8	94 363 780	16.6	97 066 556	10.8
Tešanj (II)	23 779 125	24.6	28 762 785	20.3	30 058 964	20.2
Vogošća (I)	19 180 145	46.4	21 639 341	30.3	21 178 022	26.7
Jezero (IV)	1 109 155	NA	1 668 225	9.9	2 155 835	15.8
Kalinovik (IV)	4 630 137	1.9	5 800 000	15.2	6 200 000	8.0
Han Pijesak (III)	4 710 052	36.9	5 082 249	67.3	8 863 800	4.8
Novi Grad (III)	14 461 948	19.9	16 634 330	18.3	26 512 819	6.5
Čelinac (II)	12 690 000	7.0	20 200 000	24.7	16 900 000	12.2
Milići (II)	9 897 090	18.2	10 476 830	10.8	14 534 420	6.4
Prijedor (I)	71 737 966	17.1	85 208 246	18.3	97 722 100	6.0
Trebinje (I)	39 160 000	17.5	49 980 000	13.4	53 881 070	10.4

Source: Survey of municipalities for this report and PP Portal

⁴⁸ In addition, the implementation of a number of development and other donor-funded projects is either not subject, or only partially subject to the PPL, which should be taken into account.

Estimates from the European Commission suggest that greater competition and transparency lead to an average reduction in prices of around 2.5% for each additional bid. Against this must be balanced the administrative costs of procedures, estimated at a total of 1% of the contract value.⁴⁹

Indirect costs mainly arise from missed opportunities due to complex sectoral rules, restrictive requirements, language barriers and weak pre-commercial incentives, which can deter bidders and reduce supplier diversity.

However, for local authorities, the balance of costs and benefits is likely to be less favourable. On the one hand, their contracts tend to be of relatively low value and limited cross-border interest (though interest from elsewhere in BiH may still help to push down prices). On the other hand, for low-value contracts, **administrative costs** as a share of contract value tend to be significantly higher. In addition, the cost per contract of **staff training** is likely to be higher in smaller, less developed LSGs, which might deal with only a few contracts per year valued above the thresholds. This is an area in which donor assistance has been of crucial importance in the past (in particular the above-mentioned EUR 2 million EU project for professionalisation/training, legal approximation and operational tools, as well as other donor-funded technical assistance projects).

The risk of making mistakes also needs to be taken into account. The cost of fines, damages and financial corrections (e.g. in the case of procurement irregularities in EU-funded programmes) may be significant in individual cases. But there are also substantial administrative costs involved in having to reopen procedures and deal with legal challenges. The 2024 reform of the legal protection system dramatically reduced the number of appeals, which could be considered a positive indicator. On the other hand, bidders complain that the new statutory deadlines do not leave them sufficient time to lodge appeals in low-value procurement procedures, which is likely to be reflected in different solutions under the ongoing legal reform.

On this basis it is difficult to conclude that the extra administration required to implement EU procurement standards will result in substantial net savings. However, the impact will ultimately depend on the national framework and on local capacity to implement procedures efficiently. Here, the available evidence suggests that there is striking variation both among and within member states.

According to the EU Commission evaluation cited above, the average administrative costs of procurement procedures fell from 16 (2008–10) to 11 (2019–24) person-days spent on each tender for economic operators. For contracting authorities, the decrease was more moderate, falling from an average of 22 (2008–10) to 20 (2019–24), although the median number of person-days spent on public procurement procedures above EU thresholds significantly decreased from 108 days in 2008–10 to 57 in 2019–24, highlighting **increased efficiency**. Among the most burdensome phases of the procedure, CAs refer to the pre-award phase and economic operators the pre-proposal phase.

One of the greatest benefits of EU-inspired procurement procedures may be the most difficult to measure objectively, namely that they serve as an additional obstacle to **patronage and corruption**. Several announced or initiated activities in this direction are already in the pipeline – as set out by the PP Strategy, there are plans to tighten misdemeanour sanctions in the PPL and to strengthen criminal legislation in parallel, by introducing a new criminal offence for particularly serious abuses in public procurement, and the functioning of a dedicated module on the PP Portal for oversight and investigative bodies (auditors, the Competition Council, etc.) is expected to contribute to the timely detection and elimination of irregularities. Furthermore, Sarajevo Canton represents a good practice through its established public procurement control system implemented by the Office for the Fight against Corruption and Quality Management, with a strong focus on legality, expediency, transparency and open data.

Additional strengthening of the **transparency** principle is important since it familiarises interested bidders with the procedures of public procurement and with the needs of the contracting author-

49 European Commission, Executive Summary of the Evaluation of the Public Procurement Directives.

ities in a timely manner. This makes it easier for bidders to prepare themselves adequately and respond to calls for tender, thus increasing competition and the confidence of the private sector in the fairness of the procedures implemented.

Further **digitalisation** of the system enhances transparency and efficiency while reducing administrative burden and the risk of errors. Electronic bid opening and evaluation should have a positive impact on economic operators and increase their trust in the fairness of procurement procedures. An additional module for the electronic preparation of tender documentation is also planned, which should result in time savings and fewer technical errors for contracting authorities.⁵⁰ Nevertheless, maintenance costs for the IT infrastructure need to be considered, as well as the fact that, for some small, less-developed municipalities where administrative work is still largely manual and paper-based, digitalisation poses a major challenge.

Overall, the findings at the local level suggest that, despite the administrative and financial costs associated with implementing the public procurement framework, these are expected to be outweighed by improvements in transparency, accountability and improved procurement practices. However, the extent to which these benefits translate into greater competition, better value for money and wider use of strategic and sustainable public procurement still varies considerably across local authorities. Over time, continued implementation of the proposed measures should also contribute to greater territorial cohesion and reduce disparities in procurement performance among local authorities.

2.6 Recommendations

Important steps have been made in recent years to strengthen public procurement systems at the local level, including developments in the regulatory and strategic framework, the gradual introduction of new practices and improvements in implementation. At the same time, further efforts are needed to consolidate these developments and ensure that ongoing and future reforms related to further digitalisation, strategic procurement, integrity and corruption prevention, and professionalisation and capacity building translate more consistently into practice. The following recommendations are intended to support this process by strengthening local capacities, fostering collaboration and promoting continuous improvement in public procurement system in BiH.

Recommendations for local authorities

- Strengthen procurement **planning** by introducing a more systematic approach to needs assessment, market analysis, implementation monitoring and the transparency of procurement plans. Effective planning would help to highlight any gaps and risks in the system, to assess the capacity of CAs and to ensure viability of contracts. This will ultimately lead to more time-efficient procurement processes, budget savings and better value for money. In FBiH, particular attention should be paid to timely and well-coordinated multi-year procurement planning across different levels of government, aligned with budget forecasts, strategic priorities and external funding cycles.
- Strengthen intra- and inter-municipal cooperation, as well as engagement with citizens, civil society and the business community, to identify common needs, improve procurement planning, and increase transparency and participation (particularly related to concessions).
- Enhance cooperation with other CAs when implementing projects in the same geographical area to avoid duplication of works, improve coordination and achieve better value for money.
- Assess opportunities for centralised and joint procurement, where appropriate, to increase purchasing power, reduce administrative costs and burden on small, underdeveloped contracting authorities and improve procurement outcomes.

⁵⁰ [Reports on the Activities of the Public Procurement Agency of Bosnia and Herzegovina.](#)

- Ensure that procurement procedures are conducted in full compliance with the PPL and secondary legislation, based on approved procurement plans and the availability of budgetary resources.
- Improve the quality of tender documentation, particularly qualification requirements and technical specifications, by ensuring they are proportionate, non-discriminatory and outcome-oriented, while engaging external expertise where necessary.
- Ensure the timely and complete publication of all procurement notices, reports, contract implementation information, amendments and other mandatory documents on the PP Portal to enhance transparency, accountability and public trust.
- Systematically verify abnormally low tenders, particularly following e-auctions, to safeguard fair competition.
- Strengthen contract management by systematically monitoring implementation, documenting performance, managing contract amendments and using lessons learned to improve future procurements.
- Adopt or update internal procurement rules in line with the PPA's Guidelines, ensuring clear allocation of responsibilities and consistent application across the procurement cycle.
- Ensure adequate procurement capacity by providing sufficient qualified staff, encouraging professional certification and investing in continuous professional development commensurate with the complexity of procurement activities.
- Make greater use of existing professional networks and knowledge-sharing platforms to exchange good practices, standardise approaches and strengthen institutional learning. Particular attention should be paid to EU knowledge platforms (such as the Public Buyers Community Platform, the Inforegio E-library of Public Procurement Good Practices, URBACT and the European Urban Initiative), to support the wider use of strategic procurement as a tool for sustainable regional development and efficient use of public investment.
- Actively participate in public consultations on the new PPL and contribute practical experience and evidence-based recommendations from the local level to support a more effective and implementable legal framework.

Recommendations for AMCs

The recommendations below reflect the views of local authorities on the associations' potential role and encompass a range of activities related to policy advocacy, capacity development, operational support, and transparency and innovation.

- Continue advocating for a modern, coherent and implementable public procurement framework, including reforms related to concessions and PPPs, while strengthening the role of the AMCs in multi-level policy dialogue and legislative processes.
- Expand advisory and capacity-building services for local authorities by providing regular and specialised training, particularly on strategic (social, sustainable and innovative) procurement, as well as practical support through helpdesks, hotlines and expert guidance, especially for smaller, underdeveloped LSGs.
- Support contracting authorities in improving procurement governance by assisting in the development of internal procurement rules, standard operating procedures and other internal guidance documents, particularly for capacity-constrained, underdeveloped LSGs.
- Support digitalisation of under-resourced local governments.
- In cooperation with the PPA, develop standard documentation for the most common types of procurement of supplies/services and works, practical guidance and other knowledge products to promote consistency and reduce administrative burden.
- Promote the wider use of centralised and joint procurement by raising awareness of its benefits and facilitating cooperation among local authorities, especially between more and less developed ones.

- Establish and maintain professional networks, forums and communities of practice (e.g. by using some of the existing platforms) that enable procurement practitioners to exchange experience, good practices and practical solutions on a regular basis.
- Strengthen cooperation with key public procurement institutions, particularly the PPA, as well as with CSOs and experts involved in monitoring the performance and development of the public procurement system.
- Strengthen cooperation with counterpart associations (e.g. through the Network of Associations of Local Authorities of South-East Europe) and EU member states to exchange experience, transfer good practices and organise peer-learning activities and study visits.

The implementation of these recommendations will require sustained technical and financial support from international partners and donor organisations. Strengthening the institutional capacities of local government associations represents a long-term investment in the professionalisation of public procurement, more effective implementation of reforms, and the alignment of local procurement practices with EU standards and good governance principles.

3. Employment and social policy

3.1 Overview

Employment and social policy is an area of the EU acquis in which the impact on local governments is both direct and indirect. It includes binding EU rules on labour law, working conditions, occupational health and safety, equal treatment and non-discrimination, but also softer forms of policy coordination in employment, social inclusion, poverty reduction, gender equality, youth employment, skills development, childcare and care services.

This distinction remains important for BiH. Binding EU rules require legal approximation and effective implementation through state, entity, cantonal and local systems, depending on the allocation of competences. At the same time, EU policy coordination increasingly shapes reform priorities, funding opportunities and performance expectations. Municipalities and cities may not be the main legislative actors in this field, but they are directly affected as employers, founders or co-founders of public institutions and companies, providers or co-financers of local services, and actors in local economic development.

For LSGs, the relevance of this chapter goes beyond formal labour-law compliance. EU accession may create compliance costs and administrative requirements related to working time, on-call duty, occupational safety, employment contracts, equal treatment, workplace policies and service accessibility. It may also create opportunities for LSGs to use employment and social policy as instruments of local development, particularly through childcare expansion, local employment partnerships, skills development, social inclusion programs, support to vulnerable groups and future access to EU funds.

The labour market context in BiH makes this local dimension particularly important. Although indicators have improved compared with the period covered by the 2019 analysis, the country continues to face low activity rates, high inactivity, weak labour-market participation of women, youth unemployment, skills mismatch, informal work, demographic decline and sustained emigration. These trends affect municipalities differently. Larger urban centres, smaller towns, border areas, tourist municipalities and rural communities face different combinations of labour shortages, youth retention challenges, outward migration, pressure on services and limited administrative capacity.

For LSGs, these are not abstract macroeconomic problems. They influence local tax bases, demand for services, school enrolment, availability of skilled labour, business expansion, social vulnerability and the ability of local administrations to attract and retain staff. The EU accession process will not automatically resolve these challenges, but it provides a framework through which municipalities can link employment, skills, social inclusion and local economic development more systematically.

In some LSGs, labour shortages are already linked to the use of foreign workers, particularly in construction, tourism and services. In border areas, cross-border and seasonal labour mobility is becoming an important local labour market factor. Trebinje provides a particularly visible example: media reports and local estimates⁵¹ suggest that the number of workers from Trebinje in Dubrovnik and the surrounding area has increased significantly in recent years, reaching several thousand during the summer season. Some workers relocate temporarily, while others commute daily. This reflects labour shortages in Croatia's tourism and service sectors, but it also affects Trebinje's local labour market, wage expectations, availability of skilled workers and employer competitiveness. At the same time, the economic effect is mixed: formal employment contributions and part of the generated value are realised outside BiH, while a significant part of workers' earnings may still be spent in Trebinje and support the local consumption economy. In other LSGs, the main challenge remains insufficient local employment opportunities for young people, women and vulnerable groups.

⁵¹ Euronews BiH, [Trebinjci odlaze na posao u Dubrovnik, Dubrovčani stižu u šoping u Trebinje](#), 10 October 2025.

Since 2019, the EU framework in employment and social policy has evolved. The Europe 2020 strategy is no longer the main reference point. The European Pillar of Social Rights and its Action Plan now provide the central framework for EU-level social policy coordination, including targets for employment, adult learning and poverty reduction by 2030. Several newer EU measures on transparent and predictable working conditions, work-life balance for parents and carers, adequate minimum wages and platform work have also expanded the practical relevance of the *acquis*. These developments do not replace the older *acquis* on working time, equal treatment, occupational safety and non-discrimination, but they expand the range of issues that candidate countries need to understand and prepare for.

Gender equality (addressed in more detail in chapter 7) is also directly relevant to employment and social policy. From an EU accession perspective, the issue is not only formal legal alignment with gender equality frameworks, but also whether parents and carers can participate in the labour market. In BiH, limited availability of childcare, preschool education, home care and long-term care can constrain labour market participation, especially for women. For local governments, this means that care services are not only social services, but also employment-enabling infrastructure.

The position of LSGs is therefore structurally complex. In many fields, they are expected to implement, co-finance or facilitate policies designed at higher levels of government. Field interviews with Čapljina, Trebinje and Ljubuški suggest that the EU *acquis* and the EU integration process are still often perceived at local level as abstract, high-level obligations rather than as a concrete set of future responsibilities requiring local planning, budgeting and preparation. At the same time, LSGs have a strong practical understanding of local needs, including the needs of citizens, vulnerable groups and employers. They may not always frame their actions in EU-*acquis* terminology, but they are already addressing issues directly relevant to employment and social policy: improving accessibility for persons with disabilities, supporting vulnerable families, encouraging entrepreneurship, facilitating business activity, supporting women and young people, and expanding social and community-based services.

The supplementary field material confirms that this pattern is not limited to Čapljina, Trebinje and Ljubuški. East Ilidža, Jajce, Maglaj, Oštra Luka, Tomislavgrad, Zavidovići and Zenica also show that local governments usually experience EU integration through concrete projects, funding opportunities, service-delivery pressures and administrative capacity constraints rather than through formal *acquis* terminology.

Thus, there is often a perceived gap between local responsibilities and local influence, but also between EU-level reform language and practical local realities. LSGs clearly expressed that they do not want solutions to be imposed from above. Rather, they want to be consulted, involved in dialogue, and included in the planning of obligations and measures that will arise from EU alignment. AMCs can play an important role in reducing this gap by translating EU requirements into practical local implications, representing local interests, collecting evidence on local impacts, supporting capacity development and advocating for clearer consultation mechanisms on EU-related reforms.

3.2 Key aspects of the EU *acquis*

The EU *acquis* in employment and social policy combines binding legal rules with policy coordination mechanisms. Binding rules establish minimum standards in areas such as working time, transparent working conditions, equal treatment, occupational health and safety, work-life balance and protection of workers in specific forms of employment. These rules must be transposed into domestic legislation and implemented by both private and public-sector employers, including local authorities and institutions or companies founded by local authorities where they fall within the relevant legal scope.

Policy coordination is different. It does not normally impose detailed legal obligations in the same way as directives, but it shapes national reform priorities, funding frameworks, monitoring systems and policy language. It is particularly relevant in areas such as employment policy, youth employment, adult learning, gender equality, social inclusion, poverty reduction, childcare and long-term

care. For LSGs, this distinction is important because EU accession creates both compliance obligations and opportunities to participate in policy programmes and EU-funded interventions.

The main point for local governments is therefore not only to know which directives will be transposed into domestic law, but also to understand how EU employment and social policy priorities can affect local budgets, staffing, service standards, local development strategies, project preparation and cooperation with higher levels of government.

Labour law and other binding rules

In the area of labour law, one of the most important EU measures for local authorities remains [Directive 2003/88/EC concerning certain aspects of the organisation of working time](#). The directive sets minimum requirements on daily and weekly rest, breaks, maximum weekly working time, annual leave and aspects of night work. It remains relevant for LSGs because they are employers and because many local services involve work organisation issues, including shift work, standby arrangements, overtime and, in some sectors, on-call duties.

The working time acquis can be particularly relevant for municipal services and institutions where continuous, emergency or out-of-hours services are provided. This may include firefighting and civil protection, public utilities, certain social services, residential or day-care institutions, shelters, care services and other activities requiring work outside regular hours. EU case law on on-call time has also shown that the classification of standby or on-call periods can have significant implications for working time calculation, staffing needs and wage costs. For LSGs, the practical issue is not only legal compliance, but also whether local budgets and staffing structures can absorb the consequences of stricter working time rules.

[Directive \(EU\) 2019/1152 on transparent and predictable working conditions](#) is also relevant. It modernised earlier EU rules on written information for workers and introduced more extensive rights intended to ensure that workers receive clear information about essential aspects of their employment relationship. For LSGs, this means that local administrations, public institutions and local public companies need clear employment documentation, transparent recruitment and employment procedures, proper records and internal rules consistent with domestic legislation transposing EU standards.

The acquis also includes rules on fixed-term, part-time and temporary agency work.⁵² These measures aim to prevent less favourable treatment of workers only because they work part-time, on fixed-term contracts or through temporary agency arrangements. For local authorities, this is both a compliance issue and a budget planning issue. LSGs and local institutions often use fixed-term contracts, replacement contracts, temporary engagements or project-based staff. EU-aligned rules may require clearer justification, stronger equal treatment guarantees and better workforce planning.

Work-life balance has become a more prominent part of the acquis since the 2019 analysis. [Directive \(EU\) 2019/1158 on work-life balance for parents and carers](#) introduced minimum standards in areas including paternity leave, parental leave, carers' leave and flexible working arrangements. It thus links employment rights with family responsibilities, leave arrangements, flexible working and support for carers, and is directly relevant for local governments in two ways. First, LSGs are employers and must apply domestic rules on leave, flexible work and protection from discrimination where these are aligned with EU standards. Secondly, LSGs influence the practical possibility of work-life balance through the availability, affordability and accessibility of childcare, preschool education, long-term care, home-care services and community-based support.

Equal treatment and non-discrimination remain central elements of the acquis. The key EU rules include legislation on equal treatment between men and women in employment and occupation,

⁵² [Directive 1999/70/EC concerning the framework agreement on fixed-term work](#); [Directive 97/81/EC concerning the Framework Agreement on part-time work](#); [Directive 2008/104/EC on temporary agency work](#).

racial and ethnic equality, equal treatment in employment and occupation more broadly, and equal access to goods and services.⁵³ These rules matter for municipalities not only as employers, but also as public authorities and service providers. Local governments must therefore consider equal treatment in recruitment, promotion, workplace policies, service access, treatment of vulnerable groups and accessibility of local services.

The EU framework in this area continues to evolve. An illustration is the proposed [Equal Treatment Directive](#), first introduced in 2008 to extend protection against discrimination beyond employment to areas such as social protection, education and access to goods and services. The proposal remained blocked in the Council for many years despite support from the European Parliament and the European Commission, reflecting differing views among member states regarding the appropriate scope of EU anti-discrimination legislation. Recent efforts by the Commission to revive discussions demonstrate that equal treatment and non-discrimination remain active policy areas within the EU rather than completed reform agendas. For BiH, this underlines the importance of viewing *acquis* alignment as an ongoing process that may continue to develop during the accession period.

This is particularly relevant for persons with disabilities, Roma communities, women, older persons, young unemployed persons, returnees, migrants and other groups facing multiple barriers. The local dimension is important because discrimination is often experienced through access to practical services: childcare, social assistance, transport, public buildings, community services, local employment measures and administrative procedures. Even where anti-discrimination legislation is adopted at state or entity level, effective implementation often depends on local practice.

Occupational health and safety is another binding part of the *acquis* with local relevance. [Directive 89/391/EEC](#) established the general framework for measures to encourage improvements in the safety and health of workers at work, supported by more specific directives covering equipment, workplaces, exposure to risks and protection of particular categories of workers. LSGs and local public companies may be exposed to occupational safety obligations in areas such as waste management, water supply, public transport, maintenance, construction-related activities, firefighting, social care and office-based administration.

The EU framework on minimum wages should also be noted, although it must be interpreted carefully. [Directive \(EU\) 2022/2041 on adequate minimum wages](#) establishes a framework to improve the adequacy of minimum wages and workers' access to minimum-wage protection, while emphasising the role of collective bargaining in wage setting. It does not establish a uniform EU minimum wage, and wage setting remains primarily a matter for national systems and social partners. However, changes in wage floors, collective agreements or wage setting frameworks can affect municipal budgets, public institutions, local public companies and service delivery costs.

[Directive \(EU\) 2024/2831 on improving working conditions in platform work](#) extends EU labour law attention to new forms of work organised through digital labour platforms. Its direct relevance for LSGs in BiH may be limited in the short term, but it signals the continued evolution of the *acquis*. Platform work, informal work and new forms of service provision may increasingly affect local labour markets, especially in larger cities, tourism centres and service-based economies.

Taken together, the binding *acquis* shows that employment and social policy cannot be viewed only as a sectoral issue for labour ministries. Local governments will be affected as employers, service providers, founders of public institutions and actors responsible for implementing or co-financing local services. The core challenge is to ensure that the transposition of EU standards into domestic law is accompanied by early assessment of local costs, staffing needs, institutional capacity and implementation risks.

⁵³ [Directive 2006/54/EC on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation \(recast\)](#); [Directive 2000/43/EC implementing the principle of equal treatment between persons irrespective of racial or ethnic origin](#); [Directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation](#); [Directive 2004/113/EC implementing the principle of equal treatment between men and women in the access to and supply of goods and services](#).

Policy coordination

In addition to binding rules, EU employment and social policy relies heavily on policy coordination. This part of the framework has changed significantly since the 2019 analysis. The Europe 2020 strategy is no longer the central policy reference. The current framework is shaped mainly by the European Pillar of Social Rights and its Action Plan, the European Semester, the reinforced Youth Guarantee, the European Care Strategy, skills policies and funding instruments linked to social investment and reform implementation.

The [European Pillar of Social Rights](#) covers principles related to equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion. Its Action Plan translates these principles into measurable EU-level objectives for 2030, including higher employment, increased adult learning and reduced poverty and social exclusion. While these targets are not binding on BiH in the same way as directives, they shape the policy environment in which accession countries are assessed and supported.

For local authorities, the importance of the European Pillar of Social Rights lies in the fact that many of its principles require implementation close to citizens. Access to childcare, active support to employment, inclusion of persons with disabilities, long-term care, equal opportunities, lifelong learning and social protection cannot be delivered only through central strategies. They require functioning local systems, local data, local partnerships and adequate financing.

The [reinforced Youth Guarantee](#) is particularly relevant for local authorities. It requires coordinated support so that young people can receive an offer of employment, continued education, apprenticeship or traineeship within a short period after becoming unemployed or leaving formal education. Although public employment services are usually the lead institutions, LSGs can play an important role in outreach, cooperation with schools, identification of NEET (not in employment, education or training) youth, internships, cooperation with employers and local employment partnerships.

The relevance of the Youth Guarantee for candidate countries also lies in the way it is being introduced in the Western Balkans through EU and International Labour Organization (ILO) support. This approach emphasises not only public employment service reform, but also governance, outreach to inactive young people, cooperation between education and employers, activation measures and practical pathways into work, training or further education. For LSGs, this creates a possible entry point through local employment partnerships, especially where they already cooperate with schools, employers, public employment services and social welfare institutions.

While BiH has not yet fully implemented the Youth Guarantee, many LSGs have already strengthened local employment governance through EU- and ILO-supported Local Employment Partnerships. These have demonstrated the value of structured cooperation between LSGs, public employment services, employers, education providers and civil society, resulting in better coordination of active labour market measures, stronger alignment of skills development with local labour market needs, and improved support for vulnerable groups and young jobseekers. Examples of LSGs participating in such initiatives include Teslić, Žepče, Bijeljina and Prijedor, among many others. At the same time, challenges remain, including limited municipal involvement in employment policy design, uneven coordination with public employment services, insufficient local data on NEET youth, limited staff capacity and financing, and the absence of systematic mechanisms linking schools, employers and activation measures. These experiences provide an important institutional and operational foundation for future Youth Guarantee implementation.

The [European Care Strategy](#) is another important development. Its focus on quality, affordable and accessible care services includes childcare and long-term care, both of which are highly relevant for local authorities. Care services are not only a social protection issue; they are also linked to employment, gender equality, demographic resilience and local development. For LSGs in BiH, childcare and preschool services deserve particular attention because they support women's labour market participation, early childhood development, social inclusion and future EU-funded project opportunities.

Policy coordination also matters because it influences EU funding. In member states, the European Social Fund Plus and other instruments support employment, skills, social inclusion and social innovation. For candidate countries and potential candidates, similar priorities are reflected through the Instrument for Pre-accession Assistance (IPA) III, the Economic and Investment Plan, the Growth Plan for the Western Balkans and other pre-accession support mechanisms. LSGs that can demonstrate clear links between local needs, EU priorities, measurable indicators and implementation capacity are likely to be better positioned to benefit from such funding.

This is particularly important for the AMCs, who can help their members translate broad EU policy priorities into practical local projects. They can also collect evidence on local needs, prepare model project concepts, support peer learning and advocate for municipal involvement in programming and consultation processes. In this sense, policy coordination is not only a matter for central governments. It is also a channel through which local governments can gain visibility, influence and access to future funding opportunities.

For BiH, the key challenge is that LSGs often experience the consequences of employment and social policy reforms without being sufficiently involved in their design. EU policy coordination provides a language and framework through which AMCs can argue for earlier consultation, better local data, capacity building and recognition of LSGs' implementation role. This is especially important in areas such as youth employment, childcare, care services, local employment partnerships, inclusion of vulnerable groups and preparation for EU funds.

Therefore, the EU policy coordination framework should not be treated as a secondary or purely declarative part of the *acquis*. It does not replace binding labour and equality rules, but it strongly shapes the practical reform agenda. For LSGs, it provides both a warning and an opportunity: those that do not prepare may face new expectations without adequate capacity, while those that build local partnerships, data systems and project pipelines can use EU accession as a development opportunity.

3.3 Legislation and practice in Bosnia and Herzegovina

3.3.1 Approximation

Approximation in this field remains complex because competences are divided across several levels of government. Labour law, employment policy, social protection, social services, occupational safety, education, childcare and family policy are regulated and implemented through a combination of state-level, entity-level, cantonal and local responsibilities.

The European Commission has continued to underline that BiH remains only partly prepared in the area of employment and social policy. The main challenges include fragmented competences, weak coordination, limited implementation capacity, underdeveloped social dialogue, insufficient effectiveness of labour-market institutions, unequal access to social protection and weak social inclusion outcomes. Although these assessments are directed primarily at higher levels of government, their consequences are experienced locally through uneven service provision, weak coordination with employment and social welfare institutions, and unclear division of responsibilities.

Since the 2019 analysis, several developments have been relevant for local governments. These include updated employment strategies, ongoing labour law reform processes, the introduction of non-working Sunday in the trade sector in FBiH, continued reforms in social protection and social services, stronger emphasis on youth employment and activation, growing attention to foreign labour and labour shortages, and renewed policy focus on childcare, care services, gender equality and work-life balance.

Labour law and employment regulation

In FBiH, the Employment Strategy for the period 2023–2030 provides an updated framework for

employability, alignment between education and the labour market, private-sector job creation and inclusion of vulnerable groups. From an EU accession perspective, this is important because employment strategies are one of the main instruments through which domestic reform priorities can be connected to EU policy coordination, including activation, skills development, youth employment and labour market inclusion.

At the same time, the preparation of new labour law provisions in the Federation indicates a reform direction towards stronger alignment with EU and international labour standards. Available draft materials and public reporting suggest attention to fixed-term contracts, working time, over-time, night work, work on Sundays and holidays, shift work and other forms of work organisation.

Fixed-term contracts deserve particular attention. EU rules do not prohibit fixed-term work, but they require protection against abuse and less favourable treatment. If domestic reforms move further towards the principle that indefinite employment is the standard form of employment and fixed-term contracts are exceptions that must be justified, this may affect workforce planning in municipal administrations, local public institutions, public companies and project-funded activities. LSGs may need clearer internal procedures, better HR planning and more precise justification for temporary work arrangements.

Likewise, if domestic legislation or case law on working time and on-call duty moves towards stricter recognition of standby or on-call time as working time, LSGs and their institutions may need to reorganise shifts, increase staffing or allocate additional wage funds.

The introduction of non-working Sunday in the trade sector in FBiH illustrates how labour-related regulation can have significant local economic implications. From an EU perspective, this is relevant not primarily as a trade rule, but as an example of the interaction between labour regulation, workers' protection, working-time arrangements, consumer behaviour and local economic realities. For local authorities, the impact may differ depending on the structure of the local economy. LSGs with small retail businesses, cross-border shopping, tourism-related consumption, family-owned shops, shopping centres or strong weekend consumption patterns may experience different adjustment pressures than larger urban centres or municipalities with less weekend-based trade. Field feedback from Ljubuški indicated pressure from smaller shops accustomed to Sunday work, especially because similar restrictions had previously existed at the cantonal level before the Federation-level regulation.

Croatia provides a relevant regional comparison of how an EU member state has regulated Sunday work within the broader framework of EU working-time standards. The EU *acquis* does not require Sunday to be treated as a mandatory non-working day; rather, it sets minimum requirements related to maximum weekly working time, daily and weekly rest, breaks and protection of workers' health and safety. Croatia's model, which generally restricts Sunday work in retail while allowing a limited number of working Sundays during the year, illustrates that national legislation can introduce Sunday-work restrictions while still allowing a degree of flexibility for seasonal demand, tourism revenues and local economic realities.

This does not mean that BiH should copy the Croatian model mechanically, but it shows that Sunday-work regulation can be designed in a way that balances workers' rights with economic and territorial specificities. The issue is also relevant because FBiH accounts for roughly two thirds of the country's economy, while RS has not introduced an equivalent general non-working Sunday rule in the trade sector. This creates a potential asymmetry within BiH's internal market. Retailers in the Federation may face restrictions that do not apply to competitors in RS, while consumers in border or easily connected areas may redirect part of their Sunday shopping to locations where retail remains open. The practical effect may therefore go beyond labour regulation and become an issue of territorial competitiveness, local turnover, small-business viability and municipal revenue.

This example shows why AMCs should monitor the local effects of labour-related reforms and provide evidence to higher levels when legislation has uneven territorial consequences. For LSGs, the key issue is not to oppose labour protection, but to ensure that reforms are designed with realistic

assessment of local economic effects, seasonal patterns, small-business capacity, cross-border competition and municipal revenue implications. Where appropriate, AMCs could advocate for evidence-based exemptions, seasonal flexibility or review mechanisms that protect workers while reducing avoidable damage to local economic activity.

Foreign labour is also becoming more relevant. BiH has traditionally been discussed mainly in the context of emigration, brain drain and low activity rates, but some municipalities are now also experiencing the arrival of foreign workers, particularly in construction and service sectors. This creates new questions for local administrations, including registration, integration, cultural adaptation, housing pressure, communication with employers and access to local services. Field feedback from Čapljina specifically noted the presence of foreign workers on construction sites and the need to understand cultural adaptation issues in a local labour market still affected by depopulation and low wages.

At entity level, both the FBiH and RS have strategic frameworks relevant to employment policy, labour market functioning, employability and related measures. In the Federation, the Employment Strategy of FBiH 2023–30 provides an important policy framework, although implementation takes place within a more complex institutional setting involving entity and cantonal competences. In RS, the Employment Strategy 2021–27 is one of the key strategic documents in this field. These frameworks are relevant because they influence how LSGs connect education, employers, employment services and local development priorities. The institutional context in RS differs from the Federation since, without cantons, there is a clearer line between entity-level policy and local implementation, although LSGs still face capacity and financing constraints. In practice, local authorities in RS may be better placed to work directly with entity institutions, but they still require stronger involvement in policy design, project preparation and implementation of social and employment measures.

Public employment services, activation and local employment partnerships

Public employment services remain central institutions in employment policy, but their role continues to be affected by structural distortions. In BiH, employment services have traditionally combined job mediation with administrative functions, including registration of unemployed persons and, in some jurisdictions, access to rights such as health insurance. This reduces their capacity to focus on activation, profiling, employer engagement and individual support to jobseekers.

From an EU perspective, this remains a significant implementation gap. Employment policy in the EU increasingly emphasises activation, early intervention, individualised support, outreach to vulnerable groups, cooperation with employers and links between employment services, education and social protection. This is especially visible in the Youth Guarantee approach, which requires rapid support to young people after they leave education or become unemployed. In practice, successful Youth Guarantee implementation depends not only on public employment services, but also on the ability to identify inactive young people, cooperate with schools and employers, provide practical training or work-experience opportunities, and connect activation measures with local realities. LSGs are often better positioned to identify local employers, local skills needs, vulnerable groups, inactive youth and barriers to labour-market participation. They can convene schools, employers, employment services, social welfare centres, NGOs and development agencies. This makes local employment partnerships one of the most relevant instruments for connecting EU employment policy priorities with practical local action.

Local employment partnerships are particularly relevant because they do not require LSGs to take over the formal responsibilities of public employment services. Existing employment, local development and education frameworks already provide sufficient space to perform coordination and facilitation functions, including identifying local labour-market needs, connecting stakeholders, supporting skills development, aligning vocational education with employers and supporting measures such as internships, apprenticeships and work-experience schemes. Their importance therefore lies less in creating new legal competences and more in enabling practical cooperation

among institutions that already have complementary responsibilities. AMCs could play a useful role in documenting and replicating such practices, especially through model local employment partnerships, guidance on co-financing planning and templates for cooperation between municipalities, schools, employers and public employment services.

Social protection, social services and inclusion

Social protection and social services remain among the most fragmented parts of the employment and social policy field in BiH. Competences are divided across entities, cantons and local governments, while financing and service standards vary significantly. This creates unequal access to rights and services depending on place of residence. From an EU perspective, this is problematic because social inclusion, access to services and equal treatment require more consistent standards and stronger implementation capacity.

In FBiH, the social protection system is strongly affected by cantonal competences. This creates variation in eligibility criteria, benefit levels, service availability and administrative practice. LSGs often provide or co-finance services, but they do so under different legal and fiscal conditions. Recent strategic developments in the Federation have placed stronger emphasis on social and child protection, social services and deinstitutionalisation. From the perspective of local governments, these reforms are highly relevant because community-based services, support to persons with disabilities, child protection, safe houses, home care and support to families cannot be implemented without local infrastructure, local staff, local budgets and cooperation with centres for social work, health institutions, schools and CSOs.

In RS, the social protection and inclusion framework is organised differently, but similar challenges remain. Social inclusion priorities include better connection between education and the economy, reform of employment mediation, development of social entrepreneurship and inclusion of vulnerable groups. For municipalities, the main challenge is again practical implementation: ensuring that services reach vulnerable groups, that community-based models are available, and that local institutions have sufficient professional and financial capacity.

Field evidence from LSGs confirms that local governments are already implementing a wide range of social inclusion measures of relevance to the EU acquis on non-discrimination and policy coordination on social policy. Trebinje has invested in a day centre for children with developmental difficulties, supported Roma communities through housing and infrastructure measures, employed Roma persons in public services, improved accessibility for persons with disabilities and supported the development of a safe house as a regional protection service. Ljubuški has expanded social services through a public kitchen, safe-house development, homecare and home-help services, specialised support for children and adults with developmental difficulties, and family support measures. Čapljina has supported inclusion by financing transport for children with developmental difficulties to school in Mostar and by linking education, practical training and employment pathways.

The common lesson from these municipalities is that local governments already perform EU-relevant functions in social protection and inclusion, even when these functions are not framed explicitly in terms of the EU acquis. However, these activities remain uneven across the country and depend heavily on local leadership, fiscal space, project capacity and external partnerships. The absence of harmonised minimum service standards and stable financing mechanisms limits the possibility of scaling up good practice.

Gender equality, work-life balance and childcare

The legislative and institutional framework on gender equality is covered in chapter 7, but this is a cross-cutting issue in employment and social policy. While employment, social protection, childcare and parental leave policies are primarily regulated at higher levels of government, their

effects are strongly felt at the local level through access to services, care responsibilities, gender-based violence protection, social inclusion measures and support to families. Women's labour market participation in BiH remains constrained by unpaid care responsibilities, limited childcare availability, social norms and unequal access to opportunities.

As noted, the EU directive on work-life balance for parents and carers is highly relevant because it connects employment rights with family responsibilities and highlights the need for leave arrangements, flexible working and support for carers. However, legal rights alone are insufficient if parents and carers do not have access to services. For this reason, childcare, preschool education, home care and long-term care are among the most important local government issues in the employment and social policy field. CSOs have repeatedly highlighted that women's economic participation remains constrained by the unequal burden of care responsibilities, inadequate childcare infrastructure and inconsistent parental leave arrangements across the country.⁵⁴ They also note that formal legal guarantees are not consistently translated into practice, particularly in relation to workplace discrimination, sexual harassment and equal opportunities in employment.⁵⁵

Childcare and preschool services deserve particular attention in BiH. They support early childhood development, but they also directly affect women's ability to enter and remain in the labour market. In LSGs where childcare is unavailable, unaffordable or limited in working hours, women's employment is constrained even if labour law rights formally exist. Expanding childcare is therefore both a social policy measure and an employment measure.

Local authorities can contribute by expanding preschool capacity, subsidising access, supporting transport, mapping demand, coordinating with employers, supporting private or public providers, and prioritising childcare in EU-funded project pipelines. Family support measures in LSGs such as Ljubuški also show how local governments are already leading the way on how to stimulate returns, schooling and brain gain. Measures such as support for pupils and students, subsidised school materials, transport support and financial support for families may not always be framed as employment policy, but they contribute to the broader conditions for female employment, youth retention and social inclusion in Ljubuški.

Unlike some other gender equality sectors, the employment and social area benefits from a relatively strong statistical foundation, particularly regarding labour market participation, employment, unemployment and demographic indicators. However, significant data gaps remain in areas that are critical for understanding structural gender inequalities, including unpaid care work, work-life balance, the gender pay gap and the economic impact of caregiving responsibilities.

According to the European Commission's 2025 report, BiH continues to face significant challenges in aligning with the EU acquis in this field. The country has not yet harmonised maternity, paternity and parental leave provisions across the territory, resulting in unequal levels of protection and benefits depending on place of residence. The Commission recommends introducing a uniform minimum level of maternity protection and benefits and harmonising definitions and entitlements in line with the principles of the directive on work-life balance. Persistent gender inequalities are reflected in the gender pay gap, unequal distribution of unpaid care work, limited access to affordable childcare services and the continued prevalence of traditional gender roles.

Looking ahead, besides strengthening local capacity, particular attention should be paid to harmonising maternity, paternity and parental leave arrangements in line with EU standards, improving data collection and monitoring systems, and strengthening cooperation between employment, social protection and gender equality institutions. As BiH progresses towards EU accession, alignment with the acquis and broader social inclusion objectives is expected to become an increasingly important reform priority.

54 UN Women Bosnia and Herzegovina, [Country Gender Equality Profile of Bosnia and Herzegovina](#), 2021; Gender Equality Agency of Bosnia and Herzegovina, Gender Action Plan 2023–2027.

55 European Commission, Bosnia and Herzegovina Report 2024; CEDAW Committee, [Concluding Observations on Bosnia and Herzegovina](#), 2019.

Social dialogue and the position of AMCs

Social dialogue remains underdeveloped in BiH. The formal framework is based mainly on tripartite dialogue between governments, employers' organisations and trade unions. However, the effectiveness of social dialogue varies across levels of government and sectors, and it has limited influence on many reforms. Collective bargaining is also uneven, particularly outside the public sector.

For the local level, the key issue is whether LSGs are sufficiently represented in discussions that affect them as employers, service providers and founders of public institutions or companies. AMCs are not currently recognised as classic employers' associations in the same way as private-sector employers' organisations. However, LSGs are significant public sector employers and have direct responsibility for many institutions and companies affected by labour and related legislation.

This raises an important question for the future role of AMCs. Full recognition as employers' associations may be legally and politically complex, and perhaps not immediately realistic in BiH's current institutional structure. However, there is a strong argument for structured consultation of AMCs on all employment and social policy reforms that create local obligations, costs or implementation responsibilities. This includes labour law amendments, occupational safety rules, social service standards, childcare and care policies, employment strategies, Youth Guarantee implementation, EU funds programming and reforms affecting local public-sector employment.

AMCs could also explore whether a more formal role in social dialogue is possible in specific areas, particularly where reforms concern local public services or municipal employers. Even if formal social partner status is not achieved, AMCs can still perform a social dialogue function by collecting evidence from members, preparing policy positions, engaging with trade unions and employers, and advocating for implementation arrangements that take local capacity into account.

3.3.2 Implementation at local level

Since the 2019 analysis, awareness of EU-related opportunities has increased among LSGs, particularly in relation to EU funds, cross-border cooperation, local economic development and social inclusion projects. However, the basic structural challenge remains similar: local governments are often expected to implement, co-finance or facilitate employment and social policy measures without having sufficient influence over the legislation, strategies and financing frameworks that shape these measures.

As noted in the previous section, local authorities in both entities operate within systems in which policy design and local implementation are not always sufficiently connected. At the same time, LSGs are among the institutions closest to citizens, employers and vulnerable groups. They understand local labour market needs, local skills gaps, demographic pressures, social vulnerability, transport barriers, childcare needs and the capacity of local services. This gives them practical knowledge that is highly relevant to the EU accession agenda. However, this knowledge is not yet systematically collected, translated into policy positions or used in higher-level decision making.

A recurrent finding from field interviews is that LSGs do not generally experience the EU acquis as an operational planning framework and it remains a somewhat theoretical concept to them. They are more likely to relate to EU integration through projects, funding opportunities and general reform language, while concrete future obligations in employment and social policy remain insufficiently translated into local-level planning terms. At the same time, all interviewed LSGs displayed strong interest in EU and donor-funded projects and a clear willingness to participate in programmes that respond to real local needs.

Local employment, youth activation and economic development

One of the clearest developments since 2019 is the stronger role of LSGs in local economic development and employment-related initiatives. Although employment policy remains mainly the

responsibility of entity and cantonal employment services, LSGs increasingly contribute through business support, entrepreneurship incentives, cooperation with employers, vocational training, internships and work experience schemes. Field evidence confirms this relevance.

Čapljina provides a relevant example of local youth activation and school-to-work transition. Field feedback indicates that the city has supported young people and persons without work experience by enabling their first year of professional experience in municipal institutions and public companies founded by the city. It has also cooperated with schools, employers and external partners to support practical training, including hospitality, agriculture and computer numerical control skills. The experience shows how LSGs can contribute to activation and skills-matching even without formal control over employment services or education policy.

