

BOSNIA AND HERZEGOVINA

Economic Reform Program of Bosnia and Herzegovina 2024-2026

(ERP BiH 2024-2026)

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1. OVERALL POLICY FRAMEWORK AND OBJECTIVES

The tenth Economic Reform Program of Bosnia and Herzegovina 2024-2026 (hereinafter: ERP BiH) has been created in global circumstances of ongoing green and digital transitions that bring about a rapid and permanent transformation of the society, and several complex current circumstances that affect the economy in Bosnia and Herzegovina, reflected in a slowing economic growth and the need to alleviate social pressures. After relatively solid economic growth of 3.8% Bosnia and Herzegovina recorded in 2022, achieved despite already present global challenges caused by the war in Ukraine and post-pandemic problems in global supply chains, and growing double-digit inflation, the economic growth recorded in Q1 in 2023 was only 1.1% compared to the same period of the previous year, while the projected growth for the whole 2023 was 2%. The above is supported by a recorded decline in industrial production, a decrease in exports and imports, and a high level of inflation of around 8.5% anticipated for 2023.

On the home front and on the positive side, the fact that BiH has had the status of a candidate country since December 2022, and that a new Council of Ministers was formed in January 2023 gives impetus to the structural reforms and reform measures contained in this year's ERP. In December 2023, the Ministry of Finance and Treasury of Bosnia and Herzegovina drew up a 2024 budget proposal for the institutions of Bosnia and Herzegovina, and submitted it for approval. Given that the Fiscal Council of BiH did not pass the Global Framework of Fiscal Balance and Policies in BiH for the period 2024-2026, in accordance with the Law on the Financing of BiH Institutions, the Ministry is required to prepare a budget which will not exceed the total amount of the 2023 Budget, i.e., in the amount of about BAM 1.3 billion. Accordingly, the Decision on temporary financing of the institutions of BiH will be in effect in early 2024. The Overall Budget Framework of the Republika Srpska in the amount of about BAM 5.7 billion and the Budget of Brčko District in the amount of about BAM 399.4 million were passed on time, that is, in 2023. The Federation of Bosnia and Herzegovina failed to pass the Budget in the amount of about BAM 12.7 billion, so that the Decision on temporary financing of the Federation of Bosnia and Herzegovina for the period January-March 2024 in the amount of about BAM 1.5 billion is in effect.

In such circumstances, in the period 2022-2023 the fiscal policy in BiH maintained stability and managed to alleviate economic pressures on citizens, and also to keep the fiscal deficit at only 0.4% of GDP in 2023. The available fiscal space in the 2023 Budget, created by a surplus achieved in 2022, was used primarily to provide targeted support to vulnerable households and businesses with the aim of reducing the consequences of high inflation and rising energy prices. In addition to a large increase in budget expenditures for social policy (transfers for social protection increased by 20% compared to 2022) as well as an increase in gross wages and benefits intended to compensate for the effects of price increases, the previous period also recorded an increase in capital expenditures from 3.5% of GDP in 2022 to 3.9% of GDP in 2023. On the public revenue side, increased wages, and partly a growing number of employees in the private sector in this period, led to a strong, double-digit increase in revenue from contributions, which largely compensated for the growth in public expenditures.

Fiscal policy for the coming period has been carefully planned to ensure a moderately restrictive and stabilising effect, and at the same time, to provide sufficient fiscal space in BiH for possible budgetary interventions in the event of materialisation of some of the present external risks and, on the other hand, to allocate sufficient funds to support continued economic growth, modernisation of society, and necessary public investments. This kind of fiscal policy will significantly contribute to preserving the macroeconomic stability of the country, to slowing down inflation and reducing the foreign trade deficit. As the fiscal deficit in 2024 was slightly higher than projected – a consequence of increased expenditures for wages and transfers for social protection in the previous period – growth of public expenditures in 2025 and 2026 should be slower than the growth of public revenues, i.e., a gradual transition of the budget into a slight surplus of around 0.3% in 2026. At the same time, anticipated increase in public revenues in the medium term will be slightly lower than the GDP growth due to anticipated restructuring of the economy, i.e., the slower growth of tax-expensive private consumption compared to the growth of net exports and investments. Such trends will lead to a decline in the share of public revenues in GDP from 41.9% in 2023 to 40.9% of GDP. At the same time, the share of

expenditures in GDP is expected to decrease from 42.5% in 2024 to 40.7% of GDP in 2026.

In such circumstances, and bearing in mind the Guidance of the European Commission and Recommendations from the Joint Conclusions of May 2023 (hereinafter: JC), the 2024-2026 ERP contains an ambitious set of structural reforms designed to respond to global trends, speed up the convergence of BiH with the EU countries and solve the remaining inherited structural challenges. The very process of preparing this year's ERP is significant for further improvement of the process of coordinating priority goals and activities for their achievement within the framework of public administrations at all levels of government, which will play an important role in the implementation of the set goals.

The structural reforms presented in chapter 5 aim at increasing competitiveness through technological modernisation of the economy and improvement of the business environment, increasing the business efficiency of public companies, preparing the ground to step up the green transition and creating conditions for digital transformation. At the same time, a reform in the domain of the labour market has been designed to address the mismatch between the education and labour market needs, and to improve the effects of active employment policies. Finally, special attention has been paid to core areas of the public sector – the social and healthcare system, which are essential for both the competitiveness of the economy, and the overall quality of life and long-term development of human capital in Bosnia and Herzegovina.

2. IMPLEMENTATION OF THE POLICY GUIDANCE

The Council of Ministers of BiH, the Government of the Republika Srpska and the Government of the Federation of BiH appreciate the evaluation of the 2023-2025 Economic Reform Program, and recommendations contained in the Joint Conclusions of the Economic and Financial Dialogue between the EU and the countries of the Western Balkans and Turkey (hereinafter: JC), which were adopted at the meeting of the Economic and Financial Affairs Council (ECOFIN), held on 16 May 2023 in Brussels, under the framework of the “Economic and Financial Dialogue between the European Union and the Western Balkans, and Turkey”. Recent activities, as well as measures and activities planned for the upcoming period come from the implementation of the recommendations.

1. If needed, use the free fiscal space in the 2023 budget to mitigate potential adverse shocks through targeted support to vulnerable households and companies.

2022 recorded a fiscal surplus, while the fiscal space in the budgets for 2023 was used primarily for targeted support to vulnerable households and businesses in order to reduce the consequences of the high inflation and rising energy prices. Thus, during 2023, the increase in transfers for social protection was as much as 20% compared to 2022 (about 1.8 p.p. of GDP).

For these purposes, Bosnia and Herzegovina received a support package within the framework of IPA 2023 in the total amount of EUR 70 million. This package of EU financial assistance comprised three components, namely: (i) Package of assistance to vulnerable categories of the population through subsidies for heating costs, (ii) Package of assistance to the population or households through assistance in energy efficiency projects and (iii) Package of assistance to small and medium-sized enterprises through energy efficiency projects. Within the current transfers to other levels of government and funds, a new transfer was made from the total package of assistance for the project - Support of the European Union to Bosnia and Herzegovina aimed at mitigating the adverse socio-economic impact of the energy crisis in the amount of BAM 90.4 million that accounts for 90% of the funds allocated for the first component.

