

1. POLITICAL CRITERIA

Democracy

Elections

The 12 October 2014 general elections were assessed as being efficiently administered and held in a manner and competitive environment. The OSCE Office for Democratic Institutions and Human Rights made a number of recommendations to further improve the electoral framework.

Parliament

Bosnia and Herzegovina's Parliament Assembly has started to function and deliver on the legislative agenda. Cooperation between the State level, Entity – level and Brcko District parliament has let to be improved.

Governance

Bosnia and Herzegovinas' institution made some progress towards addressing the outstanding reform priorities notably with the adoption of the Reform Agenda and the start of the implementations. However major challenges remain, including the need for closer cooperation and coordination at all levels of government. The Constitution remains in breach of the European Convention on Human Rights.

Moreover the Ombudsman's Office continues to be hampered by financial and human resource constraints. The law on the reform of the Ombudsman has yet to be adopted.

Civil Society

No progress has been made in improving mechanisms for dialogue and cooperation between government and civil organizations. The legal and financial framework needs to be further improved.

2. Public Administration Reform

Bosnia and Herzegovina is at early stage with the reform of its public administration. No progress has been achieved in the past year. The lack of broad political support for country wide reforms and the fragmentation of public service are hampering efforts to carry out institutional and legislative reforms. A systematic approach to policy development and coordination is still largely lacking and the politicization of the civil service continues to be an issue of concern.

In the coming year Bosnia and Herzegovina should in particular:

- ✓ Develop, adopt and start to implement a new country – wide strategic reform for public administration reform and ensure appropriate political leadership and guidance to public administration reform in the country.
- ✓ Ensure implementation of an effective human resources management.

Public service and human resource management.

The public service in Bosnia and Herzegovina is fragmented.

Policy development and cooperation

The policy – making system in Bosnia and Herzegovina is very fragmented.

Accountability of the administration

The overall organisation of the public administration in Bosnia and Herzegovina is not conducive to ensuring clear lines of accountability.

Public Financial Management

A budget management information system is in use throughout the different levels of the public administration.

Service Delivery to Citizens and Businesses

There is no consistent policy on user – oriented administration.

Strategic Framework for Public Administration

Bosnia and Herzegovina **does not** have a comprehensive public administration reform strategy in place, since the latest strategy expired in 2014.

Rule of Law

Functioning of the Judiciary

Bosnia and Herzegovina's justice system has achieved some level of preparation. Some progress was achieved in the last year, notably through the adoption of justice sector reform strategy. In September at a ministerial meeting in the framework of the Structured Dialogue, the authorities reiterated their commitment to develop jointly key features of the reform of the judiciary.

However, politically motivated attacks against the judiciary continued, measures full accountability of judges and prosecutors remain to be adopted, there remains a need to develop specialized training and the efficiency of parts of the system is seriously hampered by a backlog and excessively lengthy proceedings.

In addressing the shortcomings outlined below, in the coming year Bosnia and Herzegovina should:

- ✚ Strengthen accountability and integrity mechanisms.
- ✚ Adopt a backlog reduction plan.
- ✚ Adopt an action plan in justice sector
- ✚ Modernise the training and provide full access to court decisions.

Strategic Documents

An updated and country justice sector strategy for the 2014- 2018 period

Management Bodies

The High Judicial and Prosecutorial Council is the Key institution administrating the judiciary throughout the country.

Independence and Impartiality

The principles of judicial independence and prosecutorial autonomy are set out in the legislation at all level.

Accountability

The office of the Disciplinary Prosecutor is functionally dependent on the HJPC.

Professionalism and Competence

Procedures regulating entry or advancement in judicial careers based on merit and promotion are in place.

Quality of Justice

Training for judges and prosecutors in Bosnia and Herzegovina is provided through the judicial and prosecutorial centres in the Entities.

Efficiency

The average length of proceedings in 2014 was just over seven years for all courts across the country.