The Zenica iSKOrak example provides a particularly relevant local employment partnership model.⁵⁶ Implemented under the EU-supported Local Employment Partnerships programme with ILO support, it connected the city, another municipality, the development agency, employment services, schools and companies around start-up support, training, retraining and cooperation with secondary schools. The example is useful because it shows how Youth Guarantee-type objectives can be translated into practical local partnerships, skills development and school-to-work transition.

Ljubuški illustrates the employment relevance of local economic development and administrative facilitation. The city has digitalised craft registration, supported young entrepreneurs through equipment-related assistance and contribution-related relief, and introduced incentives connected to business development and job creation. It also provides practical support to entrepreneurs and investors in obtaining permits and navigating administrative procedures. These measures may not be formally labelled as employment policy, but they directly affect local job creation and the business environment.

Trebinje stands out as a municipality with strong project readiness and experience in cooperation with international organisations, but also as a local economy undergoing rapid structural change. Field feedback and recent local reporting suggest that Trebinje has become increasingly attractive for diaspora investors and buyers from other parts of BiH, particularly in the residential property market, but also from major retail chains.⁵⁷ However, this also creates pressure on land use, infrastructure, local services, construction labour and housing affordability.

At the same time, Trebinje's project experience is not limited to formal cooperation with organisations such as UNDP, USAID, GIZ, UNICEF, UN Women, ILO and FAO, but includes concrete local development and employment-related results. For example, in 2024, the Innovation and Entrepreneurship Center Trebinje, developed through UNDP's PIPLS project, was presented as a local hub for entrepreneurship, SMEs, students, creative industries and community initiatives. In 2025, the city also supported employment of vulnerable categories, primarily young people and women, through material grants to employers and beneficiaries, while in 2026 employment and self-employment contracts were signed for 25 unemployed persons from Trebinje and Ljubinje, with almost BAM 100 000 allocated through RS Employment Institute programmes.

These examples suggest that Trebinje's project portfolio is both broad and increasingly connected to entrepreneurship support, labour-market activation and local development outcomes. This combination of investment dynamism and project experience is significant because future EU accession will place greater emphasis on LSGs' ability to prepare project pipelines, provide co-financing, manage implementation and report results. However, even stronger LSGs such as Trebinje identified staff capacity and co-financing planning as recurring constraints.

These examples suggest that the most promising local employment measures are those that connect local economic development, employer engagement, education and training, youth activation, entrepreneurship support and project readiness. They also show why AMC's could play a

⁵⁶ Meaning 'step forward' and subtitled 'partnership for new jobs'. See [Zenica blog news item](#), June 2022.

⁵⁷ FinEst, [Expansion of Construction of Apartments in Trebinje](#), 12 March 2020.

useful role in documenting good practices and translating them into model local employment partnerships, cooperation templates and project concepts for other municipalities.

Social inclusion and community-based services

Implementation at local level is equally important in social protection and inclusion. Formal rights may be regulated at higher levels, but access to support is often experienced through local services. LSGs are frequently involved in financing, co-financing, hosting or facilitating services for children, families, persons with disabilities, elderly persons, Roma communities, victims of violence and other vulnerable groups. Field evidence confirms that local authorities are already implementing a wide range of social inclusion measures that are consistent with EU objectives on social inclusion, accessibility, non-discrimination and community-based services.

Trebinje provides several examples on local social inclusion. The city has invested in a day centre for children with developmental difficulties, supported Roma inclusion through housing-related and infrastructure measures, employed Roma persons in public services, improved accessibility for persons with disabilities, and supported the development of a safe house as a regional protection service. These examples show how non-discrimination, accessibility and community-based support can be translated into local practice.

Ljubuški has also expanded its social services and family support measures. Field feedback points to the introduction of a public kitchen, development of a safe house intended to serve women from the wider Herzegovina region, homecare and home-help services for elderly and vulnerable persons, and specialised support services for children and adults with developmental difficulties. The city also provides a range of measures to support families with children.

Čapljina provides examples of practical inclusion measures that connect education, mobility and social support. The city purchased a vehicle and financed a driver to transport children with developmental difficulties to school in Mostar, enabling their participation in education. It has also supported cooperation between schools, local businesses and external partners for practical training. These examples show how local governments can remove practical barriers to inclusion and connect social support with education and employment pathways.

The material from smaller municipalities also shows the limits of local implementation capacity. Oštra Luka relies heavily on Prijedor for professional social-work services and does not have its own health centre, while Tomislavgrad reported that victims of domestic violence must be referred to safe-house facilities in neighbouring cantons. These examples show that local access to social services depends not only on legal rights, but also on municipal size, professional staff, intermunicipal service arrangements and sustainable financing.

Childcare, care services and women's employment

Childcare, preschool education and care services represent one of the most important local dimensions of employment and social policy. As noted above, they are relevant not only for children and families, but also for women's labour market participation, demographic policy, social inclusion and local economic development.

LSGs can play a significant role even when education or social protection competences are shared with higher levels. They can support preschool infrastructure, subsidise access, map demand, coordinate with providers, support transport, cooperate with employers and include childcare in local development strategies. For AMCs, childcare and preschool services should become one of the clearest advocacy themes in employment and social policy because they connect several EU priorities at once: gender equality, work-life balance, employment, early childhood development, inclusion and EU funding readiness.

The same applies to care for elderly persons and persons requiring support in daily life. Homecare

and community-based services reduce pressure on families, support dignity and inclusion, and can enable carers, particularly women, to remain active in the labour market. Ljubuški's home-care measures and Trebinje's investment in services for children with developmental difficulties illustrate the type of local action that can be further developed, standardised and supported through future EU-related funding.

The key implementation issue is sustainability. Many local services start through donor-funded or project-based support, but they require long-term financing, trained staff, professional standards and monitoring. Without predictable financing, municipalities may be unable to maintain or scale services. This is why future EU-aligned reforms in care, childcare and social services need to include fiscal impact assessment for local governments.

Reform 3.1.1 in BiH's Reform Agenda targets an increase in the share of children enrolled in early childhood education and care services. LSGs are mentioned among the responsible institutions in the context of feasibility studies. It is not clear how increased enrolment will be financed at the local level, although the description of this reform notes that 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.'

Local data, financing and administrative capacity

A recurring weakness at local level is the lack of systematic data. LSGs often have practical knowledge of local needs but do not always collect, structure or use data in a way that supports policy design, advocacy or preparation of employment and social-policy projects. Employment services may have unemployment records, centres for social work may have beneficiary data, schools may have enrolment information, and municipal departments may have project or budget data. However, these sources are rarely integrated into a local employment and social policy monitoring system.

For EU accession, this is a significant constraint. Future funding opportunities in this field are unlikely to concern only large infrastructure projects, but also programmes linked to employment, social inclusion and human capital development. These may include childcare and preschool expansion, support for women's labour market participation, Youth Guarantee implementation, local employment partnerships, skills development and retraining, support for persons with disabilities, community-based social services, home-care services, Roma inclusion measures, social entrepreneurship initiatives and activation programmes for vulnerable groups. Such interventions require local partnerships, beneficiary outreach, monitoring systems and long-term service sustainability rather than only construction or equipment.

This has important capacity implications. Successful participation in these programmes requires LSGs to identify target groups, collect local labour-market and social data, coordinate with schools, employers, employment services and social welfare institutions, monitor outcomes and plan for service continuity after project funding ends. These requirements differ from traditional infrastructure projects and place greater emphasis on human resources, inter-institutional cooperation and service-management capacity.

Several LSGs already demonstrate elements of this approach. As noted above, Trebinje has supported entrepreneurship and employment activation initiatives through project partnerships, while Ljubuški and Čapljina provide examples of local interventions linking social inclusion, skills development, youth activation and community services. However, local representatives consistently report staff capacity and co-financing constraints, suggesting that future support should focus not only on access to funding, but also on strengthening the institutional capacity required to design, implement and sustain employment and social-policy interventions. AMCs can help by developing data tools, model project concepts, training programmes and peer-learning mechanisms focused specifically on employment, childcare, care services and social inclusion.

3.4 Potential and opportunities for influence

3.4.1 Influence at EU level or through the accession negotiations

There is limited scope for BiH to negotiate substantial derogations or special arrangements in the field of employment and social policy. Most binding EU rules in this chapter establish minimum standards that candidate countries are expected to transpose and implement. Transitional arrangements may be relevant in some related areas, particularly the free movement of workers, but there is little reason to expect exemptions from labour law, equal-treatment, occupational safety or non-discrimination standards.

There may be more scope to influence the EU's assessment of BiH's performance under the heading of policy coordination. AMCs could potentially make a useful contribution here by providing BiH representatives with information on local good practices of the kind highlighted in section 3.3.2. They can also document how EU-aligned reforms affect municipalities in practice, including costs, staffing requirements, service delivery implications and local development opportunities. A further potential channel of influence is through partnership with other European local government associations (e.g. through territorial cooperation programmes) to pilot models in childcare, local employment partnerships, social inclusion and gender equality. The AMCs should also use evidence and partnerships to argue for stronger local government involvement in IPA programming, Growth Plan-related reforms and future EU funds preparation.

AMCs should not wait for the formal opening or closing of accession negotiations in Chapter 19 before acting. Their most important contribution before accession is to prepare municipalities to understand the practical meaning of the *acquis*, identify local costs and opportunities, and develop project pipelines that can absorb EU support when it becomes available.

3.4.2 Influence at national/entity level

Practical questions for LSGs in this area are likely to concern timing, financing, administrative preparation, inspection capacity, service standards and the division of responsibilities between different levels of government. These issues are not normally resolved at EU level, but through domestic legislation, implementation plans, institutional coordination and funding frameworks.

Thus, the most important channel of influence for AMCs is at state, entity and cantonal level. This is where EU rules will be transposed, strategies adopted, funding mechanisms designed and implementation responsibilities assigned. If local authorities are not involved at this stage, they may later be expected to implement reforms that they did not help design and for which they lack adequate funding.

In labour law, AMCs should seek structured consultation whenever amendments affect LSGs as employers or founders of public institutions and public companies. This includes rules on working time, overtime, on-call duty, fixed-term contracts, transparent working conditions, occupational health and safety, anti-discrimination, flexible work and leave arrangements. These issues may appear technical, but they can have direct consequences for local budgets, staffing and service continuity.

In employment policy, AMCs should advocate for local governments to be included in the design and implementation of employment strategies, Youth Guarantee plans, active labour market measures and skills programmes. Public employment services remain the main formal institutions, but LSGs are essential for local implementation. They are familiar with local employers, schools, social service providers, vulnerable groups and barriers to participation. Without LSG involvement, activation policies risk remaining administratively correct but locally weak.

In social protection and social services, AMCs should focus on the local consequences of standards and financing. Any reform that expands community-based services, deinstitutionalisation, childcare, elderly care, disability inclusion, safe houses or family-support services will require local

infrastructure, staff and budgets. If these reforms are designed without municipal input, they may create unfunded or underfunded mandates. AMCs should therefore advocate for fiscal impact assessments and clear financing models for all reforms that rely on local service delivery.

Social dialogue is another area where AMCs should become more active. The existing social dialogue framework in BiH is primarily tripartite, involving governments, trade unions and employers' organisations. AMCs are not generally treated as employers' organisations, even though LSGs are significant public sector employers and founders of institutions and public companies. In the short term, AMCs should seek structured consultation status in reforms affecting local authorities. In the longer term, they could examine whether some form of recognition as representatives of local public employers is feasible, either formally within social dialogue structures or functionally through sectoral consultation mechanisms. The experience of associations in certain EU member states (e.g. Sweden), where recognition as a public sector employers' organisation gives them a stronger role in social dialogue and discussions on employment, labour standards and public service financing, is relevant here.

Field interviews indicate that LSGs do not want to receive pre-defined obligations from higher levels without adequate consultation, financing or implementation guidance. They want to be part of the planning and policy design process, particularly where new standards will affect local budgets, public institutions, local public companies, social services or local economic development. LSGs are central to many practical outcomes in employment, inclusion, childcare, care services, local economic development and EU project implementation, but they are not yet systematically included in the design of reforms that affect these fields. This mismatch is one of the key issues for AMCs to address in the EU accession process.

3.4.3 Preparation at local level

Even if AMCs strengthen their advocacy role, much will depend on preparation within LSGs themselves. EU accession will create both obligations and opportunities, but local authorities will not benefit automatically. They will need administrative capacity, legal awareness, financial planning, data systems, project-management skills and stronger cooperation with local institutions.

The first area of preparation is employer compliance. LSGs should review their own employment practices and those of institutions and companies they establish or finance. This includes recruitment procedures, employment contracts, working time records, overtime, on-call arrangements, fixed-term contracts, occupational safety, anti-discrimination procedures, maternity and parental rights, flexible working arrangements and internal complaint mechanisms. Those that prepare early will be less exposed to legal and financial risks later.

The second area is service delivery readiness. LSGs should map which employment and social policy standards may affect services under their responsibility or influence. This includes childcare, preschool, services for children with developmental difficulties, home care, elderly care, disability inclusion, safe houses, public kitchens, Roma inclusion, transport for vulnerable groups and community-based services. The purpose is not only to list existing services, but to identify gaps, costs and priorities for future EU-aligned development.

The third area is local employment governance. LSGs should develop or strengthen local employment partnerships involving public employment services, employers, schools, vocational education providers, social welfare centres, NGOs and development agencies. Such partnerships can support youth employment, work experience schemes, skills matching, women's employment, support for vulnerable groups and employer-led training. They are also useful for preparing EU-funded projects because they demonstrate cooperation and local ownership.

The fourth area is data, financial planning and project readiness. LSGs need basic local indicators on employment, social vulnerability, service coverage and project capacity. They also need multi-year planning for employment and social policy projects, especially where reforms require co-financing, pre-financing or long-term running costs. This is particularly important for childcare, care

services, social infrastructure and community-based services, where the main cost is often not construction but staff, equipment, maintenance and continuity of service.

Stronger LSGs such as Trebinje already have significant project experience, but even they identify staff and co-financing as constraints. Smaller municipalities will require more support. AMCs can help by providing templates, training, peer learning and model project concepts.

Preparation at local level should therefore be understood as a gradual shift from ad hoc project activity to structured local implementation capacity. If LSGs prepare early, they can reduce compliance risks and use EU accession to strengthen local services and employment outcomes. If they do not prepare, EU-aligned reforms may be experienced mainly as new obligations and costs.

3.5 Indicators of potential results

While labour market performance has improved significantly since the previous report (2019), it remains poor by EU standards. According to the Agency for Statistics of BiH, female employment (15–64 years) rose from 33% in 2018 to 41.9% in 2025, while youth unemployment (15–24 years) fell from 38.8% in 2018 to 32.5% in 2025.⁵⁸ Female employment for the EU-27 in the same age range was 66.6% in 2025, while youth unemployment was 15.2%.⁵⁹

However, in the employment and social policy field, indicators of potential outcome should not be limited to general labour market indicators. These remain important, but they do not capture the full impact of EU accession on local governments. For LSGs, the key question is how EU-aligned legislation, policy coordination and funding frameworks will affect local costs, administrative capacity, service standards, employment practices, social inclusion and access to EU support.

The 2019 analysis noted that the direct risk of local authorities being unexpectedly exposed to EU employment and social policy obligations is lower than in some other areas of the *acquis*. Many obligations are transposed through domestic legislation, and local authorities can usually comply by following national, entity or cantonal rules. However, this does not mean that the local impact is negligible. EU-aligned reforms may generate additional costs, require new procedures, create staffing needs, improve service quality, open funding opportunities and strengthen local development capacity.

For the purposes of this impact assessment, the most useful indicators are not primarily new monitoring tools, but available or realistically checkable data points that can show whether EU alignment is likely to create limited or significant local impact. Several practical indicators appear particularly relevant.

At present, comprehensive and comparable data on these indicators are generally not available across LSGs in BiH. Existing administrative statistics focus primarily on aggregate labour market outcomes rather than local institutional practices, while information on employment contracts, HR procedures, occupational safety, anti-discrimination measures or staffing structures is usually held by individual LSGs and public institutions and is not systematically collected at entity or state level. Most of these indicators could, however, be collected through relatively simple administrative self-assessment exercises coordinated by AMCs or relevant ministries, providing a practical baseline for monitoring the local impact of future EU alignment.

First, LSGs and AMCs should examine the extent to which municipal administrations, local public institutions and local public companies already comply with employment standards relevant to the EU *acquis*. Useful indicators include the number and share of employees on fixed-term, part-time, service or project-based contracts; the existence and quality of written employment contracts; working-time and overtime records; use of shift work, night work, standby or on-call duty; occupational safety risk assessments; and internal procedures on equal treatment, anti-discrimination and

58 [BHAS portal on demographic resilience](https://pdo.bhas.gov.ba), <https://pdo.bhas.gov.ba>.

59 [Eurostat database](#), series *lfsi_emp_a* and *une_rt_a*. Note that the EU standard age range for employment rate is now 20–64 years, but earlier figures are not available for this range in the BiH database.

harassment prevention. If these areas are already largely regulated and documented in line with EU-aligned standards, the additional cost of accession-related reforms may be limited. If not, the impact may include conversion of contracts, stronger HR procedures, additional staffing, higher wage costs, better record-keeping and stronger inspection compliance.

Second, childcare and preschool coverage should be treated as one of the clearest available indicators of local impact. Available data on preschool enrolment, waiting lists and territorial coverage can help show the scale of unmet demand. Reforms to increase preschool enrolment have direct implications for LSGs where they provide facilities, co-finance services, support transport, plan local infrastructure or contribute to recurrent operating costs. The practical indicator is therefore not only the current enrolment rate, but the estimated number of additional preschool places, facilities, staff and annual operating costs required to close the gap.

Third, indicators on local social and care services can help estimate the impact of EU policy coordination in social inclusion, work-life balance and community-based care. Relevant data include the availability and capacity of home-care services, day centres for children with developmental difficulties, safe houses, public kitchens, transport support for vulnerable groups, accessibility of municipal buildings and services for Roma communities and persons with disabilities. These indicators show where local governments already provide EU-relevant services and where future expansion would require additional financing, staffing and standards.

Fourth, local activation and youth employment indicators are useful for assessing readiness for Youth Guarantee-type measures. Relevant indicators include the number of local employment partnerships, cooperation agreements with public employment services, schools and employers, number of young people in internships or first-work-experience schemes, local data on NEET youth where available, and municipal programmes supporting women, vulnerable groups or young entrepreneurs. These indicators help assess whether LSGs can support activation and school-to-work transition in practice, even if public employment services remain the lead institutions.

Fifth, existing project and financing data remain relevant. Useful indicators include the number and value of approved EU or donor-funded employment and social policy projects, municipal co-financing obligations, staff available for project preparation and implementation, and evidence of whether services created through projects can be sustained after external funding ends.

Overall, the key indicator question is not whether municipalities can create a comprehensive new reporting system, but whether existing data can show likely local costs, capacity gaps and service-development needs. Where data are missing, this absence is itself an important finding because it limits the ability of municipalities and AMCs to assess the impact of EU-aligned reforms and to argue for realistic financing and implementation arrangements.

3.6 Recommendations

1. Translate EU acquis obligations into practical municipal planning tools

AMCs should develop a practical function for translating EU acquis requirements into local government language, planning tools and implementation guidance. Field interviews suggest that municipalities do not generally experience the EU acquis as an operational planning framework. For many local governments, EU integration is still perceived as a high-level state or entity process, associated mainly with political commitments, formal harmonisation or future access to funds. Concrete future obligations in employment and social policy are not yet systematically translated into municipal planning, budgeting, staffing, service delivery or local development terms.

AMCs are well placed to fill this translation gap. They could prepare short municipal guidance notes explaining the EU requirements, possible domestic reforms, local implications, likely costs, data needs, affected services and project opportunities. This would help LSGs to prepare before obligations are adopted and reduce the risk that EU alignment becomes only a formal compliance exercise.

2. Secure structured AMC consultation on employment and social policy reforms

AMCs should advocate for structured and regular consultation on all reforms that create obligations, costs or implementation responsibilities for LSGs. This includes labour law, employment strategies, active labour-market measures, Youth Guarantee implementation, social protection, childcare, care services, occupational health and safety, anti-discrimination, gender equality and EU funds programming.

At present, LSGs are often consulted late, inconsistently or only informally. The objective is to ensure that higher-level legislation and strategies are realistic, implementable and financially sustainable at local level. This is particularly important in FBiH, where cantonal competences create additional complexity, but it is also relevant in RS, where local evidence remains essential despite a more centralised institutional structure.

3. Build municipal readiness for compliance as employers

AMCs should help their members prepare for EU-relevant employment standards in their role as employers and as founders or co-financers of local public institutions and companies. A practical compliance checklist could cover employment contracts, written information on working conditions, fixed-term and temporary employment, recruitment procedures, working time, overtime, shift work, on-call duty, annual leave, occupational health and safety, anti-discrimination, harassment prevention, equal treatment and protection of parents and carers.

The purpose of such a checklist would be preventive. LSGs should not wait until EU-aligned legislation is fully transposed or until enforcement becomes stricter. Early preparation would reduce legal risks, improve internal governance and help in estimating future costs, especially in services where working time, standby arrangements or occupational safety standards may have direct budgetary implications. The checklist could be accompanied by model internal procedures, templates and training for legal and administrative staff, including in local public institutions and companies.

4. Strengthen local employment partnerships and Youth Guarantee readiness

Local employment partnerships should become one of the main instruments through which LSGs contribute to employment policy alongside public employment services, employers, schools, vocational education providers, social welfare centres, CSOs and development agencies.

Their purpose should be practical: identifying local labour market needs, supporting youth transition from education to work, improving cooperation between schools and employers, supporting women's employment, facilitating inclusion of vulnerable groups, and preparing employment-related projects. They do not require LSGs to take over the role of employment services, but would allow them to perform a coordination and facilitation function that is essential for effective local activation. Such partnerships should also be connected to Youth Guarantee implementation.

5. Position childcare, preschool and care services as employment and inclusion infrastructure

AMCs should make childcare, preschool and care services priority advocacy areas in employment and social policy. These services should be framed not only as education, family or social welfare issues, but also as strategic employment, gender equality, inclusion and local development infrastructure.

AMCs should support LSGs in mapping childcare and care-service needs, including coverage, waiting lists, affordability, working hours, transport barriers and territorial gaps. They should also develop model project concepts for expanding preschool capacity, improving access for vulnerable families, supporting childcare in rural areas, developing home-care services and linking care infrastructure to women's employment.

6. Develop community-based social services and inclusion models

AMCs and LSGs should prepare for stronger emphasis on community-based social services. This includes services for persons with disabilities, children with developmental difficulties, elderly persons, victims of violence, vulnerable families, Roma communities and persons at risk of social exclusion.

EU social policy increasingly emphasises access to services, deinstitutionalisation, inclusion and community-based support. These objectives require local infrastructure, trained professionals, sustainable financing and cooperation between local administrations, centres for social work, health institutions, schools, NGOs and service providers. AMCs could help develop the examples given in section 3.4.3 into replicable models with service descriptions, cost estimates, staffing standards, financing sources and monitoring indicators.

7. Create local data, indicators and fiscal impact monitoring toolkit

AMCs should develop a simple local data and indicators toolkit for employment and social policy. The toolkit should help LSGs collect comparable information without creating excessive administrative burden. Its purpose should be practical: to support service planning, project preparation, budget justification, policy consultation and evidence-based advocacy. It could also include fiscal impact monitoring to assist with impact assessments before reforms affecting LSGs are adopted.

The toolkit should cover municipal employment practices, working time and occupational safety, childcare and preschool coverage, home-care and community-based services, support to persons with disabilities, youth employment and work experience schemes, women's employment and entrepreneurship support, local employment partnerships, support to vulnerable groups, EU project applications and co-financing, local social service expenditure and accessibility of municipal services.

8. Strengthen EU funds readiness for employment and social policy projects

LSGs should strengthen their readiness to prepare, implement and monitor EU-funded projects in employment and social policy. AMCs should support this through training, templates, peer learning and joint project development.

Priority areas for project preparation should include childcare and preschool expansion, youth employment and skills development, local employment partnerships, women's employment and entrepreneurship, support to persons with disabilities, community-based social services, home care, Roma inclusion, safe houses, social innovation, and digitalisation of local administrative services related to business and employment.

9. Use good municipal practices for follow-up peer learning and replication

Good local practices identified through the impact assessment should be considered as a basis for follow-up peer learning and replication. Field evidence from Trebinje, Ljubuški and Čapljina provides examples that could be further documented and discussed with AMCs and LSGs. Short good-practice notes based on such examples could explain the problem, intervention, partners, financing, results, challenges and replication potential, and then be used in training, advocacy and project preparation.

10. Explore the role of AMCs in social dialogue and public employer representation

AMCs should examine whether their role in social dialogue can be strengthened. LSGs are significant employers and founders of local public institutions and companies. They are affected by labour law reforms, collective agreements, wage policies, occupational safety standards and working time rules, but they are not always represented in social dialogue structures where these issues are discussed.

In the short term, AMCs should seek structured consultation status in employment and social policy reforms affecting local authorities. In the longer term, they could explore whether some form of recognition as representatives of local public employers is possible within the existing legal

framework. This recommendation is especially relevant for EU accession because social dialogue is an important part of the European social model. If LSGs are expected to implement EU-aligned employment and social standards, their associations should have a recognised channel for presenting evidence and negotiating implementation conditions.

Concluding recommendation

The central recommendation is that AMCs and LSGs should move from a reactive to a proactive approach in employment and social policy. EU accession should not be understood only as a set of future obligations imposed from above. It should also be used as a framework for improving local employment outcomes, expanding childcare and care services, strengthening inclusion, improving municipal employment practices and preparing for EU funds.

For this to happen, local authorities need earlier involvement in policy design, better data, stronger project capacity, clearer financing and structured support from AMCs. The best local examples show that progress is possible, but it is uneven and depends too much on local initiative. The role of AMCs should be to make such progress more systematic, more visible and more replicable across BiH. For smaller and under-resourced municipalities, AMCs should also consider whether shared technical support, joint project-preparation assistance or pooled expert support could be developed.

4. Regional policy and EU funds

4.1 Overview

EU cohesion policy aims to promote balanced, sustainable territorial development, in particular by reducing regional disparities in growth and employment. In 2023, GDP per capita in the EU's richest region was nearly 14 times that in the poorest region, which shows that substantial disparities still exist.⁶⁰ The EU acquis in this area covers in essence the funds available for promoting economic, social and territorial cohesion. Most of the available resources are targeted at poorer regions and member states, and since BiH's GDP per capita is 35% of the EU average,⁶¹ the country can expect to be a major beneficiary.

As the other chapters in this report show, EU accession is by no means only about funding. Nevertheless, the funds, if invested well, can lead to tangible improvements in living standards, not least in key areas of local government responsibility. However, making effective and efficient use of the available funds has often proved to be a challenge for all levels of government, resulting in low absorption and/or inefficiency. Making good use of pre-accession assistance – the EU funds available to candidate countries – is a vital part of the preparations for fully-fledged cohesion policy.

At the time of writing (summer 2026), EU cohesion policy and pre-accession assistance is in the midst of a major overhaul, with [proposed new regulations](#) for the 2028–34 long-term budget currently in negotiation between member states and the EU Parliament. It will be important for the AMCs to follow these discussions and to prepare their advocacy strategy with BiH authorities based on what is to come, not what has been. Among the essential points in the proposals:

- Cohesion policy, agriculture, rural development and several other funds would be merged into one 'European Fund' and implemented through National and Regional Partnership Plans with each member state.
- A single Global Europe instrument would merge the Instrument for Pre-Accession Assistance (IPA), neighbourhood and humanitarian funding, the Reform and Growth Facility for the Western Balkans (and similar facilities for Moldova and Ukraine).
- Details remain to be confirmed, but for candidate countries there will likely be a balance between a) national budget support in return for progress with an agreed reform agenda, b) support for (mostly large) investments through the Western Balkans Investment Framework (WBIF) and similar, and c) programmed capacity-building support similar to the current IPA.

For BiH, this marks the continuation of a longer-term shift. In previous programming periods, the emphasis was on pre-defined sectors and projects. IPA III (2021–27) introduced an approach based on strategic priorities, with a greater role for the European Commission in determining the allocation of funds. After 2023, EU policy for Western Balkans was transformed with the introduction of the Growth Plan for the Western Balkans and the accompanying Reform and Growth Facility. This links financial resources to a much greater extent to the implementation of concrete reforms defined through national reform agendas.

In this context, BiH has adopted a [Reform Agenda](#), which should provide the basis for accessing additional EU funds. However, this funding model also implies a greater degree of ownership and coordination within the country, as the disbursement of funds depends on the achievement of measurable results in the reform processes. It must be emphasised that municipalities and cities were not consulted on the development of this agenda and are hardly mentioned as responsible institutions or direct beneficiaries.

At present the EU funds in BiH are directly managed by the EU Commission, but institutions in the

60 Eurostat, [Which EU regions have the highest GDP per inhabitant?](#) 2025.

61 [Agencija za statistiku Bosne i Hercegovine](#), Rezultati Evropskog programa poređenja cijena i BDP-a za 2024. godinu (Saopćenje br. NAC_05_2024_Y1_O_BS), 2025.

country are expected to take over well before accession, in part to demonstrate their readiness to manage the full range of funds. The role of LSGs and their associations in the new 'indirect' mode of management will be key. There is an expectation that local authorities and their representative organisations should be involved in programming, monitoring, and other parts of the process in a way that corresponds to their real role in the country's development.

If LSGs have little influence over how EU pre-accession funds are used, they should not expect the situation to improve dramatically upon accession. But this would be a great potential loss for the country as a whole. If they are well prepared, local authorities can contribute to the requisite strategic planning as well as programme management and monitoring, and thereby improve both the absorption and efficient use of EU funds. This depends not only on capacity building but also on far-sighted thinking from higher levels of government when it comes to both finance and institutions.

4.2 Key aspects of the EU acquis

The overarching goals in this area stem from the Treaties, in particular Art 174 TFEU, which calls on the Union 'to aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, [paying] particular attention [...] to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps.'

In the member states, regional policy is implemented through a set of funds and common rules which together make up the basic investment framework of the cohesion policy. As noted, the new proposals include merging of several funds, to be implemented through National and Regional Partnership Plans. One key difference (if the proposals go through) is that there would no longer be regional operational programmes; instead, regions would be expected to contribute to drafting of the national plan, which might still contain regional chapters.

In the current programming period (2021–2027), the legal framework is defined by a set of regulations, including a Common Provisions Regulation and separate regulations for the European Regional Development Fund and the Cohesion Fund, the European Social Fund Plus, the European Agricultural Fund for Rural Development, and so forth. For BiH as a candidate country, the key regulations are those on the Instrument for Pre-accession Assistance III (IPA III) and the Reform and Growth Facility for the Western Balkans. These set uniform rules for the planning, management and implementation of funds. However, with the framework about to be overhauled, it makes sense to focus on general principles that will remain relevant in the new EU financial framework.

When we speak about the EU acquis in the field of regional policy, the analysis is usually reduced to a series of regulations and technical rules. However, for countries like BiH, this is not the most useful way to understand the issue. The essence is not in the individual regulations but in the way in which the EU expects states to plan development, manage public funds and coordinate different levels of government.

Formally, the starting point remains the same. Article 174 TFEU speaks about the reduction of regional disparities, with a special focus on less developed areas. In practice, in the member states this is implemented through structural and cohesion funds, which represent one of the largest sources of public investments. BiH still does not have access to those funds, but the rules of the game are defined in advance and it is precisely through pre-accession assistance that the ability to apply those rules is tested.

If we take a step back from details, we can highlight several main principles that emerge from the regulations.

The first is that money no longer comes 'by itself'. The EU has for some time insisted that funding be tied to the existence of clear strategies and the ability to implement them. This means that a project is not sufficient without a broader framework that explains why the project is needed and how it fits into long-term goals. In earlier phases of enlargement this was reduced to the so-called ex ante conditions – strategies, plans, regulatory frameworks.

Today this has gone a step further. With the introduction of the Growth Plan and the Reform and Growth Facility, the logic has further sharpened: funds are not allocated only because the projects are technically acceptable, but because reforms have actually been implemented. In other words, the focus moves from planning to results. That is a significant change since the first version of this report was written.

The second principle, which often sounds simple, but in practice creates serious problems, is additivity. EU funds are not a substitute for the domestic budget. They come with the assumption that the state and local governments already invest their own funds and that they are ready to take over a part of the financial burden. In the context of BiH, where budgets at the local level are limited, this very quickly becomes a concrete problem, not an abstract rule.

The third principle relates to partnership in how the funds are managed. In EU cohesion policy, this is not just a political recommendation, but a standard which has for years been operationalised through the [European code of conduct on partnership \(Delegated Regulation 240/2014\)](#), which continues to apply under the new proposals. This prescribes how regional and local authorities, as well as the economic, social and civil partners, should be included in the preparation, implementation, monitoring and evaluation of cohesion funds. They should be involved from the very beginning and through the entire cycle, in a structured, timely and meaningful way, so that they can genuinely influence priorities, selection of the measures, monitoring assessment of the results, and not only formally confirm decisions already taken. In theory, this should improve the quality of projects and ensure that the funds correspond to real needs. In the practice of BiH, this principle is present more on paper than in reality. The local level often enters the process late, or does not participate at all in defining priorities.

The fourth element, which is often overlooked, is the transition from individual projects to programmes. The EU has for some time tried to avoid financing unrelated projects without a clear logic. Instead, it has insisted on a sectoral approach – e.g. in transport, environment or employment – where there is continuity, coordination and a longer-term effect. This requires a much greater degree of organisation than is the case with individual grants.

This makes administrative capacity is not only a technical issue, but a central issue. Managing EU funds implies procedures which are complicated, but not necessarily too complicated with sufficient experience and a stable system. The problem arises when the rules exist, but the institutions do not have enough people, knowledge or continuity to apply them. The experience of other countries shows that these problems can take time to resolve, even after accession.

In this sense, IPA III has a dual role. On the one hand, it is a source of funding. On the other it is a test. Through IPA III, the EU verifies whether a country can plan, select and implement projects in the manner that will be required when the funds are several times larger. Until recently, what happened today within the IPA system was very likely the best indicator of how the use of cohesion funds would look in future.

However, the introduction of the Growth Plan and the pending overhaul of the EU budget shifts the focus. Instead of regional policy being observed only as an issue of distribution of funds after accession, there is more discussion of gradual integration into the single market and linking reforms and investments. This means that the boundary between ‘pre-accession assistance’ and ‘cohesion policy’ is beginning to blur. In practice, this puts additional pressure on countries like BiH to simultaneously work on legislative alignment, institutional reform and preparation of investments.

For BiH, this has a very concrete implication. The key challenge is not in understanding the legal framework, but rather in establishing a system which can function within such a framework. That includes coordination between levels of government and stable procedures, but also real inclusion of the local level, without which even the best formal arrangements will remain of limited effect.

4.3 Legislation and practice in Bosnia and Herzegovina

4.3.1 Approximation

Since the EU acquis in this field is primarily based on directly applicable EU regulations, there is limited need for formal legislative transposition. For BiH, the key challenge therefore lies less in formal legal harmonisation and more in developing the institutional, administrative and strategic capacities necessary for the effective implementation of EU regional policy, both during the pre-accession period and after accession.

The previous report (2019) stated that the efficient use of available funds to a large extent depends on the existence of appropriate institutional and administrative capacities. Here, the progress of BiH was assessed as insufficient, especially regarding the establishment of a system for managing funds and preparation for indirect management of EU funds.

The use of IPA funds was limited, with a dominant role of direct management by the European Commission, which indicated the weaknesses of domestic institutions. At the same time, a series of structural problems were recorded, including the lack of appropriate legal and institutional arrangements in the fields of programming, financial management and control, as well as an insufficient level of administrative capacities at all levels of government.

The previous report also indicated a very low level of actual utilisation of available funds. Despite certain progress in the formal establishment of a system, the basic conclusion of the previous report was that BiH had not established a functional and coherent framework which would enable the efficient use of EU funds, nor was it adequately prepared for significantly greater obligations and opportunities arising from future membership.

BiH still faces a low absorption capacity, political deadlocks and a weak administrative infrastructure, which results in significant reductions of funds and missed opportunities. Although the country at the end of 2022 gained the status of a candidate for EU membership, and in 2024 the opening of accession negotiations was agreed, the actual use of financial instruments remains severely limited.

Within IPA II (2014–20), BiH was allocated EUR 552.1 million, while within the IPA III cycle (2021–27) the national programmes for the initial years (2021–23) amounted to EUR 256 million, with an additional EUR 140.5 million approved for the period 2025–27.⁶²

However, despite these allocations, the gap between committed and realised funds remains significant. At the level of the enlargement region, the European Commission managed to contract almost all funds from IPA II (99%), but only about 59% reached the stage of actual payment, primarily due to delays at the domestic level. BiH in that context stands out as one of the weaker beneficiaries, which is a consequence of slow public procurement procedures and frequent political conflicts in a fragmented institutional system.

One of the key reasons for this situation is that BiH still does not have functional and coherent structures for independent management of EU funds. Because of that, the European Commission still uses the model of direct management, whereby the EU Delegation in Sarajevo takes over key functions in procurement and contracting procedures, bypassing domestic institutions which do not have the necessary capacities.

The consequences of inefficiency and political conflicts are not only operational, but also financial. While earlier reductions of funds, such as the one from 2013 of EUR 45 million, represented a warning, more recent cases indicate more serious consequences. Due to political deadlocks and failure to fulfil basic obligations in the process of European integration, including the appointment of a chief negotiator, BiH has lost EUR 108 million of Growth Plan funds.⁶³ The EU Commission has

⁶² European Commission, [Bosnia and Herzegovina - financial assistance under IPA](#).

⁶³ Delegation of the EU to BiH, [On the cut to Bosnia and Herzegovina's allocation under the Growth Plan](#), 19 July 2025.

recently warned that a total of EUR 373 million could be at risk; and in any event, payments under the Growth Plan depend on progress with the agreed Reform Agenda.⁶⁴

Problems in the use of funds are further pronounced at the local level and relate to broader systemic weaknesses. The multi-layered structure of government – the state, entities and cantons – often produces political conflicts around the design and priorities of projects, which leads to their delay or complete cancellation.

In such an environment, technical processes can easily become politicised, and decision-making slow and uncertain. At the same time, administrative capacities at the local level remain limited. Many municipalities and other institutions do not have sufficiently trained staff for the preparation of competitive project proposals, while the development of basic tools for public financial management, such as multi-year programme budgeting, is delayed. In addition, despite the formal insistence of the EU on the principle of partnership, CSOs and local actors are often excluded from the early phase of project planning, which results in centralised solutions that do not sufficiently correspond to specific needs on the ground. The introduction of the Growth Plan for the Western Balkans further changes the framework: instead of the traditional approach based on projects and capacity building, the new model introduces the logic of ‘money for reforms’, inspired by the EU Recovery and Resilience Facility.

Financial resources are now allocated with strict conditions and clearly defined reforms which must be fulfilled within relatively short, usually six-month, deadlines. For BiH, such an approach has far-reaching consequences. If the country fails to fulfil the given goals within the stipulated deadlines, there is a real risk that its allocated funds – a total of around EUR 1 085 million for BiH – will be permanently redistributed to other countries of the region.

At the same time, as the EU increasingly directs the funding of large infrastructure projects through this instrument, failure in its implementation could directly endanger projects of strategic importance, such as the construction of Corridor Vc.

The Growth Plan also introduces the concept of so-called phased integration, enabling the Western Balkan countries access to certain segments of the EU single market before full membership. However, in the case of BiH, this concept opens additional problems.

Since access to these mechanisms requires alignment at the level of the entire state, existing political conflicts can lead to domestic companies and local economies remaining excluded from these processes, while other countries of the region progress. At the same time, the transition from relatively flexible IPA procedures to a strict performance-based assessment system further burdens already fragmented institutions, where the lack of technical and administrative capacities can have direct financial consequences.

Compared to other EU instruments, such as the Ukraine Facility, the differences in approach are particularly noticeable when it comes to the role of the local level. While in the case of Ukraine a significant part of funding is directed towards sub-national authorities, the model applied within the Growth Plan for the Western Balkans remains extremely centralised. The national reform agendas are defined through negotiations between the state and entity authorities on the one hand and the European Commission on the other, with LSGs and cantons in BiH largely excluded from the process and reduced to the role of implementers of already made decisions.

For example, the Reform Agenda includes measures on digitalisation of public services (e-Government) but funding for the modernisation of LSGs’ software systems is not provided (or at least, LSGs would be dependent on the goodwill of higher levels to allocate some of the resources received for implementing this reform). Similarly, local communities must operationally implement the complicated and expensive goals of the green transition, such as decarbonisation and modernisation of district heating, even though the money for this flows exclusively to the central entity

64 The New Union Post, [The Western Balkans could soon lose €700 million in EU funds](#), 21 April 2026.

treasuries.⁶⁵ On the other hand, the plan completely ignores key needs on the ground, such as building administrative capacities in under-developed municipalities, which lack the professional staff to even apply for EU funds. In the end, the much-needed reform of the system of spatial planning and local-level permitting was omitted from the Reform Agenda, even though according to private-sector analyses this remains the main brake on attracting foreign and domestic investments.⁶⁶

A similar pattern is visible in relation to civil society. While in Ukraine local communities and CSOs have an active role in the oversight and implementation of projects, including joint decision-making mechanisms,⁶⁷ in the case of the Western Balkans the key financial instruments largely bypass the direct participation of these actors. This further deepens the gap between local needs and decisions made at the central level.

As a consequence, even when willingness and needs exist on the ground, the possibility to access funds remains limited, which ultimately leads to the conclusion that the standards and flexibility applied in other (albeit very different) contexts, such as Ukraine, are not the same in the case of BiH.

This picture is partially mitigated by the territorial cooperation programmes, primarily Interreg and IPA cross-border cooperation, where the space for direct participation of the local authorities is wider and where there are more concrete examples of the local ownership over the projects. Precisely these programmes show that LSGs are most successful when they have more direct access to partnerships and greater operational autonomy.

4.3.2 Implementation at local level

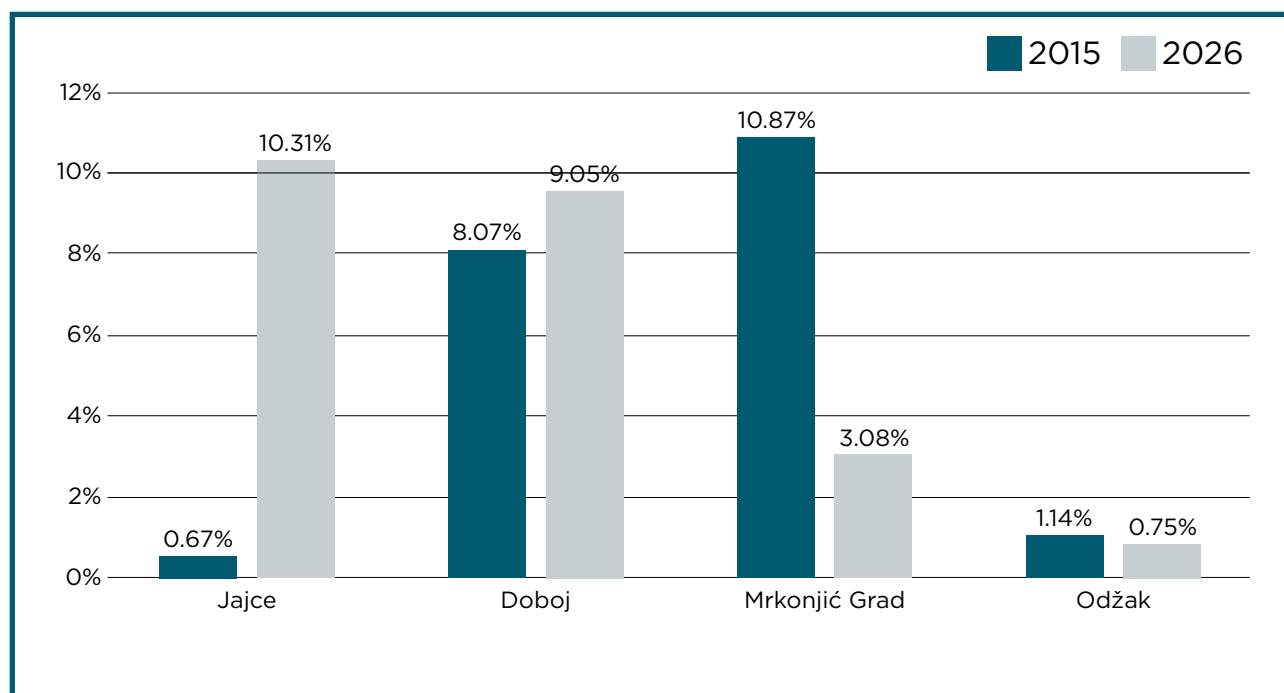
The previous report (2019) found that local authorities face several challenges if they are to make the most of the potential EU funds. Those challenges are still present. Within IPA III, municipalities continue to participate primarily through project calls, most often as partners in projects led by international organisations, state institutions or larger public agencies. Although there are examples where municipalities were main project creators and implementors, such cases remain limited and depend on individual capacities. As before, the key challenges include the lack of administrative capacities, limited financial resources for co-financing and pre-financing of projects, and insufficiently developed project pipelines.