Funds in the amount of BAM 40,661,706.00 were transferred to the Ministry of Finance of the Republika Srpska on 18 May 2023, to the Special Purpose Account of the Fund for Special Projects (which records funds intended for special projects that are not counted towards the general fund) after the Government of RS, at the session of 11 May 2023, passed the Decision on the acceptance of financial resources from grants allocated to Bosnia and Herzegovina in the Energy Support Package. The Decision accepted the first tranche of the financial assistance from the IPA III project for 2023 aimed at mitigating the negative socioeconomic impacts of the energy crisis in the amount of BAM 40,661,706 (EUR 20,790,000) dedicated to the RS within the project. At its 23rd session, held on 1 June 2023, the RS Government discussed and adopted the Information on the implementation of the energy support package for energy-poor consumers. In the meantime, a final list comprising 67,831 users/households that meet the requirements to receive this type of assistance has been prepared (on the basis of the Decision on Amendments to the Decision on the Implementation of the Energy Support Package for Energy-Poor Consumers of the RS Government dated 6 July 2023). Also, on 15 December 2023, the Fund for Environmental Protection and Energy Efficiency of the Republika Srpska issued a public call for the allocation of funds in the other two components, energy efficiency for micro, small and medium-sized enterprises, and energy efficiency for residential buildings.

Increase the share of government capital spending in GDP through measures to improve the management of public investments, and through stepping up the implementation of the investment projects that received a clear positive costs and benefits assessment.

Relatively favourable fiscal developments were also used to increase capital expenditures from 3.5% of GDP in 2022 to 3.9% of GDP in 2023 (the rise is expected to continue and reach 4% of GDP in 2024). Both the individual and the comprehensive PFM strategies envisage an improvement of the public investment system in the upcoming period, which may be funded from IPA III or other donor sources. The goal is to ensure the compliance of public investment programmes with strategic documents and budgets at all levels of government, as well as to improve the efficiency of public

spending.

The Law on Amendments to the Law on Budgets in FBiH created conditions for a review of multiannual capital investments, which will ensure adequate planning of multiannual funds in the budget, as well as a more efficient implementation of capital projects. The entry into force of the Regulation on the method and criteria for the preparation, creation and monitoring of the implementation of public investment programmes improved the public investment management system in FBiH institutions. This in turn provided for compliance of the calendar of preparation of public investment programmes and definitions with the Law on Budgets in FBiH. Another amendment to the Regulation should be passed by the end of 2023. This new revision of the Regulation should facilitate the expansion of the criteria for the evaluation of individual projects and reduce “ad hoc” decisions on selection.

In order to improve the management of public investments, the Republika Srpska, since 2022, integrated priority projects of local self-governments in the Public Investment Programme of the Republika Srpska, in addition to the priority projects of ministries/institutions. A guideline for the selection, preparation and implementation of PPP projects was adopted with the view of creating a comprehensive Single List of priority projects as an integral part of the Proposed Public Investments Programme of the Republika Srpska.

In order to improve the efficiency of tax collection, ensure efficient exchange of information on taxpayers between tax administrations in the country, and particularly to clarify the constitutional competences for establishing a central (i.e., countrywide) register of bank accounts of physical persons, in accordance with the EU acquis.

To facilitate the exchange of information in 2023, the Indirect Tax Authority (ITA), the Tax Administration of the Republika Srpska, the Tax Administration of the Federation of Bosnia and Herzegovina, the Tax Administration of Brčko District of BiH, the Agency for Mediation, IT and Financial Services of the Republika Srpska (APIF) and the Financial and IT Agency of the Federation of Bosnia and Herzegovina (FIA/AFIP) signed a Memorandum on Institutional Cooperation and Exchange of Information. The Memorandum covers the following information: (1) Registration and deregistration, including information on the allocation and deletion of identification numbers in the system of indirect and direct taxation, addresses, information on owners and the responsible persons, with elements from the register of taxpayers, concerning taxpayers and businesses; (2) Foreign trade operations (import and export of goods and services); (3) Amount of indirect and direct taxes with other data recorded from tax returns; the amount of indirect taxes based on tax deductions for taxpayers who did not submit a tax return and changes to deductions submitted by the taxpayer (amended return); (4) Exchange of data on the final consumption of taxpayers from VAT returns and data from fiscal cash registers; (5) Exchange of indirect and direct tax refunds, including income tax refunds; (6) Turnover from sale of goods and services of individual taxpayers, including income and expenses; (7) Tax controls, including the amount of tax assessment and the period for which the assessment was made; (8) Data on forced collection of taxes; (9) Exchange of taxpayers with risk profiles; (10) Data on registered and deregistered social security payers, including data from tax cards and income tax. The data exchange helps to detect non-compliance with tax regulations by taxpayers, for which individual administrations are responsible.

In accordance with their responsibilities, both entities passed a law and established bank account registers of business entities and natural persons, in accordance with the EU acquis. The Republika Srpska established the Register of Accounts of Natural Persons in 2019 by the Law on Amendments to the Law on Internal Payment Transactions. This law transposed the EU acquis related to the establishment of such a register and ensured the protection of personal data - Directive (EU) 2018/843, Directive (EU) 2015/849, Directive (EU) 2015/2366 and Regulation (EU) 2016/679. In accordance with EU requirements, the above domestic regulation specifies that data from the Register of Accounts of Natural Persons shall not be publicly available and that the regulations governing business secrecy and protection of personal data shall apply to this data. The regulation also defines the authorities and institutions to which APIF may provide data based on a request for information. In order to address problems identified in practice and failures in the recording of accounts of natural persons, in 2022, the Law on Internal Payment Transactions was upgraded in the segment of supplementing the data that

should be contained in the Register of Accounts of Natural Persons. The 2022 amendments to the Law on Internal Payment Transactions created legal conditions for the establishment and management of registers of safe deposit boxes of natural persons and business entities, as an electronic database on these banking services, which was also entrusted to APIF. The Register of Safe Deposit Boxes of Natural and Legal Persons as a centralised database follows the requirements of Directive (EU) 2018/843, which governs the prevention of money laundering and financing of terrorist activities.

A register of accounts of natural persons was established in the Federation of BiH (a legal framework has been secured). The two registries will be able to exchange data, in accordance with the law, based on the agreement of the competent authorities and defined security protocols.

2. Prepare a report on potential liabilities and prepare a strategy to prevent the emergence of new liabilities, particularly in public enterprises, and manage risks related to the current liabilities.

In the upcoming period, monitoring, analysis and reporting on fiscal risks, especially those related to public enterprises and funds will be a priority. In the Republika Srpska, the first Report on fiscal risks of public companies for 2022 was completed in the third quarter of 2023. This Report addresses the fiscal risks of 20 public enterprises of special interest. Heightened activities are currently underway to implement the measures of the Updated Action Plan on the Reform of Public Enterprises of the Republika Srpska for the period 2022-2026.

In the previous period, a fiscal risk monitoring function was established within Ministries of Finance of the entities, which will be further developed in the upcoming period, including capacity building and training.

The Government of the Republika Srpska and the institutions of the health system of the Republika Srpska successfully stopped the growth of overdue liabilities of public health institutions in the previous period, and established a regular dynamic of settling current liabilities for taxes and contributions. The Government of the Republika Srpska allocated funds from the budget to cover the liabilities of a certain number of public health institutions from the previous period and ensured integration of the relevant institutions into the treasury system without arrears, and it will continue such activities with the aim of settling the outstanding tax debts of public health institutions and integrating the health centres into the treasury system.