Fight against Corruption

Bosnia and Herzegovina has some level of preparation in the fight against corruption. Some progress has been achieved in the past year but the legal and institutional framework remains weak and inadequate. Corruption continues to be widespread. Bosnia and Herzegovina should pay attention to:

- Establishing outstanding prevention and monitoring bodies of government.
- Ensuring that sufficient funds from the budget are allocated to the anti corruption strategy.
- Improving the legislative framework.
- Bringing together penalties in order to achieve more of a deterrent effect.

Institutional Framework

The anti- corruption agency's mandate is essentially focused on prevention and coordination.

Legal Framework

Passive and active corruption are criminalized under the criminal codes at all levels.

Strategic Framework

Eventhough a new anti corruption strategy and action plan has been adopted, no specific budget has been allocated for its implementation.

Fight Against Organised Crime

The fight against organised has been **reached some level** of preparation and **some progress** has been made over the past years. Also the lack of strategic coordination is hampering the effective delivery of police services. Bosnia and Herzegovina should pay attention to:

- ❖ Strengthening the framework for interagency cooperation among law enforcement bodies.
- ❖ Regulating mutual access to databases and the exchange of information between law enforcement agencies.
- ❖ Developing effective asset confiscation and recovery systems.

Legal Framework

The legal framework is fairly well developed, but legal loopholes and lack of implementation limit its efficiency.

Strategic Framework

The 2014 -2016 strategy on the combat of organised crime is in place.

Fight against terrorism

Bosnia and Herzegovina ha been seriously affected by the phenomenon of radicalization and foreign fighters.

Human Rights and Protection of Minorities

The legal and institutional framework for the observance of human rights requires substantial improvements. No progress has been achieved over the past year and the conditions for the exercise of the freedom of expression have deteriorated.

Shortcomings affect the following areas:

- Effective protection of human rights.
- Effective free legal aid system to guarantee efficient access to justice.
- The sexual preferences are subject to threats and attacks.
- The Roma minority has limited access to health, education and employment.

Freedom of Expression

There is some level of preparatioin on the right to freedom of expression. However the country has been backsliding in this area.Political pressure and intimidation

towards journalists continued during the reported period. In the coming year Bosnia and Herzegovina should pay attention to:

- ✓ Ensuring proper follow up on cases of threats to journalists.
- ✓ Ensuring financial and institutional stability for Public Service Broadcasters.
- ✓ Finalising the reform of the broadcasting system and harmonising relevant entity legislation with legislation on State level.

Intimidation of journalists

Political and financial pressure on the media continued in the reporting period.

Legislative environment

Legal provisions guaranteeing freedom of expression are in place.

Implementation of legislation Institutions

The appointment of the new Director General of the Communications regulatory agency is pending. The political, institutional and financial independence of the agency remains to be secured.

Public Service Broadcaster

The independence of the three public broadcasters within the country's public broadcasting system remains to be ensured.

Economic Factors

The transparency of media ownership remains limited and is partly ensured through the court registration of businesses that own the media.

Professional organizations, Professional conditions

The Bosnia and Herzegovina Journalists' Association has continued to lead civil society efforts in the country to secure freedom of expression and freedom of the media, the protection of journalists and media integrity.

<u>ECONOMIC CRITERIA</u>		
<u>Key Economic Figures</u>	<u>2013</u>	<u>2014</u>
Gross domestic product per capita	29	28
GDP growth(%)	2.5	1.1
Unemployment rate(female, male)(%)	27.6(29.1, 26:7)	27.6(31.2,25.3)
Economic activity rate for persons aged 20-64:proportion of the population aged 20-64that is economically active (female, male)(%)	58.7(45.1,72.1)	59.2(46.0,72.4)
Current account balance (% of GDP)	-5.7	-7.6
Foreign direct investment(FDI)(%% of GDP)	1.6	3

The existence of functioning market economy

Bosnia and Herzegovina is at an early stage in developing a functioning market economy although some progress has been made. In particular, steps have been taken to strengthen policy coordination and to improve the business environment, particularly on the case of market entry and the granting of construction permits. However stronger and sustainable economic growth will require the development of a more dynamic private sector.