For example, in the case of the sample municipalities analysed here the financial capacity of local governments for pre-financing and co-financing of projects is limited to around 2–3% of the total local budget. Some additional finance may be available through loans, but (as Figure 4.1 shows) the fiscal space for additional loans is extremely limited in some municipalities.

65 European Commission, [Commission approves Bosnia and Herzegovina's Reform Agenda under the Growth Plan](#), Delegation of the European Union to Bosnia and Herzegovina, 2025.

66 OECD, [Assessing Bosnia and Herzegovina's Reform Agenda for Private Sector Development](#), OECD Publishing, 2025.

67 Ministry of Economy of Ukraine, [The Ukraine Plan: Concept and Consultation Process](#), Government Portal for the Ukraine Facility, 2024.

Figure 4.1: Loans repayment as % of budget, 2015 and 2026

Source: Database on Public Finances <http://javnefinansije.cpi.ba/budzetski-korisnici>

The introduction of the sectoral approach within IPA II and its continuation through IPA III formally should have enabled greater inclusion of the local level through integrated planning. However, in practice the approach in BiH is still predominantly centralised. Sectoral strategies are developed at higher levels of government, often without the systematic inclusion of LSGs in the early phases of planning, which limits their relevance for the local level and hinders implementation.

The new framework defined through the Growth Plan and the Reform Agenda further changes the position of local authorities. Unlike the IPA approach, where LSGs could directly participate through project proposals, the new funding model is based on national reform commitments negotiated between the state and the European Commission. In that process, the role of LSGs is even less visible, since they are not systematically included in the development and negotiation of reform agendas.

Such an approach has several important implications. First, the local level risks being further marginalised in decision-making on the use of funds, even though a large part of investments – especially in infrastructure, environment and local development – is implemented precisely at that level. Second, there is a risk that projects arising from reform priorities will not fully correspond to the needs of local communities. Third, the centralisation of the process increases the dependence of local authorities on decisions made at higher levels, which further slows down implementation. As noted, this stands in contrast to newer instruments, in particular the Ukraine Facility, where a part of the funds is directed towards local authorities. This misses an opportunity to use the local level in the Western Balkans as a driver of development and implementation of reforms.

Nevertheless, in some fields, LSGs in BiH show a higher degree of operational readiness compared to higher levels of government, especially when it comes to local development strategies and the implementation of smaller projects. In particular, most municipalities and cities in BiH have adopted local development strategy documents using MiPRO, a standardised methodology for local development planning that is designed to comply with EU requirements.⁶⁸ Compared with other levels of government, these local strategy documents are better elaborated, with greater detail in

⁶⁸ Methodology for Integrated Local Development Planning (MiPRO) for Bosnia and Herzegovina, prepared for practical application in municipalities in BiH.

their action plans and set-ups for monitoring and evaluation, and fully compliant with EU requirements for strategy development. There is thus great potential in BiH for a bottom-up approach to strengthening the country's preparations for effective use of EU funds.

This potential, however, is not systematically utilised. Without a clearer institutional framework which would enable more direct participation of municipalities in the planning and use of EU funds, there is a risk that the existing problems with low absorption of funds will continue. Projects should be synchronised with local development strategies (adopted in accordance with the Law and Regulation on Development Planning and Development Management in FBiH and the Law on Strategic Planning and Development Management in RS).

In the context of the new requirements brought by the Growth Plan, the role of municipalities becomes even more complex. On the one hand, they are expected to participate in the implementation of investments and reforms on the ground. On the other hand, their inclusion in the planning and decision-making phase remains limited. Such an asymmetry between responsibility and influence represents one of the key challenges for the efficient realisation of EU support in BiH.

Ultimately, successful use of EU funds in BiH will to a large extent depend on whether LSGs are integrated into the system not only as implementers, but also as active participants in defining development priorities. Without such a shift, there is a real danger that the new financial instruments, despite the larger volume of funds, will have a limited impact on actual regional and local development.

The impact of IPA funds in sample municipalities

The previous report found that the impact of IPA funds at the local level in BiH was uneven. Field visits to Doboј, Odžak, Jajce and Mrkonjić Grad in 2018 showed that in some cases the impact of EU funds was almost invisible, while in others it had a significant effect on the daily life of the population. The key exception in that regard was the assistance for the remediation of the consequences of the floods from 2014. These funds had a direct and visible impact on local communities, especially in Doboј and Odžak, where concrete interventions were clearly recognisable and aimed at the real needs of the population.

However, precisely this example emphasises the basic problem in the approach. Before the floods, the experience of the analysed LSGs was more similar: EU assistance within the regular IPA programmes had limited visibility at the local level and did not have a significant impact on the quality of life of citizens. The usual IPA approach in that period – project-oriented, fragmented and often led by international organisations and NGOs, with limited participation of local authorities in defining priorities – meant that projects were often poorly connected with real local needs or were not recognised as relevant by the population. The lack of information about projects further intensified the perception that EU funds do not have concrete effects in local communities.

In the case of flood remediation, the funds were directed directly at clearly defined and urgent needs of the local population, with a relatively simple intervention logic and visible results. This experience suggested that a more efficient approach to the use of EU funds could be based on a stronger reliance on local needs and structures. Although the needs related to natural disasters are visible and immediate, while development problems such as economic stagnation, unemployment and depopulation are less tangible, their long-term impact can be even more serious. Precisely in that context, the previous report implicitly indicated that the approach which was applied in the flood remediation could serve as a model for more efficient use of EU funds also in the field of local and regional development.

Two new pieces of research were done in 2026. First, a more detailed inquiry was undertaken in four LSGs – Gradiška, Doboј, Laktaši and Jajce. This was based on several key areas for the local level: participation in EU-funded projects; perceived impact of EU funding; administrative capacity for EU funding; project pipeline (readiness of projects); financial capacity; role of the municipality in projects; barriers to accessing EU funds; institutional coordination; alignment with the new EU

framework (Growth Plan and Reform Agenda); and required changes. Secondly, additional interviews were conducted with a further 12 LSGs. Among the areas covered here were EU and international project experience and project management capacity and constraints.

Findings of the research in 2026 confirm that the basic pattern has not essentially changed, although there exist certain shifts in individual municipalities. A deep analysis of four municipalities shows that the influence of EU funds still depends to a large extent on individual capacities and initiative of local administrations, and not on a systemically established framework.

For example, Laktaši and Gradiška are more involved in EU projects, with more visible results in individual sectors, which is primarily due to better-organised teams and greater experience in preparation and implementation of projects. In contrast, in Doboj and Jajce, although there are some project activities, their total effect remains limited and fragmented, often without a clear connection with wider development goals.

Findings from the broader sample confirm that the more successful examples are still concentrated in a small number of LSGs. Zenica stands out with the most developed portfolio, including iSKOrak, TransAC, SteelCityZen, Relind-BBG, SpinIT and Be Ready; Čapljina through ETHYS4A-DRION and the broader Interreg/IPA cross-border cooperation frameworks; Istočna Ilidža through smart public lighting within Interreg-Mediterranean ESMARTCITY; Maglaj through Three Cities, Three Nature Parks and other EU supported initiatives; Sokolac through the EU4CAET / EU4Energy actions on renewable energy; and Tomislavgrad through Interreg cooperation with Pleternica and projects connected with recycling and cultural heritage. In contrast, the smaller municipalities like Ključ, Oštra Luka and Trnovo RS more often cite failed applications, a lack of technical documentation and weaker capacities for the preparation of projects.

The differences between LSGs are significant, in terms of both administrative capacities and ability to identify, prepare and implement projects. While a few have developed local strategies and a certain level of institutional readiness, others still rely on an ad hoc approach and external support. As a result, access to EU funds remains uneven, and the potential for utilising funds is not systematically exploited.

One of the key continuities with the previous report is that LSGs still tend to participate in projects as partners, while the initiative, design and implementation of projects remain in the hands of international organisations, NGOs or higher levels of government. This limits the development of local capacities and creates dependency on external actors. Although in some LSGs there is clear readiness for more active involvement, the lack of systemic support and adequate mechanisms prevents full realisation of this potential.

Financial limitations also remain one of the key factors. Most municipalities still have difficulties in providing co-financing and especially pre-financing of projects, which puts them in an unfavourable position in relation to competitors. This problem is more pronounced in smaller and fiscally weaker municipalities, which further deepens the differences in access to funds.

At the same time, interviews with both groups of LSGs indicate that EU funds in many cases are not integrated into the wider system of local planning and budgeting. Projects are often realised as isolated activities, without a clear connection with long-term development priorities. As a consequence, their impact on local development remains limited, even when individual interventions are successful.

In the end, the combined findings of the previous report and the new research confirm the basic thesis: the impact of EU funds at the local level in BiH remains limited and uneven. Although there are examples of good practices and progress in individual municipalities, they are more an exception than the rule. Without systemic changes which would enable greater involvement of municipalities, strengthening of their capacities and better integration of EU funds into local development policies, there is a real risk that the impact of EU support in the coming period will remain below potential.

4.4 Potential and opportunities for influence

4.4.1 Influence at EU level or through the accession negotiations

As indicated in the previous report, the scope for BiH to shape the rules of EU regional policy is extremely limited, and possible changes in the context of accession negotiations relate mainly to technical adjustments of the framework. Much more important are the institutional solutions for management of funds within the country itself. Here, key questions will be defined during the accession negotiations, where domestic institutions propose models of management, and the European Commission either approves them or requests amendments. In that context, local authorities need to be included (though they have not been to date) in the preparation of negotiating positions, especially in areas which directly affect local development, such as regional policy.

In the shorter term, the previous report highlighted the significance of relations with EU institutions, given that IPA funds in BiH are implemented through direct management. It was concluded that strengthening the credibility of local authorities in relation to the EU Delegation could contribute to greater appreciation of local needs. The above-mentioned example of the flood recovery programme suggests that direct cooperation with LSGs could yield a more efficient approach, with faster and more visible results.

Finally, the previous report also indicated the importance of defining NUTS regions (formally part of the Statistics acquis chapter but significant for regional policy). In [Eurostat's latest NUTS 2027 classification](#), three NUTS 2 regions are indicated for BiH: FBiH, RS and Brčko District, while NUTS 3 regions are 'not yet agreed'.⁶⁹ BiH still does not have a developed and operational regional statistical architecture comparable with the member states, and the data Eurostat has at its disposal for BiH is still primarily national, not complete regional data. Worth noting here is that in the post-2027 proposals for cohesion policy, national allocations are determined partly by a 'regional prosperity gap' at NUTS 3 level, which would make it essential not only to define NUTS 3 regions but also to report GDP in purchasing power standards at this level.⁷⁰

Since the previous report, the context for BiH's influence at EU level has significantly changed. By gaining candidate status and the green light for opening accession negotiations, the formal framework for influence has been strengthened, but at the same time expectations of the EU have also increased. Unlike in the earlier period, when focus was on technical preparation for use of funds, the approach now – particularly through the Growth Plan and the Reform and Growth Facility – places emphasis on fulfilling concrete reform obligations as a precondition for access to financial resources.

This in practice means that space for influence is achieved less through negotiations on rules and more through the country's ability to meet set conditions and demonstrate results. In other words, influence shifts from the normative level (rules and arrangements) to the operational level (implementation of reforms and investments). In that context, weaknesses that were identified in the previous report – particularly in terms of coordination and institutional capacities – become even more pronounced.

At the same time, the role of the European Commission and the EU Delegation in Sarajevo remains key, but within a changed framework. In addition to management of IPA funds, the Commission now has a central role in monitoring fulfilment of reform goals and deciding on payments of funds within the Growth Plan. This further increases the importance of relationship between domestic institutions and the EU, but also the need for a greater degree of credibility and reliability in implementation.

69 See the Excel file 'NUTS 2027 classification' at the link in the text. NUTS 3 regions would almost certainly correspond to cantons in FBiH and similar-sized non-administrative units yet to be defined for RS.

70 See Annex I of the proposed [European Fund Regulation](#).

For local authorities, these changes have ambivalent implications. On one hand, the significance of their role in implementing investments and reforms on the ground increases. On the other hand, as noted, the new financing model further centralises decision-making through national reform agendas negotiated between the state level and the European Commission. So far, this has reduced scope for LSGs' influence at the EU level, compared to the earlier period when they had more direct access to certain programmes through IPA projects.

In this sense, the previously identified idea of strengthening of a 'bottom-up' approach remains relevant, but its realisation becomes more complex. The new research shows that, despite certain capacities at local level, municipalities are still not systematically included in planning and negotiation processes, which limits their ability to influence funding priorities. This is particularly problematic in the context of the Growth Plan, where political conflicts at state level can block realisation of projects at local level.

4.4.2 Influence at national/entity level

Although the EU acquis in this area will remain mainly in the form of Regulations, which do not require transposition into national legislation, the key questions lie in the establishment of the institutional and procedural frameworks for the management of the funds. As emphasised in the previous report, the role of LSGs and the AMCs depends above all on the decisions of the domestic authorities, since it is the national and entity levels that determine who participates in the processes of planning, programming and implementation.

Stronger inclusion of the local level could contribute to a better coordination and a more efficient use of the funds, hence the previous report's recommendations that LSGs should be included in the early phases of defining strategic priorities and programming, that coordination between the different levels of government and sectors should be ensured, and that a clear and stable framework for the selection of the projects, financial management and control should be established. It has also emphasised that complex and often changeable procedures represent an additional burden and reduce the efficiency of the system.

While the context has changed over the past seven years, the basic challenges remain largely the same. Although the formal framework for the coordination of the EU assistance has been improved, including mechanisms for coordination and programming, their functionality in practice remains limited. The fragmentation of the institutional system still represents one of the key obstacles for an efficient management of the funds.

The new financial framework, especially through the Growth Plan and the Reform and Growth Facility, further changes the nature of the impact at this level. In contrast to the earlier period, where the focus was on defining procedures and projects, the key element now is the ability to coordinate and implement the reforms at the level of the entire country. This increases pressure on the national and entity institutions to act in a coordinated manner, while revealing the weaknesses of the existing system, in which competences are divided and coordination mechanisms often lack efficiency.

The role of the local level in this framework remains limited. The new research shows that LSGs are still not systematically included in the early phases of planning and defining priorities, their role being reduced mainly to the implementation of projects. That repeats the pattern identified in the previous report, despite formal emphasis on the partnership principle. A consequence of that is that projects are often not fully aligned with local needs and the potential of LSGs to contribute to development remains under-utilised.

According to interviews with LSG representatives, a key continuing problem is the non-existence of a unique and stable framework of procedures. Instead of simplification, which should be one of the goals of the EU approach, in practice additional complication of procedures occurs, which particularly affects LSGs with limited capacities.

The financial aspect remains equally important as in the previous period, but in the new circumstances gains an additional dimension. The new model of financing based on reforms implies faster and more predictable payments only in the case of successful implementation, which increases the need for stable and accessible sources of financing at the national and local levels. However, the majority of LSGs still do not have enough funds for co-financing and pre-financing of the projects, which limits their ability to participate in the larger investment initiatives.

In that context, the earlier recommendations on establishing special mechanisms of financial support remain relevant, but are still not systematically implemented. For example, the credit line of the Development Bank of the FBiH represents one of the rare instruments for the financing of EU projects at the local level, enabling favourable long-term loans to LSGs for co-financing, pre-financing and coverage of ineligible costs. However, its use remains limited, due not to a lack of information, but to weak fiscal capacity and caution towards borrowing in view of budget constraints and uncertainty regarding the return of the investments.

Concerning influence at the national and entity level, the essential problems identified in the previous report still exist. The new approach of the EU to financing further increases the importance of coordination, the institutional ability and the inclusion of the local level, but without systemic changes in these areas there is a risk that BiH will not fully utilise the available opportunities, despite the increased volume of the funds and the new support instruments.

4.4.3 Preparation at local level

Local authorities with coherent development strategies and a shortlist of projects that are in principle eligible for EU funding will clearly have a head start when it comes to accessing the resources available. As section 4.3 has shown, municipalities are relatively well-placed (compared with other levels of government) when it comes to development strategies.

The major challenge at local level is administrative capacity. There is no doubt that the administration of EU-funded projects is challenging, particularly for the inexperienced, and that recruiting and retaining appropriately skilled staff is difficult. However, it is probably less difficult for local authorities than it is for other local actors (e.g. CSOs). Support from the AMCs can further lighten the administrative burden for individual LSGs. There is also the possibility for associations to be directly involved in EU-funded programmes aimed at strengthening decentralisation and good governance (although it remains to be seen what scope there will be for such programmes post-2027).⁷¹

As argued in section 4.4, capacity-building needs to target not only project preparation and applications, but also management of projects after approval, including tender procedures, financial rules, monitoring and so forth.

4.6 Indicators of potential results

With GDP per capita at 35% of the EU average in 2026, even with rapid economic growth BiH can expect to benefit from the highest level of regional support upon accession and for some time to come.

For the current multi-annual financial framework 2021–27, national cohesion policy allocations were capped at 2.3% of GDP for the least prosperous member states, although some regions were expected to receive up to 3.5% of GDP.⁷² It remains to be seen what cap the European Council might decide for the 2028–34 period, but in BiH's case this would almost certainly be a limiting factor.

⁷¹ Cf. for example the Municipal Support Programme under IPA I in Serbia, under which the Standing Conference of Towns and Municipalities received direct support and managed a grant scheme for municipalities.

⁷² Annex XXVI of the [Common Provisions Regulation \(2021/1060\)](#). For regional allocations, see European Commission, [Cohesion 2021-2027: Forging an ever-stronger Union - Report on the outcome of 2021-2027 cohesion policy programming](#), Staff Working Document SWD(2023) 134 final, Annex 5.

Thus, compared with IPA II funds (the last programme for which there were national allocations), the amount of funding available is set to increase by over five times.⁷³ Since BiH is currently failing to make use of available IPA funds, this suggests that effective absorption will be a challenge.

Looking back at the experience of recently acceded member states, figures for the 2007-13 period show that most countries managed to spend almost all of the available funds for cohesion policy. However, some faced serious delays in implementation; Romania in particular completed the cycle with the lowest rate of absorption in the block, losing nearly 2 billion euros in automatic decommitment of funds due to systemic bureaucratic and administrative delays.⁷⁴ Absorption was also below 95% in Croatia (which acceded in 2013 and therefore had less time to implement programmes), Italy and Hungary.⁷⁵ However, several countries struggled in the early years of the 2007-13 period, and the 2014-20 programmes also got off to a slow start. This may increase the likelihood of errors or raise concerns that project selection is driven by the need to spend money rather than the quality of projects. Moreover, 11 countries over-committed funding in 2007-13 (i.e. selecting projects with a total value in excess of available funds) in order to guarantee absorption.⁷⁶

Therefore, if local authorities in BiH were able to supply a pipeline of strategically sound projects and had the capacity to implement these effectively, this is something that higher-level authorities should welcome. This, as section 4.4 has shown, is a big if. But there is clear potential to make good use of the available funds in support of local priorities, and thereby to improve efficient absorption of the funds for the country as a whole.

Here, the experience from recently acceded member states is mixed. The case of Poland is encouraging. During the first two years of EU membership, local authorities (communes and districts) were major beneficiaries of the structural funds, concluding 2 323 contracts with a total value of EUR 1 989 million (71.1% structural funds, 28.9% co-financing), or 43% of the funds for the period analysed (1/5/2004 to 31/7/2005).⁷⁷ The great majority of projects (86%) concerned 'hard' infrastructure rather than 'soft' projects aimed at developing human resources, which tend to be on a smaller scale and more complex to implement. On the whole, municipalities in poorer, agricultural regions received less funding than those in richer, metropolitan regions.

On the cost side, the staff time needed to prepare, implement and monitor programmes is clearly significant, though difficult to estimate at the local level. At the national level, staff numbers averaged just over two persons per million euros of funding in five countries from the 2004 wave of enlargement.⁷⁸ Administrative staff costs for beneficiaries (including local authorities) might well be higher, especially in the case of smaller projects. However, any additional recruitment and training that increases local authorities' chances of securing EU funding seems likely to pay for itself, given the amounts involved. There may also be side benefits for public management more generally, for example in strategic programming.

73 Based on GDP of EUR 16 billion in 2017 (source BiH Agency for Statistics), 2.3% of this amount is EUR 368 million compared with IPA II indicative funding of EUR 74.8 million for 2015.

74 European Court of Auditors, [EC's and Member States' actions in last years of 2007-2013 programmes tackled low absorption but had insufficient focus on results](#), Special Report No. 17/2018, Publications Office of the European Union.

75 European Commission, Analysis of the budgetary implementation of the European Structural and Investment Funds in 2017, May 2018.

76 KPMG and Prognos, Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), Final report, Work package 12, August 2016. Over-commitment is a common practice towards the end of a programming period, when unfunded projects can, if viable, be carried over to the next period. Nevertheless, significant over-commitment (115% for Hungary, 118% for Cyprus and 152% for Greece) entails risks for those devoting resources to project preparation, and may reflect a lack of confidence in programme management.

77 Paweł Churski, Structural Funds of the European Union in Poland: Experience of the First Period of Membership, European Planning Studies, Volume 16, Issue 4, 2008, pp. 579-607.

78 Andrej Horvat and Gunther Maier, Regional development, Absorption problems and the EU Structural Funds: Some aspects regarding administrative absorption capacity in the Czech Republic, Estonia, Hungary, Slovakia and Slovenia, ERSA conference papers, ersa04p591, European Regional Science Association, 2004.

In Slovakia, the key to success was ‘timely recruitment and adequate salaries of staff engaged in administrative structures assigned for EU funds management’.⁷⁹ The same applies at the local level, since the skills required to prepare and implement projects will no doubt be in demand from the private as well as the public sector.

In the Czech Republic, on the other hand, absorption of EU funds was difficult even in the early years of the 2007-13 period (i.e. several years after accession), and there were a large number of financial irregularities. The Czech Supreme Audit Office highlighted weaknesses due to poor coordination between regional and the central managing authorities, the large number of programmes and complexity of their implementation structure, insufficient staffing, fragmented rules and methodological materials, and frequent changes to these rules.⁸⁰ The situation improved from 2014, after the Ministry of Regional Development started to carry out centralised management and coordination of operational programmes.

These are precisely the kinds of issues identified in previous sections, with coordination problems between regional and central authorities particularly resonant in the case of BiH. The experience of other member states shows that addressing these issues can make a major difference to the real benefits that the country can expect to derive, not only from IPA funding, but from the much larger structural and cohesion funds post-accession.

One aspect of Croatia’s recent experience is worth flagging. Local authorities have played an increasing role in the implementation of EU regional policy through the Integrated Territorial Investment mechanism. In 2014-20, seven functional urban areas prepared Integrated Urban Development Strategies containing a territorial analysis, objectives, integrated actions, a delivery plan and a financial framework. Cities were designated as intermediate bodies for project selection. In 2021-27 the number increased to 22, with an operational budget of around EUR 620 million or 12 per cent of European Regional Development Fund (ERDF) funding.⁸¹ Cities in BiH hoping to emulate this experience would be well-advised to join networks under URBACT (the EU’s transnational programme on urban exchange). According to the Croatian Association of Cities, most cities that were part of an URBACT network became centres of one of the current 22 functional urban areas.

4.6 Recommendations

If BiH wants the new framework of EU support – including the remaining period of IPA III and the Growth Plan, Global Europe from 2028, and the future post-accession funds – to produce real development results, local authorities must be much better included than they have been to date. Previous practice shows that LSGs often bear the burden of implementation, but without adequate influence on planning, without stable sources of funding and without systemic support for the preparation of projects. That is a model which limits both absorption and the development effect of EU funds. Based on the findings of this chapter, recommendations for the next period may be summarised as follows:

1. Systematically monitor the local consequences of the Reform Agenda. The AMCs and LSGs need to create a practical monitoring system for Reform Agenda measures that are liable to create a fiscal, administrative or implementation burden for local authorities. At present, one of the most obvious deficiencies of the new approach is that reforms are agreed at higher levels, but some costs and administrative implications are transferred downwards. Thus, local administrations may be tasked with reforms which have not been discussed in detail from the point of view of implementation feasibility, sequencing, manpower requirements and financing. This trend can be already seen in such areas as digitalisation of public administration, green transition, environmen-

⁷⁹ Ivan Knezevic, *Absorption Capacity of Serbia for Use of EU Funds: Practical Lessons from Slovakia*, The Pontis Foundation and the Center for Democracy Foundation, Belgrade, July 2010.

⁸⁰ Cited in IMF, *Czech Republic: Staff Report for the 2016 Article IV Consultation*, June 2016.

⁸¹ The current regulations require a minimum of 8 per cent. The new proposals do not include a minimum requirement (though that may change in negotiations), but the Integrated Territorial Investment mechanism remains as an option.

tal regulation, local infrastructure development and service modernisation. In all these fields, LSGs are not just spectators of the reform process, but organisations responsible for its translation into everyday administrative reality. However, the costs of this translation are not calculated, and its local implications are not systematically recorded.

This is why the AMCs need to raise awareness of which reforms create responsibilities for LSGs, the costs involved, whether any money has been made available, and where implementation problems have occurred. Monitoring will provide the AMCs with stronger evidence when engaging in dialogue with state, entity and EU institutions. At the same time, it will assist in bringing to light the increasing discrepancy between what has been agreed upon in central negotiations and the ability of local institutions to implement the reforms.

2. Advocate for stronger fiscal decentralisation. Fiscal decentralisation needs to be perceived as a precondition for effective reform and investment policy within the context of the EU and the AMCs should frame it in that way. Up to now, many of the discussions on financing of local governments in BiH have focused on the question of domestic governance, and the questions of financing from EU sources have been discussed separately. However, the analysis presented in this chapter clearly demonstrates that this dichotomy is no longer tenable. Firstly, EU-related reforms depend more and more on the involvement of local governments. Secondly, EU-funded investments often involve local co-financing, pre-financing or maintenance costs, etc.

It is unlikely that mere formal inclusion of the local level in EU-related processes will make much difference if LSGs lack consistent and sufficient revenue streams. Local authorities cannot be expected to fulfil new obligations relating to environment, digitalisation, infrastructure and delivery of services if they lack reliable and adequate revenue streams. At present, responsibility is often transferred from higher to lower authorities without improving the latter's financial standing. A more realistic approach would involve making the fiscal powers of local authorities more consistent with local obligations and intergovernmental transfers more transparent.

This becomes even more relevant in view of the Growth Plan and future performance-based financing when higher levels of government might receive resources in exchange for commitments to reforms but lower levels of government bear part of the implementation burden. Such advocacy ought to be practical and evidence-based. Instead of generic calls for more funding, AMCs might try to demonstrate concrete examples of EU obligations which exceed the fiscal capacity of local authorities: technical documentation of infrastructure projects, project preparation personnel, co-financing requirements, measures related to energy transition, digitalisation, environment or operational cost of new systems following completion of donor-funded projects.

By linking general advocacy on fiscal decentralisation with the concrete needs of reforms and projects, the AMCs would enhance their policy credibility. This would also facilitate a shift from a reactive stance – where local governments justify their inability to do something after the fact – to a more strategic position, advocating for resources needed for effective implementation. In the medium term, improved fiscal decentralisation would serve the dual purpose of increasing local autonomy as well as bridging the gap between the responsibilities and the capacity of LSGs.

3. Demand dedicated funds for project preparation, pre-financing and co-financing. The main challenge for most LSGs is not the absence of development needs but rather the absence of means to cover technical assistance, feasibility studies, bridging finance, co-financing and other non-eligible costs of project preparation. As a result, the AMCs should advocate for special mechanisms of local financial support that should be clear, transparent, and easy to access for smaller and financially weaker municipalities. Existing instruments are not sufficient to overcome this issue. Otherwise, access to EU funds will remain limited to a small number of stronger LSGs.

AMCs should push for creating or expanding specialised domestic mechanisms covering the most typical financial gaps that exist in local governments. At a minimum, these would have to involve support for preparation, preparation of technical documents, pre-financing and co-financing. The available mechanisms, including the credit line of the Development Bank of the FBiH, are welcome, but they clearly fall far short from being a system-wide solution. Even in cases where all required

information is available and conditions are favourable, LSGs may be hesitant to borrow due to fragile budget situations, uncertainties over the repayment period and a lack of capacity to manage project finances.

The process of project preparation and pre-financing are not secondary technical issues but rather the first step towards participation. If BiH wants more comprehensive territorial coverage for EU financial assistance and a real impact on development, it will have to regard project preparation and pre-financing as expenses within the public investment system rather than issues that can be resolved locally. Thus, AMCs should regard support funds as an ongoing concern in their communication with entities and states, as well as EU institutions and other donor agencies.

4. Strengthen the role of the AMCs in monitoring and evaluation. The AMCs should broaden their scope of work beyond general advocacy and representation to systematic monitoring, evidence collection and policy feedback. As the evidence of this chapter suggests, BiH lacks structured feedback channels between what is decided by higher levels and what is happening on the ground. Local administrations suffer from administrative challenges, finance constraints, procedural discrepancies and implementation difficulties, yet they usually have fragmented, anecdotal and politically watered-down accounts of these processes. However, AMCs could play an important role here as a mediating body between local practices and higher level decision-making processes. They are well-positioned to collect information about problems that arise in reform and project implementation and areas where financing gaps remain and local administrations are not involved in planning and programming. This will increase the AMC's capacity to engage with both domestic and European Union actors.

5. Spread good practices among municipalities and cities more systematically. As can be seen from the chapter, some LSGs in BiH are more successful than others in developing portfolios of projects, assembling stable teams and forming productive partnerships. Positive examples include Gradiška, Zenica, Laktaši and Čapljina, among other LSGs that have developed project portfolios, benefited from Interreg and cross-border cooperation, integrated EU projects into broader local development policy, and/or institutionalised small teams that participate in project preparation time after time. However, lessons learned from these examples are still far from being sufficiently systematised and transferred to other LSGs. There is potential for the AMCs to identify the practical features of better-performing LSGs as a model for others to follow.

6. Strengthen local administrative and project capacities on a permanent basis. In BiH, the capacity of local administrations to implement projects is usually created by short-term workshops or ad hoc efforts by donors. This is not adequate. Capacity needs to be developed on an institutionally sustainable basis, with well-defined accountability for project activities, stability of personnel, links between project activities and local development strategies, management of procurement, implementation and reporting after project approval. Some LSGs will manage to develop such capacity themselves; others may need options such as shared services, AMC support or increased cooperation with development agencies.

Smaller municipalities lack the population base, financial space and labour market conditions for the development of such capacity as compared with larger urban centres. Local capacity building should therefore encompass flexible forms: shared services, intermunicipal cooperation, AMC-supported technical assistance, external pools of experts, and cooperation with development agencies or other support institutions. Some municipalities who might benefit more from access to reliable expertise than from internalisation of all functions.

7. Insist on earlier and more meaningful inclusion of the local level in planning and programming. Local authorities should be included in the decision-making process on EU funds from the very beginning, when the need for certain actions is established and priorities are set. Throughout this chapter, a constant pattern emerges where higher-level governments or other parties set frameworks, priorities and commitments, whereas local authorities are then required to implement or facilitate them. This is true for normal project-oriented support, but even more so in the new framework which includes reforms. This approach reduces not only local ownership but also the

quality of policy-making, since without local knowledge and engagement, initiatives risk being poorly tailored to local needs and difficult to implement in practice.

To sum up, all of these recommendations go in the same direction. The trouble is not that local authorities in BiH have no significance in reforms and investments carried out to meet EU accession criteria. On the contrary, they are directly involved in all of that. The trouble is that the framework, both financial and institutional, has not yet adjusted to this situation. As long as it remains unadjusted, BiH will keep asking from local authorities more than they are capable of shaping, financing or sustaining.

5. Rural development

5.1 Overview

Rural development policy is a central part of the EU's approach to sustainable economic, social and environmental development. Around 56% of the EU population lives in predominantly rural areas, making rural policy important for territorial cohesion, food security, environmental protection and balanced regional growth.

Under the Common Agricultural Policy (CAP) 2023–27, rural development is supported through the European Agricultural Fund for Rural Development (EAFRD) and national CAP Strategic Plans. Support may benefit farmers, producer organisations, local authorities, SMEs and community groups, including through investments in digital infrastructure, renewable energy, sustainable tourism, climate adaptation, rural innovation, local infrastructure and community facilities.

For BiH, the main challenge is not only formal alignment with EU rural development rules, but the institutional capacity to access and manage EU support. Unlike several neighbouring candidate countries, BiH is still not using IPARD, the EU's pre-accession rural development instrument. As a result, its farmers, processors, LSGs and rural communities cannot access the level of investment support available elsewhere in the region.

The main reasons are institutional. BiH has not established the accredited system required for IPARD implementation, including a paying agency, managing authority, reliable agricultural registries, Land Parcel Identification System, Integrated Administration and Control System, and effective coordination between levels of government.

Looking ahead, BiH should focus on preparing for the next Multiannual Financial Framework 2028–34 by building the required structures, improving coordination and strengthening local capacity. LSGs will only benefit from future EU rural development funding if they are involved in programme design and able to prepare and implement projects. Strengthening municipal capacities, local partnerships and Local Action Groups (LAGs) should therefore be a key pre-accession priority.

5.2 Key aspects of the EU acquis

The EU rural development framework has changed significantly since the 2014–20 programming period covered in the previous report (2019). Under the **CAP 2023–27**, rural development support continues to be financed through the EAFRD, but it is now implemented through integrated national CAP Strategic Plans under [Regulation \(EU\) 2021/2115 on CAP Strategic Plans](#) and [Regulation 2021/2116 on the financing, management and monitoring of the CAP](#). This gives member states more flexibility to design measures according to national and territorial needs, while still contributing to common EU objectives such as competitiveness, sustainability, climate action and balanced territorial development.

EU rural development funding is still implemented mainly through multi-annual national or regional programmes managed by ministries of agriculture or designated managing and paying authorities. These programmes must be approved by the European Commission and remain subject to monitoring, evaluation and financial control requirements.

The definition of 'rural areas' in EU policy remains broad and flexible. Rural areas are generally understood as territories outside major urban centres, but member states may define eligible areas within their CAP Strategic Plans. In practice, rural development measures may also include peri-urban areas, small towns and rural parts of larger LSGs, depending on national classifications and programming priorities.

Statistical classifications continue to guide territorial analysis and policy design. Eurostat's urban-rural typology uses population density and settlement patterns, while the OECD traditionally defines rural areas as territories with fewer than 150 inhabitants per square kilometre. The 2017

update of the [NUTS Regulation](#) (see also chapter 4) introduced with the TERCET typologies a more harmonised EU approach to classifying urban and rural areas. Although these classifications are mainly statistical tools, they influence how countries justify territorial choices in CAP Strategic Plans and rural development measures.

For BiH, the main challenge is not only formal alignment with the EU rural development legal framework, but also effective implementation. This requires stronger country-wide strategic planning, better coordination between levels of government, improved accreditation and financial management systems, and greater involvement of local authorities and rural stakeholders in programming and implementation. These capacities will remain important for future EU pre-accession rural development support and eventual participation in EU agricultural and rural development mechanisms.

Box 5.1: Objectives of EU support for rural development

Under the **Common Agricultural Policy (CAP) 2023–27**, rural development support continues to address economic, environmental and social objectives through the **European Agricultural Fund for Rural Development (EAFRD)** and national **CAP Strategic Plans**. Its main objectives are to:

- strengthen the competitiveness, resilience and sustainability of agriculture and forestry
- promote environmental protection, sustainable natural resource management, biodiversity and climate action
- support balanced territorial development, employment, social inclusion and the vitality of rural communities.
- Within these objectives, Member States may design interventions adapted to national and regional needs. Although many measures target farmers and land managers, several are directly relevant to municipalities and local communities:
- **Restoration and prevention:** support for recovery of agricultural and forestry production after natural disasters, extreme weather and climate-related risks, including preventive resilience measures.
- **Basic services and rural infrastructure:** investments in renewable energy, broadband, water and waste systems, local transport, social services, cultural facilities and recreational infrastructure.
- **Forest development and management:** support for afforestation, forest conservation, wildfire prevention and climate adaptation, including for municipalities that own or manage forest land.
- **Areas with natural or specific constraints:** support for mountainous, remote or environmentally sensitive areas, usually through farmers and land managers but often linked to local administrative territories.
- **Environmental and climate interventions:** measures for biodiversity protection, ecosystem restoration, carbon sequestration and sustainable land management.
- **Cooperation and community-led local development:** support for the **LEADER approach**, where Local Action Groups (LAGs) bring together public authorities, private actors and civil society to prepare and implement local rural development strategies.

Activities financed under EU rural development policy generally require co-financing from national, regional, local or private sources. Under the CAP 2023–27, EU co-financing rates vary by intervention type and regional development level. Less developed regions, generally those with GDP per capita below 75% of the EU average, may benefit from higher EU contribution rates. This is particularly relevant for BiH in the context of future EU accession and rural development funding.

Higher EU co-financing may apply to measures linked to environmental protection, climate action, biodiversity, knowledge transfer and community-led local development, including LEADER (see Box 5.2 below). However, national co-financing, administrative capacity and project-management systems remain essential for effective absorption of EU funds. For LSGs, this creates a strong incentive to prepare projects in areas such as environmental sustainability, renewable energy, cli-

mate resilience, rural innovation and local infrastructure.

Under the CAP, funding is divided into two main pillars:

- Pillar I: direct payments to farmers and market support measures
- Pillar II: rural development interventions financed through the EAFRD.

Although the CAP 2023–27 integrates these measures through national CAP Strategic Plans, member states retain flexibility in allocating resources among agricultural, environmental and rural development priorities. Climate action, biodiversity, environmental sustainability and greener, more resilient rural economies are emphasised, in line with the European Green Deal.

Partnership also remains a core principle of EU rural development policy. Member states must involve regional and local authorities, economic and social partners, civil society and other relevant stakeholders in the preparation, implementation, monitoring and evaluation of CAP Strategic Plans. This is important to ensure that local rural needs are reflected in national programming and funding priorities.

EU agricultural and rural development funding is organised through multiannual budget cycles under the Multiannual Financial Framework (MFF). The current MFF covers 2021–27, while the European Commission has proposed a new framework for 2028–34.⁸² The proposal would substantially simplify the funding architecture by bringing cohesion policy, agriculture, rural development and several other policy areas within integrated National and Regional Partnership Plans. These plans would give member states greater flexibility in determining how EU resources are allocated and combined at national and regional level.

Rural development is expected to remain an important component of the future framework. However, the final level of dedicated funding, the applicable allocation methodology and the extent to which resources will be protected specifically for rural territories remain subject to negotiation. At the time of writing, the Council's negotiating box includes a possible requirement that at least 10% (this figure in brackets, subject to negotiations) of the relevant resources under the National and Regional Partnership Plans, excluding minimum allocations for Common Agricultural Policy and Common Fisheries Policy interventions and financing under the Social Climate Fund, should be dedicated to rural areas. The design and implementation of future national and regional plans will therefore be crucial in determining how much support rural areas ultimately receive, which territorial needs are prioritised and how effectively the available resources are used.

For BiH, the most relevant rural development instrument under the current 2021–27 framework remains the Instrument for Pre-accession Assistance for Rural Development (IPARD). Under IPA III, support for agriculture and rural development is broadly aligned with Common Agricultural Policy objectives, including competitiveness, environmental sustainability, climate resilience and balanced territorial development. Looking beyond 2027, however, the future structure of pre-accession rural development support remains uncertain. [Current proposals](#) envisage incorporating pre-accession assistance into the broader Global Europe instrument, while retaining rural development as an area of support, although the future delivery arrangements and the possible continuation of a distinct IPARD-type mechanism have not yet been clarified. Performance-based plans (like the current Reform Agendas) are one feature of the proposals, so that some rural development measures could be framed as reforms (with national budget support conditional on progress) instead of programmed actions.

Returning to today, BiH is still not eligible for IPARD implementation. The main obstacles remain the absence of an accredited management and control system, including a paying agency, and weak coordination between different levels of government. Instead, BiH has relied on substitute instruments such as EU4AGRI, which was launched in 2020 and extended through 2025 to support agri-food modernisation, rural development, grant schemes, policy support and preparation

⁸² This assessment reflects the state of negotiations at the time of writing (summer 2026). The proposed rural spending target, allocation methodology and related financial provisions may change before adoption of the 2028–34 MFF and its implementing regulations.

of strategic documents. However, such instruments cannot fully replace IPARD because they are smaller in scale and do not establish the full accredited system required for future CAP implementation.

IPARD measures mainly target agricultural producers, rural businesses and national institutions responsible for alignment with the EU acquis. However, several measures are directly relevant to LSGs and local development actors:

- Implementation of local development strategies through LEADER (see Box 5.2 below).
- Investments in rural public infrastructure: Eligible areas may include local and community roads, access roads to agricultural and forest land, water supply, wastewater systems, waste management, renewable energy infrastructure, broadband and digital connectivity. Beneficiaries may include LSGs, public utilities and other local public bodies.

LSGs may also support or participate in other rural development measures, including:

- Advisory and extension services: cooperation with farmers, cooperatives and rural entrepreneurs in preparing applications and implementing projects.
- Forestry and environmental measures: afforestation, forest protection and sustainable forest management, especially where LSGs own or manage forest land.
- Farm diversification and rural business development: support for cooperation among SMEs, cooperatives, tourism operators and community organisations.

Technical assistance can also strengthen institutional capacity. It may support the establishment of LEADER LAGs, training for municipal staff, preparation of local development strategies, project preparation and better coordination among public institutions involved in rural development.

Overall, BiH's future use of IPARD and EU rural development funds will depend not only on formal alignment with the EU acquis, but also on practical readiness. This includes accredited management and control systems, stronger intergovernmental coordination, improved local administrative capacity, better project preparation and meaningful involvement of municipalities, rural communities and local stakeholders in programming and implementation.

Box 5.2: The LEADER approach

The **LEADER approach** is a distinctive rural development method that enables local communities to design and implement development strategies based on the specific needs of their territories. Instead of relying only on top-down decision-making, LEADER promotes participatory and community-led development through partnerships between local authorities, businesses, civil society organisations and residents, organised through **Local Action Groups (LAGs)**.

LEADER is based on seven key principles:

- **Area-based approach:** strategies are designed for specific rural territories and reflect their economic, social, environmental and cultural characteristics.
- **Local public-private partnerships:** LAGs bring together public authorities, private actors and civil society around shared development objectives.
- **Bottom-up approach:** local stakeholders and residents participate in identifying priorities and shaping local development strategies.
- **Multi-sectoral integration:** LEADER connects agriculture, tourism, culture, environment, entrepreneurship and social services to support integrated rural development.
- **Innovation:** the approach encourages new ideas, services, technologies, organisational models and forms of cooperation.
- **Cooperation:** LAGs cooperate with other groups at regional, national and international level through joint projects and exchange of experience.
- **Networking:** LEADER supports the sharing of knowledge, good practices and expertise among rural development actors.