In 2022, the FBiH passed the Law on Financial Consolidation and Restructuring of Health Institutions and accompanying by-laws. In the upcoming period, further financial sustainability of the system will be ensured through the implementation of the programme of financial consolidation and restructuring of individual health institutions.

Strengthen analytical capacities of government institutions for financial accounting, particularly the Ministry of Finance and Treasury of BiH, Ministry of Finance of the Federation of BiH, and Ministry of Finance of RS, with the view of improving the quality of fiscal accounting, including those that are essential for the preparation of ERP, and enhancing the procedures for the preparation of ERP in order to ensure a timely delivery and compliance with the EU requirements.

IPA 2018 Project Support to Economic Reform Programme began in February 2023. The Directorate for Economic Planning of the Council of Ministers of Bosnia and Herzegovina, the Institute for Development Planning of FBiH and the Ministry of Finance of the RS are the three main beneficiaries of the Project. In 2023, several activities were implemented under the Project – workshops, meetings, trainings and mentoring support for representatives of relevant institutions involved in the preparation of the ERP, with the aim of improving the capacity for the preparation of the ERP and the process of preparing the ERP, which will continue in the future. The overall objective of the Project is to strengthen economic fundamentals and growth in BiH in view of economic criteria for EU accession and of the requirements of economic policy coordination in the European Semester. The purpose of the Project is to improve the preparation and monitoring of the implementation of the Economic Reform Programme. The Project outputs are: 1) capacities of line ministries and other institutions at all levels of government contributing to the ERP preparation process strengthened and improved; 2) capacities of the institutions in charge of coordinating the ERP preparation strengthened and improved. The project is set to end on February 5, 2025. In the upcoming period, project activities will continue to build

analytical capacities within the ministries of finance, with the aim of improving the quality of fiscal accounting, including the capacities necessary for the preparation of ERP and the improvement of the procedures for the preparation of ERP.

In order to strengthen the capacity in the field of macroeconomic statistics, FMF employees have been trained in the use and application of the software package for simulations of econometric models and forecasting. Application of the software package should improve the performance in assessment and forecasting of fiscal parameters, income, expenditure and external debt.

Continue building the country's statistical capacity for macroeconomic statistics, regional accounts, labour force survey, and government finance statistics, and upscale the efforts to improve the coverage and timeliness of all statistical data.

Statistical capacities in BiH have been strengthened through alignment of applied methodologies and practices with the EU acquis and standards, mostly by means of expert support within the framework of international cooperation projects, which involve the participation of the statistical institutions of BiH (BHAS, RSIS, FBiHIS). This is a constant process, and it will continue in the future.

RSIS continuously applies the new international methodologies ESA2010/SNA2008 in calculating macro-economic aggregates. Data on GDP per inhabitant for the Republika Srpska is published and available on the website of the RSIS (2000–2022). RSIS published quarterly GDP estimates according to the production approach for 2023, for the first and second quarters in current prices, prices of the previous year and in chain-linked values, with 2015 as the reference year. The Labour Force Survey (LFS) has been completed continuously throughout the year for the first time since January 2020, in accordance with EU recommendations, and the results have been published quarterly. RSIS published data for 2020, 2021 and 2022, as well as data for the first two quarters of 2023. The methodology used in the survey is in compliance with the new EU Regulation, which entered into force on 1 January 2021. Before they started with continuous surveys, in the period from 2006 to 2019, the survey was completed once a year in the spring, and it involved a biweekly field survey.

At the level of planning and budgeting, the ministries of finance have been implementing two IPA projects related to the application of ESA standards as of 2023. Among other things, budget planning and reporting according to international standards should expand so as to include the institutions that are budget beneficiaries. In addition, a project related to the improvement of budgeting in a programme format, aimed at improving the efficiency and transparency of budget planning and public spending is being implemented. Procurement of adequate software for the implementation of programme budgeting across the levels of government in BiH is underway. The procurement is funded by EU (IPA III). Also, the World Bank will provide technical assistance in terms of fiscal management which will be funded by the European Union through the Trust Fund on Strengthening Fiscal Governance in the Western Balkans.

It should be noted that the Republika Srpska made significant changes in the field of accounting and financial reporting of budget users back in 2011, having adopted a set of regulations that ensured a significant level of compliance with the requirements of European legislation, international accounting standards and international statistical bases of public reporting sector (GFS 2001). This ensured comparability of general purpose financial statements prepared and presented by public sector entities with general purpose financial statements presented by other reporting entities, i.e. a complete set of financial statements was designed in accordance with IPSAS requirements.

The Ministry of Finance of the Republika Srpska recently published new regulations governing the system of accounting and financial reporting of budget users, with the view of harmonising accounting policies with the requirements of new and amended IPSAS, and harmonising the analytical chart of accounts with GFS 2014 and ESA 2010 classifications. Monthly reports on transactions for RS, and quarterly reports for all levels of government in the Republika Srpska have been published on the website of the Ministry of Finance. GFS and ESA books are integrated with the Treasury Operations System (SUFİ). This system will be further upscaled in the future in order to ensure a greater degree of automation and precision in the process of translating and obtaining a unique analytical chart of accounts for budget users whose structure can meet the requirements of GFS 2014 and ESA 2010

classifications.

3. Continue with a careful assessment and analysis of price trends, with the support of statistic offices through improved price statistics, including timely updating of consumer price index weights and release of base inflation series.

The BiH Agency of Statistics, as well as the entity statistical bodies, the Institute of Statistics of the Republika Srpska and the Institute of Statistics of the Federation of BiH regularly publish inflation rates every month in accordance with international methodological standards. The weights applied rely on the 2015 Household Consumption Survey, which is the latest available. The weights are being updated according to the 2021/2022 survey.

Further upscale the frameworks for reporting and risk management across the banking system in order to ensure accurate reporting on the quality of assets, further reduce institutional and legal obstacles that prevent addressing of non-performing loans, and address the lack of data particularly in the real estate sector, and initiate establishment of a single fund to deal with the problems.

The share of non-performing loans in total loans is relatively low and it was further reduced in the previous period (in RS to 3.7% at the end of the first half of 2023 from 5.2% at the end of 2020, in FBiH 4.5% at the end of the first quarter of 2023) as a result of efficient supervision of the banking sector by banking agencies, and the improvement of the regulatory framework for dealing with non-performing loans in RS. In addition to changes concerning accounting write-offs, the Republika Srpska improved the legislation governing credit risk management with regard to the classification of exposure to clients in restructuring, and created a legal framework for the establishment and operation of factoring companies and alternative investment funds.

Furthermore, on 1 October 2021, the European Commission adopted the Commission Implementing Decision No. (EU) 2021/1753 on the equivalence of the supervisory and regulatory requirements of certain third countries and territories for the purposes of the treatment of exposures in accordance with Regulation (EU) No. 575/2013 of the European Parliament and Council, which included Bosnia and Herzegovina in the ranks of third countries that apply in their banking sector a supervisory and regulatory framework equivalent to that applied in the European Union. In order to ensure consistent compliance of banking regulations with EU regulations, the Banking Agency of the Republika Srpska adopted in 2022 the “Strategy of priority activities for maintaining compliance of banking regulations with EU regulations” for the period 2022-2026, which defines legislative and other regulatory activities necessary for further strengthening of the legal framework and supervisory practice in accordance with EU standards and requirements in this area. Also, the Banking Agency of the Republika Srpska prepared an Operational Plan for the implementation of activities defined in Priority I of this Strategy.