Bosnia and Herzegovina should pay attention to:

- ✚ Increasing the quality of public finance.
- ✚ Increasing the budget management framework.
- ✚ Taking steps to privatisation.

Economic Policy Essentials

The consensus on economic policy essentials has increased. A broad agreement has been reached on economic reforms, but the government now needs to show strong commitment by starting to implement the planned reforms.

Macroeconomic Stability

Economic growth remained resilient in spite of external shocks. However, the short – term outlook will heavily depend on the implementation of structural reforms.

Interplay of markets forces

Privatisation remained largely an unfinished task.

Market Entry and Exit

Some progress has been made to ease market entry and to facilitate the issuing of construction permits.

The Legal System

Strengthening the rule of law, simplifying contract enforcement procedures and fighting corruption remain essential if Bosnia and Herzegovina's business environment is to improve.

Financial Sector Development

The banking system is liquid and well capitalised but burdened with a high level of non performing loans.

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

Bosnia and Herzegovina is at an early stage in achieving the capacity to cope with competitive pressure and market forces within the Union, although some progress has been made, in particular on the liberalisation of energy markets. Bosnia and Herzegovina should pay attention to:

- ❖ Developing a more strategic approach to tackling deficiencies in its training and education system.
- ❖ Simplifying its complex procedure for exports
- ❖ Developing a transport strategy and an energy strategy

Sectoral and Enterprise Structure

The structure of the economy is dominated by services, while agriculture's share in the economy is the lowest in the region.

Economic Integration with the EU

Trade integration with the EU fell slightly as a result of declining exports.

EUROPEAN STANDARDS

INTERNAL MARKET

Free Movement of goods

The country is at an early stage of preparation in the area of free movement of goods. There are some progress but Bosnia and Herzegovina should in particular :

- ✚ Improve coordination between the relevant institutions
- ✚ Repeal conflicting legislation within the country
- ✚ Adopt a country – wide strategy for quality infrastructure.

Movement of persons, services and right of establishment

The country is at early stage of preparations in the area of movement of persons, services and right of establishment. Some progress has been made. Bosnia and Herzegovina should in particular:

- Strengthen the Insurance Agency of Bosnia and Herzegovina.
- Prepare updated transportation tables.
- Make further efforts to align with the latest accounting and auditing acquis.

Free Movement of Capital

Bosnia and Herzegovina remains moderately prepared in the area of free movement of capital, but there has been **no progress** in this area. Further alignment with the acquis is needed to provide for country wide and to create a single economic area.

Customs and Taxation

Bosnia and Herzegovina is moderately prepared in this areas of customs and taxation. Some progress has been made but Bosnia and Herzegovina should in particular:

- ✚ Adopt implementing rules to enable the implementation of the new customs policy law.
- ✚ Improve cooperation between ITA and the tax administration
- ✚ Modify the Law on Excise Duties to align its definition of small breweries with that of acquis.

Competition

The country has some level of preparation on competition. No progress has been made. Bosnia and Herzegovina should in particular

- ❖ Fully implement the State aid legislation.
- ❖ Further align with the EU acquis.

Public Procurement

Bosnia and Herzegovina has been made some level of preparation. Good progress has been achieved in the past year but Bosnia and Herzegovina should in particular

- ✓ Adopt remaining secondary legislation.
- ✓ Strengthen the monitoring role of the Procurement Agency.
- ✓ Establish a specialised procurement function within contracting authorities.

Efficient Remedies System

The right to legal remedy is stipulated in the Constitution and in the Law on Public Procurement.

Intellectual Property Law

Bosnia and Herzegovina is moderately prepared in the area of intellectual property law. Some progress has been made. Bosnia and Herzegovina should in particular:

Adopt a strategy of intellectual property rights enforcement.

Set up an inter ministerial body for the coordination of enforcement of intellectual property rights

Employment and Social Policies, Public Health Policy

Preparations remain at an early stage. There has been **no progress** in the area of employment and social policies. Unemployment is still largely structural and remained high overall. Bosnia and Herzegovina should in particular:

- ❖ Develop autonomous social dialogue.
- ❖ Urgently address high unemployment, notably youth unemployment, and provide effective support to job seeker.