LEADER was introduced in **1991** as a pilot rural development initiative. It later developed through LEADER I, LEADER II and LEADER+, before becoming a regular part of EU rural development policy under the **Common Agricultural Policy (CAP)** from 2007 onwards. Today, LEADER is part of the broader concept of **Community-Led Local Development (CLLD)**, which is also used in EU cohesion policy.

Under the **CAP 2023–27**, member states must allocate part of their rural development funding to LEADER and CLLD. LEADER remains in the European Commission's post-2027 CAP proposals, although the current proposal no longer includes a **5% minimum allocation** for LEADER. (This may still change during legislative negotiations.)

LAGs usually cover coherent rural territories, often across several LSGs, and must be large enough to support integrated local development strategies. Their partnerships should include balanced representation of public authorities, private stakeholders and civil society, with decision-making not dominated by the public sector. In practice, LSGs often play a leading role in initiating, coordinating and supporting LAGs, especially where local institutional capacity is limited.

For **BiH**, future LEADER implementation will depend mainly on establishing operational LAGs, strengthening administrative capacity and providing effective institutional support during the pre-accession period.

Comparative experience from EU candidate countries and neighbouring states shows that municipalities have been involved in IPARD and rural development programming to different degrees. In **North Macedonia**, **Montenegro** and **Croatia**, rural public infrastructure was an important part of pre-accession support, allowing LSGs to finance local roads, water supply and wastewater systems, broadband connectivity, renewable energy and other infrastructure important for rural economic and social development. By contrast, **Albania** and **Serbia** have focused IPARD support more narrowly on agricultural holdings, processing facilities and farm modernisation, with a more limited direct role for LSGs and CLLD.

Experience across the Western Balkans also shows that LEADER-type measures require strong institutional preparation and administrative capacity. In Albania, Montenegro, North Macedonia and Serbia, the creation of functioning LAGs and implementation of LEADER progressed gradually and unevenly. Common challenges included weak local administrative capacity, limited experience with multi-stakeholder partnerships, insufficient technical support and delays in establishing accredited IPARD management and control systems. In the early stages, technical assistance and donor-funded pilot projects were often used to support LAG creation, local development strategies and stakeholder training.

The experience of **Moldova** is of interest for BiH. Although Moldova does not yet have access to pre-accession rural development funding, it has developed an extensive LEADER network and many LAGs with support from the EU, the national budget and international development partners. Moldova's Reform Agenda 2025–27 also includes measures to expand LAG coverage and provide additional funding, which strengthens its preparedness for future EU-style rural development measures.

Moldova shows that progress in community-led rural development is possible even before formal access to EU rural development funds, provided there is sustained institutional support, active local partnerships and coordinated capacity-building. It also highlights the role of umbrella organisations and municipal associations in supporting networking, training and exchange of good practices.

For BiH, these examples suggest that the AMCs could play a more active role in promoting LEADER and supporting the establishment of LAGs. This could include training, networking, advisory support and advocacy for dedicated LAG funding within future Reform Agendas and EU-supported rural development initiatives. Such support would strengthen municipal preparedness for future rural development funding and CLLD.

5.3 Legislation and practice in Bosnia and Herzegovina

5.3.1 Approximation

Since the EU acquis in the field of rural development is primarily based on directly applicable EU regulations, there is limited need for formal legislative transposition. Moreover, the relevant EU framework continues to evolve through successive reforms of the CAP. For BiH, the key challenge therefore lies less in formal legal harmonisation and more in developing the institutional, administrative and strategic capacities necessary for the effective implementation of EU rural development policy, both during the pre-accession period and after accession.

Access to IPARD assistance depends on several key preconditions, including a country-wide strategic framework for agriculture and rural development, accredited management and control systems, reliable agricultural data systems and a paying agency capable of administering EU funds in line with EU financial management, audit and control requirements. BiH has not yet met these conditions, largely because of fragmented governance structures, weak intergovernmental coordination and the absence of an agreed institutional model for managing agricultural and rural development funds.

Some progress has been made in strategic planning. The [Strategic Plan for Rural Development of BiH 2023–27](#) (SPRD) was prepared under the coordination of the Ministry of Foreign Trade and Economic Relations of BiH, in cooperation with the competent institutions of FBiH, RS and Brčko District. The plan sets out a country-wide framework aligned with the CAP, the EU acquis and wider EU policy priorities. Its objectives cover agricultural productivity, market orientation, competitiveness, innovation and digitalisation, sustainable natural resource management, rural economic revitalisation and institutional alignment with the CAP.

Despite this progress, BiH still lacks the accredited institutional and financial management structures required to manage EU agricultural and rural development support effectively, including a state-level paying agency and associated management and control systems. This remains one of the principal obstacles to accessing EU funding on the same basis as other candidate countries.

The current IPA III framework, established by [Regulation \(EU\) 2021/1529](#), places strong emphasis on economic and social development, competitiveness, agriculture and rural development, institutional reform and gradual alignment with EU policies and standards. While the architecture of EU pre-accession assistance after 2027 remains under discussion and may place greater emphasis on reform-based support mechanisms, the need for effective institutions, financial management systems and administrative capacity will remain central. Assistance is therefore likely to continue supporting agricultural competitiveness, rural infrastructure, environmental sustainability, digitalisation, local development initiatives and the institutional reforms necessary for participation in future EU funding arrangements.

At the local level, LSGs continue to face limited financial, administrative and technical capacity to participate effectively in rural development programming and EU-funded initiatives. Strengthening municipal capacity, improving project preparation, supporting local partnerships and involving LSGs more systematically in rural development governance should therefore remain important priorities during the pre-accession period.

As Box 5.3 shows, agriculture still accounts for a high share of employment and a considerable share of the foreign trade deficit.

Box 5.3: Importance of agriculture and rural development in the BiH economy

Agriculture, forestry, food production and wider rural activities remain important for BiH's economy, especially in rural and less-developed areas, where they support employment, food security, territorial cohesion and community stability.

According to recent statistical data, agriculture, forestry and fishing account for approximately 6–7% of gross value added in BiH, which remains significantly above the EU average of around 1.5–2%. The importance of the sector is particularly pronounced in RS, where agriculture traditionally represents a larger share of economic activity than in FBiH. Economic accounts for agriculture in RS estimated agricultural gross value added at approximately BAM 1.08 billion in 2024.*

Agriculture and related rural activities remain an important source of employment and household income, especially in rural areas. Although agricultural employment has gradually declined due to demographic change, migration and economic restructuring, the sector still employs a larger share of the workforce than in most EU Member States. Its real socio-economic importance is likely higher than official statistics suggest, due to informal, seasonal and semi-subsistence activity.

Agricultural and food products remain important in BiH's foreign trade, but the sector runs a large deficit: imports exceed BAM 5 billion annually, while exports remain below BAM 2 billion.† This reflects fragmented farms, low productivity, limited modernisation and processing capacity, challenges in meeting EU standards and strong import competition.

At the same time, BiH possesses considerable development potential in sectors such as livestock production, fruit and vegetable processing, organic agriculture, forestry, wood processing, rural tourism and niche food products linked to local traditions and geographical characteristics. The Strategic Plan for Rural Development of BiH 2023–27 identifies strengthening competitiveness, innovation, environmental sustainability and rural infrastructure as key priorities for future sector development and gradual alignment with the CAP.

However, rural development policy extends well beyond agriculture alone. It also concerns demographic sustainability, employment opportunities, quality of life, environmental protection and the long-term resilience of rural communities. Effective use of future EU rural development and pre-accession assistance could therefore play an important role in supporting broader economic transformation and balanced territorial development in BiH.

* Agency for Statistics of BiH, Statistical Yearbook of Bosnia and Herzegovina 2024; Republic Institute of Statistics of RS, Economic Accounts for Agriculture 2024; Ministry of Foreign Trade and Economic Relations of BiH, Strategic Plan for Rural Development of Bosnia and Herzegovina 2023–2027.

† Agency for Statistics of BiH, external trade statistics for agricultural and food products (2023–25).

Rural development is likely to become increasingly important in BiH as rural depopulation continues and employment in primary agriculture declines. Future policy should therefore focus not only on agricultural competitiveness, but also on improving quality of life and diversifying rural economies through rural tourism, small-scale processing, renewable energy, forestry, crafts and other non-agricultural activities.

The SPRD seeks to strengthen commercially sustainable agricultural production and processing while gradually aligning the sector with the CAP. Its accompanying Action Plan emphasises the development of institutional and administrative capacities and the more effective use of rural development support and other forms of technical and financial assistance. Developed through a coordinated 'middle-up' approach, the SPRD aims to improve policy coherence across the state, entity and Brčko District levels while respecting BiH's constitutional structure. However, implementation responsibilities remain concentrated largely at entity level, and although LSGs may benefit from measures supporting rural infrastructure, local economic development and community-based initiatives, their direct role in rural development governance remains limited.

Local authorities could play a stronger role in rural development since they are closest to rural communities and can identify local priorities, mobilise stakeholders and prepare local rural development strategies. This is also important for future participation in CLLD and LEADER initiatives. AMCs could support this process by advocating for stronger municipal involvement and helping LSGs build the administrative and technical capacity needed for EU-funded rural development initiatives.

BiH remains one of the most rural countries in Europe. While earlier OECD and UNDP assessments estimated that rural areas cover around 81% of the country's territory and are home to approximately 60% of its population, more recent Eurostat methodologies based on the Degree of Urbanisation and territorial typologies provide a more nuanced classification of urban, intermediate and rural areas. Although the precise shares vary depending on the methodology applied, these classifications consistently confirm the significant importance of rural areas within BiH and their continued relevance for economic development, social cohesion and territorial policy.⁸³

Legal environment

In line with BiH's constitutional structure, responsibility for agriculture and rural development lies primarily at entity level. In FBiH, policy is implemented mainly by the Federal Ministry of Agriculture, Water Management and Forestry, with additional competences exercised by cantons. In RS, responsibility rests with the Ministry of Agriculture, Forestry and Water Management. LSGs also participate in certain support measures and local rural development initiatives.

This decentralised structure creates significant coordination challenges for EU approximation. Support measures exist at municipal, cantonal, entity and state levels, creating risks of overlap, inconsistent implementation and administrative inefficiency. Stronger coordination is therefore needed to ensure complementarity of support schemes and future compliance with EU rules on public support, state aid and pre-accession assistance for rural development.⁸⁴

At state level, the Ministry of Foreign Trade and Economic Relations of BiH is responsible for coordination, harmonisation with international obligations and cooperation with EU institutions in agriculture and rural development. The state-level framework is based mainly on the Law on Agriculture, Food and Rural Development of BiH (OG BiH, No. 50/08), while the core legislative and policy framework remains largely decentralised at entity level. Both entities have adopted laws, by-laws and strategic documents in areas such as agricultural support, rural development, food production, and veterinary and phytosanitary policy. Although parts of this framework have gradually been aligned with EU requirements, important gaps remain in institutional coordination, harmonisation of support measures, financial management and alignment with the CAP.

A key reform challenge is the gradual shift from traditional agricultural subsidies towards more CAP-compatible support measures linked to rural development, competitiveness, environmental sustainability and diversification of rural economies. Progress has been uneven, partly due to institutional fragmentation and fiscal constraints. As a result, broader rural development measures including support for processing, innovation, advisory services, rural diversification and community-led local development have often remained secondary to direct agricultural support.

In FBiH, the main legal framework is provided by the Law on Agriculture (OG FBiH, Nos. 88/07, 4/10, 27/12, 7/13 and 82/21) and the Law on Financial Support in Agriculture and Rural Development (OG FBiH, Nos. 42/10 and 99/19), which establishes the principal agricultural policy objec-

83 For the 81% figure, see M. Vittuari, H. El Bilali & S. Berjan, Territorial Governance in Rural Bosnia: The Role of Local Institutions and Organizations in SarajevoRomanija region, *Journal of Central European Agriculture*, 12(1), 2012, pp. 131–141, <https://doi.org/10.5513/JCEA01/13.1.1025>. For the 60% figure, UNDP, [Rural Development in Bosnia and Herzegovina: Myth and Reality: National Human Development Report 2013](#). On current classification approaches, see Eurostat's [Applying the degree of urbanisation manual](#), 2024.

84 European Commission, Bosnia and Herzegovina reports (various), sections on agriculture, rural development and EU funds management.

tives, support mechanisms and institutional arrangements, while providing for gradual alignment with the Stabilisation and Association Agreement and the EU acquis.

In RS, the principal framework is provided by the Law on Agriculture (OG RS, Nos. 70/06, 20/07, 86/07 and 71/09) and the Law on the Provision and Allocation of Funds to Support the Development of Agriculture and Rural Areas (OG RS, Nos. 43/02 and 106/09). These acts regulate agricultural policy, rural development planning and the financing of support measures, while the relevant strategies and annual programmes determine the practical allocation of assistance.

Budgetary transfers for agricultural policy

Budgetary support for agriculture and rural development in BiH remains dominated by direct agricultural payments, while funding for broader rural development, environmental protection and structural transformation is still comparatively limited. This reflects the historical focus on income and production support, as well as the continuing challenge of aligning domestic support systems with the CAP.⁸⁵

Although agricultural budgets have increased substantially in nominal terms since 2015, the overall structure of support has remained broadly similar. In 2024, the two entity-level agricultural allocations alone totalled approximately BAM 355 million, comprising BAM 180 million in RS and approximately BAM 175 million in FBiH. Additional agricultural support was provided through cantonal, Brčko District and other public budgets, although no consolidated BiH wide figure was identified.⁸⁶ Republika Srpska maintained an allocation of BAM 180 million for agricultural and rural development incentives in its 2025 budget proposal.

Nevertheless, the majority of funding continues to be directed towards direct payments and production-related support rather than broader rural development and environmental measures. This remains a key structural challenge for EU approximation. The CAP increasingly emphasises rural development, climate resilience, biodiversity, environmental protection and balanced territorial development. BiH has gradually introduced more CAP-compatible support models, including area-based, livestock-based and investment-related measures, but progress remains uneven and politically sensitive.

Structural and rural development measures are particularly important for future alignment. They include investment in agricultural holdings and processing capacities, diversification of rural economies, rural infrastructure and services, environmental and climate-related measures, and support for LEADER and CLLD approaches. However, support for environmental protection, biodiversity and LEADER-type initiatives remains limited compared with EU Member States and more advanced candidate countries.

As noted, recent strategic frameworks, including the SPRD 2023–27, place greater emphasis on rural diversification, infrastructure, environmental sustainability, digitalisation, climate resilience and institutional capacity-building. However, implementation continues to be constrained by limited resources, fragmented governance and the absence of fully operational IPARD management and payment systems.

LSGs could play a stronger role in future rural development measures, especially through local rural development strategies, advisory services, rural infrastructure, support for local partnerships and LAGs, and initiatives to improve the rural business environment. In practice, their role remains limited because agricultural funding is still concentrated on direct support to producers, while CLLD mechanisms remain underdeveloped. Strengthening municipality-led and partnership-based rural

⁸⁵ European Commission, [Bosnia and Herzegovina 2024 report](#), sections on agriculture and rural development; European Commission, web pages on [The Common Agricultural Policy at a Glance](#) and [CAP Strategic Plans](#). See also previous assessments using the Agri-Policy Measures methodology developed by the UN Food and Agriculture Organization, the European Commission's Joint Research Centre, and the [Regional Rural Development Standing Working Group](#).

⁸⁶ See news items from the [RS Ministry of Agriculture, Forestry and Water Management of Republika Srpska](#) and [FBiH Ministry of Agriculture, Water Management and Forestry](#) for the entity-level allocations.

development should therefore become an important part of future CAP alignment and preparation for pre-accession funding.⁸⁷

5.3.2 Local implementation

This section assesses LSGs' capacities to implement rural development policy based on the earlier (2019) assessment of Bijeljina, Čapljina, Šipovo and Velika Kladuša, together with interview responses from Bosanska Krupa, Foča, Travnik and Trebinje, and broad-based interviews with another 12 LSGs (see chapter 1). The analysis focuses on four closely connected dimensions: institutional capacities, administrative capacities, financial capacities and preparedness for implementation of the LEADER approach and CLLD. The expanded sample gives a broader view of rural development governance across BiH, covering LSGs with different development levels, administrative capacities, demographic trends and economic structures. It also captures local experience with agricultural support, donor-funded projects, rural tourism, producer organisations, inter-municipal cooperation and emerging LEADER-type practices, while identifying persistent gaps in project preparation, co-financing, demographic resilience and readiness for future EU rural development funding.

Institutional capacities

The assessment shows that institutional capacities for rural development in BiH remain uneven and generally underdeveloped. In many LSGs, agriculture and rural development are still treated mainly as sectoral economic issues rather than as components of integrated territorial development. Dedicated structures for rural development or LEADER-type implementation remain rare.

Among the surveyed municipalities, Trebinje appears to have the strongest institutional framework. It has specialised administrative structures, an operational Agrarian Fund and active involvement in donor-supported projects related to rural tourism, agricultural branding, economic diversification and support for local producers, including initiatives such as Herzeg House. This institutional base supports stronger project preparation, more effective donor engagement and a broader range of rural development interventions.

Bijeljina also stands out because of its comparatively developed framework, including a dedicated Agrarian Fund and specialised administrative structures for agriculture and rural development. Čapljina and Jajce likewise demonstrate relatively strong capacities. Čapljina has six staff working on agricultural issues and has incorporated agriculture, cooperatives, rural tourism and infrastructure into its local strategic framework. Its strong agricultural base, extensive greenhouse production and growing links between agriculture and tourism provide a useful foundation for more integrated rural development. Jajce combines agricultural expertise with a local development unit responsible for monitoring funding opportunities and preparing projects. It also implements established agricultural support programmes, particularly for milk production, while supporting women entrepreneurs and cooperating with international development organisations.

By contrast, Foča, Travnik, Ključ, Oštra Luka and Trnovo rely mainly on broader administrative departments, commissions or project-based cooperation rather than dedicated rural development structures. Foča has developed cooperation among local authorities, tourism actors, civil society and development partners, including rural tourism initiatives and the cross-border TARA project with Plužine in Montenegro. However, these activities remain largely ad hoc and dependent on external support. Travnik also participates in intersectoral and donor-supported initiatives but lacks a dedicated structure for integrated rural development or LEADER implementation.

Bosanska Krupa reports significant institutional constraints, particularly insufficient staffing and limited internal capacity to prepare and manage complex projects. Nevertheless, it remains active in cooperation with donors, producer associations and civil society organisations, especially through initiatives supporting women, young people, greenhouse production and beekeeping.

⁸⁷ European Commission, Bosnia and Herzegovina 2024 Report; European Commission, [Overview of EU pre-accession assistance for rural development \(IPARD III\)](#); EU CAP Network, [LEADER Legislation](#).

Ključ faces severe financial and demographic constraints and operates without a specialised rural development structure. However, it has introduced several innovative local mechanisms, including a long-standing revolving fund for agricultural producers and a local development strategy covering tourism, cooperatives and rural entrepreneurship. Oštra Luka and Trnovo face particularly acute staffing and resource constraints. Even so, these municipalities, together with Novi Grad and Sokolac, have supported producer organisations, cooperatives and local networking. Such partnerships provide a useful foundation for future Local Action Groups and LEADER-type approaches.

Overall, the findings indicate gradual progress in donor engagement, inter-municipal cooperation and cross-sector partnerships. However, institutional capacity remains fragmented, uneven and frequently dependent on temporary external projects rather than stable local structures and long-term rural development systems.

Administrative capacities

Interview responses confirm that administrative capacity remains a major constraint for effective rural development policy and future participation in EU-funded programmes. Although LSGs show better awareness of donor funding and rural development concepts than in the earlier assessment, many still lack specialised staff, technical expertise, mature project documentation and advanced project-management capacity.

In Foča and Travnik, only two municipal employees work directly on rural development issues, and both municipalities identify the need for further staff training and capacity-building. Bosanska Krupa also reports insufficient staffing and limited capacity, especially for preparing technical documentation and managing more complex development projects. This confirms the earlier finding that municipalities have more experience with simpler grant schemes than with complex EU programmes requiring integrated planning, monitoring and project-cycle management.

Across the surveyed LSGs, the most common obstacles are the lack of specialised project-management expertise, insufficient technical documentation, limited human resources, weak monitoring systems and difficulties in meeting complex donor procedures. These problems are especially visible in Čapljina, Ključ, Novi Grad, Oštra Luka and Zavidovići, where respondents report weak project pipelines, missing feasibility studies and inadequate technical documentation. Smaller and less developed municipalities are particularly constrained by limited staff and financial resources for project preparation.

At the same time, the findings show gradual progress. LSGs are becoming more familiar with donor procedures, intersectoral cooperation and project preparation, especially where they participate in tourism-related initiatives and international cooperation projects. There is also growing recognition of the need to prepare project portfolios in advance, rather than reacting only when funding calls are published.

Strategic planning capacities have also improved, as all surveyed LSGs include rural development issues in local development strategies. However, rural development is still mostly treated through agriculture, tourism or infrastructure, rather than as an integrated territorial development approach based on participatory governance and bottom-up planning. None of the LSGs appear to formally apply the LEADER methodology in the preparation of local development strategies.

Financial capacities

Interviews show that municipal financial capacities for rural development vary considerably and remain a major constraint on participation in future EU rural development measures. Earlier findings already revealed clear contrasts. Bijeljina allocated around 2.5% of its municipal budget to agriculture and rural development, mainly through investment measures and donor-supported initiatives. Čapljina linked around 20% of its budget to agriculture, rural infrastructure and tourism

support. Šipovo relied largely on earmarked forestry revenues and provided almost no own-source funding for rural development, while Velika Kladuša focused mainly on direct payments to agricultural producers.

The new interviews confirm that direct agricultural payments continue to dominate in many LSGs, although some are gradually shifting towards more diversified and investment-oriented support. Trebinje provides the clearest example of this transition: around 70% of its agricultural support is directed to investment measures and 30% to direct payments. Investment support covers rural tourism, processing, viticulture, beekeeping, Herzeg House retail initiatives and small-scale rural entrepreneurship.

Bosanska Krupa, by contrast, continues to allocate most of its agricultural budget to direct payments. In 2025, 92.64% of agricultural support funds were directed to direct payments and 7.36% to investment support. The municipality is nevertheless seeking to expand investment measures through cooperation with external partners, including the Czech Development Agency and Muslim Aid. These initiatives support greenhouse production, equipment procurement and activities targeting women, young people and larger rural households.

Foča does not define a separate budget allocation for rural development. Its support is mainly linked to infrastructure and rural tourism projects, reflecting an approach that remains dependent on external funding. Travnik also follows a relatively traditional model centred on subsidies for milk production, livestock and beekeeping, with limited support for diversification or integrated rural development.

The wider municipal sample confirms similar differences. Jajce allocates around 4.1% of its budget to agricultural support and maintains long-standing incentives for milk production. Zenica has gradually increased its agricultural allocations and combines city funding with donor-supported initiatives. Čapljina continues to support agricultural infrastructure, rural tourism and family farms despite limited own-source resources. By contrast, Ključ, Oštra Luka and Trnovo report persistent difficulties in securing co-financing, particularly because funding mechanisms do not always reflect differences in municipal size, development level and fiscal capacity.

Tomislavgrad and Zavidovići further illustrate the continued dominance of conventional agricultural support. Both provide assistance to producers and agricultural holdings, while investment in diversification, rural tourism, producer networking and community-led development remains less systematic. Nevertheless, several municipalities are beginning to support local products, cultural heritage, tourism-related activities and cooperation among producers as complementary forms of rural economic development.

Overall, LSGs increasingly recognise the value of investment-oriented support, including rural infrastructure, producer cooperation, processing facilities, product branding and economic diversification. However, direct payments still account for a large share of local agricultural expenditure. Future programmes will therefore need to address not only access to funding, but also limited co-financing capacity, dependence on donors, weak technical documentation and difficulties in meeting complex application and implementation requirements, particularly in smaller and less developed municipalities.

Readiness for the LEADER approach

A key finding concerns the preparedness of municipalities for the LEADER approach and CLLD. None of the surveyed LSGs has established a fully operational LAG or systematically integrated LEADER principles into rural development governance and local strategic frameworks. However, many already apply elements of the approach informally through project-based cooperation, intersectoral partnerships and community initiatives.

This is most visible in Trebinje, where cooperation among local authorities, producers, tourism actors and civil society has developed through agricultural branding, rural tourism and donor-supported local economic development projects. Bosanska Krupa also demonstrates bottom-up de-

velopment elements through cooperation with producer associations, civil society organisations and donors. Foča applies similar principles through rural tourism partnerships and cross-border initiatives, while Travnik shows some intersectoral cooperation and support for diversification activities.

The wider municipal sample confirms that formal LAG structures remain largely absent, although several LSGs have developed practical foundations for future LEADER implementation. Čapljina, Ključ, Novi Grad, Oštra Luka and Trnovo have supported producer associations, cooperatives, donor-funded projects and local development initiatives involving women, young people, local products and economic diversification. These activities reflect elements of local participation, partnership-building and community-led problem solving, but they remain fragmented and weakly institutionalised.

Sokolac is particularly relevant because of its participation in LAG Devetak with neighbouring municipalities and its experience with local product branding and rural development initiatives. LAG Devetak remains formally registered and is still listed within the Rural Development Network in BiH, although recent sources suggest that its operational activities have been limited or inactive. This experience nevertheless shows that some practical knowledge of LAG-based cooperation already exists in BiH.

Compared with the earlier assessment, LSGs show greater awareness of integrated rural development, donor funding and partnership-based approaches. However, LEADER principles are rarely embedded in municipal strategies, formal governance structures or stable community-led mechanisms. Existing cooperation often depends on individual projects, external partners or temporary funding rather than long-term institutional arrangements.

The main constraints include limited administrative capacity, insufficient project-development staff, weak project pipelines, inadequate technical documentation, limited co-financing resources and insufficient knowledge of LEADER requirements. Several LSGs also lack institutional and financial support for establishing and maintaining LAGs, while demographic decline and weak local organisational structures further reduce their capacity to participate.

Future support should therefore focus on integrating LEADER and CLLD principles into local strategies, planning procedures and intersectoral coordination. This should include support for establishing LAGs, developing structured partnerships among LSGs, businesses and civil society, preparing local development strategies, financing preparatory activities and strengthening cooperation with LEADER networks in neighbouring countries and EU candidate states.

These efforts should build on existing producer organisations, cooperatives, local associations, women's groups, youth initiatives and community partnerships rather than creating entirely new structures without a local base. Particular attention should be given to women, young people, local producers and less-developed municipalities, which face the greatest institutional and financial barriers.

Overall, the updated findings indicate gradual progress in awareness, donor engagement and practical cooperation on rural development. However, LSGs in BiH continue to face significant institutional, administrative and financial constraints in strategic planning, project preparation, intersectoral coordination and the implementation of EU-style rural development approaches. Many municipalities still understand rural development mainly through agricultural support measures, while broader concepts such as rural tourism, economic diversification, CLLD and LEADER remain underdeveloped. At the same time, emerging initiatives related to local products, producer networking, cultural heritage, women's and youth entrepreneurship and tourism-based diversification provide a useful basis for more integrated local development. Persistent challenges include demographic decline, ageing rural populations, limited market access, weak cooperative structures and uneven municipal capacities. These findings confirm the need for continued capacity-building, stronger institutionalisation of LEADER and CLLD, improved local data and planning systems, greater inter-municipal cooperation and more systematic involvement of LSGs in future rural development governance.

5.4 Potential and opportunities for influence

5.4.1 Influence at EU level or through the accession negotiations

Once a country joins the EU, access to agricultural and rural development funding is governed mainly by the EU Regulations in force at the time of accession. As noted earlier, these are currently under negotiation for the next Multiannual Financial Framework (2028–34). Accession treaties may include transitional arrangements, but there is usually limited scope to change the core principles of EU rural development policy.

Experience from recently acceded countries shows that accession negotiations can still influence the pace and practical modalities of implementation. **Croatia** is particularly relevant, as it was allowed to phase in the share of rural development funding allocated to LEADER. Similar gradual approaches were used in several Western Balkan countries under IPARD II (2014–20). **Albania, Montenegro, North Macedonia** and **Serbia** introduced LEADER-type measures step by step, often using technical assistance first to establish LAGs, prepare local development strategies and train stakeholders before wider implementation.

These experiences are important for BiH. Interviews show that several LSGs already apply informal LEADER-type principles through local partnerships, tourism initiatives and donor-supported cooperation, but these practices remain weakly formalised. The experience of **Moldova** shows that progress in community-led rural development is possible even before full access to EU rural development funds. For BiH, earlier preparation could improve readiness for future LEADER implementation by supporting the establishment of LAGs, strengthening local partnerships and improving local strategic planning. AMCs could play a more proactive role by promoting local partnerships, networking with LEADER structures in neighbouring countries and advocating stronger inclusion of rural development priorities in future pre-accession assistance (whether as part of a reform agenda and/or IPA-style programmed measures).

5.4.2 Influence at national/entity level

Although EU rural development regulations are directly applicable and require limited formal transposition, the effectiveness of future implementation in BiH will depend heavily on domestic governance, coordination and programming systems. This is particularly important for LSGs and local communities, whose access to future rural development funding will depend on how national, entity, cantonal and local roles are organised in practice.

From the perspective of local authorities, several issues should be prioritised in the pre-accession period:

- early involvement of LSGs and local stakeholders in rural development strategies and programmes
- clear procedures for project selection, financial management, monitoring and evaluation
- sufficient human and financial resources for co-financing, technical documentation and project preparation
- better coordination between municipal, cantonal, entity, state and donor support measures
- stronger balance between direct agricultural payments and broader rural development investments.

Agriculture and rural development policy in BiH remains highly decentralised. The entities have the main responsibilities, while cantons in the Federation of BiH also play an important role. The Ministry of Foreign Trade and Economic Relations of BiH mainly performs a coordinating role in relation to international obligations, trade and communication with the EU. However, the absence of a fully harmonised country-wide agricultural and rural development framework continues to complicate alignment with the EU acquis and preparation for future implementation of pre-accession assistance for rural development.

The most important institutional priority remains the establishment of the structures required for EU pre-accession assistance for rural development. While the details for the post-2027 period remain to be confirmed, this will likely include a country-wide strategic framework, harmonised programming procedures and accredited management and control systems, including a paying agency capable of administering EU rural development funds according to EU financial management standards. Although the SPRD of BiH for 2023–27 represents progress, the operational conditions for the current IPARD programme have still not been fully met.

A further challenge is the coordination of support measures across different levels of government. Comparative experience from **Serbia** shows that local, provincial, national and IPARD-funded measures must be coordinated to avoid double funding. Beneficiaries cannot receive support for the same investment from multiple public sources. In BiH, with additional administrative levels, the risks of duplication, inconsistent rules and administrative complexity are greater. Future systems should therefore provide clear information on which measures can be financed from municipal, cantonal, entity, state or donor sources.

For LSGs, two future funding areas are especially important:

- **rural public infrastructure**, including local roads, water and wastewater systems, broadband, renewable energy, rural tourism infrastructure and local processing facilities
- **LEADER and CLLD**, including the establishment of LAGs and participatory local development strategies.

These measures are among the most directly relevant to local authorities, but experience from candidate countries shows that agriculture ministries do not always prioritise municipality-led or local development measures. LSGs and AMCs should therefore advocate for these priorities to be included in future state, entity and cantonal strategies, Reform Agendas and funding programmes. A strong forward-looking argument to deploy is that rural community investments are not separate from agricultural competitiveness. Broadband, renewable energy, rural tourism, local processing, producer cooperation and economic diversification can directly improve the resilience, market access and sustainability of agricultural production. Municipal involvement in these areas would also build practical experience in project management, stakeholder coordination and EU-funded implementation before full pre-accession support for rural development becomes available.

The current legal role of LSGs in rural development remains limited in both entities. This does not fully correspond to the EU approach, which increasingly emphasises territorial, participatory and community-led development beyond narrow administrative boundaries. Field work with LSGs shows that Trebinje, Bosanska Krupa, Foča and Travnik already apply some LEADER-type principles informally through donor-funded projects, rural tourism initiatives, intersectoral cooperation and local partnerships. However, these practices remain weakly institutionalised and are rarely reflected in formal strategies, governance structures or stable financing systems.

Foča illustrates this gap clearly. The municipality participates in cross-border tourism projects and cooperates with CSOs and development partners, but LEADER has not been formally integrated into municipal strategies or operationalised through LAGs. This suggests that municipalities already have practical foundations for future LEADER and CLLD implementation, but these need to be formalised and strategically supported.

AMCs could play a stronger role by advocating for:

- formal recognition of LEADER and CLLD in entity and local policy frameworks
- dedicated funding for preparatory LEADER activities and LAG development
- stronger municipal participation in future governance structures for EU pre-accession assistance
- support for participatory local rural development strategies
- networking with successful LEADER structures in neighbouring countries and EU Member States
- capacity-building for project preparation, technical documentation, co-financing and monitoring.

Comparative experience from **Serbia, Croatia, North Macedonia** and **Moldova** shows that early investment in local governance structures, partnerships and LEADER capacity-building can improve future absorption of EU rural development funds. BiH should therefore not wait for full IPARD accreditation (or whatever replaces this post-2027) before strengthening municipal preparedness. The pre-accession period should be used to build local project pipelines, establish partnership mechanisms, test LEADER-type cooperation and prepare municipalities for future participation in EU rural development policy.

Overall, BiH's future success in EU rural development funding will depend not only on state-level institutional alignment, but also on the readiness of municipalities, rural communities and local partnerships. Strengthening the role of LSGs and AMCs during the pre-accession period should therefore be treated as a strategic investment in future absorption capacity.

5.4.3 Preparation at local level

Local communities, with municipal administrations at their centre, will be essential for the practical implementation of rural development policy and future EU-funded measures. In BiH, however, LSGs still operate mainly as implementers of entity and cantonal agricultural policies rather than as active partners in integrated rural development planning.

The municipal interviews confirm significant differences in local capacities, priorities and approaches, as discussed in section 5.3.2. Across the wider sample, many LSGs continue to understand rural development primarily through agricultural support measures, while broader approaches involving rural tourism, economic diversification, CLLD and the LEADER method remain underdeveloped.

Common challenges include limited administrative and project-management capacity, insufficient technical documentation, weak project pipelines, inadequate co-financing resources and limited local data on migration, demographic change and rural development trends. LEADER and CLLD principles are rarely embedded in local strategies or institutional structures, and many municipalities report difficulties in accessing external funding. Smaller and less developed LSGs also argue that current funding arrangements do not sufficiently reflect differences in municipal size, fiscal capacity and administrative resources.

At the same time, several positive trends are emerging. LSGs are becoming more involved in donor-funded projects, inter-municipal cooperation, producer associations and local economic development initiatives. There is growing recognition of the potential role of cooperatives, producer organisations, women entrepreneurs, young farmers, rural tourism, local product branding, short supply chains and diversification beyond primary agriculture. These areas could strengthen local economies, improve market access and increase the resilience of rural communities.

Overall, LSGs in BiH have relevant experience with rural development initiatives, but it remains uneven and insufficiently embedded in local systems. Municipalities will be better placed to access future EU support if they strengthen integrated strategies, formalise partnerships, improve project preparation and management, support producer organisations and expand cooperation with neighbouring LSGs and development partners.

5.5 Indicators of potential results

The level of future EU rural development support for BiH cannot be estimated precisely. Allocations historically depend on agricultural land, forests and pastures, rural population, labour force structure, development level, absorption capacity and political negotiations within the EU budget framework. However, BiH's strongly rural territorial structure suggests that rural development funding could become a significant source of investment after accession or once fully-fledged pre-accession funding becomes possible.

BiH remains highly rural, with around **81% of its territory classified as rural** and approximately **60% of the population living in rural areas**. This means that rural development funding could be especially relevant for agricultural modernisation, environmental protection, rural infrastructure, tourism, diversification and local economic development.

A useful benchmark is the scale of rural development support received by EU member states. In 2023, EAFRD payments amounted to EUR 355.3 million in Croatia, EUR 1.28 billion in Romania, EUR 882.3 million in **Hungary**, EUR 640.3 million in Portugal and EUR 291.5 million in Bulgaria.⁸⁸ In several rural or less-developed member states, this represents several tenths of one percent of GDP annually, and in some cases can approach around **0.4–0.5% of GDP**. This should be treated only as a broad benchmark, not as a forecast for BiH.

Under the current CAP framework, rural development remains a major part of EU agricultural spending. For 2021–27, around **EUR 94 billion** is available for rural development through the EAFRD, with additional rural development support from Next Generation EU.⁸⁹ Planned CAP expenditure for 2023–27 also shows that rural development measures are co-financed, with approximately **60% provided by the EU and 40% by national authorities** at EU level.⁹⁰

Although precise estimates are impossible, the likely scale of BiH's missed IPARD opportunity can be approximated using neighbouring IPARD III allocations as a benchmark. Serbia received EUR 288 million, North Macedonia EUR 97 million, Albania EUR 112 million and Montenegro EUR 63 million under IPARD III 2021–2027.⁹¹ This corresponds to roughly **EUR 44–54 per capita** in Serbia, Albania and North Macedonia, while Montenegro is higher, at around **EUR 102 per capita**, due to its small population and minimum programme scale. Applying the lower regional benchmark of EUR 44–54 per capita to BiH's population of around 3.2 million gives an indicative range of approximately **EUR 140–175 million**. Given BiH's highly rural territorial structure and agricultural development needs, a rounded estimate of EUR 150–200 million in potential EU IPARD support for the current programming period appears reasonable. However, this refers only to the EU contribution. Once national public co-financing is included, the total public programme value could have reached approximately **EUR 200–267 million**, assuming an EU contribution of around 75% of public expenditure. When private beneficiary contributions are also included, particularly for farm investment, processing and diversification measures, the wider investment effect could reasonably have reached approximately **EUR 330–530 million** over the programming period. This illustrates that the missed opportunity is not only the loss of EU grant funding, but also the loss of domestic co-financing, private investment and wider rural economic development effects.

The issue is therefore not only one of EU integration compliance. It is also a question of foregone investment in:

- rural public infrastructure
- agricultural modernisation
- processing and local value chains

88 European Parliament, [Financing of the CAP: facts and figures](#), 2026.

89 European Parliament, Financing of the CAP.

90 European Parliament, Financing of the CAP.

91 European Commission, [European Commission will support agriculture and rural development in pre-accession countries with over EUR 900 million for 2021–2027](#), 23 March 2022; WeBalkans, [EU adopts the IPARD III programme for Montenegro](#), 29 July 2022.

- rural tourism and diversification
- broadband and digital connectivity
- renewable energy and bioenergy
- water and waste management
- forestry and environmental measures
- village renewal and local economic development.

How much future rural development funding would directly benefit LSGs will depend on BiH's future reform agenda and programme design. If rural public infrastructure, LEADER, CLLD, renewable energy, tourism and diversification are prioritised, LSGs could become important beneficiaries. If programmes remain narrowly focused on farm-level support, the direct municipal role would be more limited.

Two scenarios are possible. In a negative scenario, LSGs remain marginal in rural development governance, procedures stay complex, project documentation is weak and co-financing is insufficient. This would lead to low absorption and limited development impact. In a positive scenario, LSGs are treated as strategic partners, local project pipelines are prepared early, co-financing mechanisms are strengthened and LEADER/CLLD structures are gradually developed.

Achieving the positive scenario requires preparation during the pre-accession period. BiH needs stronger coordination among state, entity, cantonal and municipal levels, clearer programming rules and better project preparation systems. LSGs and AMCs should therefore play a more active role in advocating for local development priorities within future mechanisms. Rural development is one of the most territorial parts of the EU acquis, which makes municipal preparedness essential for future absorption of EU funds.

Administrative and financial implications for LSGs

The potential benefits of future EU rural development funding must be assessed alongside the administrative and financial obligations that LSGs would need to assume. Experience from EU member states and candidate countries shows that active participation in IPARD, LEADER and other rural development measures requires stronger project-management, financial and technical capacities than many LSGs in BiH currently possess.

For smaller municipalities, effective participation may require at least one or two specialised staff members responsible for project preparation, financial management and implementation. Larger LSGs, or those coordinating LAGs, would likely need more specialised administrative structures and permanent technical support.

The financial requirements may also be significant. Even where EU co-financing reaches 70-80%, municipalities still need to provide resources for:

- project co-financing
- technical documentation and feasibility studies
- environmental assessments
- procurement procedures
- upfront implementation costs.

Depending on the size of the project, these costs could reach several hundred thousand BAM per project cycle, which would be particularly challenging for smaller and fiscally weaker municipalities.

The establishment and operation of LAGs would also require stable support for coordination staff, stakeholder consultations, preparation of local development strategies and project development activities. Experience from neighbouring countries shows that LAGs often depend initially on donor support or municipal contributions before EU operational funding becomes fully available.

Without targeted support, stronger LSGs are likely to benefit more from future EU rural development funding, while smaller and less-developed municipalities may remain marginalised. Strengthening municipal preparedness during the pre-accession period is therefore essential for improving absorption capacity and ensuring that future EU rural development funding has a balanced territorial impact across BiH.

5.6 Recommendations

Associations of Municipalities and Cities should complement municipal efforts by playing a stronger advocacy, coordination, capacity-building and peer-learning role in rural development. In particular, AMCs are recommended to:

- **Advocate for formal municipal involvement in rural development governance**, including municipal participation in the preparation, implementation and monitoring of rural development, IPA III and future pre-accession reform agendas programmes at state, entity and cantonal levels.
- **Promote rural development as a broader territorial and participatory policy concept**, not only as agricultural support, and raise awareness among LSGs of LEADER and CLLD principles.
- **Develop a practical rural development support function or focal point within the AMCs**, subject to available resources and donor support, to coordinate technical assistance, training and advisory support for LSGs.
- **Prepare a joint multi-annual municipal preparedness roadmap for future IPARD and EU rural development funding**, covering administrative capacity, Local Action Groups, project preparation, co-financing needs, strategy alignment and readiness monitoring.
- **Support the gradual establishment and networking of Local Action Groups**, through training, networking and advisory support, and advocate for dedicated LAG support within future Reform Agendas, IPA III, IPARD-related preparations and other EU-funded rural development initiatives.
- **Support LSGs in developing mature rural development project pipelines**, including access to technical expertise, model documentation, feasibility-study support, peer learning and cooperation with development agencies and donor programmes.
- **Advocate for differentiated support mechanisms for underdeveloped and depopulating LSGs**, including simplified procedures, higher co-financing rates, dedicated project-preparation assistance and targeted capacity-building support.
- **Strengthen evidence-based advocacy and municipal preparedness monitoring**, by collecting comparable data on rural development needs, financial capacities, project-readiness levels, staffing constraints, co-financing challenges and administrative preparedness.
- **Promote technical learning through regional platforms**, including cooperation with the Standing Working Group and LEADER structures in neighbouring countries, so that LSGs can follow EU rural development practice and prepare earlier for future funding opportunities.
- **Advocate for rural infrastructure measures relevant to LSGs**, including roads, water supply, wastewater, sewage, collectors and other local infrastructure. Such measures are highly relevant for rural municipalities but require stronger administrative and procurement capacity, including knowledge of EU procurement rules.

Recommendations for LSGs

Municipalities and cities should strengthen their readiness for future **donor and EU pre-accession support for rural development** by improving administrative capacity, project preparation, partnerships and evidence-based planning. In particular, they should:

- **Designate responsible staff** for agriculture and rural development and train them in EU funding rules, project preparation, procurement, financial management, monitoring and reporting.