Creation of a restructuring fund was recognised as an obligation under the relevant EU directive, and its absence was identified as a missing link in the overall bank restructuring system.

Before proceeding with the strengthening of the legal framework on this matter, an analysis of the entire regulatory framework for bank restructuring will be carried out in accordance with the substantive competences for: supervision of banks, implementation of supervisory measures and implementation of restructuring measures. Dedicated funds from banks supervised by a specific banking agency, which would be used in the restructuring process by such banking agency (entities’ agencies are also responsible for restructuring), should be collected from the banks in a way that enables consistent and stable implementation of the integral framework for bank restructuring, in accordance with the substantive competences of individual bodies. To this end, efforts have been made to identify a model for the creation of the fund that will ensure not only economies of scale, but also the formal and legal integrity of the restructuring process, which is the responsibility of the entity. Also, the implementation of this recommendation is an integral part of the overall strategy aimed at preserving the equivalence of the Republika Srpska banking regulations with the relevant EU legal framework. The strategy was adopted on 28 July 2022 by the Management Board of the Banking Agency of the Republika Srpska, and was reviewed by the Committee for Coordination of the Financial Sector Supervision on 23 December 2022.

Preserve the integrity of the currency board arrangement and the independence of the Central Bank, and

particularly appoint new members of the Board of Directors without further delay.

In December 2023, at its extraordinary session, the Presidency of Bosnia and Herzegovina, unanimously appointed a new Board of Directors of the Central Bank of Bosnia and Herzegovina.

4. With the view of improving the business environment and preparing for the integration in the single economic space, engage in activities related to the second cluster, further simplify the procedures for registration of companies and licencing and permitting procedures, and harmonise them across the country in order to facilitate their digitisation in a near future.

The Framework Law on the Registration of Business Entities sets the ground for the implementation of a uniform procedure for the registration of business entities in BiH, i.e., the Republika Srpska, FBiH, and Brčko District, while procedures in the entities have been largely digitised and simplified. In the Federation of Bosnia and Herzegovina, the implementation of the Integrated System for Electronic Registration of Companies, implemented by the IFC and financed by the Government of Switzerland, is underway. IFC prepared a draft of the Regulation on maintaining the register of business entities in the FBiH, and the procedure to present the draft to the Government of the FBiH for adoption in the upcoming period was initiated. This regulation regulates matters such as keeping the Register of Business Entities, securing, using and keeping the content of register data, keeping the collection of documents in electronic form, converting documents stored in the collection of documents on paper into electronic form, and other matters of importance for keeping the register.

The legal framework was created by the enactment of the Law on Amendments to the Law on Companies in order to harmonise it with the Law on Amendments to the Law on Registration of Business Entities of the Federation of Bosnia and Herzegovina, which significantly simplifies and expedites the registration process of business entities in the Federation of Bosnia and Herzegovina.

Business registration procedures (both legal entities and entrepreneurs) in the Republika Srpska have been significantly simplified. Since 2013, the one-stop registration system has been in operation, the number of days, procedures and costs have been significantly reduced and simplified. In the technical and legislative part, the project of e-registration of business entities (both legal entities and entrepreneurs) has been completed: the necessary legal arrangements have been adopted, the court archive has been digitised, and the software solution completed and tested. Final commissioning of the system requires the option of electronic signature.

As for other permits, certificates and licenses, in 2021, the Government of the Republika Srpska launched a large-scale project to optimise administrative procedures at the level of this entity, which entails an analysis of procedures and formalities, identified in the single register of formalities (i.e. permits, approvals, licenses, issued by the administrative bodies of RS, and which is publicly available on the portal www.pscsrpska.vladars.net). The analysis should examine their justification, requirement to present various documents for their issuance, the time and costs involved in obtaining them. The aim of the analysis is to design and implement a proposal how to simplify certain administrative procedures, as well as to reduce both the costs and time for businesses, and to modernise and improve the work of the administration bodies of RS.

Relying on a previously adopted single methodology, all institutions started analysing procedures and formalities related to their core responsibilities. Thereafter, in December 2021, the Government of the Republika Srpska adopted an action plan on the simplification/abolition of certain formalities. 42, and/or 4.40%, formalities were proposed for abolition, while 243 and/or 25.47% formalities, were proposed for simplification. Other formalities were found appropriate and it was determined that they did not need to be modified. The implementation of the project is timely, and 95% of the formalities planned for abolishment were abolished, while activities are underway to simplify others proposed for simplification.

In the upcoming period, the focus will be on harmonising regulations in the area of quality infrastructure in BiH with the provisions of the Stabilisation and Association Agreement with the EU (Article 75). A Quality Infrastructure Strategy should be devised in 2024. Also, according to the plan, the upcoming period should see efforts on alignment of the legal framework on free movement of goods with the law and rules of EU and international agreements (CEFTA, WTO, etc.), the establishment and improvement

of the publicly available Register of Applicable Regulations, the Information Point on product, applicable regulations, and standards and designated certification bodies (in RS) as well as Notification Points for regulations in preparation (also in RS). In order to remove non-customs barriers to free trade in goods, the measure includes activities on the implementation of the “Action Plan on Harmonising the Regulations of the Republika Srpska with the requirements set out in Art. 34, 35, and 36 of the Treaty on the Functioning of the European Union” and preparations for signing the “Agreement on Conformity Assessment and Acceptance of Industrial Products” (ASAA) with the EU. (More details in Chapter 5, structural reform no. 1)

Pass a law on electronic identity and trust services for electronic transactions with a single supervisory authority in line with the EU acquis, and ensure that the Indirect Taxation Authority, whose ability to fulfil its vital nationwide role in the country must be preserved, start implementing authorised economic operators (AEO) and issuing electronic signatures.

The text of the Law on Electronic Identification and Other Trust Services of Bosnia and Herzegovina has been prepared, and it is currently in the process of being finalised. This Law should allow the internal and international interoperability of trust services in BiH, based on compliance with the provisions of the eIDAS Directive and the internal administrative regulation of BiH with a solution for interoperability, i.e., mutual recognition of qualified certification bodies from all levels of government, i.e., entity authorities in Bosnia and Herzegovina (more details in chapter 5, structural reforms no. 4).

Enhance the management of public enterprises in both entities through update of registers of public enterprises in order to ensure the coverage of all public enterprises, including comprehensive financial statements, audits, and information on the organisation of enterprises; allocate sufficient human resources to central supervision units in both entities; and prepare a report on potential liabilities of the public enterprises, and draw up a strategy on management of these fiscal risks.

A department for coordination of supervision of public enterprises was established in the General Secretariat of the Republika Srpska. The Department should be provided with a full capacity in 2024, and trainings will be conducted in phases so that the Department becomes fully operational. The Government of the Federation plans to establish a special organisational unit for coordinating the supervision of the work of public enterprises within the General Secretariat. In addition to training, the capacity building process will also include the development of tools and financial data registers for monitoring the performance of public enterprises owned by FBiH and RS. Efforts should continue on improvement of the planning process, including a timely adoption of business plans in accordance with three-year projections and strategic development documents. The upcoming period should see activities aimed at making these units fully functional and establishing a comprehensive and up-to-date register of public enterprises.

