



EUROPEAN
COMMISSION

Brussels,XXX

SWD(2024) 691/2

SENSITIVE*

UNTIL ADOPTION

COMMISSION STAFF WORKING DOCUMENT

Bosnia and Herzegovina 2024 Report

Accompanying the document

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT,THE COUNCIL,THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF REGIONS**

2024 Communication on EU enlargement policy

{COM(2024) 690} - {SWD(2024) 690} - {SWD(2024) 692} - {SWD(2024) 693} -
{SWD(2024) 694} - {SWD(2024) 695} - {SWD(2024) 696} - {SWD(2024) 697}-
{SWD(2024) 698} - {SWD(2024)699}

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

1.2.MAIN FINDINGS OF THE REPORT

CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

Democracy

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

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

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

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

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

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

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

Public administration reform

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

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

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

Chapter 23: Judiciary and fundamental rights

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

Functioning of the judiciary

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

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

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

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

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

Fight against corruption

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

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

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

Fundamental rights

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

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

Freedom of expression

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

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

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

Chapter 24: Justice, freedom and security

Bosnia and Herzegovina has **some level of preparation** in this area. **Some progress** was made on Opinion key priorities 7 and 8, notably with the adoption of the Law on anti-money laundering and combating the financing of terrorism. Action plans for countering terrorism and preventing and countering violent extremism were also adopted at all levels. Migration management continued to improve. While broadly aligned with the EU acquis, legislation is often

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

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

→ take over responsibility for managing migration, including management of reception centres; ensure effective coordination of border management and migration management capacity; and guarantee access to quality and effective asylum procedures;

improve civilian oversight mechanisms over all police forces; consistently appoint police directors based on merit;

→ adopt the law on border control and the strategy and action plan on integrated border management 2024-2029 in line with the EU/Schengen acquis; continue to align with EU visa policy, in particular with regard to third countries presenting irregular migration or security risks to the EU, and introduce security measures to better screen visa-free arrivals.

Fight against organised crime

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

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

→ adopt a 2024-2027 strategy on trafficking in human beings and amend legislation on migrant smuggling to better combat these two crimes;

establish specialised multi-agency investigation teams for complex cases; setup an asset recovery office; improve mutual access to databases and timely exchange of information; strengthen financial investigations;

adopt a new law on personal data protection, as a precondition for an agreement on operational cooperation with Eurojust, and sign and ratify the latter; establish a firearms focal point; and align legislations on the possession of weapons by civilians.

The existence of a functioning market economy

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

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

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improve the business environment by simplifying business registration and licencing procedures and by harmonising and mutually recognising licences and certificates between entities;

strengthen countrywide regulatory and supervisory institutions, bolster analytical and policy-formulation capacity and publish complete and consistent countrywide data in a timely manner, in particular on public finances;

increase the transparency and efficiency of the public sector, in particular by establishing a framework for better, depoliticised governance; improve tax collection by ensuring the effective exchange of information between tax authorities; and clarify the constitutional competence for establishing a registry of bank accounts of private individuals, in line with the EU acquis.

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

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

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

- improve the quality of education and training, in particular accelerating the modernisation of curricula with a view to better alignment with labour market needs;

- increase the share of government capital spending in GDP, in particular by focusing on transport and energy infrastructure and on improving environmental standards;

- improve management of public investment and accelerate implementation of investment projects that have undergone a clear positive cost-benefit assessment.

Chapter 5: Public procurement

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

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

- further align the public procurement law with the EU public procurement acquis, including on public-private partnerships and concessions;

- increase staffing levels and strengthen capacity in the Public Procurement Agency and the Public Procurement Review Body;

- develop the e-procurement system and increase its use to ensure transparency.

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

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

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

Chapter 32: Financial control

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

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

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

CLUSTER 2: INTERNAL MARKET

Chapter 1: Free movement of goods

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

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

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

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

Chapter 2: Freedom of movements for workers

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

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

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

Chapter 3: Right of establishment and freedom to provide services

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

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

- develop and adopt a countrywide law on services that is fully aligned with the EU Services Directive, including a point of single contact, and remove the remaining barriers to establishing a single economic space;

develop and adopt a countrywide strategy and a countrywide law on postal services aligned with the EU *acquis* to gradually open the postal services market to competition, and strengthen institutional capacity to ensure compliance with new postal market rules;

align legislation with the EU *acquis* on mutual recognition of professional qualifications, including with the Directive on recognition of professional qualifications and with the Directive on a proportionality test, before regulating any new profession.

Chapter 4: Free movement of capital

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

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

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

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establish a countrywide central register of beneficial ownership information for legal persons and private individuals, and a register of beneficial ownership information for legal arrangements, in line with the EU acquis;

adopt legislation to align with the Payment Services Directive 2, the Electronic Money Directive 2 and the Regulation on single euro area payments (SEPA).