- **Develop integrated rural development strategies** aligned with **LEADER** and **CLLD**, linking agriculture with rural tourism, local products, infrastructure, digitalisation, renewable energy, environment and diversification.
- **Create intersectoral partnerships** involving farmers, producer associations, cooperatives, businesses, tourism actors, civil society, women's and youth organisations, vulnerable groups and development agencies.
- **Formalise existing cooperation networks** as a basis for future LAGs, especially where LSGs already have donor-funded rural projects, rural tourism initiatives, producer cooperation or community-based development.
- **Strengthen inter-municipal cooperation** in rural tourism routes, local infrastructure, advisory services, environmental management, product branding, short supply chains and larger investment projects.
- **Prepare project pipelines in advance**, including technical documentation, feasibility studies and project concepts for roads, water and wastewater systems, waste management, digital connectivity, renewable energy, rural tourism, community facilities, agri-food value chains and environmental protection.
- **Improve local data and monitoring**, especially on demographic decline, migration, agricultural production, rural budgets, co-financing capacity, project experience and administrative needs.
- **Invest in basic rural infrastructure**, including roads, water supply, wastewater, waste management, digital connectivity and community facilities, as a prerequisite for retaining population and supporting rural economic activity.
- **Support producer cooperation and local value chains** through cooperatives, producer associations, revolving funds, collective procurement, product branding and short supply chains.
- **Develop targeted measures for women, young people, vulnerable groups and young farming households**, including entrepreneurship support, training, mentoring, networking and access to local development opportunities.
- **Promote rural tourism and diversification** linked to local products, cultural heritage, agri-tourism, family farms, traditional crafts and natural assets.
- **Strengthen environmental and climate-related measures**, including waste management, climate-smart agriculture, renewable energy, biodiversity protection, energy efficiency and climate-resilient infrastructure.
- **Increase participation in donor-funded, IPA III and cross-border cooperation programmes** to gain practical experience in project preparation, procurement, reporting, implementation and partnership management before fully-fledged EU rural development funding becomes available.

Overall, LSGs and AMCs should not wait for fully-fledged EU rural development funding to become available before acting. The pre-accession period should be used to build administrative capacity, prepare projects, strengthen partnerships and establish the local governance foundations needed for future EU rural development support.

6. Environment and communal services

6.1 Overview

Environment remains one of the most ambitious and far-reaching chapters of the EU acquis. In recent years, EU environmental policy has been significantly strengthened under the European Green Deal, which aims to make Europe climate-neutral by 2050 while promoting sustainable development and safeguarding the health and well-being of citizens. The EU acquis now comprises over 200 major legal acts covering air quality, water protection, waste management, biodiversity, chemicals, noise and climate action.

Taking on the acquis in this field remains a major challenge for candidate countries, owing not only to the complexity and volume of legislation but also to the large financial investments required. Increasingly, EU environmental legislation is also linked to climate objectives, energy transition, and circular economy principles, particularly under the Fit for 55 package⁹² and the Circular Economy Action Plan (updated in 2020).

At the local level, the impact of accession is becoming even more pronounced. LSGs play a central role as planners, regulators, policymakers and providers of communal infrastructure and services. New EU rules increasingly require integrated approaches combining environmental protection, climate mitigation and adaptation, digitalisation and public participation.

This chapter outlines the key elements of the environmental acquis, focusing on horizontal legislation and the sectors of air quality, waste management and water protection. It highlights ‘investment-heavy’ directives and regulations, which continue to present significant legal, administrative and financial challenges, especially as standards are tightened and deadlines extended under newer legislation.

The AMCs selected these areas as being particularly significant for communal service provision. While other parts of the environmental acquis are also relevant for LSGs (e.g. nature protection, including the 2024 Nature Restoration Law, with direct implications for urban planning, or climate change, where municipalities will be expected to contribute towards national targets), these will not be the focus here.

However, this chapter does also consider the implications of EU rules on procurement and state aid for communal services. These have also become more prominent: EU law increasingly requires competitive, transparent and market-based approaches to the provision of services of general economic interest (SGEI), including waste and water services, often delivered by publicly owned utility companies. These requirements have been clarified through evolving case law of the Court of Justice of the European Union and updated state aid frameworks.

For BiH, EU accession remains a major opportunity to upgrade environmental infrastructure and services. However, recent EU developments raise the level of ambition significantly. Challenges such as inadequate wastewater treatment, reliance on non-compliant landfills and severe air pollution – linked to thousands of premature deaths annually – must now be addressed in line not only with existing directives but also stricter future targets (e.g. zero pollution ambition by 2050). There is a growing risk that LSGs may face expanding responsibilities without adequate financial and administrative capacity, potentially slowing the accession process.

⁹² EU legislative package aimed at reducing greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels.

6.2 Key aspects of the EU acquis

Horizontal legislation

Horizontal environmental legislation continues to evolve, with increased emphasis on climate integration, biodiversity protection and public participation.

The [Environmental Impact Assessment \(EIA\) Directive \(2011/92/EU, as amended by 2014/52/EU\)](#) remains a cornerstone. Recent updates strengthen requirements related to climate change, biodiversity, disaster risks and cumulative effects. Projects must now assess impacts on climate mitigation and resilience, aligning with EU climate neutrality goals.

The [Strategic Environmental Assessment \(SEA\) Directive \(2001/42/EC\)](#) also remains central, with growing importance due to expanded planning in energy, transport and climate adaptation. Increasingly, SEAs must reflect climate objectives, including consistency with national energy and climate plans (NECPs).

The directive on [public access to environmental information \(2003/4/EC\)](#) has been complemented by broader transparency initiatives under the Aarhus Convention and EU digitalisation policies. Public authorities, including LSGs, are expected to provide more proactive, real-time environmental data (e.g. air quality monitoring).

In addition, the EU has improved its system for monitoring and enforcing environmental laws through compliance assurance programmes and the [Environmental Implementation Review](#). These measures increase oversight of how well national and local governments are applying EU environmental policies and help identify areas where implementation or enforcement is falling short.

Air quality

EU air quality policy is currently undergoing significant revision. The existing EU air quality directives – [Directive 2008/50/EC on Ambient Air Quality](#) and [Directive 2004/107/EC relating to arsenic, cadmium, mercury, nickel and polycyclic aromatic hydrocarbons in ambient air](#) – are being updated to align more closely with World Health Organization air quality guidelines. Together, these directives establish EU standards for major air pollutants and toxic airborne substances, as well as monitoring, public information and air quality management requirements.

In 2024, the EU adopted a revised [Directive \(2024/2881\) on Ambient Air Quality \(recast\)](#) introducing:

- stricter limit values for particulate matter (PM_{2.5}, PM₁₀), and nitrogen dioxide (NO₂)
- enhanced air quality monitoring and modelling requirements
- stronger enforcement mechanisms and clearer penalties for non-compliance
- improved public access to air quality information.

Local authorities remain central to implementation. Cities are increasingly required to adopt integrated air quality and climate measures, including low-emission zones, transport electrification and urban greening strategies. These actions are closely linked to broader EU climate objectives under the European Green Deal.

Waste management

EU waste legislation has continued to evolve beyond the 2018 amendments, driven by the Circular Economy Action Plan and zero pollution ambition. The existing EU waste management framework is primarily based on the [Waste Framework Directive \(2008/98/EC\)](#), which establishes key principles such as the waste hierarchy, separate collection obligations, recycling targets, and the 'polluter pays' principle. It is complemented by sector-specific legislation, including [Directive 1999/31/](#)

[EC on the landfill of waste](#), which aims to reduce the environmental impacts of landfilling, and [Directive 94/62/EC](#), which sets requirements for packaging waste prevention, reuse, and recycling, as well as legislation on electronic waste, batteries and end-of-life vehicles.

Among key recent developments (including revisions to the Waste Framework Directive adopted in 2025):

- binding food waste reduction targets by 2030
- strengthened rules on extended producer responsibility (EPR), particularly for textiles and packaging
- an EU-wide system for textile waste management, requiring separate collection and producer responsibility schemes
- a new [Regulation \(2025/40\) on Packaging and Packaging Waste](#), which repeals an earlier directive and introduces stricter requirements on recyclability, reuse and waste reduction
- increasing restrictions on landfilling and incineration, with stronger emphasis on material recovery.

Existing targets for recycling of municipal waste (55% by 2025, 60% by 2030, 65% by 2035) remain in force, but new measures aim to go further by reducing overall waste generation. LSGs must now plan for:

- expanded separate collection systems (including textiles and biowaste), meaning the organisation of additional collection infrastructure, logistics, and public participation systems
- more complex waste streams, requiring improved sorting capacity and treatment solutions for materials such as mixed municipal waste, plastics, textiles, biowaste, and electronic waste
- stronger cooperation with producers under EPR schemes, including coordination on financing, collection, and recycling systems funded by producers
- digital tracking and reporting systems, involving improved data collection, monitoring of waste flows, and reporting to national and EU authorities to ensure compliance and performance tracking.

These developments significantly increase administrative and financial demands but also create opportunities for more sustainable and circular local economies.

Water protection

Recent updates to EU water protection legislation mainly strengthen environmental standards, expand the scope of regulation and introduce new operational and financial obligations for LSGs and utilities, rather than replacing the existing legal framework.

The [Water Framework Directive \(2000/60/EC\)](#) remains unchanged at its core, but its implementation is increasingly shaped by updated environmental quality standards and pollutant lists. Recent revisions at EU level have expanded the list of priority substances and tightened thresholds for pollutants in surface water and groundwater, including pharmaceuticals, pesticides, PFAS and other emerging contaminants. This results in more stringent monitoring obligations and may require additional pollution control measures at local level, particularly where municipal discharges or diffuse urban runoff contribute to water quality pressures. In parallel, implementation is increasingly linked to climate resilience objectives, with stronger emphasis on drought management, water reuse and ecosystem-based approaches.

The [Floods Directive \(2007/60/EC\)](#) has not been fundamentally amended, but its implementation cycle (currently 2022–27) places greater emphasis on climate change impacts and preventive risk management. The main ‘new’ element is not legal restructuring but a shift in methodology: flood risk assessments are now expected to incorporate more detailed climate scenarios, improved modelling and better integration of nature-based solutions into planning. This increases the implemen-

tation responsibilities of LSGs in land-use control, as flood hazard maps are increasingly used as binding inputs in spatial planning and development permitting, effectively tightening restrictions on construction in high-risk zones.

The [Urban Wastewater Treatment Directive \(2024/3019\)](#) has recently been recast, with phased implementation planned over the coming decades. The updated directive significantly expands municipal obligations by extending coverage to smaller agglomerations, including settlements of **1 000 population equivalent (p.e.)** or above.⁹³ This represents a substantial broadening compared to the original directive, which primarily applied to agglomerations above 2 000 p.e. The most important new requirement is the introduction of advanced treatment for micropollutants such as pharmaceuticals and industrial chemicals, reflecting a shift towards addressing ‘emerging pollutants’ that were not explicitly regulated under the original directive. The revision also introduces an energy neutrality objective for wastewater treatment plants by 2040–45, meaning LSGs must progressively integrate renewable energy production and energy recovery into wastewater systems. In addition, EPR mechanisms are introduced, shifting part of the cost burden for micropollutant removal to pharmaceutical and cosmetics producers. Overall, this represents a significant increase in both capital investment and operational complexity for municipal utilities.

The [Drinking Water Directive \(2020/2184\)](#) has also been recast since the previous assessment and introduces a fundamentally more preventive, risk-based approach. The main new requirement is that LSGs and water utilities must assess and manage risks across the entire supply chain, from abstraction to distribution, rather than focusing only on end-point water quality. Monitoring obligations have been expanded to include emerging contaminants such as PFAS and other chemical substances of concern, alongside stricter standards for traditional parameters such as lead. The directive also introduces stronger transparency requirements, obliging utilities to provide consumers with more detailed and accessible information on water quality, pricing, leakage and service performance. In addition, it places greater emphasis on equitable access to drinking water through public infrastructure such as fountains and public supply points.

Taken together, these updates reflect a clear shift in EU water policy from traditional pollution control towards a more integrated system focused on climate resilience, chemical safety, energy efficiency and circular economy principles. For LSGs, this translates into progressively stricter environmental standards, expanded monitoring obligations, higher infrastructure investment needs and increased reliance on technical capacity and external financing.

Across **EU water protection legislation**, LSGs play a central operational role in implementing policies that are formally addressed to member states. Their responsibilities are increasingly shaped by the need to integrate environmental objectives into spatial planning, infrastructure development and public service delivery.

A key implication is the growing influence of environmental requirements on local planning and development decisions. LSGs must ensure that urban expansion, zoning and infrastructure investments are consistent with water protection, flood risk management and river basin objectives. This increasingly limits development in environmentally sensitive and flood-prone areas and requires closer coordination between planning, environmental and utility functions.

LSGs are also responsible for a wide range of operational water services, including wastewater collection and treatment, drinking water supply and local drainage systems. EU legislation is driving a progressive tightening of technical standards, particularly through requirements for advanced wastewater treatment, improved drinking water safety and more comprehensive monitoring of emerging pollutants. This significantly increases operational complexity and requires continuous upgrading of infrastructure and technology.

At the same time, flood risk management has become an integral part of local governance. LSGs

⁹³ Population equivalent refers to the average organic waste load generated by one person in a single day, but applies to commercial as well as residential sources, so that a settlement with 1 000 people and no industries etc. might have a p.e. of roughly 1 000, but a village with 500 people and a dairy farm might exceed 1 000 p.e.

are expected to contribute to risk assessments, implement flood risk management measures and strengthen civil protection systems. This includes emergency preparedness, early warning systems and public awareness activities, as well as increasing reliance on nature-based solutions such as green infrastructure and ecosystem restoration.

Financially, these combined obligations are creating sustained pressure on municipal budgets. Significant investment is required to upgrade ageing infrastructure, expand service coverage and meet stricter environmental and climate adaptation standards. In parallel, LSGs are increasingly expected to ensure the financial sustainability of water services through improved cost recovery mechanisms, including water tariff systems, reduction of network losses and more efficient billing practices. This introduces additional challenges related to affordability, social equity and political acceptability, particularly in lower-income or smaller municipalities. Rising operational costs, higher energy demands in the water sector and increased exposure to climate-related risks further intensify these pressures.

Implementation also requires significantly higher administrative and technical capacity. LSGs must manage more complex regulatory requirements, digital monitoring systems, environmental reporting obligations and stakeholder engagement processes. Smaller municipalities are particularly affected due to limited staffing, expertise and institutional capacity.

A further cross-cutting trend is the increasing integration of water policy with broader EU priorities, including climate adaptation, biodiversity protection, circular economy objectives and resilience planning. As a result, water governance is no longer a standalone sector but is embedded in wider territorial and development strategies at local level.

Finally, implementation is strongly dependent on external financial support. EU funds and international financial institutions play a critical role in enabling LSGs to comply with environmental standards, particularly in candidate countries such as BiH, where local fiscal capacity is often insufficient to cover the scale of required investments.

Box 6.1: EU rules governing the provision of environmental services through public utility companies

While this chapter focuses mainly on the EU environmental acquis, the provision of environmental services through public utility companies (PUCs) owned or controlled by LSGs is also affected by the EU rules on state aids and public procurement (see also chapter 2). The public procurement directives continue to permit in-house provision of services without a competitive tender under certain conditions, commonly referred to as the 'Teckal' exemption.⁸

To qualify, LSGs must exercise control over the utility comparable to that exercised over their own internal departments, ensure that at least 80 percent of the utility's activities are carried out for the controlling authority or authorities, and prevent direct private capital participation, except for limited forms of non-controlling participation required by national law that do not confer decisive influence. At the same time, EU policy increasingly promotes competitive tendering, transparency, accountability and the integration of environmental and circular economy objectives through Green Public Procurement. LSGs are therefore expected to consider not only immediate costs, but also lifecycle costs and the broader environmental impacts of procurement decisions.

State aid rules under Articles 107–9 TFEU remain highly relevant for municipal utilities and continue to evolve through case law and revised regulatory frameworks. State aid encompasses any selective economic advantage granted by public authorities that may distort competition and affect trade within the internal market, applying to both public and private operators engaged in economic activities. The EU state aid framework is shaped by several key legal instruments and concepts.

Public services may fall under the framework of **Services of General Economic Interest (SGEI)**, which cover essential services such as waste management, transport, and water supply that may require public compensation to ensure their provision. The revised [SGEI Decision \(2025/2630\)](#) modernises the state aid framework governing such compensation, providing greater legal clarity and simplified procedures for public authorities when financing essential local services, including waste management. In this context, the Altmark judgment establishes the criteria under which such compensation does not constitute state aid, provided that strict conditions on entrustment, transparency, cost calculation, and efficiency are fulfilled.⁹

The [General Block Exemption Regulation \(GBER\) \(651/2014\)](#) allows member states to grant certain categories of aid without prior notification to the European Commission, particularly in areas such as environmental protection, climate action, innovation and infrastructure, provided that predefined conditions are met. Recent revisions expand the scope of exempted aid in areas such as environmental protection, climate and energy projects, circular economy investments and local infrastructure. Thresholds and eligible categories have been broadened to support the transition towards the objectives of the European Green Deal. Aid falling within the categories covered by the GBER does not require prior notification to the European Commission, provided that all applicable conditions are fulfilled.

Together, these elements define how public funding can be used while maintaining competition rules within the internal market. LSGs may structure public financing arrangements in ways that prevent them from constituting state aid in the meaning of the Treaty or ensure that they comply with the applicable EU state aid framework. In some sectors, such as water distribution networks, natural or legal monopoly characteristics may limit concerns regarding competition and market distortion. Or, where municipalities entrust operators with clearly defined public service obligations, compensation may fall within the SGEI framework, provided that the applicable EU requirements are satisfied. Market-based selection through competitive, transparent, and non-discriminatory tendering procedures may help demonstrate that compensation reflects market conditions and reduce the risk of incompatible aid. Compliance with the Altmark criteria is also important, requiring clearly defined public service obligations, transparent compensa-

tion mechanisms, objective calculation methods, and the avoidance of overcompensation. In addition, de minimis rules, updated under [Regulation 2023/2831](#), allow limited amounts of aid without prior notification, generally up to EUR 300 000 over a three-year period, with higher thresholds possible for certain services of general economic interest.

Non-compliance with EU state aid rules may have significant consequences, including the recovery of incompatible aid, financial losses for public utilities, legal uncertainty, and delays in infrastructure development. LSGs must therefore carefully structure financing arrangements, ensure a clear separation between economic and non-economic activities, avoid cross-subsidisation, and maintain comprehensive documentation and transparency.

[Directive 2006/123/EC on services in the internal market](#) also remains relevant for certain municipal environmental services. While water supply and wastewater services are excluded from its scope, some waste-related services, particularly waste collection and transport activities, may be affected depending on their nature and organisation. LSGs are required to ensure that authorisation schemes are non-discriminatory, that regulatory requirements are necessary and proportionate, and that administrative procedures remain accessible through single points of contact.

Overall, EU law does not prevent LSGs from organising, financing, and delivering communal services through publicly owned utilities. However, recent regulatory and policy developments increasingly favour transparent, competitive, and market-oriented approaches, stronger alignment with environmental and climate objectives, and more sophisticated legal and financial structuring. Careful planning and legal assessment are therefore essential, particularly in the context of large infrastructure investments, long-term concession arrangements and potential public-private partnerships.

^{*} [Case C-107/98, Teckal Srl v Comune di Viano and Azienda Gas-Acqua Consorziale \(AGAC\) di Reggio Emilia](#), Judgment of 18 November 1999.

[†] [Case C-280/00, Altmark Trans GmbH and Regierungspräsidium Magdeburg v Nahverkehrsgesellschaft Altmark GmbH](#), Judgment of 24 July 2003.

6.3 Legislation and practice in Bosnia and Herzegovina

6.3.1 Alignment with EU legislation

Horizontal legislation

Transposition of the **EIA Directive** into the legal framework of BiH is assessed by the European Commission as partially aligned but unevenly implemented. While the basic EIA system is in place at entity level (entities having responsibility for conducting EIAs for both public and private projects), full harmonisation with EU procedural standards remains incomplete, particularly in relation to screening procedures, quality assurance and enforcement capacity.

EIA procedures are regulated through entity-level environmental protection legislation and implementing regulations. In FBiH, the system is based on the Law on Environmental Protection (OG FBiH No. 33/03, 38/09, 33/10) and accompanying by-laws on environmental permitting and facilities subject to mandatory EIA. In RS, EIA procedures are regulated under the Law on Environmental Protection (OG RS No. 71/12, 79/15) and related implementing regulations. The updated environmental policy framework in both entities is now further guided by the Environmental Strategy of FBiH 2022–32 (OG FBiH No. 40/22) and the Environmental Protection Strategy of RS 2022–32 (O.G. RS No. 45/22). These strengthen the strategic role of impact assessment within environmental planning and decision-making. Despite this formal structure, the EU continues to identify significant implementation gaps, particularly at cantonal and municipal levels, where administrative capacity and enforcement remain limited.

The **SEA Directive** remains only partially transposed in BiH. Commission assessments consistently highlight weak and uneven application, particularly regarding mandatory public participation, quality control of SEA reports, transboundary consultation procedures and institutional implementation capacity.

Since 2019, the legal framework for SEA in BiH has significantly improved, particularly in FBiH, where a new Law on Environmental Protection in 2021 (OG FBiH, No. 15/21) introduced a more comprehensive approach to SEA, including a dedicated chapter regulating procedures, responsibilities, and consultation requirements. SEA is now mandatory for plans, programmes, and strategies in sectors such as spatial planning, agriculture, forestry, energy, industry, transport, tourism, and environmental infrastructure. The 2021 law also strengthened provisions related to public participation, stakeholder consultations, and access to environmental information. There is also a dedicated Regulation on Strategic Environmental Assessment, which establishes a structured procedure for conducting SEAs.

In RS, SEA is regulated by the Law on Environmental Protection (OG RS No. 71/12, 79/15 and 70/20) and related secondary legislation, which is largely aligned with the EU SEA Directive. The RS framework includes a broad range of sectors requiring SEA, such as spatial planning, energy, transport, waste and water management, while also strengthening provisions related to public access to environmental information and public participation. However, challenges remain regarding stronger involvement of health authorities, intersectoral coordination and limited implementation of transboundary consultations.

Environmental legislation in BiH has progressively advanced toward alignment with the EU Directive on **public access to environmental information** and the principles of the Aarhus Convention, ratified by BiH in 2008. The legal framework for access to information is primarily regulated through the Law on Freedom of Access to Information (OG BiH, No. 61/23) at the state and entity levels, which guarantee the right of natural and legal persons to access information held by public authorities.

In FBiH, the 2021 Law on Environmental Protection further strengthened provisions related to public participation, transparency, and access to environmental information. The law obliges competent authorities to provide environmental information upon request and to proactively disseminate relevant environmental data to the public. Additional sectoral legislation, including laws on nature protection, air protection, and water management, also contains provisions related to public access to environmental information and participation in environmental decision-making.

In RS, the Law on Environmental Protection and the Law on Freedom of Access to Information (OG RS, No. 20/01) continue to regulate public access to environmental information and transparency obligations of public authorities. The Ministry responsible for spatial planning, construction, and ecology is required to make environmental information publicly available through printed and electronic publications, media channels, and other accessible formats.

Although the legislative framework in both entities is generally aligned with the requirements of the Aarhus Convention and relevant EU directives, challenges remain in practice regarding proactive disclosure of information, digital accessibility, institutional capacity, and the effective participation of the public in environmental decision-making processes.

Air quality and emissions

In BiH, the **Ambient Air Quality Directive** is partially transposed into entity-level legislation. In FBiH, a milestone was achieved with the new Law on Air Protection (OG FBiH No. 72/24), which repealed the outdated framework from 2003 and 2010. This law establishes clear legal mechanisms for alert thresholds, updates institutional responsibilities, mandates strict quality monitoring protocols and delineates zones and agglomerations in strict alignment with modern EU reporting demands. Associated regulations cover ambient air quality monitoring, monitoring of emissions of pollutants into the air, limit values of emissions of pollutants into the air, emissions into the air from

combustion plants, emissions of volatile organic compounds and phasing out of ozone-depleting substances.

In parallel, RS regulates these areas through its own Law on Air Protection (OG RS No. 124/11 and 46/17) and accompanying by-laws governing air quality monitoring and emission limit values, which define institutional responsibilities and compliance procedures. Thus, both Entities possess finalised legal baselines for air quality classification.

In addition, Brčko District has its own environmental and air protection legislation, while in FBiH, cantons also adopt and implement their own environmental and air protection legislation and implementing acts, which further operationalise entity-level requirements and add another layer of institutional complexity.

According to the EU's annual reports on BiH, alignment with the EU acquis in the field of air quality remains at an early-to-intermediate stage, with partial legal transposition but significant implementation gaps, particularly in monitoring infrastructure, data reporting, and enforcement capacity. Institutional fragmentation between state, entity, cantonal, municipal and Brčko District levels further constrains effective implementation of the Ambient Air Quality Directive. The latest (2025) report underlines the need for a countrywide strategy to systematically and efficiently combat air pollution.

The **Directive Related to Arsenic, Cadmium, Mercury, Nickel and Polycyclic Aromatic Hydrocarbons in Ambient Air** is also partially transposed in both entities through air protection legislation; however, systematic monitoring and reporting of heavy metals remain insufficiently developed and not fully aligned with EU requirements.

Air protection policies in both the FBiH and the RS are an integral part of broader environmental policy frameworks defined under the Environmental Strategy of FBiH and the Environmental Protection Strategy of RS, which establish strategic priorities for air quality management, pollution reduction and integrated environmental governance across sectors.

BiH tackles climate change and greenhouse gas (GHG) reduction through a unified set of international pledges and synchronised entity-level strategies, primarily driven by the UN Framework Convention on Climate Change Paris Agreement and Energy Community obligations. The climate and emission mitigation framework relies on the following key operational pillars:

- The Nationally Determined Contributions: BiH has committed to an unconditional 33.2% reduction in GHG emissions by 2030 compared to 1990 baseline levels, scaling up to a 36.8% conditional reduction with international funding. By 2050, the country aims for a deeper mid-century reduction target of up to 65.6%.
- The Integrated National Energy and Climate Plan: Serving as the core energy roadmap, this mandates the gradual decommissioning of 410 MW of coal-fired thermal power units. To replace this capacity, it establishes a mandatory target of a 43.6% renewable energy share in gross final energy consumption by 2030, alongside the administrative rollout of a domestic Emissions Trading System to avoid EU trade penalties.
- Low-Emission Development Strategy (2020–30): Developed with UNDP, this strategy links low-carbon investments – such as residential and public building energy retrofits – with climate adaptation measures designed to protect vulnerable sectors (agriculture, forestry and water resources) from extreme weather events.
- National GHG inventories under UN Framework Convention obligations. These inventories cover key sectors including energy, transport, industry, agriculture, and waste.

Waste Management

The **Waste Framework Directive** has been partially transposed into the legal systems of BiH. In FBiH, waste management is primarily regulated by the Law on Waste Management (OG FBiH No. 33/03, 72/09, 92/17, and 72/24), while in RS it is governed by the Law on Waste Management (OG

RS No. 111/13, 106/15, 16/18, and 109/25). Progress includes development of licensing systems for authorised operators engaged in waste treatment and recycling. Both entities have also adopted waste management strategies and plans that guide development and investments. However, substantial efforts are still needed to comply fully with directive requirements.

The 2024 amendments to the FBiH Waste Management Law represent a targeted reform rather than a comprehensive overhaul of the system. Nevertheless, they introduce several important structural and policy improvements aimed at strengthening alignment with EU waste governance standards. A key development is the explicit incorporation of circular economy principles into waste management policy, shifting the focus toward waste prevention, reuse, recycling and recovery instead of disposal. The amendments also refine and harmonise legal definitions, improving regulatory clarity and consistency with EU terminology. In addition, the reform modernises administrative and information systems through stronger integration of electronic procedures and enhanced data exchange between competent authorities. Reporting and data submission obligations for operators have also been reinforced, improving the functionality of the waste information system and strengthening oversight of waste flows. Compliance and enforcement mechanisms have likewise been strengthened through expanded inspection powers, stricter sanctioning provisions, higher fines and clearer liability rules for both legal entities and responsible persons, particularly in cases involving failures in reporting obligations or misuse of the waste information system.

Overall, while the institutional structure of waste management in FBiH remains largely unchanged, the reform significantly strengthens policy orientation, digitalisation, regulatory enforcement and alignment with EU circular economy objectives. In addition to the primary waste management legislation, FBiH has adopted secondary legislation regulating packaging and packaging waste management, including EPR schemes, with the aim of partial alignment with the EU legislation on **Packaging and Packaging Waste**. These regulations establish obligations related to the collection, recovery, recycling and reporting of packaging waste, although implementation capacity and system efficiency remain limited in practice.

The new RS Waste Management Law (109/25) establishes a more comprehensive and modern framework aligned with EU circular economy principles. It regulates all major aspects of waste management, including waste classification, planning, responsibilities of stakeholders, permitting procedures, special waste streams, financing mechanisms, reporting systems and inspection supervision. The law places stronger emphasis on waste prevention, reuse, recycling and recovery, with a clearer hierarchy prioritising material recovery over disposal. Furthermore, the legislation introduces more structured planning at national, regional, and local levels, alongside more detailed obligations for operators and waste producers.

Particular attention is given to improved control of special waste streams and EPR systems, including packaging and packaging waste management in line with the objectives of the EU legislation on **Packaging and Packaging Waste**. The law also strengthens the permitting regime for waste treatment activities, expands inspection powers, enhances reporting obligations and introduces more comprehensive waste data tracking through official databases. In addition, it reinforces rules governing cross-border waste movements and raises environmental protection standards in waste handling. Certain provisions will be implemented gradually, with full application of some obligations scheduled during the transition period up to 2027.

Despite these legislative advancements, transposition of the **Landfill Directive** remains only partial and compliance with the new Regulation on Packaging and Packaging Waste is incomplete. Landfill operations across BiH are still not fully compliant with EU technical and environmental standards, while systems for separate collection, recycling and recovery of packaging waste remain underdeveloped. The main challenges relate less to the legal framework itself and more to insufficient infrastructure, limited investment, fragmented institutional coordination and weak enforcement capacity.

Water protection

The **EU Water Framework Directive** is partially transposed into BiH's legal framework through entity-level water legislation. In FBiH, the main legal framework is the Law on Waters (OG FBiH No. 70/06), supported by secondary legislation including the Decision on the Characterisation of Surface and Ground Waters, Reference Conditions and Water Status Assessment Parameters (OG FBiH No. 1/14) and the Regulation on Conditions for Wastewater Discharge into the Environment and Public Sewerage Systems (OG FBiH No. 01/24). In RS, the Water Framework Directive is implemented primarily through the Law on Waters (OG RS No. 50/06, 92/09, 121/12, 74/17) and the Regulation on Classification of Waters and Categorisation of Watercourses (OG RS No. 42/01), alongside the Regulation on Conditions for Discharge of Wastewater into Natural Recipients and Regulation on Conditions for Discharge Wastewater into Public Sewerage Systems (OG RS No. 44/01).

European Commission assessments indicate that, while the basic legislative framework is in place, BiH remains at an early to moderate stage of alignment with the Water Framework Directive, primarily due to weak river basin governance structures, limited monitoring capacity and insufficient coordination between entities. Implementation challenges are particularly evident in the full operationalisation of river basin management planning and monitoring systems in line with EU requirements.

Pursuant to the Laws on Waters in FBiH and RS and the EU Water Framework Directive, the first generation of River Basin Management Plans (RBMPs) was prepared for the 2016–21 planning cycle, covering the Sava and Adriatic river basins in FBiH and the Sava and Trebišnjica river basins in RS. Following the first planning cycle, updated RBMPs for the second cycle (2022–27) were adopted. Despite progress, limited institutional capacities, resources and technical expertise affected implementation during the first cycle, highlighting the need for further capacity development of water agencies and upgrading of Water Information Systems.

BiH has made substantial and measurable progress toward implementing the **Floods Directive**, especially since 2014. The BiH Council of Ministers adopted a national Action Plan for Flood Protection and River Management (2014–2017) and the country has successfully completed the most technically demanding phase – risk assessment and mapping – and has significantly upgraded physical flood protection systems. However, implementation remains incomplete at the governance and planning level. The transition from project-based flood protection to fully integrated EU-style flood risk governance is still ongoing. RS is ahead in infrastructure delivery and execution capacity while FBiH is strong in technical alignment but constrained by governance complexity. At state level, full Directive cycle implementation is not yet achieved.

A major recent development is the formal adoption of Flood Risk Management Plans (FRMPs) for the 2024–29 cycle in FBiH, including for the Adriatic Sea Water District (OG FBiH No. 28/24) and the Sava River Basin District (OG FBiH No. 28/24). These plans represent a significant step because they:

- formally operationalise EU Floods Directive requirements at entity level
- establish a structured six-year planning cycle (2024–29)
- link hazard mapping with defined measures and priorities
- introduce formal monitoring and reporting obligations within FBiH institutions.

In RS, flood risk planning has also been developed and is more directly integrated into investment programming and operational flood protection management. An Operative Plan for Flood Defence in RS (OG RS, No. 117/2025) sets out annual operational measures for flood defence and emergency response within the entity's flood protection system.

Despite this progress, key gaps remain. While FRMPs now exist in formal terms, their full EU-compliant validation – meaning consistent cross-sectoral implementation, integration with spatial planning, climate adaptation and harmonised reporting across all river basin districts and both entities – has not yet been fully achieved. FBiH still faces cantonal fragmentation in implementation, while

RS faces the challenge of transitioning from infrastructure-heavy delivery toward more integrated, ecosystem-based and climate-resilient planning under a fully institutionalised cycle. Ongoing activities need support, especially for ‘no regret’ infrastructure, institutional strengthening, and monitoring and forecasting. Long-term sustainability requires improved inspection and maintenance standards.

BiH’s progress towards compliance with the **Urban Wastewater Treatment Directive** is best described as a fragmented, two-entity transition process in which alignment is driven primarily through infrastructure investment rather than fully coordinated, directive-specific implementation planning. Both FBiH and RS have established legal and strategic frameworks, but actual compliance is emerging unevenly through a small number of operational wastewater systems embedded in broader donor-financed investment programmes.

The central planning document in FBiH is the Water Management Strategy of the Federation of BiH 2022–2032, which sets a structured pathway for alignment with EU water acquis, including the Urban Wastewater Treatment Directive. It prioritises expansion of sewerage networks, construction and rehabilitation of wastewater treatment plants and gradual achievement of EU-compliant agglomeration coverage. This strategic framework is supported by the Law on Waters of FBiH and by EU-backed planning tools such as agglomeration master plans that translate directive requirements into investment-ready projects. In practice, implementation remains uneven but visible: Sarajevo (Butila wastewater treatment plant) represents the most advanced case, with a large-scale functioning biological treatment plant, while Bihać and several medium-sized LSGs such as Živinice, Srebrenik, Gradačac, Odžak, Žepče and Trnovo have operational or recently constructed systems. These cases represent partial compliance with secondary treatment requirements, although coverage gaps in sewerage networks remain significant even in these urban areas.

RS has an outdated Strategy for Integrated Water Management of Republike Srpske 2015–2024, which sets out integrated water resource management objectives, including protection of water bodies, infrastructure development and wastewater management in line with EU approximation principles. This is complemented by the Law on Waters of RS, which regulates wastewater discharge, infrastructure responsibilities and environmental protection requirements.

Implementation in both entities is driven through a layered investment system consisting of Water and Sanitation programmes supported by the European Investment Bank (EIB) and Western Balkans Investment Framework (WBIF), EU IPA-funded projects, and municipal investment pipelines prepared by public utilities. The WBIF programme in BiH has supported wastewater treatment infrastructure across more than 30 LSGs, resulting in construction or significant rehabilitation of around 20–25 treatment plants, alongside extensive sewerage network expansions. Key beneficiaries include Sarajevo (Butila), Bihać, Živinice, Gradačac, Srebrenik, Odžak, Žepče and Trnovo in FBiH, as well as Prijedor, Gradiška, Doboj, Bijeljina and Trebinje in RS. These investments, financed through a combination of EU IPA grants, EIB loans and WBIF-supported project pipelines, have been central to introducing secondary wastewater treatment capacity in the country and reducing direct wastewater discharges into water bodies, thereby forming the core practical mechanism for gradual alignment with the Urban Wastewater Treatment Directive, even though full agglomeration-level compliance remains incomplete.

Across both entities, the dominant implementation logic remains **project- and investment-driven rather than system-planned compliance**. EU approximation is achieved through the construction of individual wastewater treatment plants and sewerage systems financed by external donors rather than through fully integrated, agglomeration-based planning frameworks required under the directive. As a result, both FBiH and RS exhibit a ‘patchwork’ compliance pattern: a limited number of urban centres with functioning secondary treatment systems, surrounded by large areas where wastewater is still inadequately collected or discharged without treatment.

BiH has made partial progress in aligning with the **Drinking Water Directive**, primarily through entity-level water legislation, drinking water quality rulebooks and gradual improvements in municipal water supply systems. However, a key ongoing shift in EU alignment is the introduction of

the risk-based approach to drinking water safety, which significantly changes how compliance is defined and implemented. This approach moves away from traditional systems focused mainly on end-point water quality testing and instead establishes a preventive model that manages risks across the entire water supply chain.

In this framework, water safety is assessed continuously from catchment to consumer, covering water sources, abstraction points, treatment facilities, storage reservoirs, and distribution networks. It is operationalised through Water Safety Plans, which identify potential hazards at each stage of the system, assess risks and define preventive and corrective measures before contamination occurs. The emphasis is therefore on prevention rather than reaction, shifting from periodic laboratory testing towards continuous risk management, operational control and system-wide monitoring. The approach also expands the scope of regulation to include emerging challenges such as PFAS and other micropollutants, materials in contact with drinking water and climate-related risks such as droughts, floods and infrastructure stress.

In BiH, this represents a significant change compared to the traditional system, which has largely relied on fragmented monitoring and compliance testing conducted at the point of consumption, with responsibilities divided between entities, cantons and municipal utilities. While some urban utilities and donor-supported programmes have begun introducing elements of Water Safety Plans, implementation remains uneven and not yet systematically applied across the country.

Overall, BiH is still in a transition phase towards full alignment with the Drinking Water Directive. Basic legal standards and infrastructure improvements are in place but the shift towards a fully operational risk-based water management system remains incomplete.

Box 6.2: Compliance with EU rules governing municipal utilities in BiH

In BiH, municipal utility services are primarily provided by Public Utility Companies (PUCs) operating within a complex, multi-tiered regulatory environment. The existing institutional framework governing the operation of PUCs relies in RS on the Law on Communal Activities (OG RS No. 124/11 and 100/17) and the Law on Local Self-Government (OG RS No. 97/16, 36/19, 100/2025 and 114/25) and in FBiH on the Law on Principles of Local Self-Government (OG FBiH, No. 49/06 and 51/09) and individual cantonal laws on communal activities.

Laws on local self-government contain general provisions on the management, financing, and improvement of local public utility infrastructure facilities. On the other hand, sector-specific laws on communal services regulate in detail:

- the conditions and methods for providing public utility services
- the conditions for financing, developing, constructing and maintaining public utility facilities
- the possibilities and user categories for subsidising utility service prices.

LSGs hold exclusive responsibility for managing, financing and improving local public utility infrastructure in the areas of water supply, wastewater treatment, solid waste management and public hygiene. According to the regulations, these activities represent services of general public interest.

Alignment with Public Procurement Regulations and the ‘In-House’ Exemption

Although formal inconsistencies still exist between various cantonal laws in FBiH (for instance, Tuzla Canton strictly mandates public procurement procedures when selecting an operator, while the Sarajevo Canton allows direct entrustment to a PUC or a private company), in practice, the Law on Public Procurement of BiH (see also chapter 2) takes direct precedence over entity and cantonal regulations.



The previous practice – whereby LSGs routinely transferred the execution of communal activities to their own PUCs through simple founding decrees and decisions without any formal procedure – is now strictly restricted. Amendments to the Law on Public Procurement in 2022 (OG BiH, No. 59/22) codify the EU ‘Teckal doctrine’ within Article 10 of the Law to eliminate historic grey zones. An LSG may directly award a service contract to its own PUC via an in-house exemption only if the following strict statutory conditions are cumulatively met:

1. **Analogous Control:** The LSG must exercise structural and institutional control over the strategic objectives and significant decisions of the PUC that is identical to the control it exercises over its own internal municipal departments.
2. **The 80% Activity Threshold:** The PUC must carry out more than 80% of its total operational activities and turnover exclusively in the performance of tasks entrusted to it by the controlling founding LSG.
3. **Absolute Prohibition of Private Capital:** There must be no direct private capital participation or equity ownership within the structure of the controlled public utility company.

If the PUC operates commercially on the free market beyond the 20% allowance, or introduces private equity, it automatically forfeits its Teckal protection under Article 10. In such cases, a transparent, competitive public procurement procedure must be conducted. Furthermore, to utilise this in-house exemption the LSG must issue a formal administrative decision detailing the fulfilment of these criteria, making the award subject to monitoring by the Public Procurement Agency of BiH and open to legal challenge from market competitors.

While compliance with the in-house procurement exemption governs the legality of the contract award, it does not automatically exclude the application of EU state aid rules where the financing or operation of a municipal-owned undertaking confers a selective economic advantage capable of affecting competition and trade.

Comparative EU practice

Similar issues have arisen in EU member states concerning municipal-owned utility companies and the application of state aid rules. In Decision SA.45220 (Komunala Izola d.o.o, Slovenia), the European Commission examined allegations that a utility operating the local harbour of Izola benefited from preferential treatment through lower environmental charges, exemption from concession fees and free access to public infrastructure compared with a private marina operator. In this case, the Commission concluded that the measures did not constitute state aid within the meaning of Article 107(1) TFEU because the activity was essentially local in character, served predominantly local residents and fishermen, had negligible market significance and was unlikely to affect trade between member states.

It would be risky to rely on this ‘purely local impact’ exception, which, although the criteria are somewhat vague, seems unlikely to apply to services such as waste collection and transport where cross-border trade is common.* Nonetheless, the case illustrates that, even where municipal undertakings enjoy certain advantages linked to the provision of services of general economic interest, the assessment under EU state aid rules depends on the actual economic scope of the activity and its potential impact on competition and trade rather than on selective advantage alone.

Financing and tariff systems

More detailed regulations regarding operations and financing, including tariff systems, are established through secondary legislation and decisions made by municipal and city councils. Under the existing framework, PUCs are financed through a combination of tariff collection from end-users and subsidies from the municipal budget. Companies propose tariffs based on detailed calculations of maintenance costs, depreciation, and investments; however, before entering into force, the tariff schedule must be approved by the local council.



Although most laws mandate that tariff levels must ensure economic self-sustainability, this is rarely achieved in practice. For political and social reasons, tariffs are frequently kept at levels that do not cover basic operational costs. Consequently, LSGs are forced to continuously provide subsidies to prevent disruptions in the delivery of vital public services. The 2025 Budget Execution Reports for Sarajevo Canton Sarajevo and Tuzla Canton indicate significant amounts allocated to subsidies for public enterprises. Sarajevo allocated approximately BAM 78.1 million in transfers and subsidies to public enterprises, while Tuzla allocated around BAM 10.2 million for the same purpose. Similar approaches can also be observed at the municipal level, where local governments provide financial support to PUCs to maintain and improve essential services. For example, the Municipality of Ilidža allocated approximately BAM 121 000 in subsidies to PUCs.

Public-Private Partnerships and concessions

Public-Private Partnerships and concessions represent an alternative model for developing public utility infrastructure. While RS previously established a more centralised system governed by the Law on Public-Private Partnership of RS (OG RS, No. 59/09 and 63/11), FBiH has taken key reform steps by introducing the framework Law on Public-Private Partnership of FBiH into parliamentary procedure. This effort aims to overcome the previous fragmentation that relied solely on partial cantonal laws, creating a stable and unified legal framework to stimulate the inflow of domestic and foreign capital into the public sector.

In practice, LSGs and PUCs are legally recognized as public partners. Traditional examples in the waste sector include the private company Alba, which provides services in Zenica and Ljubuški based on concession agreements. The most significant progress in applying modern contractual models has been achieved in the energy sector (e.g. in Livno, Banja Luka and Gradiška), where through joint ventures and concessions with private partners, district heating systems have been successfully modernised by transitioning to renewable energy sources (biomass).

The increasing complexity of EU procurement and state aid rules applicable to municipal utilities also highlights the need for strengthened administrative capacity. Consultations with the AMCs indicate a growing demand for practical guidance and training on the application of SGEI and state aid rules, suggesting that capacity building should form an important component of BiH's alignment with the EU acquis.