In RS, preparations for the procurement of a software solution for the Register of Public Enterprises in the Republika Srpska and obtaining a grant for its financing are underway. Also, in September 2023, the Ministry of Finance prepared a Report on fiscal risks related to public enterprises in the Republika Srpska in 2022. (More details in Chapter 5, structural reform no. 2)

5. In accordance with the Green Agenda for the Western Balkans and the Treaty on the Energy Community, adopt and start the implementation of a single integrated energy and climate plan on reducing carbon emissions through increased use of renewable energy and energy efficiency.

The draft of the Integrated Energy and Climate Plan of BiH 2030 (NECP BiH) was prepared and presented to the Secretariat of the Energy Community for review and comments, in a timely manner, in June 2023. It specifies in detail the reform of the energy sector in accordance with the climate 2030 goals, with projections until 2050. The document contains binding goals for BiH until 2030, namely: Greenhouse gas emissions (GHG): 15.65 MtCO₂; Share of renewable energy sources: 43.62%; Energy efficiency - Primary energy consumption (PEC): 6.84 Mtoe; Energy efficiency - Final energy consumption (FEC): 4.34 Mtoe. Adoption of the document is scheduled for the 2nd quarter of 2024, after completion of a public debate and other necessary procedural steps. In parallel, the Republika Srpska and the Federation of BiH are also preparing their respective Energy and Climate Plans which should also be adopted in 2024.

Pass electricity and gas laws at the state level and ensure full compliance of the respective laws at the entity level with these laws in order to prevent further delays in the opening and functioning of the energy market and the establishment of a day-ahead electricity market.

In 2023, working groups were formed to continue activities on drafting and finalising the Law on the Electricity and Natural Gas Regulator, Transmission and Electricity Market in Bosnia and Herzegovina, and to draft amendments to the Law on Transmission, Regulator and Operator of the Electricity System in Bosnia and Herzegovina. The main goal of the working groups is to create legal conditions for the development of a structured intraday and day-ahead market, and its integration with the regional electricity market.

Design and implement a comprehensive retrofit strategy which should cover buildings at all levels of government to improve energy efficiency and demand reduction measures, including the necessary legislation and incentives for the private sector and households.

The adoption of the Building Retrofit Strategy in BiH until 2050, and equivalent strategies in both entities should significantly improve the policy framework for energy efficiency. In the Federation of Bosnia and Herzegovina, a strategy on a long-term renovation of buildings until 2050 was completed, an ex-ante evaluation has been done and it should be adopted soon. With the support of GIZ (German Society for International Cooperation), the Republika Srpska drafted a working text of a strategy on a long-term incentive scheme for retrofitting of buildings until 2050. Adoption of this Strategy is defined in the Law on Amendments to the Law on Spatial Planning and Construction, which is in compliance with the relevant EU acquis, and it is not necessary to further regulate the area of energy efficiency in construction in the upcoming period. Amendments to the Law on Energy Efficiency in FBiH are scheduled for 2024 (by-laws in 2025). They will establish incentive mechanisms for EE such as: ESCO model of energy efficiency financing, implementation of energy audits in utilities and large enterprises. (More details in Chapter 5, structural reform no. 3)

6. Strengthen coordination mechanisms within the country in relation to employment policies and establish an interdepartmental working group comprising representatives of the relevant ministries, their agencies and stakeholders for the development of and final agreement on the Youth Guarantee Implementation Plan, its adoption and initiation of its implementation.

In the previous period, a new coordinator of the Youth Guarantee for the Federation of Bosnia and Herzegovina was appointed, and after that, members of expert working groups were also appointed. The preparation and adoption of the Youth Guarantee Implementation Plan in FBiH, and adoption of implementation plans for RS and BD BiH, which have been prepared should occur in the upcoming period. Consultations and analyses for the selection of the best pilot locations and institutions that will participate in the creation of the Action Plan for the Youth Guarantee in the Federation of Bosnia and Herzegovina were completed, and two locations were selected. After final meetings with the relevant institutions and responsible persons at all levels of government to discuss commitments regarding the implementation of the pilot projects, further activities will continue with the technical assistance from the International Labour Organization (ILO). In accordance with the Conclusion of the Government of the Republika Srpska, working groups at the ministerial and expert level were formed for the development of the Youth Guarantee Action Plan in the Republika Srpska. The expert working group devised the Youth Guarantee Action Plan of the Republika Srpska and presented it to the ILO consultants for evaluation. In the Republika Srpska, ILO completed a functional assessment of the Employment Office to assess the capacity for piloting. Piloting will be carried out in the area covered by the Prijedor Employment Agency Branch in 2026.

In June 2023, the National Assembly of the Republika Srpska accepted a loan from the World Bank for the Second Employment Support Project in the amount of EUR 14,000,000. The goal of the Project is to increase formal employment in the private sector among the target groups of registered job seekers. Project implementation should begin in November 2023.

Develop a system for monitoring and forecasting the demand for skills in the labour market in order to facilitate the alignment of the education and training system and the provision of retraining opportunities and improvement with the needs of the labour market.

Monitoring and forecasting the needs for skills in the labour market with the aim of harmonising the education and training system and providing opportunities for retraining with the needs of the labour market is a regular activity that is still carried out by the Employment Office of Republic Srpska.

The Employment Strategy in the Federation of BiH (2023-2030), which focuses on developing a system for monitoring and forecasting the needs for skills in the labour market, in order to facilitate the harmonisation of the education system with the needs of the labour market was adopted in November 2023.

The EU project “Education for Employment” delivered a document “Strategic directions for the development of career orientation 2023-2030”. Career orientation prepares young people and adults to choose a direction of education, and lead their careers in order to be more successful in education and the world of work. The document should be revised in 2024 and presented to the Council of Ministers of BiH for adoption.

Improve access to early childhood education and care services for children/families from vulnerable backgrounds and rural areas.

The implemented Platform for the Development of Preschool Education in BiH for the period 2017-2022 was designed to increase the inclusion of children from vulnerable groups and children from rural areas in pre-primary education in BiH. An evaluation is underway to assess the effects.

In RS, the Strategy for the Development of Pre-primary, Primary and Secondary Education of the Republika Srpska 2022-2030 is designed to increase the coverage of children in pre-primary education. For several years, the coverage of children in programmes for children in the year before starting school in the Republika Srpska has ranged on average between 45 and 50% of the total number of children who start the first grade of primary school. We are continuously working to raise the awareness of the public and decision-makers about the importance of early learning and possible effects on later development and learning. Also, the Ministry of Education and Culture of the RS offered to local self-government units free use of classrooms, i.e., primary school premises that are not used for primary education, for pre-primary education, and some of the local self-government units decided to carry out activities on premises of the primary schools. Also, the plans for the upcoming period envisage an increased number of facilities in local communities where pre-primary education is registered, which did not have any organised pre-primary education until now. (More details in Chapter 5, structural reform no. 5)