- ❖ Implement public health reforms and provide for cooperation between the Entities

Education and Research

Preparations on education and research and innovation policy are at an early stage. There has been no progress and Bosnia and Herzegovina should in particular:

- ✓ Step up coordination and harmonization on the legal framework on education.
- ✓ Strengthen the capacity of State – level education agencies to develop EU standards.
- ✓ Step up efforts to strengthen the research and innovation capacity.

WTO Issues

The country's preparations are at an early stage and no progress has been made in the negotiations for accession to the World Trade Organisation.

Sectoral Policies

Industry and SMEs

Bosnia and Herzegovina is at an early stage in the area of industry and SMEs. No progress has been made and Bosnia and Herzegovina should in particular:

Address the lack of a single economic area by harmonising or coordinating industrial and SME policies.

Address outstanding issues harming the business environment.

Agriculture and Fisheries

Preparations in these areas are at an early stage. Some progress has been made in the field of food safety and veterinary policy. Bosnia and Herzegovina should in particular:

- ❖ Align the official veterinary and phytosanitary control system with European standards.
- ❖ Strengthen its administrative capacity in particular in inspection services and laboratories.
- ❖ Draw up a State – level strategic plan for rural development.

Environment and Climate Change

Preparation in these areas are at an early stage but there has been made some progress. Bosnia and Herzegovina should in particular:

- Put Forward and start implementing the country's contribution to the expected 2015 UN Climate Agreement.
- Establish a harmonised legal framework for environmental protection and climate change.
- Strengthen administrative capacity and monitoring systems and improve inter institutional coordination among all authorities.

Transport Policy

Preparation in the transport area are at an early stage. Some progress has been made and Bosnia and Herzegovina should in particular:

- ❖ Adopt country – wide transport strategies for all sub – sectors

- ❖ Strengthen the regulatory framework, coordination and administrative capacities, to help ensure that the country will be able to benefit fully from the connectivity agenda.

Energy

Bosnia and Herzegovina should be in early stage of preparations in the area of energy. Some progress has been made in the past year. Bosnia and Herzegovina should in particular:

- ✚ Adopt a country wide energy strategy
- ✚ Strengthen coordination and cooperation at all levels of governance to improve strategic planning, facilitate a comprehensive investment policy and allow for efficient implementation.
- ✚ Urgently adopt the law on gas in order to comply with Energy Community Treaty obligations.

Information Society and Media

Preparation in the field of information society and media are at an early stage. There has been backsliding over the last year. In the coming year. Bosnia and Herzegovina should in particular:

- ✓ Adopt a plan to ensure the financial stability and political independence.
- ✓ Implement as a matter of urgency, the digital switchover.

Bosnia and Herzegovina is at an early stage of its preparation in the area of financial control. Some progress has been recorded with the establishment of internal audit units and the adoption of the public internal financial control strategy by the Federation and by Brcko District. Bosnia and Herzegovina should in particular:

Complete the legal framework on financial management and control at Entities level. Update, adopt and start implementation of PIFC strategies at State level and in the Republika Srpska.

Reconvene the regular meeting of the Central Harmonisation Unit Coordination Board and ensure systematic coordination among the SAIs.

Justice, Freedom and Security

Bosnia and Herzegovina has some level of preparation for implementing the acquis in this area. Some progress has been made. The migration system has been made. The migration and asylum system have been strengthened and are adequate for current inflows.

Money Laundering

Moneyval issued a revised Public Statement in April stressing outstanding deficiencies in the legal framework and calling for action.

Drugs

Bosnia and Herzegovina continues to be used for transit and storage of drugs.

SUMMARY OF THE REPORT

Even though Bosnia and Herzegovina has made some progress in various fields of public administration meaningful progress in the implementation of the Reform Agenda is necessary for the EU to consider Bosnia and Herzegovina as an EU membership applicant.