^{*} See [Commission notice on the notion of State aid as referred to in Article 107\(1\) of the Treaty on the Functioning of the European Union](#), especially paras 196–97.

6.3.2 Implementation at local level

Horizontal legislation

In line with the FBiH Regulation on SEA, **LSGs are obliged to carry out SEA procedures for their planning documents**, particularly spatial and urban plans, as well as other plans and programmes with potential environmental impacts. This represents a significant step toward integrating environmental considerations into planning at all levels of governance. However, practical application remains uneven across sectors and depends significantly on institutional capacity at different administrative levels. SEA procedures have more frequently been applied in the context of internationally funded projects and donor-supported planning processes rather than as a systematic domestic planning instrument.

In RS, SEA implementation is comparatively more established in practice, particularly in relation to spatial and urban planning documentation. However, its application in sectoral planning (such as transport, energy and environmental infrastructure strategies) remains limited, and SEA is not yet fully integrated into all relevant strategic planning processes.

Overall, the implementation of SEA across BiH remains at an early stage of institutional devel-

opment. Key challenges persist in terms of consistent application, administrative capacity and full integration of SEA into sectoral policymaking processes. Despite the strengthened regulatory framework, the European Commission continues to assess the implementation of SEA in BiH as partial and inconsistent.

Air quality

As outlined in section 6.3.1, transposition and enforcement of the EU air quality legislation remains split between the two Entities alongside Brčko District. At the local level, LSGs implement air quality and climate mitigation measures through Local Environmental Action Plans, Sustainable Energy and Climate Action Plans (SECAPs), and Energy Efficiency Action Plans, often supported through EU-funded programmes and initiatives such as the Covenant of Mayors. These focus on transport emissions, building efficiency, public heating systems, and complementary frameworks such as Sustainable Urban Mobility Plans, Green City Action Plans and Climate City Contracts.

The implementation of ambient air quality directives is also increasingly driven by market-based mechanisms. To avoid devastating trade penalties under the European Union's Carbon Border Adjustment Mechanism, BiH is establishing a domestic Emissions Trading System. This is designed to put a clear price on carbon, targeting high-emission sectors like cement, iron, steel, electricity generation and heavy manufacturing. It also aligns directly with ambient air quality goals, since capping emissions and forcing large industrial facilities to buy carbon allowances creates a powerful market incentive to abandon heavy coal combustion. As heavy industries and coal-fired thermal plants (such as Tuzla or Kakanj) scale down operations or transition to cleaner production methods to escape carbon pricing, ambient urban and regional concentrations of harmful co-pollutants – specifically sulphur dioxide (SO₂), nitrogen oxides (NO_x), and health-damaging fine particulate matter (PM_{2.5}) – will fall.

Air pollution across BiH remains a critical public health and economic issue. Extensive source apportionment modelling from the World Bank and the Swedish Environmental Protection Agency indicates that residential heating is the single largest contributor, responsible for roughly 50% to 60% of all population exposure to PM_{2.5} nationally due to a widespread reliance on solid fuels (wood and coal) in household fireplaces and decentralised boiler rooms.

The second major driver is the transport sector, which accounts for approximately 20% of PM_{2.5} and up to 40% of NO_x emissions nationwide. Unlike seasonal residential heating, vehicle emissions remain a constant, year-round source of street-level contamination. The impact of the transport sector is driven by an ageing and carbon-heavy vehicle fleet (averaging 17 to 19 years old, with over 40% conforming only to legacy Euro 3 or Euro 4 standards). Large point sources – primarily coal-fired thermal power plants and heavy manufacturing complexes (such as those in Tuzla, Zenica, Kakanj, Ugljevik, and Gacko) – make up the remaining industrial balance.

According to consolidated data from the World Bank, this combined footprint triggers approximately 3 300 premature deaths annually in BiH, generating an economic health burden equivalent to over 8% of GDP. These pollutants become heavily concentrated during winter months when local temperature inversions trap low-altitude household and vehicle emissions inside topographically confined urban valleys. Responsibility for mitigation spans all administrative tiers. LSGs are legally mandated to deploy targeted interventions – such as implementing vehicle emissions standards, extending green district heating networks and executing energy efficiency retrofits – guided by localised SECAPs.

The physical air monitoring infrastructure across BiH consists of a combined total of 31 automatic monitoring stations operating across 16 targeted cities and industrial hubs throughout the country. These networks continuously monitor standard parameters including sulphur dioxide, nitrogen oxides, ozone and particulate matter PM₁₀, while a limited number of stations monitor PM_{2.5}. While data submission to European platforms like the Central Data Repository of the European Environment Information and Observation Network occurs, the tracking of heavy metals (arsenic, cad-

mium, nickel, etc.) and polycyclic aromatic hydrocarbons under Directive 2004/107/EC remains a challenge. Ambient heavy metal levels are often estimated via source inventories rather than directly measured due to underfunded chemical analytical laboratory equipment. Administratively, monitoring remains split between the Federal Hydrometeorological Institute in FBiH and the Republic Hydrometeorological Institute in RS, alongside localised cantonal networks like Canton Sarajevo's public health systems. Despite the ongoing lack of a state-level environmental ministry, real-time public data visibility has drastically improved through public digital portals and live ambient index mapping operated by the respective entity institutes.

Across BiH, several cities have pioneered concrete infrastructure models to reduce emissions across the housing, energy and transport sectors. In Banja Luka, the municipal heating grid successfully transitioned from heavy oil to a 65 MW wood-biomass plant (Eko Toplane), significantly lowering sulphur dioxide and particulate output.

In the housing and public building sector, Sarajevo Canton launched the Energy Efficiency in Public Buildings programme in 2019, supported by an approximately EUR 11 million financing package from the European Bank for Reconstruction and Development and the EU. The programme aims to improve the energy performance of public facilities, including schools and health centres, with preliminary estimates indicating annual energy savings of around 11 GWh, reductions in CO₂ emissions of approximately 3 420 tonnes, and annual budget savings of about EUR 700 000. By the completion of its second phase, 32 public buildings had been deep-retrofitted, achieving reductions in energy consumption of up to 50%.⁹⁴

Similarly, Tuzla Canton launched structured thermal insulation and green heating overhauls across 173 public buildings to slash public energy baseline demands.⁹⁵ For residential housing, Tuzla, Tešanj, and Doboј implemented the Residential Energy Efficiency in Low-Income Households project to co-finance energy-efficiency insulation for multi-apartment buildings, coupled with the nationwide Accelerating Clean Energy Transition Through Utilization of Solar Energy Potential in BiH project, which installed over 60 pilot solar rooftop plants on private homes.

Sarajevo has been implementing a phased modernisation of its urban public transport system, supported by EU and international financial institutions, including investments in tram infrastructure upgrades and the renewal of the electric trolleybus fleet. In parallel, the Canton has developed a comprehensive emissions inventory and GIS-based air quality monitoring system, which has processed approximately 100,000 emission sources across key sectors including transport, households, industry, and energy, providing a data basis for targeted air quality management measures. To accelerate alternative transit, the city expanded its shared micromobility ecosystem by rolling out extensive public bike-sharing networks and commercial e-scooter fleets, which have logged hundreds of thousands of green trips. This shared mobility push is supported by a major expansion of protected bicycle lanes across the urban core, featuring the modernisation of the main city cycling artery and cross-border connectivity projects such as the 13-kilometer Sarajevo–Pale cycling route and the Trebević mountain trail integration. To future-proof this green transport transition, an integrated network of electric vehicle charging stations is expanding across these major metropolitan areas. Supported by municipal green transition plans, these initiatives prioritise installing public fast-charging points (22 kW to 150 kW) in transit bottlenecks, commercial districts, and municipal parking zones, providing the vital charging infrastructure required to systematically phase out high-emission internal combustion engines from urban basins.

A monumental leap forward in international strategic alignment occurred within the Sarajevo Functional Urban Area (Sarajevo FUA), which coordinates climate response across Sarajevo Canton, the City of Sarajevo, and the City of East Sarajevo. Selected as one of only three Western Balkan regions for the prestigious EU Mission for 100 Climate-Neutral and Smart Cities by 2030, the metropolitan coordination area finalised its comprehensive Climate City Contract. Following its submission, the European Commission formally awarded the territory the coveted EU Mission

94 Balkan Energy News, [Sarajevo Canton secures EUR 10 million for energy efficiency in public buildings](#), 18 May 2021.

95 EBRD, [Energetska efikasnost javnih zgrada Tuzlanskog Kantona](#), 2024.

Label. This label validates Sarajevo FUA's multi-level governance framework, which co-created 49 distinct public policy recommendations via decentralised citizen assemblies. Far from a static document, this contract acts as a bankable, digital investment plan to unlock funding from platforms like the European Investment Bank. It aims to completely reorganise urban mobility, expand localised solar energy communities, and safeguard socio-economically vulnerable households through the clean energy transition.

Waste management

Cantons in FBiH prepare their own waste strategies, while LSGs in both entities must develop municipal waste management plans. The strategies set ambitious targets, such as 50% packaging waste separation, 100% collection coverage, upgrading or closing all municipal landfills, and introducing separate waste collection systems in nearly all LSGs – goals that remain challenging given current circumstances.

Municipal waste collection is mostly managed by municipal communal enterprises, except in Sarajevo Canton, where a cantonal enterprise operates. Some LSGs have awarded concessions to private companies for municipal waste collection (e.g. Alba in Zenica or Ladanušić Čistoća in Posušje). Waste collection primarily uses a 'bring' system with 1100-litre containers; some municipalities supplement this with 120/240-litre containers for door-to-door collection and large skips (5–8 m³) mainly for industrial waste.

Revenues for municipal waste collection, transport, and disposal in BiH are primarily generated through tariffs charged by communal companies and subject to value-added tax. Available sector assessments indicate that the average household tariff remains relatively low, at approximately 0.4–0.6% of disposable income, which is below international affordability benchmarks of 1–1.5%.⁹⁶ Tariff collection performance is generally estimated at around 80–90% in urban areas, although this varies across LSGs and is influenced by socioeconomic conditions, including the fact that approximately 18% of the population lives below the national poverty line.⁹⁷ These conditions suggest that any future increases in cost-recovery levels or tariff adjustments may have direct affordability implications, potentially increasing pressure on LSGs to expand rebate schemes or targeted social assistance mechanisms for low-income households.

Landfilling is the predominant waste treatment method. Entity strategies recommend regional landfills covering multiple LSGs. Currently, eight active regional sanitary landfills serve 53 municipalities (out of 143, excluding Brčko District).⁹⁸ A total of about 10 regional landfills is considered sufficient for the country, but this plan has only been partially implemented.⁹⁹ Approximately 93 non-compliant municipal landfills remain, along with about 590 estimated illegal dumpsites (340 in FBiH and 250 in RS). Some estimates suggest up to 1 200 illegal dumpsites nationwide.¹⁰⁰

As regards waste processing, four sorting/separation lines exist in FBiH (Mostar, Konjic, Sarajevo, Tuzla) for pre-separated recyclables or mixed waste.¹⁰¹ There is only one sorting line in RS installed in Doboj which is **not in operation**. No information on the financial results is available but waste operators complain about **large losses**.¹⁰² Facilities for treating special waste categories (e.g. sludge,

96 World Bank, [Municipal Solid Waste Management Sector Review: Review of the Extended Producer Responsibility in Bosnia and Herzegovina for Packaging and Packaging Waste and WEEE](#), 2018.

97 World Bank, *ibid*.

98 World Bank, [Municipal Solid Waste Management Sector Review: Strategic Directions and Investment Planning up to 2025](#), 2018.

99 Environmental Approximation Strategy of Bosnia and Herzegovina (EAS BiH), Waste Management Sector, 2017.

100 European Environment Agency, Municipal Waste Management Country Profile – Bosnia and Herzegovina, 2021.

101 World Bank, [Municipal Solid Waste Management Sector Review: Strategic Directions and Investment Planning up to 2025](#), 2018.

102 World Bank, [Municipal Solid Waste Management Sector Review: Strategic Directions and Investment Planning up to 2025](#), 2018.

animal waste, medical waste, hazardous waste) are lacking. Only three medical institutions in FBiH and two in RS have equipment for sterilising infectious waste.¹⁰³ Licensed entities manage treatment and storage of these waste types, while hazardous waste is exported for treatment abroad under the Basel Convention.¹⁰⁴

Water protection

Implementation of the **Floods Directive** requires LSGs in practice to collaborate with water authorities to:

- reconstruct embankments
- rehabilitate, reconstruct, and clean water channels, pumping stations, and related equipment
- remove sediment, debris and other obstructions from watercourses and regulate water-course sections
- stabilise torrent waters and implement erosion control
- construct flood protection facilities where absent
- prepare technical documentation for flood protection in high-risk areas
- implement water protection measures, focusing on flood-prone zones
- integrate flood hazard and flood risk maps into spatial and land-use planning
- restrict or condition development in flood-prone areas through planning and permitting decisions
- participate in the preparation and implementation of Flood Risk Management Plans
- support public awareness, emergency preparedness, and coordination during flood events.

Given the technical complexity and high capital costs associated with flood protection infrastructure, project-based interventions in BiH are often already structured around hydrologically defined areas and multi-municipal coordination, frequently supported by EU and World Bank financing. In this context, there remains scope to further strengthen cluster-based implementation models involving groups of LSGs rather than individual jurisdictions. Such approaches can improve economies of scale, enhance technical and administrative capacity, and support more coherent planning and implementation of flood risk management measures across river basins and other hydrologically connected areas.

Implementation of the **Urban Wastewater Treatment Directive** remains at an early stage. Agglomerations discharging over 2,000 p.e. have been identified in an IPA 2007 project supporting BiH water policy. Significant efforts remain necessary to comply fully. Recently acceded countries have had transition periods up to 12 years to meet the requirements for smaller agglomerations. BiH's Environmental Approximation Strategy assumes a 2032 compliance target, while FBiH authorities suggest 12–18 years post-accession; no RS timetable exists. In RS, the public institution “Vode Srpske” and local communities are developing urban wastewater treatment infrastructure programmes, with public funding expected from local budgets. The lower threshold (1,000 p.e.) for certain obligations in the revised directive will mean expansion of coverage requirements beyond current BiH planning assumptions.

Under the **Drinking Water Directive**, communal utilities provide water supply and share responsibility with public health institutes for monitoring water quality as per the Regulation on Health Safety of Drinking Water. Sampling is monthly at various system points, which may not guarantee full detection of contaminants. Financial resources are needed for utilities to maintain adequate laboratory capacity for water analysis.

¹⁰³ Institute for Public Health, Health Status of the Population and Health Care in the Federation of Bosnia and Herzegovina 2020; Environmental Strategy of Republika Srpska 2022–2032.

¹⁰⁴ Environmental Approximation Strategy of Bosnia and Herzegovina (2017), Waste Management Sector; Environmental Strategy of Republika Srpska 2022–2032.

Implementation gaps include incomplete identification and registration of water supply systems covered by Drinking Water Directive (i.e. supplies serving more than 10 m³ per day or serving over 50 persons), insufficiently comprehensive monitoring systems and the lack of updated assessments of drinking water quality in urban areas.¹⁰⁵ The Food Safety Agency coordinates annual monitoring plans in cooperation with inspection bodies and food control laboratories.

The 2018–2020 IPA II Sector Planning Document identifies general challenges for PUCs in the waste and wastewater sectors:

- high non-revenue water rates (averaging 50%, exceeding 70% in some areas)
- overemployment and insufficient technical capacities
- poor asset management between municipalities and utilities
- water tariffs below cost recovery levels, threatening financial sustainability
- lack of investment in infrastructure
- absence of specific implementation and action plans for EU directives
- fragmented jurisdiction among various authorities and sectors.¹⁰⁶

Box 6.3: Local implementation of the EU acquis relating to communal services

As noted in Box 6.2, local PUCs are responsible for communal services in water supply, wastewater collection and treatment, energy-related utilities, public transport, and municipal waste management. However, the legal framework remains fragmented, particularly at the cantonal level in FBiH. The allocation of responsibilities between LSGs and PUCs is not always clearly defined, particularly in relation to governance, ownership rights and service delivery models.

In practice, most LSGs have established their own PUCs through municipal decisions defining their responsibilities, typically without competitive procurement procedures. LSGs exercise ownership rights by appointing management boards and directors and approving annual work plans, financial reports, and tariff structures.

Tariff systems and operational rules are defined through by-laws and municipal council decisions. PUCs are financed through service tariffs and, where necessary, municipal subsidies. Although tariffs are formally expected to ensure cost recovery and financial sustainability, in practice they often do not fully cover operational and maintenance costs, resulting in continued reliance on municipal budget support.

Public-private partnerships (PPPs) and concession arrangements represent an additional organisational model for communal services. The legal basis is provided by entity-level laws on concessions, foreign investment and PPP frameworks. However, the regulatory framework remains fragmented, with concessions and PPPs regulated primarily at entity and cantonal levels, and no unified state-level legislation (see also chapter 2).

LSGs and PUCs are eligible public partners in PPP and concession arrangements. In practice, several examples demonstrate gradual diversification of service delivery models across sectors and territories.

In the waste management sector, the Tuzla Canton regional system (including Tuzla, Banovići and Kladanj) represents a key example of inter-municipal cooperation and development of EU-compliant infrastructure, including sanitary landfill and recycling facilities. Prozor-Rama is widely recognised as a best-practice municipality, having introduced full separate waste collection, established an eco-park facility and closed an outdated landfill, significantly improving local waste management performance. At the same time, smaller municipalities such as Goražde illustrate continued reliance on regional landfill systems and inter-municipal arrangements due to limited local infrastructure capacity.



¹⁰⁵ European Commission, Bosnia and Herzegovina Report 2024, Chapter 27 – Environment and Climate Change, section on Water Quality.

¹⁰⁶ BiH Ministry of Foreign Trade and Economic Relations, Sector Planning Document 2018–2020 – Environment Sector (IPA II), 2018; World Bank, Water Supply and Sanitation Services Sector Review in Bosnia and Herzegovina, 2019.

PPP-like arrangements in waste management are primarily implemented through concession and service contracts rather than fully developed infrastructure PPP models. In Zenica, municipal waste collection and related services are carried out by the private operator Alba under concession-based arrangements, reflecting an outsourced service delivery model. Similar approaches are present in smaller municipalities such as Ljubuški, where waste collection services are partially delegated to private operators under municipal agreements. In Posušje, waste management services are provided by private companies under direct service contracts with the municipality, illustrating a functional outsourcing model rather than a structured PPP framework. These arrangements indicate a gradual, but still limited, development of PPP-type mechanisms in the waste sector compared to more advanced applications in the energy sector.

In the water supply and wastewater sector, Tuzla and Zenica have implemented infrastructure modernisation programmes focused on reducing water losses, improving distribution networks and upgrading wastewater systems, often supported by international financial institutions and technical assistance. In addition, Mostar represents an important example of a structurally complex urban utility environment, where water and wastewater services have been progressively modernised through investment programmes supported by international partners, despite administrative fragmentation and governance challenges. In Zenica, Tuzla, and Mostar, feasibility and investment planning has contributed to improved environmental performance and gradual alignment with EU standards.

RS's largest urban utility system, Banja Luka, represents a relatively consolidated municipal utility model, with ongoing investments in water supply, wastewater infrastructure and district heating modernisation. Banja Luka also illustrates stronger institutional capacity in utility management compared to some fragmented cantonal systems in FBiH, particularly in terms of integrated service provision and infrastructure planning.

Since 2019, BiH has recorded gradual but tangible progress in wastewater treatment infrastructure, primarily through investment projects in Bijeljina, Zenica, Mostar and Tuzla, supported by international financial institutions and EU funding mechanisms. These interventions are typically implemented through public procurement procedures and co-financing arrangements subject to EU and IFI conditionality, including requirements related to transparent tendering and compliance with state aid rules where public funding is involved. As such, wastewater infrastructure development illustrates the practical application of EU *acquis* requirements in project-based service delivery and municipal utility upgrading. However, wastewater treatment coverage remains limited and uneven across the country, indicating continued reliance on externally financed investment cycles rather than fully autonomous municipal investment capacity.

In the field of air quality, LSGs in Sarajevo Canton have introduced monitoring systems, emergency pollution alert mechanisms and planning measures under cantonal environmental action frameworks, reflecting implementation of EU-aligned environmental management practices through subnational governance structures. Similarly, Zenica as one of the most polluted urban areas in the region, has introduced targeted measures addressing industrial emissions, energy efficiency improvements, and environmental monitoring. These interventions are often linked to regulatory compliance obligations and investment programmes supported by public funding and international assistance, although structural air quality pressures remain significant.

In the energy sector, municipal district heating systems represent the most developed area of PPP-like arrangements in BiH. In Banja Luka, Pale, Gradiška and Livno, district heating systems have undergone gradual modernisation through biomass-based conversion and investment programmes involving long-term operational arrangements, concessions and external financing mechanisms. These projects typically maintain municipal ownership while introducing private or semi-private participation in operation, fuel supply or infrastructure modernisation, reflecting an emerging SGEI-oriented model of service delivery.

These arrangements also highlight the need for strengthened administrative and legal capacity at local level, particularly regarding the application of state aid and SGEI rules in project design and implementation. Capacity-building for LSG executives would benefit from focusing on early-stage identification of state aid risks, understanding the conditions for lawful public service compensation and avoiding over-compensation through transparent and cost-based methodologies. While detailed legal advice remains necessary for individual cases, basic institutional training on EU state aid principles, procurement structuring and SGEI compliance could significantly improve the quality and sustainability of future district heating projects.

Overall, while PPPs remain most developed in the energy sector, their gradual expansion into water, wastewater and waste management indicates a slow but increasing alignment with EU practices. These arrangements are increasingly structured around performance-based contracts, clearer operational responsibilities and improved financial sustainability of public utilities, while maintaining municipal ownership and strategic control over essential services.

6.4 Potential and opportunities for influence

6.4.1 Influence at EU level or through the accession negotiations

Environment remains one of the policy areas where transitional measures are particularly relevant, especially for investment-intensive directives such as those governing waste, water and air quality. From a local government perspective, securing realistic transition periods is critical, as LSGs are typically responsible for implementation and may face direct exposure if compliance targets are not met.

Experience from Croatia shows that transition periods must be defined early in the accession process and accompanied by detailed justification, implementation timelines and financial planning. Croatia negotiated transition periods ranging from 2 to 12 years for key parts of the environmental acquis, particularly in relation to landfill compliance, wastewater treatment and drinking water standards.

Although transitional arrangements are not applicable to horizontal and framework legislation (such as EIA, SEA, access to information, and water and waste framework directives), they remain highly relevant for infrastructure-heavy obligations.

Recent developments in EU accession practice also indicate that procurement and state aid rules already exert increasing influence at local level through pre-accession conditionality and domestic enforcement mechanisms, particularly in relation to PUCs and municipal service contracts.

Interview findings further indicate that LSGs have only limited awareness of the EU accession process and its practical implications for local government responsibilities. While respondents generally recognise that implementation of the EU acquis may create significant opportunities through improved access to funding, institutional development and capacity building, they also report limited opportunities to contribute to the formulation of negotiating positions or legislative priorities. These findings suggest that LSGs should be more systematically involved in accession-related consultations to ensure that implementation challenges and local investment needs are adequately reflected in the negotiation process.

6.4.2 Influence at national/entity level

Section 6.3.1 identifies persistent fragmentation in the transposition of EU environmental and utility-related legislation across entities and cantons. Interview evidence confirms that LSGs operate within a highly complex governance environment, where responsibilities for waste, water, environmental protection and infrastructure are distributed across multiple institutional levels, often without clear coordination mechanisms.

A recurring issue is the lack of structured municipal involvement in the development and interpretation of implementing legislation. AMCs therefore play a potentially important role in ensuring consultation and knowledge transfer, particularly in relation to procurement rules, state aid compliance and public utility governance.

Interview evidence further highlights the need for strengthened inter-institutional coordination in areas where environmental systems cross administrative boundaries. This is particularly evident in:

- **river basin management and wastewater governance** (e.g. Vrbas basin initiatives involving Jajce and surrounding municipalities; Bosna and Krivaja systems affecting Zavidovići and Maglaj)
- **inter-entity service provision** (e.g. Oštra Luka–Sanski Most water cooperation; Trnovo RS–Trnovo FBiH operational cooperation in communal services)
- **regional infrastructure systems** (e.g. Mošćanica regional landfill).

LSGs also report increasing demand for technical and legal support from AMCs, particularly in relation to EU procurement procedures, IPA project preparation and interpretation of state aid rules in the context of public utility companies.

Interviews also confirm that communication between higher levels of government and LSGs on EU accession matters remains insufficient. Most LSGs report that they are not regularly informed about legislative developments or negotiation progress and are rarely consulted during the preparation of policies that will ultimately require local implementation. Strengthening structured consultation mechanisms and reinforcing the coordinating role of the AMCs would therefore improve both legislative quality and implementation readiness.

6.4.3 Preparation at local level

LSGs are expected to play a direct role in implementing a significant portion of the EU environmental acquis. However, interview findings indicate substantial variation in administrative capacity, financial resources and institutional readiness.

A clear capacity divide exists between LSGs with strong implementation structures (notably Zenica, and to some extent Zavidovići) and smaller municipalities such as Oštra Luka, Ključ and Trnovo RS, which face constraints in staffing, technical documentation, co-financing capacity and project preparation.

Across all LSGs, key implementation bottlenecks include:

- limited capacity for co-financing and pre-financing EU projects
- complex procurement and reporting procedures
- insufficient technical documentation for infrastructure projects
- a shortage of specialised environmental and EU project staff.

Despite these constraints, intermunicipal cooperation has emerged as an important adaptive mechanism. Examples include:

- regional waste management systems (e.g. Mošćanica landfill network)
- cross-border and inter-entity cooperation in environmental and infrastructure projects
- functional cooperation in service delivery between neighbouring municipalities.

At the same time, interviews reveal that EU accession is increasingly understood at local level not as a legal harmonisation exercise but as a practical requirement to upgrade core communal services, including waste management, wastewater treatment, water supply, energy efficiency and environmental monitoring systems.

There are also important institutional capacity gaps at municipal level. Most interviewed LSGs do not have a designated officer responsible for EU integration or systematic internal structures for monitoring developments related to the EU acquis. Administrative responsibilities are often dispersed among different departments, limiting strategic planning and coordinated preparation for accession obligations.

At the same time, LSGs demonstrate a strong awareness of the potential benefits of EU integration. Respondents identify access to European funding programmes, strengthening administrative capacities, improved environmental infrastructure and institutional modernisation as key opportunities associated with the accession process. This positive perception provides a strong foundation for expanding capacity-building programmes and strengthening municipal involvement in the implementation of the environmental acquis.

Taken together, the interview findings indicate that municipal preparedness depends not only on financial resources and technical expertise but also on establishing permanent institutional mechanisms for information exchange, training, coordination and participation in the accession process. LSGs should therefore be recognised as strategic partners in the implementation of the EU environmental acquis rather than solely as final-stage implementers of centrally adopted legislation.

6.5 Indicators of potential results

While environmental policy remains one of the most demanding areas of the EU acquis in terms of investment requirements, it is also one of the sectors where EU accession has the potential to generate substantial long-term improvements in environmental quality, public health, institutional capacity and the delivery of communal services.

The overall investment challenge remains considerable. The Environmental Approximation Strategy of BiH estimates that approximately EUR 12 billion will be required over a 20-year period to achieve compliance with the environmental acquis, with 54% of investments required in the water and wastewater sector, 29% in air protection and 14% in waste management. These figures provide an important baseline indicator for monitoring implementation progress.

A first indicator of potential outcome is therefore the level of environmental investment mobilised and the capacity of LSGs to absorb available EU and international financial assistance. LSGs with established project preparation capacities and stronger administrative structures demonstrate significantly higher participation in IPA, Interreg and other EU-funded programmes, while smaller municipalities continue to face constraints related to technical documentation, co-financing requirements and specialised staff.

A second key indicator concerns the financial sustainability of communal services. Although capital investments are expected to benefit from external financing, operational sustainability depends on adequate cost recovery. Current practice demonstrates continued reliance on public subsidies, with cantonal enterprises in Canton Sarajevo receiving approximately BAM 78.1 million and those in Canton Tuzla approximately BAM 10.2 million in budgetary transfers in 2025. Reducing dependence on subsidies and increasing the proportion of operational costs recovered through tariffs, while maintaining affordability for vulnerable households, should therefore be considered an important indicator of accession preparedness.

Waste management performance represents another critical indicator. Despite ongoing reforms, BiH continues to rely predominantly on landfill disposal, while the municipal waste recycling rate remains approximately 1%, one of the lowest levels reported in Europe.¹⁰⁷ Rather than expanding landfill capacity, future progress should be measured through increased separate collection of municipal waste, higher recycling and material recovery rates, diversion of biodegradable waste from landfill and implementation of circular economy principles in accordance with the EU waste hierarchy. The OECD further estimates that around 75% of the population is covered by organised waste collection services, with significantly lower coverage in rural areas, and identifies more than 1 400 illegal dumpsites, highlighting the scale of remaining challenges.¹⁰⁸

107 DBnomics, [Recycling rate of municipal waste](#).

108 OECD, [Western Balkans Competitiveness Outlook 2024: Bosnia and Herzegovina](#), 2024.

In the water and wastewater sector, indicators should include the proportion of the population connected to public water supply and wastewater collection systems, compliance with drinking water quality standards, reduction of non-revenue water losses and expansion of wastewater treatment capacity. According to the World Health Organization, approximately 65% of domestic wastewater flows in BiH are safely treated,¹⁰⁹ demonstrating progress but also indicating the need for substantial additional investment to achieve full compliance with EU requirements.

Air quality indicators provide a direct measure of the societal benefits of environmental approximation. According to the World Health Organization, the annual mean concentration of PM_{2.5} in urban areas was approximately 28.7 µg/m³, substantially exceeding the WHO Air Quality Guideline value of 5 µg/m³. The OECD also notes that Bosnia and Herzegovina remains among the most polluted countries in Europe and that population exposure to PM_{2.5} remains more than four times higher than recommended levels. Improvements in local air quality, energy efficiency, cleaner heating systems and sustainable urban mobility should therefore constitute key indicators of successful implementation.

Institutional preparedness constitutes another important outcome indicator. Questionnaire findings reveal that most municipalities do not have a designated officer responsible for EU integration matters, are insufficiently informed about the accession process and its implications, and report limited participation in accession-related consultations, despite recognising the significant opportunities associated with EU membership, including access to funding programmes, institutional development and capacity building. Increasing the number of municipalities with dedicated EU integration structures and strengthening municipal participation in legislative and policy development should therefore be considered measurable indicators of improved implementation capacity.

Intermunicipal cooperation represents a further indicator of readiness. Experience from regional water supply systems, wastewater projects and integrated service delivery demonstrates that cooperation across municipal boundaries can improve efficiency and strengthen implementation capacity. However, in the waste sector such cooperation should primarily support integrated systems for separate collection, recycling, recovery and circular economy development, rather than expansion of landfill infrastructure, in accordance with the EU waste hierarchy.

Finally, successful implementation of the environmental acquis will increasingly depend on municipalities' capacity to comply with EU public procurement rules, State aid requirements and governance standards applicable to public utility companies. Strengthened legal and administrative capacity in these areas should therefore be regarded as an important indicator of municipal preparedness for EU accession.

Overall, the evidence presented throughout this chapter suggests that progress towards EU environmental standards should be assessed not only through the volume of investments undertaken but also through measurable improvements in circular economy performance, wastewater treatment, air quality, financial sustainability, institutional capacity, municipal participation in the accession process and the ability to implement EU regulatory requirements effectively.

109 WHO, [Health data overview for Bosnia and Herzegovina](#).

6.6 Recommendations

The analysis demonstrates that successful implementation of the EU environmental acquis will depend not only on legislative alignment but also on strengthening the institutional, administrative and financial capacities of local authorities. Interviews further indicate that LSGs are insufficiently informed about EU obligations and are only marginally involved in the accession process, despite recognising the significant opportunities that EU membership presents for local development. Based on these findings, the following recommendations are proposed:

- **Strengthen the role of the AMCs** as central support institutions for LSGs by expanding training programmes on the EU environmental acquis, public procurement, state aid, concessions, PPPs, environmental permitting and management of EU-funded projects.
- **Establish permanent legal and technical advisory services within AMCs** to assist LSGs in interpreting and implementing EU legislation and to develop model procedures, contracts and guidance for procurement, concessions, public service obligations and cost-recovery mechanisms.
- **Systematically involve LSGs in the EU accession and negotiation process** through structured consultation mechanisms and thematic working groups, ensuring that local implementation challenges and investment needs are adequately reflected in negotiating positions and legislative drafting.
- **Designate a municipal EU integration focal point** in each LSG, or establish shared regional arrangements for smaller LSGs, to coordinate EU-related activities, monitor legislative developments and facilitate communication with higher levels of government.
- **Develop a permanent information and coordination platform for LSGs** to provide timely information on negotiation developments, legislative changes, funding opportunities and practical implementation requirements related to the EU acquis.
- **Strengthen municipal administrative capacity** through continuous training programmes and practical guidance on implementation of the environmental acquis, project preparation, public procurement, state aid compliance and financial management of EU-funded investments.
- **Provide targeted technical assistance to smaller municipalities** through regional expert pools or shared service arrangements to address shortages of legal, engineering and environmental expertise.
- **Promote intermunicipal cooperation** for regional infrastructure projects, including wastewater treatment, waste management, drinking water supply and flood protection systems, in order to achieve economies of scale and improve compliance with EU environmental standards.
- **Strengthen project preparation and investment planning capacities** to improve the absorption of IPA III, WBIF, EIB and other international financial instruments, supported by mature project pipelines and long-term infrastructure planning.
- **Seek realistic transition periods for investment-intensive environmental directives**, particularly in wastewater, drinking water, waste management and air quality, accompanied by credible financing strategies and phased implementation plans.
- **Improve coordination between environmental policy, water management, spatial planning and municipal authorities** to support integrated implementation of river basin management, flood risk management and sustainable land-use planning.
- **Support the introduction of Water Safety Plans and risk-based management approaches** in line with the revised Drinking Water Directive, including monitoring of emerging pollutants and climate-related risks throughout the water supply chain.
- **Strengthen the financial sustainability of communal services** through progressive implementation of cost-reflective tariffs, reduction of non-revenue water, improved billing systems and targeted social measures to protect vulnerable households while ensuring long-term operational viability.
- **Accelerate the transition towards a circular economy** by expanding separate waste collection, recycling infrastructure, biowaste treatment and regional cooperation mecha-

nisms, while strengthening implementation of EPR schemes.

- **Invest in digital environmental governance** through modern environmental information systems, digital permitting procedures, waste tracking systems and real-time environmental monitoring to improve transparency, regulatory compliance and evidence-based decision-making.
- **Strengthen implementation of SEA and EIA** by enhancing institutional capacities, ensuring meaningful public participation and systematically integrating climate adaptation and biodiversity considerations into local planning processes.
- **Promote climate resilience and nature-based solutions** in municipal infrastructure planning by integrating ecosystem restoration, sustainable urban drainage, green infrastructure, and flood and drought protection measures into local development strategies.
- **Recognise LSGs as strategic partners in the EU accession process**, ensuring that local governments are not merely implementers of the *acquis* but active contributors to policy development, institutional reform and the successful delivery of environmental standards at the local level.

7. Gender equality

7.1 Overview

To join the EU, candidate countries must fully align their national laws with the EU gender equality acquis and prove they can effectively enforce these rules. Gender equality is not a minor detail in negotiations; it is a core part of the ‘Fundamentals’ cluster, which determines the overall speed of the EU accession process. As with many other areas of the acquis, local authorities are directly affected by and have an important role in implementing EU rules and policy on gender equality and non-discrimination.

While most LSGs in BiH have statutory committees on gender equality or designated gender officers, many of these remain inactive. The main obstacles to full compliance with EU standards in this area include the policy gap and resource constraints.¹¹⁰ Localisation and translation of the EU acquis on gender equality (as well as all other binding international legislation) from state-level mandates to actionable municipal policies is slow. Municipalities rely heavily on international funding to implement their localised Gender Action Plans and, with few exceptions, lack own resources to fund action plans.¹¹¹

BiH has progressively aligned its legal and policy framework with European standards through the adoption of the Law on Gender Equality in Bosnia and Herzegovina, the Law on Prohibition of Discrimination, successive Gender Action Plans, action plans for the implementation of UN Resolution 1325 on Women, Peace and Security, and entity strategies addressing gender-based violence, employment and the position of women in rural areas. Nevertheless, data from the EU 2024 Gender Equality Index for BiH points to a gradual but consistent deterioration across several core dimensions of gender equality, particularly in the areas of knowledge and power, while labour market participation remains substantially below EU levels.¹¹² The findings suggest that existing legal and policy frameworks have not yet translated into measurable improvements in outcomes, hence a growing emphasis within the EU accession process on implementation, monitoring and demonstrable results rather than declarative policy commitments alone.

7.2 Key aspects of the EU acquis

Gender equality is a core value of the European Union, enshrined in the primary treaties and the Charter of Fundamental Rights. Within the EU enlargement process, it stands as a significant benchmark, requiring BiH to harmonise its legal and institutional framework with the EU acquis. This encompasses not only formal legislative alignment, but also the practical implementation of rights, obligations and standards essential for EU membership.

The primary legal framework for gender equality in the EU is established by the EU Treaties, which recognise gender equality as a fundamental value of the Union (Article 2 TEU) and one of its objectives (Article 3(3) TEU). The Treaties further require the Union to eliminate inequalities and promote equality between women and men across all its activities (Article 8 TFEU), integrate non-discrimination into the definition and implementation of all Union policies (Article 10 TFEU), and guarantee the principle of equal pay for equal work or work of equal value (Article 157 TFEU). These provisions are complemented by Article 23 of the Charter of Fundamental Rights of the European Union, which explicitly recognises equality between women and men.

¹¹⁰ AMC FBiH, AMC RS and SALAR, [Institutional Mechanisms for Gender Equality from the Perspective of Local Self-Government: Strengthening the Work of Gender Equality Commissions](#), Policy Brief, 2022. See also Annika Björkdahl and Lejla Somun-Krupalija, [A Toolbox for Local Governments to implement SDG#5 on Gender Equality](#), 2018.

¹¹¹ The Gender Equality Network of the AMCs has identified several municipalities that have allocated dedicated resources for the implementation of local gender equality measures, but these remain exceptions rather than the norm.

¹¹² Agency for Statistics of Bosnia and Herzegovina, Gender Equality Index 2024.

Key secondary legislation in this area includes the [Recast Directive \(2006/54/EC\)](#) on equal opportunities and equal treatment, which prohibits direct and indirect sex discrimination, including harassment and sexual harassment, in employment, occupational social security and pay. The [Goods and Services Directive \(2004/113/EC\)](#) extends the principle of equal treatment beyond employment by prohibiting discrimination based on sex in the access to and supply of goods and services. The [Pregnancy Directive \(92/85/EEC\)](#) protects the health and safety at work of pregnant and breastfeeding women and those who have recently given birth. The [Work-life Balance Directive \(2019/1158\)](#) ensures rights to paternity, parental and carers' leave, as well as flexible working arrangements for working parents. The [Pay Transparency Directive \(EU\) 2023/970](#) further strengthens the enforcement of the principle of equal pay through pay transparency measures, mandatory reporting obligations for employers, enhanced access to information on pay levels, and stronger enforcement and compensation mechanisms for victims of pay discrimination.¹¹³ Beyond these core directives, a wider body of legislation addressing non-discrimination, employment, working conditions, social security, occupational pensions, self-employment, vocational training and access to goods and services is also relevant (see also chapter 3).

The EU Gender Equality Strategy 2026–30 outlines an agenda to embed gender equality in every aspect of life, tackling issues from the gender pay gap and gender-based violence to women's leadership and representation. The EU monitors and coordinates this across member states with tools like the Gender Equality Index provided by the European Institute for Gender Equality (EIGE). Complementing the internal strategy, the Gender Action Plan III (GAP III 2021–27) reinforces gender equality and women's empowerment as strategic priorities of the European Union's external action.¹¹⁴ A new GAP IV (2028–34) is expected for adoption in early 2027.

The new Gender Equality Strategy marks a shift in the EU's approach, moving beyond legislative alignment and institutional development and placing greater emphasis on implementation, measurable results and evidence-based policymaking. It broadens the scope of gender equality to include links to democratic resilience, social cohesion and emerging challenges such as disinformation, online environments, political polarisation and anti-gender narratives.

The EU acquis requires all levels of government to align their legal systems and ensure effective enforcement. Each administrative body must adapt these rules according to its specific legal powers. While local authorities do not have the mandate to draft laws, the EU acquis affects them directly since they:

- serve as employers and manage public institutions – LSGs must follow strict salary reporting rules to close the gender pay gap; offer fair maternity, paternity and parental leave; and promote women into senior management positions
- deliver local services – local public transport, housing and other services must serve men and women equally; LSGs should also consider gender equality when awarding contracts to private businesses; and they should support local centres and CSOs in preventing gender-based violence and supporting victims/survivors
- lead local economic and urban development – LSGs must distribute public money fairly to benefit all genders; and should use gender equality frameworks to plan safe, accessible public spaces.

The [European Charter for Equality of Women and Men in Local Life](#), while not part of the EU acquis, also applies to municipalities in candidate countries and may be helpful in implementing aspects of the acquis at local level. Launched in 2006 by the Council of European Municipalities and Regions (CEMR), the Charter encourages municipalities and regions to formally commit to gender equality and develop concrete action plans to achieve it. It is built on several core principles that signatories commit to implementing across all areas of responsibility:

¹¹³ See European Institute for Gender Equality, [The EU's evolving legal and policy approaches to Gender Equality](#), Luxembourg: Publications Office of the European Union, 2022, doi:10.2839/474; Tajma Kapić & Sanja Ramić, [EU Gender Approximation Measuring Report](#), 2022, p. 19.

¹¹⁴ EEAS, [Gender Action Plan III and Its Key Areas of EU Engagement](#).

- Equality between women and men is a fundamental right.
- Intersecting forms of discrimination must be addressed.
- Balanced participation in decision-making is essential.
- Gender stereotypes must be eliminated.
- A gender perspective must be integrated into all government operations.

By signing the charter, local governments are expected to:

- make a formal public commitment within their territory
- create and implement a detailed **Equality Action Plan** to translate these principles into actionable local policies.
- adhere to 39 specific articles covering areas like democratic accountability, human resources (employer role), public procurement, urban planning and service delivery.

The CEMR is a voluntary commitment rather than a legally binding instrument of the EU acquis. Local authorities choose to become signatories as a public commitment to advancing gender equality. Recognising that many signatories lacked the technical expertise and practical tools to move from commitment to implementation, CEMR established the Observatory in 2011. The [Observatory](#) and its network of national coordinators supports municipalities in developing Equality Action Plans, monitoring implementation, evaluating impact and exchanging good practices.

In December 2022, the CEMR updated and expanded the charter to address modern challenges. The new provisions emphasise intersectionality (the idea that people experience discrimination based on multiple aspects of their identity), climate change, digital inclusion, flexible working and crisis response.

While the Charter provides a voluntary framework for local authorities wishing to advance gender equality, candidate countries are also required to progressively align their legislation and institutional frameworks with the legally binding EU gender equality acquis as part of the accession process.

Gender equality in the EU accession negotiations is primarily evaluated under two acquis chapters:

- Chapter 23 (Judiciary and Fundamental Rights) focused on preventing discrimination, protecting human rights and tackling gender-based violence
- Chapter 19 (Social Policy and Employment): focused on the workplace, including equal pay, work-life balance and parental leave.