3. CHAPTER 3

Macroeconomic indicators for the period 2022-2026

Indicator	Official data	Projections			
	2022	2023	2024	2025	2026
Nominal GDP in million BAM	45,518	48,462	51,170	53,956	56,932
Nominal growth in %	13.7	6.5	5.6	5.4	5.5
GDP deflator (previous year = 100)	109.5	104.4	102.6	102.4	102.1
Real GDP in million BAM (previous year = 100)	41,560	46,421	49,853	52,697	55,776
Real growth in %	3.8	2.0	2.9	3.0	3.4
Inflation measured by the consumer price index in %	14	6.2	3.1	2.2	1.9
Consumption in million BAM	39,284	41,618	43,255	44,741	46,249
Real growth in %	1.8	0.9	1.4	1.2	1.3
Government spending in million BAM	8,513	8,939	9,296	9,575	9,843
Real growth in %	1.3	1.2	1.5	1.0	0.7
Private consumption in million BAM	30,771	32,679	33,958	35,165	36,405
Real growth in %	1.9	0.8	1.4	1.3	1.5
Investments (gross) in fixed assets in million BAM	10,081	10,656	11,229	12,083	13,023
Real growth in %	0.3	0.7	3.5	5.7	6.3
Government investments in million BAM	1,356	1,451	1,610	1,771	1,948
Real growth in %	-5.0	1.9	7.8	6.8	7.7
Private investments in million BAM	8,725	9,205	9,619	10,312	11,075
Real growth in %	1.2	0.5	2.9	5.5	6.0
Imports in million BAM	28,230	29,648	31,762	34,133	37,025
Nominal growth in %	33.8	5.0	7.1	7.5	8.5
Real growth in %	6.2	1.1	5.7	6.0	5.9
Export in million BAM	21,954	23,133	25,527	28,228	31,421
Nominal growth in %	31.7	5.4	10.4	10.6	11.3
Real growth in %	12.0	2.3	8.4	8.5	8.1
National gross savings in % of GDP	23.3	23.3	24.0	25.0	25.8
Current account balance in million BAM	-2,045	-2,071	-1,873	-1,632	-1,573
Growth in %	121.5	1.3	-9.6	-12.9	-3.6
Current account balance in % of GDP	-4.5	-4.3	-3.7	-3.0	-2.8

In accordance with the previous agreement of the representatives of Bosnia and Herzegovina and the European Commission, during the preparation of this Programme, the basic scenario that was used for the creation of the DOB of BiH (Document of Framework Budget of BiH Institutions) in September 2023 was retained. This approach was used to ensure the consistency and compatibility of the macroeconomic and fiscal framework. On the other hand, an alternative scenario for the needs of ERP (Enterprise resource planning) was created in November 2023 based on the available data.

3.1. Latest economic developments

Economic trends in 2022 and 2023

Following a pandemic year marked by a global health and economic crisis, Bosnia and Herzegovina recorded a relatively strong recovery in economic growth in 2021, with a registered GDP growth rate of more than 7%. However, not long after, in the first half of 2022, a conflict broke out in Ukraine, with disastrous effects for the world economy's post-pandemic economic recovery, its main trading partners, and, ultimately, Bosnia and Herzegovina. In particular, rising world energy and food prices intensified inflationary pressures, halving global economic growth and considerably slowing economic activity in EU countries from 5.5% in 2021 to roughly 3.5% in 2022.

According to BHAS statistics for 2022, Bosnia and Herzegovina recorded relatively strong economic growth despite domestic and external challenges (war in Ukraine, increased inflationary pressures, and deteriorating global economic growth). According to BHAS data for 2022, the real GDP growth in Bosnia and Herzegovina was 3.8% higher than the previous year¹. By looking at the structure of achieved economic growth in 2022, it can be concluded that domestic demand through an increase in final consumption represented a key support for growth during 2022. According to BHAS data, the real growth of final consumption in Bosnia and Herzegovina for 2022 was 1.8% (private consumption 1.9%, public consumption 1.3%), so that its total contribution to economic growth amounted to about 1.5 p.p. Despite the intensification of inflationary pressures, this development in private consumption in Bosnia and Herzegovina was facilitated by a 2% increase in the number of employees, a double-digit increase in foreign money inflows, and a 5% increase in household loan growth. It is also worth noting that fiscal policy measures such as wage, pension, and social benefit increases contributed to an increase in private consumption in Bosnia and Herzegovina in 2022. Given that private consumption accounts for 75% of GDP, it is reasonable to conclude that the growth of private consumption was the most responsible for the achieved economic growth in 2022. In addition to an increase in final consumption, data from the national accounts statistics for 2022 show a certain growth in private investments in Bosnia and Herzegovina, while public investments did not achieve significant growth. However, what characterized economic developments in 2022, both in Bosnia and Herzegovina and in the world, was increased inflationary pressures and extremely high rates of growth in the prices of goods and services. Namely, the post-pandemic economic recovery, broken supply chains and ultimately the crisis in Ukraine led to a sudden jump in world prices, primarily of energy and food, which was reflected in the prices of other goods and services in the world. Thus, the growth of world prices in 2022, according to IMF data, amounted to almost 50%, with the most significant increases in the categories of energy 97% (crude oil 66.5%, natural gas 213%) and food 20.5%. These global price movements resulted in a sharp increase in the prices of goods and services in Bosnia and Herzegovina in 2022². Thus, in Bosnia and Herzegovina, in 2022, the CPI consumer price index grew by 14% compared to the same period of the previous year. In terms of the external sector, the simultaneous strengthening of both export and domestic demand, along with a considerable increase in world prices, led in a significant increase in Bosnia and Herzegovina's total foreign trade exchange in 2022. According to BHAS data for 2022, total foreign trade exchange (goods + services) increased by around ¼ in nominal terms, as a result of simultaneous rise in exports and imports. The nominal increases in total exports and imports in 2022 were quite high, totalling 17.6%, or nearly 26%; however, due to the rapid rise in the prices of goods and services, the real growth in exports was 12%, while the real growth in imports was 6.2% compared

¹ Agency for Statistics of Bosnia and Herzegovina, Press release, "Gross domestic product, expenditure approach", 26 August 2023

² <https://data.imf.org/?sk=471DDDF8-D8A7-499A-81BA-5B332C01F8B9&sId=1547558078595>

to the same period of the previous year. This export-import trend resulted in a reduction of the foreign trade deficit in real terms, such that the contribution of the foreign sector to economic growth was around 1.7 p.p.

The currently available international and domestic statistical data on economic trends for 2023 indicate that the trend of slowing economic activity and weakening economic growth has continued. According to currently available data for Q2 2023, economic growth in EU countries was only 0.5%, which is significantly lower than the previous year, when growth was over 3%. The weakening of economic activity at the EU level is best indicated by figures from Germany's national accounts, which show a decline in economic activity for two consecutive quarters (Q1 2023 0.3% and Q2 2023 0.1%). The weakening of economic activity in the external environment was reflected in Bosnia and Herzegovina's economic growth in 2023, as the registered economic growth in Q1 was just 1.1% compared to the same time the previous year. This slowdown in economic activity in the country is the result of the previous year's base effect (growth rate in Q1 2022 5.9%), rising prices of goods and services-inflation, and a weakening of economic activity in the international economic environment (slow economic growth in the EU and the region). The slower growth of economic activity in 2023 (confirmed by certain short-term indicators such as a drop in industrial production and a weakening of exports and imports), as well as the high level of inflation of around 8.5%, will undoubtedly affect the expected rate of economic growth at the end of the current year.