Chapter 6: Company law

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

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

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

Chapter 7: Intellectual property law

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

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

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

Chapter 8: Competition policy

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

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

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

Chapter 9: Financial services

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

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

- continue the work towards full alignment of the banking regulation with the amended versions of the Capital Requirements Directive and Regulation and with the Bank Resolution and Recovery Directive;
- Continue efforts in aligning regulation of non-banking sectors, including the regulation on investment funds and on the financial market infrastructures;

introduce consolidated supervision of banking groups and overall financial holdings, including across entities and in the Brčko District.

Chapter 28: Consumer and health protection

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

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

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

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

Chapter 10: Digital transformation and media



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

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

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

Chapter 16: Taxation

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

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

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

Chapter 17: Economic and monetary policy

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

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

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

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submission and compliance with the requirements;

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

Chapter 19: Social policy and employment

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

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

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

Chapter 20: Enterprise and industrial policy

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

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

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

Chapter 25: Science and research

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

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

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

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

Chapter 26: Education and culture

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

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

- extend and update the action plan for the national qualifications framework (NQF);
- ensure a fully functional system of (re-)accreditation of higher education institutions and study programmes across the country;
- ensure continued participation in international assessment studies¹¹ and implement findings to improve PISA results.

Chapter 29: Customs union

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

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

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

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

Chapter 14: Transport policy

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

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

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

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

Chapter 18: Statistics

crashes;

→ bolster the independence, strengthen the capacity and ensure sufficient funding of all bodies at state and entity level in the area of transport;

adopt a strategic framework and legislation to implement intelligent transport systems (ITS) on the core networks.

Chapter 15: Energy

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

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

→ adopt gas and electricity laws and bylaws at state and entity levels in compliance with the third energy package and adopt and implement the electricity integration package, and ensure the full alignment of entity-level laws on electricity and gas to ensure coupling with the EU electricity market;

→ adopt state-level legislation and improve entity-level legislation on renewable energy and energy efficiency in line with the Energy Community Treaty requirements;

→ finalise and adopt the national energy and climate plan (NECP) 2021-2030, in line with the Energy Community 2030 energy and climate targets.

Chapter 21: Trans-European Networks

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

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

→ continue developing the planned extension of the TEN-T and TEN-E core networks in line with the identified priorities;

accelerate the implementation of connectivity reform measures and continue to regularly adopt amended multiannual maintenance plans for the road and rail core networks;

align the legislation with the EU acquis on guidelines for trans-European energy infrastructure.

Chapter 27: Environment and climate change

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

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

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

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

formalise a procedure for the merit-based, transparent appointment of a focal point for Bosnia and Herzegovina to ensure the country's undisputed representation in environmental conventions to which Bosnia and Herzegovina is a signatory;

update the nationally determined contribution (NDC) and urgently implement the monitoring, reporting, verification and accreditation (MRVA) package, with a view to introducing carbon pricing and aligning with the EU emissions trading system (ETS).

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

Chapter 11: Agriculture and rural development

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

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

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

Chapter 12: Food safety, veterinary and phytosanitary policy

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

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

introduce an inter-laboratory comparative test system as regular practice, particularly for notifiable diseases; increase the administrative capacity of inspection services and laboratories; and increase the number of checks;

speed up preparation for national reference laboratories in hygiene, veterinary and phytosanitary inspections, and food and foodstuff analysis, in line with the EU acquis;

adopt state-level laws on food, on animal health, on animal welfare and on plant health, in line with the EU acquis; adopt the OECD seed schemes, particularly for agricultural seeds and forestry.

Chapter 13: Fisheries and aquaculture

Chapter 18: Statistics

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

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

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

Chapter 22: Regional policy and coordination of structural instruments

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

In the coming year, Bosnia and Herzegovina should:

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

Chapter 33: Financial and budgetary provisions

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

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

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

CLUSTER 6: EXTERNAL RELATIONS

Chapter 30: External relations

was no progress in the last year and the capacity to tackle key challenges in trade policy has yet to be strengthened.



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

finalise its accession to the World Trade Organization (WTO);

→ implement the 2021-2024 Common Regional Market action plan, in particular by urgently implementing the Central European Free Trade Agreement (CEFTA) additional protocol 5 on trade facilitation and the additional protocol 6 on trade in services, take the necessary steps to implement additional protocol 7 on dispute settlement and implement actions under the new action plan for 2025-2028;

→ start the process of establishing a development and humanitarian aid policy.

Chapter 31: Foreign, security and defence policy

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

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

→ maintain full alignment with EU common foreign and security policy, ensure thorough implementation of restrictive measures stemming from EU alignment, and make further efforts to close space for foreign interference and information manipulation;

align legislation and procedures with EU standards on marking and deactivation of small arms and light weapons, including for seized and confiscated weapons;

→ appoint a political director and European correspondent in the Ministry for Foreign Affairs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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