To demonstrate effective alignment with the EU gender equality framework, candidate countries are expected to address three interconnected dimensions:

- Legal Alignment: countries must transpose EU directives into national laws. This means passing new laws or amendments that include:
 - Equal Pay: writing 'equal pay for work of equal value' into national labour codes
 - Work-Life Balance: guaranteeing minimum standards for paternity, parental, and carers' leave
 - Workplace Protection: explicitly outlawing sexual harassment and direct or indirect discrimination in hiring and promotions.
- Institutional Frameworks: adopting laws is not enough – the EU requires candidates to build and fund institutions to enforce legislation, including:
 - Equality Bodies: ombudsman offices or commissioners where citizens can safely report discrimination.
 - Gender Mechanisms: specialised ministries or departments to oversee gender policies across the government.
 - Judicial Training: training judges, police and lawyers to correctly apply gender equality laws.

- Gender Mainstreaming and Data: candidates must integrate a gender perspective into all public policies, a process known as gender mainstreaming. This requires:
 - Sex-Disaggregated Data: governments must collect and analyse statistics broken down by sex (e.g. tracking employment, education and wages separately for men and women).
 - Gender Budgeting: progressively integrating gender-responsive budgeting approaches into public financial management in line with EU gender mainstreaming policies and international commitments.

The obligations arising from the EU gender equality framework differ in their legal nature. Certain requirements form part of the binding *acquis* and must be transposed into national legislation as a condition for accession, particularly those deriving from EU treaties and directives. Others, including gender mainstreaming, gender-responsive budgeting and strengthened institutional co-ordination, are primarily promoted through EU policy frameworks, recommendations and funding instruments. Although these measures may not always constitute formal accession benchmarks, they increasingly shape the EU's assessment of implementation capacity and effective public governance.

Beyond the formal accession requirements, gender equality is increasingly embedded as a horizontal principle in EU funding instruments, with recent proposals introducing stronger performance-based conditionality. This further reinforces the importance of institutional capacities for gender equality at local level.¹¹⁵

The [Gender Action Plan III \(GAP III\) 2021–25 Country Level Implementation Plan \(CLIP\)](#) for BiH was developed by the European Union Delegation in BiH in 2021. Its development was informed by the findings of the BiH Gender Country Profile and carried out in consultation with gender institutional mechanisms, civil society organisations, EU Member States and international stakeholders. Both the Gender Country Profile and the CLIP were prepared with technical support provided through the EU-funded Gender Equality Facility project.

The overall objective of EU action in the area of gender equality and women's empowerment in BiH is aligned with Priority No. 9 of the European Commission's [2019 Opinion on Bosnia and Herzegovina's application for EU membership](#) – 'Strengthen the protection of the rights of all citizens, notably through the implementation of the legislation on non-discrimination and gender equality'.

GAP III and CLIP for BiH emphasise that the EU will address its thematic objectives through both financial and political support. Direct assistance will be provided to gender institutional mechanisms, while CSOs will be engaged in consultations related to programming and implementation of EU funds, including through the European Instrument for Democracy and Human Rights. Civil society will also contribute to joint advocacy efforts within policy dialogue processes, as well as to monitoring BiH's commitments to international gender equality standards through shadow reporting.

7.3 Legislation and practice in Bosnia and Herzegovina

7.3.1 Approximation

While gaps persist between formal commitments and practical implementation, BiH has made notable legislative and institutional progress on gender equality. Key milestones include incorporating the UN Convention on the Elimination of All Forms of Discrimination against Women and the European Convention on Human Rights into the domestic legal framework, adopting the Law

¹¹⁵ The Commission's proposal for the 2028–34 Multiannual Financial Framework reinforces gender equality as a horizontal principle across EU funding instruments through the proposed Performance Regulation. The proposal requires gender equality to be integrated, where relevant, into programme design, implementation, monitoring and reporting, accompanied by common expenditure tracking and gender-disaggregated performance indicators. See also European Committee of the Regions, [Strengthening Women's Rights and Gender Equality in the EU](#), Opinion, October 2025.

on Gender Equality (2003, amended 2009) and establishing gender institutional mechanisms at all levels of government. BiH was also the first country in Southeast Europe to adopt a National Action Plan for UN Security Council Resolution 1325, advancing the Women, Peace and Security agenda.¹¹⁶

In addition, BiH became the first country in the region to ratify the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence (Istanbul Convention) in 2013, further strengthening its formal commitment to addressing violence against women and domestic violence in accordance with European and international standards.

International human rights standards are embedded in the Constitution of BiH and legislation. The BiH Gender Equality Law (OG BiH, Nos. 16/03, 102/09 and 32/10) specifically addresses gender equality in all spheres of social life and regulates equal representation of at least 40 percent of the less represented sex across public sector bodies in BiH. The Law on the Prohibition of Discrimination in BiH (OG BiH, Nos. 59/09 and 66/16) defines direct and indirect discrimination on all grounds, including gender and sexual orientation. This law also regulates the system of protection from discrimination in all spheres of life.

BiH has also adopted legislation that criminalises violence against women and stipulates protection of victims.¹¹⁷ Policies for implementation of the Istanbul Convention have also been adopted, though this remains incomplete (see below).

The institutional framework consists of the BiH Agency for Gender Equality, the Ministry of Human Rights and Refugees of BiH, the FBiH Gender Centre and the Centre for Gender Equality and Equity of RS as the key gender institutional mechanisms within the executive. These institutions are responsible for coordination, professional support and monitoring of the implementation of the Law on Gender Equality in BiH and the Gender Action Plan of BiH, and provide key support to all levels of government, including local authorities.

In the legislative branch, the most important gender institutional mechanisms are the Parliamentary Committee for Gender Equality in the BiH Parliamentary Assembly, Committees for Gender Equality/Equal Opportunity in the entity parliaments and the Brčko District Assembly, and the gender equality commissions in cantonal and municipal assemblies/councils.

The Law on Gender Equality has also partially transposed a number of relevant EU gender equality directives, including those related to employment, social security, maternity protection, work-life balance, self-employment and access to goods and services. Available assessments indicate that the Law on Prohibition of Discrimination is also partially aligned with several EU equality directives, including Directive 2000/78/EC on equal treatment in employment and occupation, Directive 79/7/EEC on equal treatment in social security, Directive 2006/54/EC on equal opportunities and equal treatment in employment and occupation, Directive 2004/113/EC on equal treatment in access to goods and services, and Directive 2000/43/EC on equal treatment irrespective of racial or ethnic origin.¹¹⁸

The European Commission's [2025 report on BiH](#) identifies several remaining gaps for BiH's legislative framework harmonisation with the EU acquis:

- Gender-based violence: There are still regulatory gaps with respect to the Convention on preventing and combating violence against women and domestic violence (Istanbul Convention) and, while BiH has legislation criminalising violence, persistent implementation

¹¹⁶ Tajma Kapić & Sanja Ramić, [EU Gender Approximation Measuring Report](#), 2022.

¹¹⁷ The key laws that address violence against women at the state level are the Gender Equality Law and the BiH Criminal Code, whereas at the entity and Brčko District level, the principal legislation includes laws on protection from domestic violence, the criminal codes, the criminal procedure codes and the family laws. For more information see the Group of Experts on Action against Violence against Women and Domestic Violence [Baseline Report for BiH](#), 2022.

¹¹⁸ As clarified by a representative of the Agency for Gender Equality of Bosnia and Herzegovina, the Law on Gender Equality provides a general framework at the state level, while more detailed standards are to be regulated through sectoral legislation. See also Tajma Kapić & Sanja Ramić, [EU Gender Approximation Measuring Report](#), 2022.

gaps exist. Femicides and domestic violence remain prominent, and support services for survivors are inadequately funded and unevenly distributed across varying jurisdictions. Victim support and protection is still not adequately coordinated in the prevention and protective responses among social, judicial, and law enforcement sectors, which remain fragmented.

- Labour market and economic disparities: Unpaid household work and family care are not adequately recognised or measured in regulations, forcing many women to work in informal or low-paying jobs. The gender pay gap remains high in BiH, and although legislation prohibits discrimination, women continue to face discrimination in the private sector and earn significantly less than men (with women earning an estimated 78–85% of male salaries for equal work). A widespread lack of affordable childcare heavily restricts female labour force participation (see also chapter 3).

Key remaining gaps in BiH's institutional framework harmonisation with the EU *acquis* include:

- Political and economic decision-making: Despite the legal mandate that requires 40% representation of either sex in decision-making positions, women remain heavily underrepresented, particularly in sectors such as energy, security, forestry and finance.
- Institutional Capacity and Financing. The Gender Action Plan in BiH consistently lacks local budgetary allocations. Institutions largely rely on international donor funding to implement equality measures. The lack of human resources and systematic coordination between local, entity, and state levels prevents the robust transposition of EU gender directives.

Despite the existence of a legal framework for gender equality and anti-discrimination in BiH, there are significant challenges in practical implementation, many of which directly impact local authorities. Femicide and gender-based violence remain pressing issues in BiH, revealing gaps in institutional response and enforcement at all levels, including the local. Specialised support services for victims, often provided by women's organisations, are underfunded by public budgets, with most resources directed to shelters rather than broader community support. Access to justice for survivors is limited, and victim-centred approaches are lacking; most cases result in suspended sentences or plea agreements, and proceedings are lengthy, increasing risks for victims.

Additionally, the influence of anti-gender movements is growing, shaping local policy debates and fuelling resistance to inclusive governance. Local authorities thus face increasing pressure to balance legal obligations with rising social and political resistance.

Policy framework

A comprehensive gender equality policy is in place in BiH as evidenced by the four consecutive Gender Action Plans (GAP) adopted by the BiH Council of Ministers. The current GAP covers the period 2023–27 and aims to guide governmental institutions and other organisations in mainstreaming gender equality principles in their work, in accordance with the Gender Equality Law. It sets out to create, implement and monitor a programme of measures to improve gender equality in government institutions; then to build and strengthen systems, mechanisms and instruments for achieving gender equality; and to establish and strengthen cooperation and partnership. As a framework strategic document that guides the creation of operational plans of institutions at all levels of government in BiH, along with the operational plans of the Gender Center of FBiH and the Center for Gender Equality and Equality of RS, it concerns all areas of social life. In this way, institutional mechanisms for gender equality, as well as the obligations and responsibilities of line ministries and competent institutions in each priority area, are more clearly defined.

The GAP identifies eight priority areas: combating gender-based violence; public and political participation; labour and employment; education and culture; health; social protection; gender and security; and gender equality in environmental protection and climate change. These form the framework for gender equality policies at all government levels.

Several of these priority areas contain **explicit references to local-level implementation and co-ordination mechanisms**. In the area of prevention and protection from gender-based violence, the GAP highlights the role of local multisectoral cooperation mechanisms, local protocols and co-ordination bodies in combating violence against women and domestic violence, while recognising LSGs as actors responsible for implementing relevant measures within their competencies. The document further envisages cooperation among institutions operating at different levels of government, including local communities, to strengthen prevention, protection and support systems.

The GAP also addresses women's participation in political and public life, reiterating the principle of balanced representation in public institutions and decision-making processes. In doing so, it acknowledges the continued under-representation of women in leadership positions, including at the local level, and identifies women's participation in public and political decision-making as an area requiring sustained policy attention.

Particularly relevant for the purposes of this assessment is the inclusion of gender equality in the context of environmental protection and climate change as a standalone priority area. Unlike some of the more established areas of intervention, this priority area primarily lays the groundwork for future policy development by recognising the importance of assessing the gender dimensions of environmental and climate-related challenges and strengthening the evidence base required for gender-responsive policymaking. In this regard, the GAP identifies environmental protection and climate change as an emerging field within the broader gender equality framework and lays the foundation for integrating gender perspectives into environmental governance and climate-related policies.

While the GAP BiH 2023–27 and the EU Gender Equality Strategy 2026–30 share similar priority areas – such as gender-based violence, participation, employment, health, social protection and environmental governance – their approaches differ. The EU Strategy places greater emphasis on implementation, measurable outcomes and cross-sectoral integration, whereas the GAP focuses more on establishing legal and policy frameworks. Both, however, highlight the need for gender mainstreaming, coordination, gender-responsive budgeting and improved data collection to support evidence-based policymaking.

A key difference is the broader context of the EU Strategy, which links gender equality to democracy and social cohesion, and addresses challenges such as anti-gender narratives and online misogyny. These issues are largely absent from BiH's GAP, reflecting its earlier policy context.

For local governments, the frameworks are complementary. The GAP recognises municipalities as key actors, especially in violence prevention, social protection, and participation. In practice, this increasingly requires LSGs to integrate gender equality considerations into the planning, financing and delivery of local public services, including early childhood education and care, social and community services, local support mechanisms for survivors of gender-based violence, public transport, public spaces and other areas that shape women's everyday access to rights and opportunities. The EU Strategy increases expectations for local authorities to demonstrate results and integrate gender perspectives widely, using data and gender-responsive budgeting.

The European Committee of the Regions has called for local and regional authorities to be recognised as strategic partners in the design, implementation and monitoring of the Roadmap for Women's Rights and the forthcoming EU Gender Equality Strategy (2026–30). It further emphasises the role of municipalities in ensuring accessible, high-quality care infrastructure that enables women's equal participation in the labour market, while calling for stronger accountability mechanisms, including gender audits, independent monitoring and adequate institutional and financial support for gender equality implementation.

Several other action plans and strategies that implement international commitments and/or were developed with international partners should also be noted:

- BiH Action Plans on the Implementation of Security Council Resolution 1325 on Women, Peace and Security (2010–13, 2014–17, 2018–22, draft 2025–30). These focus on increasing

female representation in the security and defence sectors, preventing gender-based violence and incorporating a gender perspective into emerging security threats like migration and natural disasters.

- BiH Framework Strategy to implement the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence (2015–18). This serves as the main roadmap for aligning the laws and systems of BiH with the Istanbul Convention. It defines how state, entity and cantonal authorities must coordinate to prevent gender-based violence, protect victims and punish abusers. The strategy frames violence against women as a human rights violation and a direct result of unequal power between men and women.¹¹⁹
- Action plan to improve the state of human rights and fundamental freedoms of LGBTI people (2021–24). Developed with support from the Council of Europe and the EU, this seeks to align BiH's national laws with EU human rights standards through: legal protection that paves the way for the future legal regulation of same-sex civil partnerships; addressing anti-discrimination and hate speech with the aim of combatting prejudice and improving the prosecution of hate speech and hate crimes; freedom of assembly clauses that aim to ease restrictions and improve security for LGBTI public events, such as the Sarajevo Pride march; transgender rights articles that support easier access to necessary medical healthcare and the alignment of procedures for changing personal documents. There are also requirements for institutional capacity development, including training for law enforcement, healthcare providers, and the judiciary to better serve the LGBTI population.

Other policies at state and entity level include:

- Action plan for improving the position of women in rural areas in RS 2022–24
- Action Plan for the Improvement of Women's Entrepreneurship in FBiH 2018–20
- Strategy for the Development of Women's Entrepreneurship of RS 2019–23 and the accompanying Action Plan
- Strategy for the Suppression of Domestic Violence in RS 2020–24
- Action Plan for the implementation of the Strategy for the Prevention and Combating of Domestic Violence 2018–20 in FBiH
- Strategy for the Prevention and Combating of Domestic Violence in FBiH 2023–27.

Several other policies have been implemented at different levels and in various government-funded institutions and companies:

- Decisions on a zero-tolerance policy towards acts of sexual harassment and gender-based harassment in 63 institutions of BiH and in institutions of FBiH
- Gender Equality Plan at Sarajevo International Airport
- Action Plan for Gender Equality of the RS Tourist Organisation 2024–25
- Action Plan for Gender Equality of the University of Banja Luka and the University of Sarajevo 2022–26
- Gender Action Plans in six cantons of FBiH (Sarajevo, Central Bosnia, Bosnian-Podrinje, Una-Sana, Tuzla and Zenica-Doboj).¹²⁰

¹¹⁹ See the first [baseline evaluation report on BiH from the Expert Group on Action against Violence against Women and Domestic Violence](#) (2022) for further details. While commending measures taken, this identifies urgent action still needed to comply with the Convention.

¹²⁰ For further details, see [Progress Report on the Implementation of the Beijing Declaration and Platform for Action in Bosnia and Herzegovina within the Beijing +30 Process](#), 2024.

7.3.2 Local implementation

Examples of alignment with EU gender equality standards

At the local level, alignment with EU gender equality standards is reflected not only in the adoption of local policies and mechanisms, but also in the way LSGs design, finance and deliver public services, as well as shape local development. Across BiH, local authorities influence gender equality through responsibilities related to early childhood education and care, social protection, local economic development measures, spatial planning, community safety and support services, as well as initiatives promoting women's economic participation. Although the scope of municipal capacities and the level of service development vary considerably across LSGs, these functions represent important entry points for translating the EU gender equality Framework and national gender equality commitments into tangible improvements in women's everyday lives.

One of the most tangible areas where local authorities contribute to advancing gender equality is the provision and financing of care services. In line with the EU's emphasis on work-life balance and women's equal participation in the labour market, LSGs play an important role in the establishment, management and co-financing of public preschool institutions. Public kindergartens in BiH are managed by municipal or city authorities, while local governments frequently determine subsidy models and co-finance childcare services within their available resources. However, access remains uneven. Preschool institutions are not available in all LSGs, subsidy levels and parental contributions vary across the country, and the number of available places remains below demand. These territorial disparities directly affect women's opportunities to reconcile paid employment with care responsibilities and illustrate how local capacities influence the practical implementation of broader gender equality objectives.

Local implementation is equally reflected in the organisation of coordinated responses to gender-based violence. Across BiH, municipalities increasingly participate in multisectoral coordination mechanisms bringing together social welfare centres, police, health institutions, educational institutions and CSOs. These local structures operationalise key principles of the Istanbul Convention by strengthening inter-institutional cooperation, coordinated referrals and survivor-centred responses. Their institutional position, however, differs across the country. In RS, LSGs generally assume a clearer coordinating role within multisectoral teams, while in FBiH they more commonly support, monitor and participate in the implementation of local protocols, with operational coordination often resting with other competent institutions. Existing multisectoral mechanisms, however, do not function uniformly or cover all forms of violence against women. GREVIO points out that cooperation mechanisms in BiH have been primarily developed to respond to domestic violence, while for other forms of violence an adequate multisectoral response and related support services are still lacking. Shortcomings in cooperation in individual cases and uneven involvement of civil society organisations have also been noted. Further institutionalisation and continuity of these mechanisms are therefore important in order to make multisectoral cooperation an integral part of the local response to violence, with clearly defined roles and regular coordination of all relevant institutions.¹²¹

Improving women's economic participation has emerged as one of the most visible, although not the only relevant, areas of local action in the field of gender equality. This focus reflects the objectives of the EU Gender Equality Strategy and the national GAP. In practice, LSGs most commonly support women's employment and entrepreneurship through grant schemes, business support programmes, training opportunities and cooperation with local development agencies. Broader integration of the gender perspective implies its inclusion in other areas of local planning, services and decision-making.

The ability of local governments to strengthen gender-responsive services is closely linked to the development of local policy and institutional frameworks. Over the past two decades, LSGs

121 GREVIO, Baseline Evaluation Report Bosnia and Herzegovina, 2022.

across BiH have gradually introduced a range of gender equality mechanisms, including Local Gender Action Plans (LGAPs), Gender Focal Points, gender equality commissions and gender-responsive budgeting initiatives, largely supported through donor programmes and entity gender mechanisms. While important progress has been made, particularly in the adoption of LGAPs, their implementation remains uneven, and significant differences persist in the functionality of institutional mechanisms, political ownership and the integration of gender equality into everyday municipal governance.

Despite systemic challenges, several progressive LSGs (such as Gradiška, Istočna Ilidža, Tešanj and Žepče) have made strides towards more gender-sensitive services. These communities participate actively in the Gender Equality Network of both AMCs in BiH.¹²² A few LSGs, such as Gradiška, Mostar, Sarajevo and Srbač, have voluntarily signed the European Charter for Equality of Women and Men in Local Life through internally funded projects. However, the Charter has had limited visibility and influence within the broader local governance landscape. It is rarely referenced in local policy documents or even mentioned in public discussions and was not identified as a significant driver of local gender equality initiatives by the 12 LSGs with which supplementary interviews were conducted as part of the preparation of this report (see chapter 1).

Existing research and practical experience confirm significant variations in the way local gender equality commissions and other mechanisms are established, mandated, and operate in practice.¹²³ In many cases, institutional mechanisms still function primarily on a formal basis, with limited influence on policy-making, insufficient resources and weak integration into broader local governance processes. Therefore, the mere existence of commissions, focal points or local action plans is not an indicator of their functionality, which depends on institutional capacity, political support, resources and continuity of implementation.¹²⁴

Women remain significantly underrepresented in local political leadership across BiH. In municipal councils, women occupy less than one quarter (22.7%) of seats, while they hold only 5.6% of mayoral positions.

The above-mentioned supplementary interviews (including nine LSGs that are not members of the AMC Gender Equality Network), revealed a degree of gender blindness and limited understanding of local governments' legal and policy obligations related to gender equality. The findings also indicate weak recognition of the link between EU-funded projects and the broader objective of gender mainstreaming in local governance. Furthermore, the assessment points to a regression in gender equality efforts once externally funded projects come to an end, suggesting that many initiatives are not sufficiently institutionalised to ensure sustainability. The main exceptions are LSGs participating in the AMC Gender Equality Network and the City of Čapljina, which is currently participating in a gender equality project and demonstrates a renewed commitment to this agenda. The view of representatives of Čapljina was that 'EU projects and the European integration process have a positive impact on the visibility of women, the inclusion of women in development projects, economic empowerment, access to education and entrepreneurship.'

By contrast, several of the other interviewed LSGs were sceptical about the effects of EU accession on gender equality policies at local level. Some acknowledged that gender inequality remains a societal challenge, referring to the increase in violence against women and the continued under-representation of women in political decision-making. At the same time, the majority of respondents primarily associated gender equality within local self-government with women's economic empowerment, employment and entrepreneurship, with considerably less recognition of its broader relevance for local governance and public service delivery. Even some LSGs that have benefited from substantial EU funding demonstrated limited institutional commitment to gender

122 Best practice examples collected through the AMCs' network.

123 AMC FBiH, AMC RS and SALAR, Policy brief, 2022.

124 A more detailed analysis of the functionality of local mechanisms for gender equality is provided in the report *Local governance in Bosnia and Herzegovina: Political-Economy Analysis*, pp. 76–78, 2026, available on request from SALAR International.

equality, lacking designated Gender Focal Points or LGAPs. One view was that gender equality has little to do with the accession process, which should instead focus on the economy, since BiH is an advanced country with no obstacles for women to achieve what they want. This shows (at the very least) a need for greater awareness-raising.

Ultimately, the local impact of EU gender equality standards is visible to the extent that they improve the everyday lives of citizens through municipal services. Decisions on the accessibility and affordability of childcare, the design of child-friendly public spaces, making cities safe spaces for women, prioritising snow clearance from pavements, or support for women's employment and entrepreneurship all illustrate how gender equality becomes part of everyday local governance. Achieving this requires more than legal alignment. It depends on political commitment, institutional capacity, continuous learning and the willingness of LSGs to integrate a gender perspective into every stage of planning, budgeting and service delivery. Practical approaches such as regular gender audits of municipal services, peer-to-peer learning and mentoring, developed through initiatives such as SALAR's Model Municipality programme, demonstrate how gender mainstreaming can gradually become embedded in institutional culture and everyday municipal practice rather than remaining an externally driven requirement.¹²⁵

Gender mainstreaming and data collection

The new [EIGE cooperation framework with the Western Balkans \(2025–29\)](#) strengthens the emphasis on local implementation of gender equality measures, not merely legal compliance. It prioritises institutional capacity to monitor, measure and mainstream gender equality. For local governments, the expectation shifts from adopting instruments to demonstrating impact – requiring robust data, monitoring and gender-responsive budgeting across local governance, planning, and services.

This shift is particularly relevant for local authorities in BiH, where existing assessments suggest that one of the principal obstacles to effective gender mainstreaming at the local level is the limited availability and use of gender-disaggregated data. Although the Law on Gender Equality establishes an obligation to collect, record, process, analyse and present data disaggregated by sex, implementation remains uneven across LSGs. In many cases, data are not collected systematically, regularly updated or made available in a format that allows meaningful analysis and use in decision-making processes.¹²⁶

Importantly, the challenge extends beyond data availability. Existing assessments indicate that local governments often do not use available data to identify gender inequalities, define priorities, design targeted interventions or monitor the impact of local policies and services. As a result, gender equality considerations are not always integrated into planning and decision-making processes in a systematic and evidence-based manner.

There is also a significant structural challenge in the management and circulation of data across different levels of governance, as well within municipal departments. Data collected at the local level are not consistently consolidated for monitoring purposes, while information generated by higher levels of government is often not returned to municipalities in a form that would support local planning and policy development. This limits the ability of local authorities to monitor trends, assess needs and measure progress towards gender equality objectives.

Looking ahead, this challenge is likely to become increasingly important as the EU places greater emphasis on evidence-based policymaking, monitoring and measurable results. Existing assessments suggest that strengthening gender mainstreaming at the local level will require will require the establishment of regular procedures for collecting, processing, analysing and using sex-disaggregated data and linking them to planning and gender-responsive budgeting as part of

125 AMCs and SALAR Conference 'Gender Forward 2025' held in Sarajevo. Joachim Gustafsson, Karlstad Municipality, presented several initiatives implemented after a gender audit of local services.

126 AMC FBiH, AMC RS & SALAR, [Gender mainstreaming in local governments in BiH \(policy brief\)](#), 2022.

regular LSG budget processes.¹²⁷ In this regard, the ability of municipalities to generate and utilise gender-sensitive evidence may become an increasingly important determinant of their capacity to design targeted interventions, demonstrate impact and align with evolving EU expectations on gender equality governance.

The key remaining gaps for BiH's gender mainstreaming and data collection in view of the EU acquis are:

- Local communities often lack systematically collected, gender-disaggregated data.
- Even when such data exists, it is rarely used for planning or decision-making.
- The data collection systems between different levels of government are not functionally connected.
- Without data, it is impossible to implement gender-responsive budgeting or effective gender mainstreaming.
- Gender mainstreaming is often reduced to a formal obligation, rather than being used as a tool for managing local development.
- Because of a lack of relevant surveys and gender-disaggregated data, BiH struggles to calculate a full Gender Equality Index that meets EIGE standards. Data frequently fails to cross-reference sex with age, disability status or ethnic minority status (such as Roma women).¹²⁸

Gender mainstreaming also means taking greater account of gender equality in the other thematic areas covered by this report. For example, gender-responsive procurement is discussed in chapter 2, and see the boxes below for relevant aspects to consider in the areas of environment and rural development.

Box 7.1: Environmental protection and climate change – an emerging area in BiH's gender equality policy

BiH's Gender Action Plan 2023–27 (GAP) identifies environmental protection and climate change as an emerging field within the broader gender equality framework and lays the foundation for integrating gender perspectives into environmental governance and climate-related policies.

Local authorities currently lack the institutional preparedness required for systematic integration of gender equality and climate resilience objectives. While both policy areas exist within local governance frameworks, they continue to be addressed through separate planning processes, with limited coordination between gender equality mechanisms, environmental departments and climate action structures.

This separation has practical implications for the planning and delivery of local public services. Measures such as investments in drinking water, waste management, energy efficiency, sustainable urban mobility and climate adaptation are often treated as gender-neutral technical interventions. In practice, however, they may produce different outcomes for women and men depending on patterns of employment, care responsibilities, mobility and access to resources. For example, climate-related risks such as drought and declining agricultural productivity have disproportionate economic consequences for women engaged in agricultural production and family farming, while investments in energy-efficient housing and public buildings can contribute to reducing energy poverty, which disproportionately affects women, particularly older women and female-headed households. Without integrating a gender perspective into environmental and climate planning, LSGs risk reinforcing existing inequalities or creating new ones.



¹²⁷ See also Local Governance in BiH: Political-Economy Analysis, SALAR, 2026, pp. 81–82.

¹²⁸ See [news item from the BiH Agency for Statistics](#) on the partial calculation of the Gender Equality Index, 2022.

Gender equality and climate resilience have emerged as an important policy area in BiH only recently. The GAP is the first national gender policy framework to explicitly recognise climate change and environmental sustainability as relevant areas for gender equality interventions. While this represents an important policy shift, the available evidence base remains limited. Significant gaps persist in sex-disaggregated environmental and climate data, as well as in the understanding of how climate risks affect women and men differently. The GAP therefore prioritises strengthening data collection systems, developing indicators, conducting research and building institutional capacities for gender-responsive environmental and climate policies.

At the local level, analysis of Local Gender Action Plans and Sustainable Energy and Climate Action Plans (SECAPs) indicates that these policy areas continue to operate largely in parallel.* While SECAPs provide a comprehensive framework for climate mitigation and adaptation, they generally do not include a gender perspective, gender-sensitive indicators or assessments of differentiated impacts on women and men. Conversely, local GAPs focus on political participation, employment, health, education and gender-based violence, but rarely address climate resilience, environmental justice or climate-related vulnerabilities. As a result, municipalities currently lack the data, indicators and monitoring mechanisms necessary to assess the gender dimensions of climate action and environmental governance.

Looking ahead, this area is expected to gain strategic importance as BiH advances its EU accession process and alignment with the European Green Deal, the EU Climate Adaptation Strategy, the European Climate Law, local initiatives such as the Covenant of Mayors for Climate and Energy and the EU's commitment to gender mainstreaming across all policy sectors.

Based on the assessment of local government's capacities, programme design in this area should prioritise foundational capacities rather than implementation of advanced climate-gender interventions. Future support should focus on strengthening data collection systems, developing gender-sensitive climate indicators, building intersectoral coordination mechanisms, piloting local assessments of climate vulnerability and supporting municipal actors in translating emerging EU and international policy frameworks into local practice.

* Selma Zulić Šiljak, Women's response to climate changes: the potentials in local policies in the City of Bihać, 2025.

Box 7.2: The intersection between gender equality and rural development

Despite persistent gender disparities – men own more than 60% of immovable property, and **women's agricultural work** often remains unrecorded and unpaid* – rural development policies are predominantly gender-blind, resulting in women's needs being sidelined in laws, strategies and programmes.

Gender inequality in land and property ownership remains one of the structural constraints shaping women's economic position in rural BiH. Although legal rights to property are formally guaranteed, available data suggest that ownership patterns continue to favour men. Women are estimated to represent around 30% of landowners, most often as co-owners, while only 12% of rural women are sole owners of a dwelling, compared with 19% in urban areas. Female-headed agricultural households also tend to control significantly smaller land plots than male-headed households.†

The governance problem therefore lies less in the absence of formal rights than in the persistence of inheritance practices and social norms that keep land and property under male control. This creates a direct economic constraint: rural women often contribute substantially to agricultural production, but have limited decision-making power over the land they use. Without secure ownership, they are less able to sell, rent or use property as collateral, limiting access to credit, entrepreneurship and independent income. In this sense, unequal property ownership operates as both a result of gender inequality and a mechanism that reproduces women's economic dependency.



Looking ahead, local authorities are expected to integrate gender equality into rural development planning and implementation by ensuring that women have equal access to agricultural support measures, local economic development programmes, land-related services, participation mechanisms, social services and decision-making processes.

Roma women experience many of the structural inequalities affecting rural women, while also facing multiple and intersecting forms of social exclusion. Although some Roma families have successfully integrated into urban areas, many Roma communities continue to live in rural and informal settlements lacking basic infrastructure, including electricity, drinking water and sewage systems. As a result, women and children are disproportionately exposed to poor living conditions, health risks and barriers to maintaining basic hygiene. Many Roma households continue to rely on collecting and sorting secondary raw materials near waste disposal sites as a source of income, exposing women and children to environmental hazards, occupational injuries and insecurity.

Therefore, it is crucial that the authorities implement the legalisation of housing and provide access to water and electricity connections in accordance with the BiH's Action Plan for the Social Inclusion of Roma Men and Women 2021–25. This should be carried out through cooperation between city administrations, international organisations and Roma associations, ensuring compliance with EU requirements on social inclusion and environmental standards.

* UNDP, Report on Mapping the Gender Component in Data and Legislation in the area of Climate Change, Environment and Biodiversity, 2023.

† FAO & UN Women, National Gender Profile of Agriculture and Rural Livelihoods – Bosnia and Herzegovina.

7.4 Potential and opportunities for influence

7.4.1 Influence at EU level or through the accession negotiations

While the hard acquis on gender equality is non-negotiable, with little if any scope for special arrangements, there may be more margin for manoeuvre in how the EU assesses BiH's performance against the soft acquis. AMCs could potentially make a useful contribution here by supplying negotiators with information (e.g.) on the work of the AMCs' Gender Equality Network with examples from some of the more progressive LSGs highlighted in section 7.3.2 and by collecting more evidence and examples.

The EU Commission's 2025 report on BiH makes the following recommendations relating to gender equality: harmonise and improve legislation against domestic and gender-based violence to meet international standards and align laws across the country with the Gender Equality Law to increase the public and political participation of women (chapter 23) and introduce uniform minimum standards for maternity leave (Chapter 19). While the report primarily focuses on national policies and institutional developments, several findings are directly relevant for local authorities, including on women's political participation, responses to gender-based violence, access to social services, and employment. Implementation of the EU Directive on work-life balance and the Istanbul convention is also emphasised. In the area of Fundamental rights, women's political participation and the intersectionality of discrimination affecting minority groups are also addressed.

Most notably, the report records a modest increase in women's representation following the 2024 local elections, with the share of women in municipal councils rising from 19.6% to 22.7% and the proportion of women mayors increasing from 3.6% to 5.6%. These findings suggest that progress is being made in women's participation in local political life, although women remain significantly underrepresented in local decision-making positions.

The report further highlights persistent challenges in the implementation of gender equality policies, including gender mainstreaming, institutional coordination, and the effective implementation of measures addressing gender-based violence. As many of these policy areas rely on local service provision, community-level coordination and cooperation among institutions, their successful im-

plementation depends in part on the capacities of LSGs. Despite improved legislative alignment with the Istanbul Convention, the report indicated challenges relevant for local government especially in providing specialised support services.

It also notes growing pressure on women's rights organisations and attempts to undermine gender equality initiatives under the guise of traditional values, while also highlighting broader concerns related to democratic governance, hybrid threats and information manipulation. This suggests that the emerging EU focus on democratic resilience and gender equality may become increasingly relevant in the accession context.¹²⁹

7.4.2 Influence at national/entity level

While BiH has established legal foundations for gender equality, effectiveness ultimately depends not only on the existence of legal obligations but also on the capacities, resources, coordination mechanisms and accountability of institutions responsible for implementation at all levels of governance.

Despite explicit recognition in BiH's national legal framework of LSGs as part of the institutional architecture for gender equality through Article 24 of the Law on Gender Equality, the role of local authorities remains comparatively underexplored within the EU accession monitoring framework.

As outlined in section 7.3.1, BiH's legislative framework on gender equality remains only partially aligned with the EU acquis. As this legislative gap is filled, a key issue for the AMCs will be due recognition and operationalisation of the role of LSGs in implementing standards, particularly in areas such as gender mainstreaming, prevention of gender-based violence and improved provision of childcare, which depend partly on action at municipal level.

The Reform Agenda refers to gender equality under Reform 4.5.1 on Fundamental Rights and recognises gender mainstreaming as a cross-cutting principle. However, gender equality is not treated as a distinct reform priority. Rather than translating this commitment into operational reforms, the Agenda provides few gender-responsive measures, implementation mechanisms or indicators across key policy areas. As a result, reforms related to energy efficiency, the green transition, employment, childcare and social protection remain largely gender-blind, with limited recognition of the structural inequalities shaping women's everyday lives, including unpaid care work, unequal access to childcare, energy poverty, unequal property ownership and access to economic resources.¹³⁰ Local authorities are not identified among the institutions responsible for implementing gender-related commitments, despite being responsible for many of the services through which these commitments would ultimately be realised.

7.4.3 Preparation at local level

Although institutional mechanisms for gender equality have been gradually and partially established at the local level, their functionality and effectiveness remain uneven across municipalities, as described in section 7.3.2. This shows the need for further awareness-raising on the content of EU (and indeed BiH requirements) on gender equality, which make significant demands of LSGs.

Furthermore, the sustainability of local gender equality efforts remains a challenge. Much of the progress achieved to date has been supported through donor-funded projects and external expertise, while long-term institutional ownership and financing remain limited. As a result, gender equality initiatives often produce valuable but project-dependent outcomes that are difficult to sustain once external support ends. These findings suggest that future efforts should focus not only on establishing institutional mechanisms, but also on strengthening their institutionalisation, coordination, accountability and long-term sustainability within local government structures.

129 European Commission, Bosnia and Herzegovina Report 2025.

130 Helsinki Citizens' Assembly of Banja Luka (2026), [Od Agende do stvarnosti: Šta reforme znače za žene u BiH](#) [From Agenda to Reality: What the Reforms Mean for Women in BiH], 2026.

7.5 Indicators of potential results

While BiH has established the key legal and institutional foundations for advancing gender equality, the next phase of alignment with EU standards is likely to place greater emphasis on implementation capacity, evidence-based policymaking, measurable results and the ability of institutions at all levels of government to respond to emerging gender equality challenges.

The EU's evolving approach, embodied in the Gender Equality Strategy 2026–30, frames gender equality as essential to democracy, social cohesion and resilience. This broader perspective addresses contemporary challenges, such as anti-gender movements and online disinformation, that affect women's rights and participation. Local authorities in BiH will be expected not only to implement gender equality standards but also to strengthen democratic governance and inclusive development.

Implementing gender equality at the local level in BiH may be expected to lead to a wide range of economic, social and quality-of-life benefits, including reduced socioeconomic disparities, increased municipal transparency and stronger community resilience. There will also be administrative costs and funding needs, for example for support to female entrepreneurs, support shelters and childcare subsidies. While it is difficult to put a number on these costs and benefits, indicators across the following dimensions may help to gauge the potential scale of impact.¹³¹

Gender-Responsive Budgeting

Impact Metric: The proportion of municipal funds allocated to address the distinct needs of women, men and vulnerable groups (e.g. elderly, rural inhabitants).

Scale of Impact: LSGs like Centar Sarajevo, Trebinje and Tešanj utilising gender-responsive budgeting ensure that public money corrects historical disparities. Concrete impacts include improved social protection programmes, targeted agricultural support for rural women farmers and digitised, accessible public service delivery.

Political Participation and Leadership

Impact Metric: The percentage of women holding decision-making roles, such as municipal councillors and committee heads.

Scale of Impact: Local councils that meet the 40% representation threshold required by the BiH Gender Equality Law exhibit different legislative priorities. Increased female leadership statistically correlates with higher municipal investments in education, health and local infrastructure.

Economic Empowerment and Unpaid Work

Impact Metric: Labor force participation rates, employment levels and the allocation of funds for the 'economy of care'.

Scale of Impact: local policies that subsidise childcare and eldercare directly reduce the burden of unpaid work on women and allow them to enter or rejoin the municipal workforce, mitigating regional population losses and poverty.

¹³¹ See also UNDP, [Gender equality barometer of Bosnia and Herzegovina](#), April 2024; UNDP, [Local Changes for Equality - Women Changing the Way Communities Plan Their Development](#), July 2025; UN Women, [Gender Country Profile. Bosnia and Herzegovina](#), 2021; UN Women, [Moving towards the Gender Equality Index Bosnia and Herzegovina](#), 2022; Edita Miftari, [Gender Equality in Municipalities and Cities in Bosnia and Herzegovina](#), Sarajevo, 2015.

Community Safety and Institutional Trust

Impact Metric: Number of functional local protection mechanisms, shelters and protocols dealing with domestic and gender-based violence.

Scale of Impact: When LSGs establish dedicated task forces and support schemes, this decreases incident under-reporting and enhances overall community safety, leading to stronger trust in public institutions.

7.6 Recommendations

Looking ahead, local authorities in BiH are likely to operate within an increasingly demanding gender equality policy environment, shaped in part by the requirements and expectations associated with the EU accession process. The evolving EU approach (EU Gender Equality Strategy 2026–30) emphasises not only legal and institutional frameworks but also demonstrable results, evidence-based policymaking and institutional capacity to address emerging challenges. At the same time, gender equality is increasingly understood as a component of democratic resilience, social cohesion and the protection of fundamental rights, rather than solely as a sectoral policy issue.

For local government, this shift presents both an opportunity and a challenge. Municipalities and cities will be expected to strengthen their capacities to mainstream gender equality across a wider range of policy areas, monitor outcomes and demonstrate the impact of their interventions. This transition may prove particularly challenging in a context where BiH continues to face political and social polarisation, persistent gender stereotypes, unequal participation of women in decision-making, increasing prevalence of gender-based violence with weak response mechanisms, and growing resistance to gender equality initiatives.

Against this backdrop, strengthening local gender equality mechanisms, investing in institutional capacities and ensuring the sustainability of existing practices will be essential if local governments are to effectively contribute to both the country's EU integration process and the achievement of substantive gender equality outcomes.

Although gender equality mechanisms are formally recognised within the national legislative framework, at the local level they remain inconsistent, uncoordinated and highly variable from one LSG to another. These mechanisms are often institutionally weak and, in practice, can function as empty shells. Their effectiveness largely depends on the level of political support within the LSG, and actual implementation frequently relies on the initiative of individual officials rather than systematic institutional commitment.

Women remain underrepresented in local executive and legislative positions, despite quotas. Political parties rarely promote women to leadership roles, and many women are included on candidate lists only to meet legal requirements, not to win seats. These factors combine to limit women's visibility and influence in local governance.

Key general recommendations for municipalities to improve performance on gender equality include:

- Strengthen local institutional capacity to implement gender equality and anti-discrimination laws, including local gender institutional mechanisms (gender focal points, committees) and policies.
- Build administrative capacities through gender-disaggregated data and gender budgeting.
- Ensure adequate funding and support for a full range of services for survivors of gender-based violence.
- Strengthen support for women's employment through targeted local measures, while monitoring their results, long-term impact and sustainability.
- Promote women's participation and leadership in local decision-making.

- Counter anti-gender narratives and ensure that local policies align with national and international standards.
- Build stronger, more consistent, and politically supported local gender mechanisms that move beyond formal compliance to real, effective action.

In the context of BiH's EU accession process, the success of gender equality reforms will depend not simply on national frameworks, but on how local governments translate commitments into tangible progress for women in their communities. When it comes to meeting EU expectations for local action on gender equality, the following approaches are recommended:

- Prioritise the institutionalisation and sustainability of gender equality mechanisms, including their integration into regular local planning and financing.
- Foster cross-sectoral and vertical inter-institutional collaboration and learning, both within BiH and with EU counterparts.
- Leverage the EU integration process as an opportunity to embed gender equality into the core of local governance and development strategies.
- **European frameworks and instruments.** Encourage local governments to make greater use of existing European tools and networks, including the CEMR and the resources and peer-learning opportunities provided through its Observatory.
- **Local gender mechanisms.** Invest in building the professional and technical capacity of local gender equality mechanisms to move beyond formal compliance toward effective, proactive implementation. Ensure local gender equality commissions and focal points have clear mandates, resources and political support, and the Local Action Plans are regularly in place.
- **Local ownership.** Secure long-term municipal budget allocations for gender equality activities, reducing reliance on short-term donor projects. Encourage local governments to incorporate gender equality objectives into core policy and budgetary processes.
- **Local data collection.** Establish institutional arrangements for data sharing and coordination between local and higher-level authorities to support monitoring, evaluation and targeted interventions.
- **Gender mainstreaming.** Integrate gender perspectives into local development planning, service delivery and sectoral policies, including environment, social protection and rural development.
- **Women's participation.** Support leadership training, mentoring and networking opportunities for women in politics and public administration.
- **Addressing gender-based violence and social norms.** Strengthen local mechanisms for the prevention of and response to gender-based violence, ensuring accessible and adequately funded support services. Challenge gender stereotypes and counter anti-gender narratives through local campaigns and community engagement.
- **Intersectional Approach.** Address the specific needs of marginalised groups, such as Roma women and rural women, women with disabilities, LGBTI women and migrant women. Develop targeted policies and inclusive consultation processes and ensure adequate funding.