Taking into account the available indicators and forecast from international agencies such as DG ECFIN³, as well as domestic statistical data on economic trends based on DEP projections, economic growth of around 2% is predicted in Bosnia and Herzegovina in 2023⁴. Looking more closely at the structure of projected economic growth in 2023, it is expected that domestic demand, through an increase in final consumption, will be a key support for growth. Final consumption is predicted to contribute 0.8 percentage point to economic growth, as a result of a 0.8% increase in private consumption, while public consumption is expected to increase by 1.2% compared to the previous year. On the other hand, the slowdown in economic activity will have an impact on overall investments in the country, given the predicted 2.7% increase in total investments (including stocks) compared to the previous year. The weakening of domestic and export demand (poor economic growth in the EU, anticipated growth rate of 0.8% in 2023) could negatively affect foreign trade exchange with the rest of the world.

Thus, a substantially slower growth of exports of roughly 2.3% is predicted in Bosnia and Herzegovina in 2023 (export of goods 1.1% and export of services 6.1%). Total imports, on the other hand, are predicted to increase by 1.1% (import of goods 1.2% and import of services -0.3%). Such changes in export and import of goods would result in a 3.5% reduction in the foreign trade deficit, implying that the foreign sector's estimated positive contribution to economic growth is around 0.5 p.p.

Industrial production in BiH

The post-pandemic economic recovery and the strengthening of economic growth in the country's main trading partners have had a favourable effect on export demand and, thus, on the country's production processes in recent years. As a result of the economic recovery of export markets, Bosnia and Herzegovina recorded relatively high rates of growth in the physical volume of industrial production, particularly in goods exports. However, due to the external destabilisation of economic conditions (conflict in Ukraine, rising energy and food prices, slow economic growth), there was a gradual slowdown in economic activity in the second half of 2022, which was reflected in the slowdown of production processes in Bosnia and Herzegovina. **In 2023**, the growth trend in the physical volume of industrial production was completely stopped. According to the most recent BHAS statistics for the period January-July 2023, Bosnia and Herzegovina showed a 3.7% decline in the physical volume of industrial production compared to the same period of the previous year⁵. This drop in physical volume, along with a nearly similar drop in goods exports, implies a major slowdown in economic activity or

³ European Commission, DG ECFIN, "European Economic Forecast" Summer 2023, September 2023.

⁴ Projection of DEP BiH, September 2023

⁵ Agency for Statistics of Bosnia and Herzegovina, Press Release, "Industrial production volume index in Bosnia and Herzegovina for July 2023 – previous data", 26 August 2023

GDP in Bosnia and Herzegovina in 2023. When industrial production in Bosnia and Herzegovina in Q1 2023 is examined by sector, it can be seen that a decline in production was recorded in all three major sectors. Thus, the recorded rates of decline in production were 8.6% in mining, 4.2% in the processing industry, and 0.1% in the electricity production.

Labour market in 2022

During 2022, the number of employed persons in Bosnia and Herzegovina increased by 2.1% y/y reaching 839 thousand. The number of employed persons according to areas of activity has increased most significantly in the area of processing industry and trade. Along with the growth in the number of employed persons, the average number of registered unemployed persons in 2022 decreased by 8% y/y and amounted to about 363 thousand. The survey unemployment rate in Bosnia and Herzegovina in 2022 has decreased by 15.4% compared to the previous year. The average net salary in 2022 is nominally higher by 12.5% compared to 2021 and amounted to BAM 1,122 with a negative real growth of 1.3% due to rising inflation.

Prices in 2022

In the period I-XII 2022, inflation in Bosnia and Herzegovina was 14% y/y. It is crucial to note, however, that following the increased growth of inflation in Q1-Q3 of 2022, there was a gradual slowdown in price growth in Q4. The global increase in the prices of crude oil, gas, and food products led in price increases in the food and non-alcoholic beverage, transportation, and housing (utilities) sectors, which are directly and/or indirectly tied to the price movement of these energy sources. Prices in the transportation sector increased by 25.4% due to increasing oil and oil derivative prices. In this way, external price pressures had a major impact on overall inflation through the transfer of cost pressures from producer prices to consumer prices. Prices in the of food and non-alcoholic beverages (the largest share in the CPI index) increased by 21.5% y/y. In the housing, water, electricity, gas and other energy sectors, prices increased by 14% y/y. The only reduction in prices was in the clothing and footwear section, where prices were lower by 6% in the observed period, which did not significantly slow down the growth of overall inflation in Bosnia and Herzegovina.

Banking sector

Credit growth rates in 2022 were higher than in 2021. At the end of 2022, the credit growth rate was 4.7% y/y, led by the growth of household loans. In contrast, total deposit growth at the end of 2022 was 5% y/y, driven by double-digit growth rates of private companies as well as general government deposits, while household deposits recorded a negative growth rate this year due to inflationary pressures and negative real wage growth. According to the most recent available data, household deposits recovered in 2023, totalling 15.3 billion BAM at the end of July, with a growth rate of 9.6% y/y, whereas general government deposits had a negative growth rate. According to this, the population sector contributed 4.8 p.p. to total deposit growth, while non-financial companies contributed 3.5 p.p. Loans to non-financial private companies had a credit growth of 3.4% at the end of July, while household loans contributed 2.9 p.p. to total credit growth (as opposed to the contribution of private companies amounting to 1.4 p.p.).

External sector

Balance of payments of Bosnia and Herzegovina

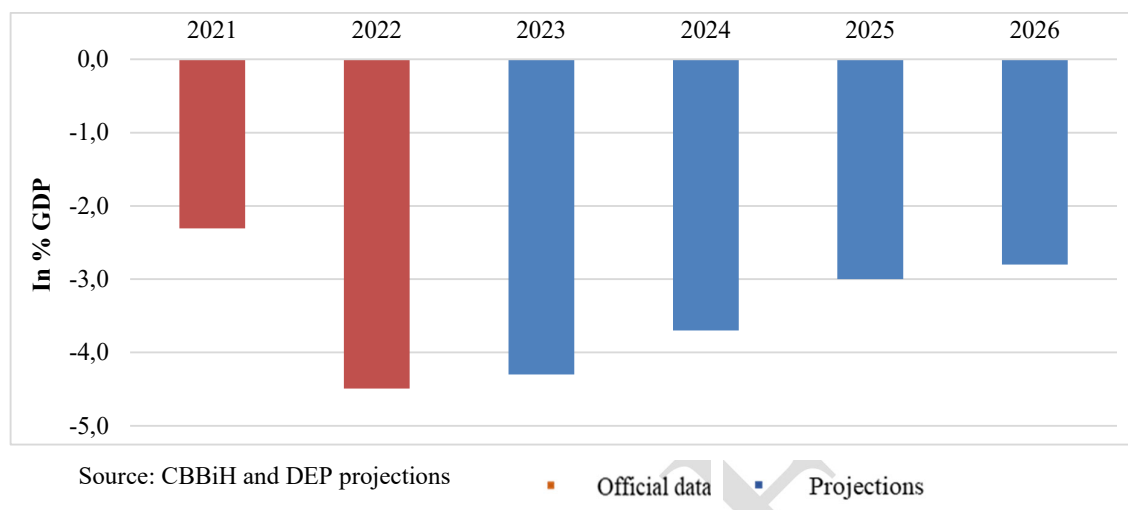
According to CBBH official data for Q1 2023 and DEP projections for the following three quarters, Bosnia and Herzegovina's current account deficit in the balance of payments would be around 2 billion BAM (or around 4.3% of GDP). In 2023, the nominal import of goods and services would be approximately 29.6 billion BAM (with a growth of 5% y/y), while the nominal export of goods and services would be about 23.1 billion BAM (with a growth of 5.4% y/y).