8. Experience from Croatia¹³²

8.1 Introduction

This chapter examines, with the benefit of hindsight, the impact that EU accession had on local authorities in the Union's newest member state, Croatia. It focuses specifically on public procurement, rural development, employment and social policy, regional policy, and environment, since these are the areas covered in preceding chapters, although examples in other areas (such as market competition, taxation and animal welfare) are also provided.

Croatia's accession experience shows us that timely and appropriate participation of local authorities' representatives increases the chances of efficient pre-accession activities in the candidate country, as it provides a crucial perspective on needs, obstacles and risks that EU accession poses for towns and municipalities. Such participation of local stakeholders is a necessary input for two different but equally important aspects of the accession process: the negotiations on the EU acquis, and programming of pre-accession instruments. Mistaken assumptions by national authorities, inaccurate information or a lack of information from local authorities regarding either of these aspects can jeopardise accession efforts, resulting in inadequate strategies and operational programmes, over-ambitious reform goals and deadlines, and low absorption of EU funds. Associations of local authorities should build their capacities to provide analytical evidence-based arguments during negotiations as well as to actively lobby for regular consultations and inclusion of local representatives in working groups and monitoring bodies.

Section 8.2 briefly presents the local self-government system in Croatia and the chronology of the EU accession process. Section 8.3 outlines pre-accession activities conducted by stakeholders and gives examples of the impact on local authorities in each of the policy areas mentioned above. The final section summarises the characteristics of Croatian EU accession and offers recommendations to local authorities and their associations for improving their capacities and performance in the pre-accession period.

8.2 Croatian local government in the context of EU accession

8.2.1 Overview of the Croatian local self-government system

The Republic of Croatia has two sub-national tiers of government: regional (counties) and local (towns and municipalities). While towns represent urban areas with more than 10 000 inhabitants,¹³³ municipalities are rural communities. In total, there are 20 counties, 128 towns and 428 municipalities, while the capital City of Zagreb has a special status, with the competences of both town and county.¹³⁴ The country is divided in two NUTS 2 regions: Continental Croatia (consisting of 13 counties and the City of Zagreb) and Adriatic Croatia (consisting of 7 counties).

Both municipalities and towns have the same scope of responsibilities (see Box 7.1). In 2005 a new category of towns was introduced – the so called large towns, which include county seats and towns with more than 35 000 inhabitants. Large towns have additional decentralised responsibilities for management of local and public roads in their administrative area and issuing of location and construction permits.

¹³² Besides minor stylistic changes, this chapter has not been revised since the first version of this report, produced in 2019.

¹³³ For historical, cultural and socio-economic reasons this requirement was not always respected as some Croatian towns have fewer inhabitants (the smallest one, the City of Komiža has only 1 526), while some municipalities have more than 10 000.

¹³⁴ The average size of local authority is 6 302 inhabitants without the City of Zagreb and 7 717 inhabitants including Zagreb. The population ratio between municipalities and cities is 30:70.

Box 8.1: Local government responsibilities in Croatia

Local authority responsibilities include:

- settlement and housing
- spatial and urban planning
- utility services
- primary health protection
- social welfare
- elementary education
- culture, physical culture and sports
- consumer protection
- protection and improvement of natural environment
- fire protection and civil protection
- traffic management.

Regional authorities have a broader scope of responsibilities in the fields of:

- education
- healthcare
- regional and urban planning
- economic development
- environmental protection
- transport and traffic infrastructure
- maintenance of public roads
- issuing location and construction permits (except in territories of large towns).

Local and regional self-government units have a representative body – local councils for towns and municipalities, county assemblies for regional authorities – and directly elected executive officials – Mayors for municipalities (*općinski načelnici*) and towns (*gradonačelnici*), prefects (*župani*) for counties. Their electoral mandates last four years.¹³⁵

Local authorities are financed from their own sources (taxes, revenue from own assets, fees, etc.), sources shared with regional authorities and the state (personal income tax) and grants and subsidies from the central state. In 2017, the share of local revenue was 6.5% of GDP, continuing the trend of steady decline since 2013. Between 2006 and 2017, the composition of local revenue changed very little and remains dominated by shared taxes (from 52% to 47%), followed by the revenue from own sources (from 35% to 31%). Personal income tax reforms in 2014 and 2016 decreased reliance on shared taxes and increased the share of general grants, which are dominated by transfers from the central government budget as a compensation for these reforms.

Three voluntary associations were established in the early 2000s to promote and defend the interests of local and regional authorities: the Association of Cities in the Republic of Croatia (est. 2002), the Association of Municipalities in the Republic of Croatia (est. 2002) and the Croatian County Association (est. 2003). All three count more than 50% of respective local authorities among their members, which gives them the status of national associations recognised by the Law on local and territorial (regional) self-government units. However, due to their limited human and organisational capacities they were not able to influence or effectively lobby for local authorities during the pre-accession period.¹³⁶

¹³⁵ The latest local elections, the seventh since independence, were held in May 2017.

¹³⁶ Until 2012, none of the associations had more than three employees working in their offices.

8.3 EU accession: context and a brief chronology

The European integration process in Croatia started with a high-level summit on negotiations for a Stabilisation and Association Agreement, held in Zagreb in November 2000. The application for membership of the European Union was sent in February 2003. A few months later, the EU Commission sent the questionnaire containing 4560 questions on the functioning of government, economy, civil society, etc. After receiving the answers to this, the Commission issued a positive opinion in April 2004, and two months later, the Republic of Croatia received the status of candidate country.

Croatia had a more difficult accession process in comparison to countries from earlier waves, with stricter conditions for opening and closing negotiations in each area of the *acquis*.¹³⁷ For the purpose of the procedure the whole *acquis* was divided in 35 thematic chapters that were used as a framework for the negotiations.

The negotiations formally started in October 2005¹³⁸ at the intergovernmental conference between Croatia and EU member states in Luxembourg on which general positions and opinions were mutually exchanged. The Croatian side recognised several policy areas (chapters) as specifically challenging: agriculture and rural development, environmental protection, fisheries, industry, regional development, and transport.

The Croatian negotiation team consisted of 16 government representatives and was supported by 35 Task Groups (various in size and composition) that were responsible for the analysis of national legislation and drafting of negotiation positions. Although many of the Task Groups tried to include broad representation of relevant stakeholders in their composition, local authorities were underrepresented in most of them (or not represented at all).

For example, in the five Task Groups for policy chapters analysed in this report, only four representatives from local authorities were included. Three representatives were appointed by the City of Zagreb (Task Groups for environment, rural development and regional policy) and one by the Association of Municipalities (Task Group for rural development). The Task Groups for public procurement and employment and social policy had no representatives from local authorities.

No specific official reports or academic studies on the impact of EU accession on local authorities were commissioned by the Croatian government or the associations of local authorities during the pre-accession period. One of the rare examples of such a thematic approach was a short study on regional policy and public procurement, produced by USAID and the Urban Institute in the mid-2000s under a capacity-building project for local authorities.

The last *acquis* chapters were closed in June 2011, ending the negotiation process after almost 6 years.¹³⁹ Within the same year, the Croatian government and EU member states signed the Accession Treaty and Croatian citizens confirmed the accession at a referendum held in January 2012. All conditions for full membership were met in June 2013 and Croatia joined the EU as the 28th member state on 1 July 2013.

It is important to note that negotiations on some of the key chapters for local authorities (as shown in Table 7.1 below) were concluded early on in the process, several years before actual accession.

¹³⁷ The candidate country does not negotiate on the *acquis*, but on the terms and conditions for its transfer to national legislation. EU accession negotiations are not considered traditional negotiations as such, but rather a process of adapting domestic legislation to the political, legal, economic and social system of the EU.

¹³⁸ The start of the negotiations was delayed for 18 months due to Croatia's failure to meet the conditions for cooperation with the International War Crimes Tribunal in Hague.

¹³⁹ The negotiations were put on hold between November 2008 and September 2009 due to the diplomatic dispute with Slovenia regarding state borders on land and sea.

Table 8.1: Opening and closing dates for the chapters analysed in this report

Acquis chapter	Start of screening	Chapter opened	Chapter closed
5. Public procurement	November 2005	December 2008	June 2010
11. Rural development	December 2005	October 2009	April 2011
19. Employment and social policy	February 2006	June 2008	December 2009
22. Regional policy and structural instruments	September 2006	October 2009	April 2011
27. Environment	April 2006	February 2010	December 2010

8.3 Issues from particular chapters of the acquis

8.3.1 Public procurement

Croatia adopted a strategy and action plan for the public procurement system in 2008 with the intent to further align domestic legislation with the EU acquis. The strategy's main goals included strengthening of the institutional framework (e.g. establishment of the Central Office for Public Procurement and Agency for Public-Private Partnership), training of the public administration, legal protection and prevention of corruption. The Act on Public Procurement was adopted in January 2008 and had several amendments and iterations by the end of 2016 when the new law was adopted. The Central Registry of Public Procurement Tributaries was established in 2009 and the Central Public Procurement Office started implementing centralised procurement for state bodies in the same year. By the year 2012 the national legislation on public procurement was in full accordance with the acquis. After accession, Croatia continued to develop its public procurement system, focusing on simplifying procedural rules, establishing an efficient e-procurement system and rationalising administrative costs.

The total value of public procurement launched by the local and regional authorities in 2007 amounted to EUR 560.4 million; in 2017 this had increased to EUR 874.5 million. In the same year water companies owned by local authorities had an additional EUR 185.5 million worth of public procurement. If the same methodology had been used for the reports in both years, the comparison would show that the value of public procurement tenders launched by local authorities had more than doubled in 10 years. This makes Croatian local and regional authorities the second largest group of public contracting authority nowadays (after central government bodies, agencies and public companies).

The legislation, in parallel with the increase in the number of procurement procedures, put significant pressure on city and municipal administrations, demanding additional efforts to build administrative capacities and to train staff. The Act on Public Procurement requires local authorities to adopt internal rules for procurement procedures and certify at least one employee for preparing and implementing procedures. Such specialised trainings are organised by state bodies, but other legal persons and companies can acquire a licence from the responsible Ministry of Economy and offer their training on the market. The Association of Cities started organising such specialised training for public procurement in 2009 and has since had its licence renewed three times. On average, trainings are held three times per year and co-organised with a member city, whose employees make up the majority of trainers. Trainings are open for attendees from other local authorities, public entities and companies, and the private sector. This is the only in-house training on public procurement offered by a national association of local authorities. As such, it can be highlighted as a good example in providing capacity-building and support to Croatian local authorities during the EU accession process.

Besides occasional seminars or workshops, national associations did not offer additional services to their membership regarding public procurement (e.g. a centralised procurement service or specialised legal and expert counselling). Since local authorities are not under the remit of the Central

Public Procurement Office they do not enjoy the financial and administrative benefits that such centralised procurement could provide.

While being a complex administrative procedure in general, public procurement often provided specific obstacles for local authorities. The obligatory use of the English language in IPA procurement procedures was a challenging rule for smaller local administrations that had certified employees without proper language skills. In addition, the publication of procurement tenders in public media and the national gazette proved to be costly for some towns and municipalities, occasionally forcing them to abandon the launch of procurement procedures and implementation of project activities.

Another reported issue was the long duration of procedures for resolving appeals and complaints regarding launched tenders. This is managed by the State Commission for Control of Public Procurement Procedures, an independent state body responsible for resolving complaints in public procurement, concessions and public-private partnerships. On average, the appeal procedure lasted 39 days, which was among the slowest in the EU.¹⁴⁰ This affected local authorities, with delays in the implementation of public procurements and planned investments occasionally resulting in additional costs.

Public procurement rules often provided a basis for national authorities to assert tighter control over local authorities. For example, the IPARD control body in Croatia (the Agency for Payments in Agriculture, Fisheries and Rural Development¹⁴¹) required tenders to be evaluated by a five-member board with a specific professional background (engineers), despite the official Guidelines' recommendation for smaller three-member boards. This complicated the procedures for appointing members and raised overall staff and expert costs. Another common redundancy was the obligatory implementation of certain procedures for trifling amounts of procured goods and services (less than EUR 500) despite existing local procurement rules and acts that are in accordance with national legislation and the EU acquis.

Local authorities had respected these demands and agreed to bear the additional workload for fear of possible irregularities in the implementation of public procurement. This is understandable, as irregularities in public procurement recently proved to be the most common reason for financial corrections prescribed by the control bodies. The risks such irregularities pose to local authorities should not be underestimated, as even the lowest correction rate can seriously affect local finances.¹⁴² This is especially true for large infrastructure projects. In the case of one local water service company, a 5% correction in eligible costs amounted to as much as the average two-year investment plan.

Due to this risk, it should not come as a surprise that Croatian local authorities, as a general rule, did not use public procurement as an innovative tool for achieving additional social, economic or environmental goals.¹⁴³ National support (e.g. training and advice) for such procurement procedures is still being developed, and only after the introduction, with recent legal amendments, of a new type of procurement procedure, the so-called Innovation Partnership.

Another legislative development that will facilitate public procurement is the introduction of *the most economically advantageous offer* as a balance between price and quality. Local authorities often mentioned issues with increased final costs for procured works and services that were selected according to the rule of lowest price. In such procedures, incidental costs that were not seen in the original tender have occurred rather often, manifested in maintenance services that

140 <https://poslovnipuls.com/2015/03/18/ovo-je-najveci-problem-sustava-javne-nabave/>

141 In Croatian: Agencija za plaćanja u poljoprivredi, ribarstvu i ruralnom razvoju.

142 According to national rules financial corrections can be determined at 5%, 10%, 25%, 50% or 100% of total acceptable project costs.

143 One exception is the City of Koprivnica, which has participated in several EU projects focused on innovative local procurement procedures to bring economic, social and environmental benefits: URBACT III action-planning network Procure (2015–2018); Sustainable Urban Furniture: Tool design to perform environmental assessments in the green procurement framework (2015–2018); Public procurement of innovation boosting green growth in MED area (2016–2019).

were omitted, or additional works and repairs that were necessary to realise and complete the contract. This opens the possibility for the cheapest tender to ultimately cost more than the most expensive tender. The new approach is expected to bring savings to public organisations and local authorities.

8.3.2 Rural development

The Republic of Croatia, with 91.6% of its territory and 47.6% of the population classified as rural, had recognised rural development as one of the most important and challenging areas of the EU acquis. During the pre-accession period it had used various programmes for rural development: CARDS, PHARE, ISPA, SAPARD and IPA.

The IPA Rural Development Programme (IPARD) officially started in 2008 and aimed to support Croatia's efforts to meet acquis standards and to prepare domestic agriculture for the common market after the country's accession to the EU.¹⁴⁴ IPARD's financial allocation for the 2007–2013 period amounted to EUR 184.4 million (with national co-financing varying between 20% and 25% depending on the specific measure). The programme was based on seven measures grouped under three priorities: 1) Improving market efficiency and the implementation of Community standards; 2) Preparatory actions for the implementation of agri-environmental measures and local rural development strategies; and 3) Development of the rural economy.

The representatives of local and regional authorities were included in the composition of the Monitoring Committee for the implementation of IPARD through their national organisations: the Association of Municipalities and the Croatian County Association.¹⁴⁵ Towns and municipalities with up to 10 000 inhabitants were eligible beneficiaries for Measure 301: *Improvement and development of rural infrastructure*; while Measure 302: *Diversification and development of rural economic activities* targeted public legal persons in the ownership of local authorities (e.g. kindergartens, schools, tourist offices).¹⁴⁶

The first call for proposals under Measure 301 was launched in December 2011 and had the worst result of all IPARD calls, with only seven signed project contracts out of 67 applications. The second and third calls were improved and produced better results. A total of 104 projects were contracted, the largest number focused on reconstruction and maintenance of local roads (55) and construction of sewage and wastewater treatment infrastructure (48). There was only one contracted project in the heating sector while calls for investment projects in fire prevention on forest roads met with no interest from local authorities, although IPARD had expected at least 37 contracted projects in that sector. By December 2016, the total amount of grants transferred for 81 projects under Measure 301 reached EUR 36.4 million (92.1% of total allocated funds).

Measure 302 had five calls, the first launched in early 2011 and the last in 2013. A total of 145 projects was contracted, most (117) in the rural tourism sector. Other investment areas, such as the service and freshwater fishing sectors, were of little interest to potential beneficiaries, with only four contracted projects. By December 2016, the total value of grants paid to 130 projects amounted to EUR 9.5 million (71.3% of total allocated funds).

While the majority of local authority beneficiaries evaluated the goals of particular measures to have been partially (52.2%) or fully achieved (17.4%), several issues affected the overall impact of IPARD. Towns and municipalities reported local needs that had not been included in the programme, which ruled out investments in communal and social infrastructure (e.g. voluntary fire-

¹⁴⁴ The Programme was amended 6 times before Croatia became a full Member State, and had three additional amended versions by July 2016.

¹⁴⁵ The representatives of the Association of Cities were not included despite the fact that most cities have some of their settlements in rural areas. Even Zagreb, as a Capital City, has a Department for Agriculture and Forestry.

¹⁴⁶ Note that in the 2014–20 IPARD programmes, the corresponding measures are 'Investments in rural public infrastructure' and 'Farm diversification and business development'. Local authorities and public bodies are eligible for the former but not the latter, although establishment or improvement of e.g. kindergartens may still be supported under investments in rural public infrastructure.

fighting units, ambulances, kindergartens, schools, cultural centres, public transport) despite the need for renovating such facilities. At the same time, funds for other eligible activities in the programme (e.g. investments in fire prevention roads and upgrading of biomass heating plants) had not been effectively used. This is a clear indicator of the effects caused by the inappropriate participation of local authorities during the programming phase of IPA. If the representatives of local authorities had been consulted they could have provided better inputs that would have resulted in more suitable activities and investments eligible for IPA financing.

The general opinion of local authorities on IPARD project applications and document preparation can be summarised as extensive and complicated, resulting in administrative costs that were a significant burden for financially weaker municipalities relying on outsourced consultancy services. On the other hand, unclear property and ownership rights proved to be a major obstacle in the implementation of projects. For example, mismatches between the cadastre and the actual situation often prevented local authorities from investing in unclassified roads, since these were listed as private property. To correct these mismatches local authorities had to request new geodetic studies and submit them to the cadastre and land registry service for official updating. These procedures were long and produced extra expenses for local budgets.

Along with public procurement, whose procedures were reported as very complicated, almost half of IPARD beneficiaries (including local authorities) reported that the administrative conditions prescribed by other public administration bodies greatly complicated the implementation of their projects. This took the form of rigorous checks and control that showed a lack of confidence and trust in local self-government. There were requirements for unnecessary documentation (permits, studies and analysis), long administrative procedures for permits and approvals, and even mismatches in the terminology of tender rules and national legislation.

Under IPARD Measure 202: Preparation and implementation of local rural development strategies, the LEADER approach was introduced as an aspect of rural development previously unknown in Croatia. Since its multi-sectoral and participatory approach was new for the Croatian administration, additional time for preparation was needed, resulting in the first call for the 2007-13 programme being launched in March 2013. The operational objectives of this measure were: a) to enhance capacity among rural inhabitants and Local Action Group (LAG) members through training and education; b) to develop, organise and run LAGs; and c) to prepare and begin implementation of the Local Development Strategies through local projects.

In 2013 there were 52 LAGs in Croatia, the first one having been established in early 2009.¹⁴⁷ A Croatian LAG represents a rural area with a population between 5 000 and 150 000 (including settlements with a population of less than 25 000) and is officially registered as a non-profit association. Its membership is composed of organisations from the civil, social and business sectors together with local authorities, who were the most common initiators for the establishment of LAGs (in 44% of cases).¹⁴⁸ LAGs were mostly financed by grants from local authorities (40.7%) and membership fees (35.6%).

Most of the LAGs were not prepared and experienced enough for the beginning of the 2014-20 period. In response, the Croatian government managed to secure the possibility of spending less than the mandatory minimum of funds in the current programming period for the implementation of LEADER measures (3% instead of a minimum of 5% from the allocation of the European Agricultural Fund for Rural Development). This decision will affect the financing of LAGs and their projects in the current period and will have a negative impact on local budgets and further development of the LEADER approach in Croatia.

IPARD was succeeded by the Rural Development Programme 2014-20, approved in May 2015, with a financial allocation almost 13 times larger than IPARD: EUR 2.38 billion in total. It continues and

147 By March 2017 there were 56 LAGs in Croatia covering 92.3% of the national territory and 57.1% of the total population. 121 cities and 410 municipalities (95.5% of the total number) are members of LAGs.

148 Other initiatives for LAGs were launched by regional development agencies, counties, the Ministry of Agriculture and citizens' associations.

improves on IPARD's goals, focusing on encouraging competitiveness in agriculture; promoting sustainable management of natural resources and climate changes; supporting balanced territorial development of rural areas; and creating new jobs.

Despite the overall improvements in the 2014–20 programme, one measure had an unexpected impact on local authorities as its main beneficiaries.¹⁴⁹ Due to an eligibility condition that project activities (e.g. drawing up relevant strategic and development plans; investments in services, leisure and culture infrastructure) must be realised for settlements with up to 5 000 inhabitants, a number of local authorities initiated administrative procedures to establish new or split up existing settlements on their territory in order to secure their eligibility as grant beneficiaries. These procedures led to additional pressure on both local and national administrations as they needed to prepare, approve and adopt the required decisions and acts. This is another example of an impact on local authorities that could have been prevented if they had been properly consulted during the programming phase.

8.3.3 Employment and social policy

Croatian social policy is the responsibility of the national authorities, but local and regional authorities have competences in the field of social welfare, implementing national policies concerning poverty, social inclusion, and equality. Pre-accession activities in the area of social policy started in 2007 when Croatia and the EU Commission signed the Joint Inclusion Memorandum (JIM), which defined key challenges for advancement of social protection and social inclusion. Most of the relevant stakeholders had participated in drafting the JIM (ministries, local and regional authorities, social partners, academic institutions, NGOs) although coordination with the representatives of local and regional self-government was insufficient in the follow-up process. The document also provided a framework for thematic programming under IPA. Two goals were highlighted in the JIM: a) decentralisation and deinstitutionalisation of social services; and b) more efficient information exchange between social assistance and other social security systems. Neither goal was achieved by the time Croatia became a member state in 2013.¹⁵⁰

The failure to meet planned goals led to significant regional differences and inequalities in access to social rights and services. Wealthier local authorities provide larger social transfers, giving their citizens greater social rights and benefits than the official social welfare system, while smaller, rural municipalities, with lower population density, have problems with the organisation and accessibility of social services.¹⁵¹

The vertical and horizontal implementation of social policies was still insufficiently developed in 2015, particularly as regards cooperation between state authorities, the local level and civil sector organisations that should play a crucial role in the deinstitutionalisation of social services. One of the obstacles to strengthening cooperation between local stakeholders is the lack of appropriate human resources and administrative capacities in municipalities and smaller towns (e.g. overburdened local administrators in charge of social policies, insufficient knowledge of the legal framework and social welfare system, lack of experience and/or trust in cooperation with civil sector organisations). This often impedes efforts to build partnerships and develop social programmes. National and local support for innovative social programmes is not satisfactorily developed, as most of the institutions in the social welfare system are reluctant to initiate or take part in projects and programmes that are not prescribed by the national social policy.

149 Measure 7: Basic services and village renewal in rural areas, targeted all municipalities and towns (with less than 10 000 inhabitants).

150 In 2018, the national Action Plan for Improving the Social Security System (2018–2020) still defines measures that aim at achieving a more efficient and just system of social protection and social inclusion as well as reducing the fragmentation of the system by bridging the gap between national and local levels. There was no significant progress in the decentralisation of competences in social policy from national to regional and local level after 2001.

151 Isolated rural areas with older populations often remain excluded from social programmes and services.

Another obstacle for efficient planning and implementation of social policy is the absence of reliable indicators and databases on social welfare users and service providers (especially those in the civil sector). Initiatives aiming to establish better coordination with the local and regional levels and to standardise monitoring of the social system using the methodology of the European System of Social Protection Statistics started late, several years after accession.

This suggests that additional training and improvement of local authorities' capacities is still needed in the area of social welfare, as well as stronger partnerships with civil sector organisations and other policy stakeholders.

Croatian employment policy is the responsibility of the central state and national bodies – the Ministry of Labour and Pension System and the Central Employment Service, which implement various employment measures. Cities and municipalities have no relevant competencies in this area as most of the funds for active labour market policies are transferred from the central budget to the state administration at local level. Labour relations in local authorities are defined by the Law on Local Servants and Employees¹⁵² and, to some extent, by the Law on Labour (which is harmonised with the *acquis*). Local authorities as employers are obliged to respect the regulations on social partnership and other labour provisions (e.g. consultation with union representatives or worker councils on topics with significance for local staff), though this did not result in significant financial or legal effects compared with the period before accession.

The labour market in Croatia is characterised by high unemployment and low rates of employment and activity. In 2008 Croatia signed the Joint Assessment Paper on Employment Priorities with the EU Commission with the aim of increasing the employment and activity rates in the pre-accession period.

IPA provided a solid and much needed framework for projects in the area of employment. The IPA Programme for Human Resources Development included measures to improve administrative capacities in the area of education, employment and social inclusion of disadvantaged groups and individuals. IPA funds allocated for this component amounted to EUR 94.4 million. After accession, a European Social Fund (ESF) programme with the same name was approved in October 2013. This continued the activities started under IPA, with an allocation of EUR 152.4 million for the remainder of the 2007–13 period. Projects aimed to improve skills and competences for inclusion in the labour market and to develop an institutional framework for HR development at the county level (based on local partnerships) while strengthening the capacities of local stakeholders to implement an active labour market policy.¹⁵³

The current ESF operational programme, Efficient Human Resources 2014–2020, continues to address remaining social and labour market challenges, with an additional focus on youth employment and good governance and an allocation of EUR 1.58 billion. This programme had the lowest rate of contracted funds (only 24.08%) when compared to other operational programmes at the beginning of 2018.

8.3.3 Regional policy

The Republic of Croatia did not have a solid regional policy before opening negotiations for EU membership. The national legislative framework did not contain a specific instrument for regional development, as the matter was scattered among several other laws dealing with certain aspects of the issue.¹⁵⁴ Implementing the regional policy *acquis* involved the adoption of number of strategic documents defining priority areas for investments and establishing a comprehensive institutional system for the use of pre-accession and structural funds. This required big institutional

¹⁵² Zakon o lokalnim službenicima i namještenicima (NN 04/18)

¹⁵³ In addition, a number of local authorities implemented projects that developed capacities of local business and entrepreneur incubators, but those projects were financed under other operational programmes.

¹⁵⁴ For example: the Law on Islands; the Law on Areas of Special State Concern; the Law on Hilly and Mountainous Areas; the Law on Reconstruction and Development of the City of Vukovar.

changes and training of a significant number of employees working in public administration (at first the State administration only).

The Ministry of Regional Development, Forestry and Water Sector was established in 2008 and became the main actor for regional policy.¹⁵⁵ The Law on Regional Development was adopted in 2009, establishing the framework for regional development policy in Croatia. Regional (i.e. county) authorities were the focus of the policy, responsible for drafting and adopting regional development strategies. Towns and municipalities had to develop local strategies in line with regional strategies. Additionally, the law authorised regional development agencies¹⁵⁶ as coordinators for strategic planning and preparation of development projects.

A new Law on Regional Development was adopted in 2014 and introduced regional coordinators. These are public institutions established by each of the 21 counties and tasked with: coordination and development of county development strategies, other strategic documents and action plans, coordination of development and implementation of local development strategies, coordination of activities related to promoting regional competitiveness and urban development as well as preparation and implementation of development projects. This strengthened regional agencies even further, making them responsible for the general implementation of regional policies.

During the pre-accession period, Croatia had to develop a regional classification, which it did in 2007 by grouping several counties into three non-administrative NUTS 2 regions: Pannonian, Adriatic and Northwestern Croatia. The process of establishing NUTS 2 regions was centralised and government driven, with some academic input but without any broader consultation with local and regional government. The classification was changed in 2013, since when Croatia has only two NUTS 2 regions: Adriatic and Continental Croatia.¹⁵⁷ Once again the Government decided on the NUTS classification without a proper consultation procedure, which raised objections from some counties in the eastern part of the country, although this did not result in amendments to the new NUTS 2 system.

The lack of consultation and participation of local and regional authorities in the processes of defining regional policy and coordination of structural instruments was a common practice, at least in the beginning. Things changed for the better with the implementation of IPA instruments, as the EU demanded broader consultation with socio-economic partners, making local self-government units, civil sector organisations and professional associations regular members of Monitoring committees (MCs) for the implementation of IPA.

During the programming phase for Croatia's post-accession operational programmes, local representatives were nominally included in the drafting of programming documents, although in certain thematic working groups only. The experience with programming showed the necessity of having reliable statistical data in line with EU standards, which in the case of Croatian towns and municipalities was missing. Representatives included in working groups were not prepared for the programming methodology; they were unfamiliar with EU strategic goals and lacked concrete data needed to analyse the situation at local level and propose measures that would target local authorities. This can probably explain the limited influence of local authorities in the final programming output. In the current period (2014–20), the representatives of local and regional authorities are included in the composition of MCs for operational programmes, although national associations had to intervene and demand the appointment of their representatives in certain cases where they were omitted.

155 In 2011 it changed its name to Ministry of Regional Development and EU Funds after removing forestry and the water sector from its portfolio.

156 Regional development agencies are established and owned by regional authorities. Istrian Development Agency (IDA) was the first one, established in 1999. The majority of other regional development agencies were established in the second half of the 2000s.

157 The Government wanted to enable equal access to European funds for all Croatian regions, since the former Northwestern Croatia NUTS 2 region had crossed the threshold of 75% of EU GDP per capita, which would prevent it qualifying as a less developed region. On the other hand, this compromised the starting position of counties in the eastern part as they had to compete for the same funds with northern counties who had better administrative and financial capacities.

The advocacy activities of national associations of local and regional authorities related to regional policy and implementation of European Structural and Investment (ESI) funds were increased after the establishment of internal working groups, which included local staff working on preparation and implementation of EU funded projects and local strategies.¹⁵⁸ In addition to increasing associations' advocacy capacities, these internal structures enabled a regular platform for cities and counties to exchange their experience and knowledge on the subject, increasing their efficiency in absorbing EU funds. It can be indicated as a good and effective practice in providing support to local authorities.

It is important to point out the new role of structural funds as the main source for local public investments. Very soon after accession it became evident that most of the national and local finances are used to co-finance EU investment projects while relying on the ESF and ERDF funds to cover the majority of expenses. It is estimated that almost 80% of local investments in Croatia are financed from EU funds (higher than the EU average). Revenues coming from EU sources were planned at 9% of total Croatian budget revenues in 2017, and this is set to reach almost 11% in the following years. According to the Ministry of Finance the EU budget revenues are the third most important source of income after taxes and pension contributions in Croatia. Consequently, EU funding allows local authorities to significantly decrease the time needed to generate a sufficient return on investments.¹⁵⁹

Despite local authorities' dependency on EU funding for local (and regional) development, the preparation and implementation of projects is not spared of challenges and obstacles. Most of the problems are related to unresolved property rights,¹⁶⁰ unreliable annual plans for public calls for project proposals, long evaluation procedures, and complex application forms and rules. Another issue for local authorities is the long-term sustainability of their implemented projects, especially in the areas of culture heritage and tourism.

Insufficient local capacities for project co-financing (and preparation of required tender documentation) were tackled with the establishment of the Government's Fund for co-financing implementation of EU projects at local and regional level (see Box 7.2). Another available option for local beneficiaries is low interest loans offered by the Croatian Bank for Reconstruction and Development.

158 The Association of Cities established a Working Group on EU Programmes and Funds in 2011, while the Croatian County Association established a Working Group for EU Funds and International Cooperation in 2015. At the time of writing the Association of Municipalities had not established a similar body.

159 The projection of return on investments in energy efficiency projects for public buildings show that local authorities can decrease the time from 16.7 years (using their own finances) to 6.7 years or less (depending on the local level of development) if they are using EU funds.

160 In order to resolve issues with the land registry and cadastre of real estates, the most efficient procedure is the new cadastral measurement, which is a costly and long procedure involving local and national authorities.

Box 8.2: Fund for co-financing implementation of EU projects at local and regional level

The fund (*Fond za sufinansiranje provedbe EU projekata na regionalnoj i lokalnoj razini*) was established in 2015 (though it had been announced three years earlier) and aims to increase the use of ESI funds in support of increased competitiveness and balanced regional development. Beneficiaries are local and regional authorities and legal entities and institutions in their majority ownership or co-ownership who have concluded grant award agreements for the implementation of EU projects. Funds are allocated to enable beneficiaries to meet their obligation to finance projects partly from their own resources.

The share of co-financing depends on the development index of local and regional self-government units where the project is being implemented (e.g. between 90% and 60% for local authorities and between 80% and 50% for regional authorities). Four public calls for grants from the fund have been launched since 2015, with more than EUR 35.7 million awarded to local and regional beneficiaries.

The fund was preceded by a programme for the preparation and implementation of development projects eligible for EU funding, financed by the State Budget, and designed to support development projects of local and regional self-government units. This was run by the Ministry of Regional Development in 2012 and 2013 with a budget of around EUR 4 million. A modified programme (targeting lesser developed municipalities with around EUR 7.5 million in funding) was continued in 2017 and 2018.

Administrative capacities for preparation and implementation of projects were to be strengthened through the support of regional development agencies, but these did not manage to provide sufficient services to all local authorities on their territory. In response, a number of cities established their own local development agencies just before or soon after accession, although municipalities in general have not followed this trend.¹⁶¹

8.3.5 Environment

Environmental protection was one of the most challenging issues for Croatian authorities in the negotiation process. The extensive environmental protection policies of the EU required Croatia to adapt and amend a significant part of national legislation, mostly in the fields of water management, waste management, climate change, air quality and resource efficiency.

For the purpose of harmonisation with the EU Water Framework Directive, the Croatian Parliament passed the Law on Water and Law on Water Sector Financing in December 2009. Two acts introduced the new principle of economic water price and full cost recovery in the existing legal framework and introduced water service providers as a new category of public utility company. The 2004 Law on Waste was the first attempt to align national policies with the *acquis* on waste management. It was amended five times and replaced by a new act, the Law on Sustainable Waste Management, in 2013.

EU funding for environmental measures was channelled through the IPA Environmental Protection Programme. This aimed to invest in the waste and water sectors and to improve the implementation of the *acquis* governing treatment and disposal of waste, supply of drinking water, and collection, treatment and discharge of waste water. The programme was co-financed by EU with a contribution of EUR 131.3 million. Programme beneficiaries included public utility companies responsible for water supply and sanitation (in the ownership of local authorities) and waste management centres (in the ownership of regional authorities).

¹⁶¹ Some cities had established their own development agencies much earlier (e.g. Rijeka in 2004). Lack of finances is the most common reason preventing municipalities from doing likewise. An example of good practice in this field was the establishment of the joint Office for International Cooperation – TINTL – in 2005, financed by several local authorities as a form of intermunicipal cooperation. TINTL became a local development agency in 2017.

After Croatia's accession to the EU, the objectives of the IPA programme were transferred to the Environmental Protection 2007–2013 operational programme (with EU co-financing of EUR 281.1 million), which put additional focus on the development of environmental infrastructure and linked public services. Beneficiaries included local authorities and public utility companies in the water and waste management sectors. In the current programming period, environmental policies are financed through the operational programme Competitiveness and Cohesion 2014–2020 Priority Axis 'Environmental protection and resource sustainability' with EU co-financing of EUR 1.98 billion.

Croatia managed to secure transitional periods in the Accession Treaty which allowed additional time to align with EU standards and implement large infrastructure projects, as the overall pre-accession achievements were not satisfactory. The existing waste management system had been assessed as ecologically unacceptable and unsustainable, characterised by insufficient waste management facilities, a high proportion of municipal (biodegradable) waste being landfilled and a low proportion of recycled municipal waste. The water management sector was characterised by high losses in the supply system (44%), low connection to the public sewerage system (44%) and small service providers with insufficient human and technical capacities to prepare and implement projects.

The overall impact of the implementation of environmental policies has been significant for local authorities, as both administrative and financial capacities of cities and municipalities came under additional pressure, especially in the fields of infrastructure projects and service management. Infrastructure projects were complex, long and required specific skills and knowledge to prepare and implement. Outsourcing to private consulting companies for project preparation was not uncommon and local authorities usually had to rely on the support of national authorities and regional institutions in managing infrastructure projects.

Local management capacity and service quality needed to be strengthened and improved, but administrative support and professional training by national bodies did not accompany the institutional and legislative changes that aimed to achieve those objectives. Associations of local and regional authorities had organised occasional thematic seminars and workshops for their members but were not able to provide a continuous and systematic training programme.

The changes that were introduced by the Law on Water in 2009 impacted the local level in various ways – the most visible change was the obligatory establishing of water service providers as separate public companies. Since 2010 water service providers must be companies in the ownership of local authorities that exclusively provide water supply and/or sanitation services to citizens and businesses. Before, water services were part of municipal utility operations, meaning that utility companies usually provided a broad scope of services to citizens (e.g. waste and water management, management of green areas, public parking, even funeral services). This initiated a process of separating and establishing new water companies from the existing local utility companies, which resulted in additional administrative, managerial and staff costs.

Paradoxically, this decision led to further fragmentation of the Croatian water service system and reduced efforts to achieve policy objectives. The national legislator tried to correct the practice of local authorities who used revenues from other utility services to cover financial losses in water supply and sanitation due to low water prices. Translating the principle of economic value from the Water Framework Directive, Croatia adopted the Regulation on the lowest basic water service cost, which prescribed the new methodology for defining water prices. The alignment with the new regulations was a lengthy process for local authorities, requiring new pricing decisions that sometimes resulted in political frictions where several local self-government units shared the same water service provider.

New investments in water and wastewater infrastructure needed significant co-financing, which required local authorities to incorporate additional public development fees into the water price. To respect the principle of full cost recovery, local authorities were forced to increase their water prices to reflect the higher operational costs of new waste water purifiers. It was estimated that

new regulations, as a direct consequence of harmonisation with the EU acquis, increased the existing water prices in Croatia by between 20 and 100 percent. The legislation included provisions on subsidised prices for socially endangered citizens (no higher than 60% of the basic water service price). Although the amount of water delivered for basic household needs is not prescribed by law, the Council for Water Services recommends applying the standard of the World Health Organization, which is at least 70 litres a day per household member.

In the early phase of translating the Waste Framework Directive into national legislation, Croatian strategy for waste management had focused on building an efficient sector based on 17 regional centres for waste management. In 2014 only three such regional centres had been constructed (but were not fully operational), which compromised the overall plan for reaching the environmental objectives on time and opened the risk of the EU imposing penalties on Croatia. This led to modifications of the national strategy for waste management that were incorporated in the Waste Management Plan for the period 2017–2022. The new system of waste management is centred on the approach of separate collection and selection of waste at source, bio-waste composting in households and local centres for recycling waste and further re-use.

The new approach puts further pressure on the main stakeholders in the waste sector – cities and municipalities – as they need to organise and implement new systems of local waste management. This requires local authorities to undertake a series of actions with direct administrative and financial impacts: adopting necessary acts and plans, annual reporting to national authorities, new infrastructure investments, procurement of new equipment and vehicles, launching informative campaigns for citizens, staff training, etc. The progress report is yet to be published, but it is evident that larger cities are having problems with the implementation of the Plan (longer procedures for adoption of necessary plans and acts; uninformed and unprepared citizens; larger investment needs, etc.).

As in other chapter negotiations, local authorities were not consulted at the beginning of the acquis harmonisation process. This practice changed for the better in later years when they were included in the drafting of new regulations and have participated in the monitoring committees for the implementation of environmental operational programmes (financed both from IPA and ESI funds). All three national associations had their representatives appointed in the Council for Water Services, an independent regulatory body for controlling water service prices in Croatia.

8.3.6 Examples of impacts in other policy areas

As a direct result of harmonisation with the EU acquis, additional impacts on local authorities should be expected, most likely regarding tax regulations and market competition rules.

For example, the Croatian local authorities had to calculate VAT on their economic activities (e.g. parking services, real estate rental, sale of funeral equipment), which resulted in price increases for certain services and works provided by towns and municipalities as well as an additional burden on local administrations through more complex accounting and budgeting procedures.

In addition, some interest groups could try to use the acquis to lobby for privatisation of certain services under the pretext that provision by local authorities is in breach of the market competition rules (e.g. funeral services, as was the case in Croatia). National associations of local authorities should be cautious and mindful of such attempts, as most of the reforms (not least those initiated by the government) may be presented as a pre-requisite for the membership in the EU.

Another example is the adoption of EU standards in animal welfare that resulted in additional costs as Croatian local authorities received new tasks and obligations (e.g. obligatory establishment and financing of animal shelters, provision of necessary assistance to injured animals, and collection of abandoned or lost animals).

Some impacts will not be a direct result of the harmonisation with the acquis. With the intent to rationalise and improve the effectiveness of the judiciary system the Republic of Croatia initiated several waves of functional and territorial reforms which, among other changes, included the clo-

sure of tens of municipal (first-level) courts, local state attorneys and commercial courts in smaller towns. While not targeting local authorities per se, the closure of courts did influence the quality of life for citizens in those towns.

8.6 Conclusions and recommendations

The characteristics of the Croatian EU accession process and the impact it had on local authorities can be summarised as follows:

- The accession negotiations were long and complicated; local authorities had not been properly consulted or sufficiently represented in the relevant Task Groups that analysed and drafted Croatian negotiation positions.
- National associations of local and regional authorities had not analysed the impact of EU accession in a timely manner and had not actively supported local authorities during the early stages of the negotiation process.
- The government's centralised approach in the integration process led to delays in the implementation of necessary reforms (e.g. environmental protection and social policy) and resulted in mistaken assumptions in strategic and operational documents (e.g. on rural development and regional policy).
- Support from the regional development agencies was insufficient during the pre-accession period, which prompted local authorities to build their own capacities post-accession (e.g. to establish their own development agencies, form new administrative departments for EU-related issues, prepare and implement EU-funded projects, or join transnational, interregional or cross-border partnerships).
- Adopting public procurement and environmental protection standards (especially in the field of water and waste management) proved to be the most challenging areas of the *acquis* for local authorities, resulting in additional costs, training needs for administrators and new management procedures.
- Soon after accession, EU funds became the main source for public investments at the local level, making local authorities partially dependent on them.
- Taking into account these findings, several measures can be proposed to increase local administrative capacities and to mitigate the potential risks that EU accession may bring for towns and municipalities. In that sense, national associations of local authorities should consider prioritising certain areas of their everyday activities and making additional efforts in the following areas:
 - advocating early participation of local authority representatives in pre-accession activities and related bodies (e.g. Negotiation Task Groups for analysis of the *acquis*, Thematic Working Groups for drafting strategic and operational documents, Monitoring Committees for the implementation of IPA programmes)
 - securing obligatory participation of local representatives (preferably professionals and employees with experience in related policy areas rather than political representatives) in drafting of bylaws and regulations concerning local implementation of the *acquis*
 - advocating timely and comprehensive statistical data collection by national authorities and state agencies, followed by official studies and analyses that include a territorial (local) dimension in relevant areas of the *acquis*
 - building organisational capacities to analyse the *acquis* and to gather and process data from members for use in EU-related support, programming and advocacy activities
 - providing support to local authorities through counselling and training programmes for project cycle management, strategic planning, multi-sectorial cooperation, public procurement, water management and waste management
 - establishing internal structures to allow regular and continuous sharing of knowledge and experience among members in the areas of public procurement and project preparation and implementation (e.g. in the form of Working Groups or Commissions on EU related issues or forums)

- advocating the establishment of a fund to assist municipalities (especially less prosperous ones) with co-financing, pre-financing and preparation of documentation (strategies, feasibility and environmental impact studies, building permits, etc.) for EU-funded projects.



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This publication has been published within the project “Strengthening Associations of Municipalities and Cities in Bosnia and Herzegovina”, supported by the Government of Switzerland and implemented by the SALAR/SKL International, the Association of Municipalities and Cities of Republika Srpska (SOGRS) and the Association of Municipalities and Cities of the Federation of Bosnia and Herzegovina (SOGFBiH) in BiH. The content of this publication does not necessarily reflect the views of the Government of Switzerland.