According to the available data for Q1 2023⁶, the current account deficit is 0.5% higher compared to the same period last year. The current account deficit in Q1 2023 was 410 million BAM, compared to 408 million BAM in the same period previous year.

⁶ Data source: CBBH, Balance of Payments Statistics, June 2023

According to data from the balance of payments, the foreign trade exchange deficit in Q1 2023 is higher by 8.7% (y/y). Import of goods and services increased by 6.5%, while exports increased by 5.9%. Current net inflows increased by 100 million BAM in Q1 2023 (by 10.8% y/y).

Graph 1: Projections of current account deficit trends in Bosnia and Herzegovina



Foreign trade exchange trends in 2022 and 2023

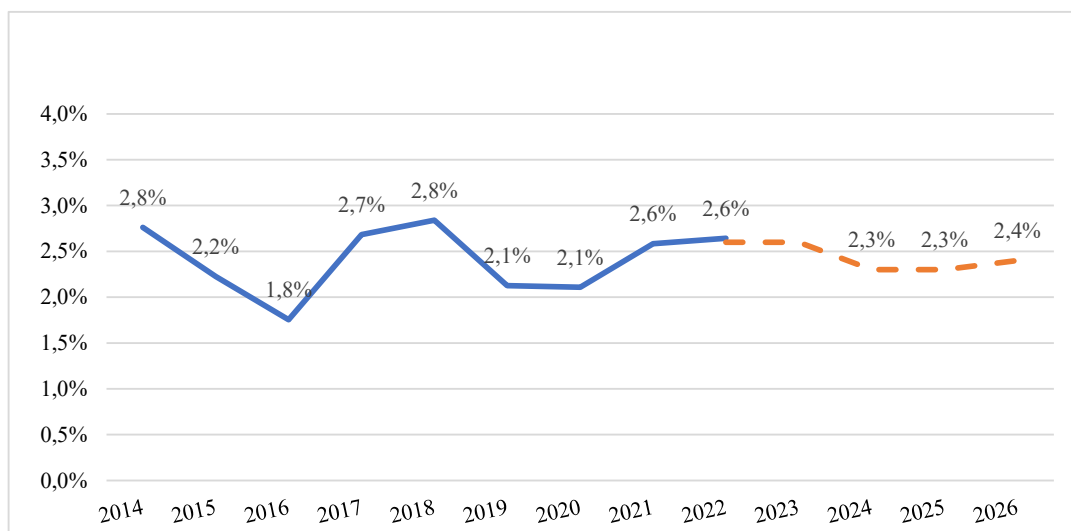
The post-pandemic economic recovery and strengthening of global economic activity in 2021 resulted in a strong recovery of Bosnia and Herzegovina's foreign trade exchange in goods. Thus, according to BHAS data, Bosnia and Herzegovina recorded double-digit growth in all foreign trade indicators in 2021. The trend of increased economic activity in foreign trade partners (economic growth in EU countries 3.5%), increased production in export-oriented branches of the processing industry, and increased activity in the tourism sector allowed Bosnia and Herzegovina to maintain its growth trend in foreign trade exchange in 2022. Thus, according to BHAS data for 2022, the total foreign trade exchange in Bosnia and Herzegovina in 2022 amounted to more than 50 billion BAM, which represents an increase of almost 12.5 billion BAM compared to the previous year. The export of goods and services from Bosnia and Herzegovina in 2022 amounted to 21.9 billion BAM, representing an increase of almost 5.3 billion BAM, or nearly 31.7% in nominal terms, while the growth rate in real terms was 12%. On the other hand, strong growth in domestic demand resulted in a nominal increase in imports of 7.2 billion BAM, representing a nominal growth of 33.8%, while the real growth in imports due to significant price growth was 6.2%. However, high inflation and a slowdown in economic growth in the main trading partners in 2023 resulted in a slowdown in foreign trade exchange with the rest of the globe. According to current statistical indicators and DEP predictions on foreign trade exchange trends, the predicted growth rates of exports and imports in 2023 may be much lower than the previous year. Thus, according to DEP projections for 2023, total exports will increase by 2.3% in real terms (1.1% for goods and 6.1% for services) compared to the previous year. However, due to high inflation and diminishing domestic demand, imports are predicted to increase by 1.1% in 2023 (1.2% for goods and -0.3% for services). Such a trajectory in imports and exports would result in a 3.5% reduction in the foreign trade deficit, implying that the trade balance would contribute 0.5 p.p. to economic growth.

Foreign direct investments in 2022

The continuation of inflationary trends, as well as the war in Ukraine, certainly had a negative impact on foreign investments (hereafter FDI) in 2022. According to preliminary OECD data (FDI in figures) for the first quarter of 2023, global investments are more than three times higher than in the fourth quarter of 2022. Nonetheless, FDI is lower by 24.4% y/y (relative to figures in the first quarter of 2022). In addition, when comparing the same period, investments in OECD countries are lower by 38% y/y, while investments in China are lower by 80% y/y⁷.

⁷ OECD.ord dataset

Graph 2: Total FDI in the world in billions of USD



Source: OECD, investment database

Investment in 2023

Projection

In Bosnia and Herzegovina, the total FDI in 2022 reached 1.2 billion BAM (net financial liabilities), resulting in a 2.6% share in GDP.

3.2. Medium-term macroeconomic scenario

Projection of economic trends for the period 2024-2026

Given that external dynamics represent a very important structural determinant of all economic trends in Bosnia and Herzegovina, it is worth pointing out that the latest developments will play a major, if not decisive, role for the prospects of economic growth in the coming period, which especially applies to the year 2024. Apart from external dynamics, a very important factor for economic growth in the country during the programme period 2024-2026 will also represent the institutional capacity of the country in the implementation of structural reforms in order to strengthen the contribution of internal dynamics in its creation. Further complicating both external and internal dynamics would have very negative consequences for the economy of Bosnia and Herzegovina and decrease its potential growth.

However, the most recent DG ECFIN projections for 2024 show a reduction of inflationary pressures, with an estimated inflation rate of 3.2% and a gradual stabilisation of economic growth of roughly 1.5% compared to the previous year. Bearing in mind the stated external and internal circumstances, according to DEP projections for the period 2024-2026, economic growth can be expected in Bosnia and Herzegovina with an average growth rate of around 3% on an annual basis (2024: 2.9%, 2025: 3.0% and 2026: 3.4%). It is assumed that the key pillar of economic growth during this period should be domestic demand through an increase in private consumption and investments. In fact, the sustainable growth of economic activity in the country with the expected increase in industrial production and construction works, followed by a slight increase in the number of employees and income from exports (goods and services) should preserve the stability of the disposable income of citizens. If it is taken into account that private consumption occupies a very important place in the GDP structure, it can be expected that it will represent a key pillar of economic growth during the programme period. On the other hand, bearing in mind the high level of public consumption within the GDP in Bosnia and Herzegovina and the efforts made through the process of fiscal consolidation in Bosnia and Herzegovina during this period, a gradual stabilisation of public finances is expected through the reduction of public expenditures and the simultaneous increase of public revenues in order to limit the growth of public consumption. Taking into account that the projected rate of economic growth during this period would be higher in relation to the increase of public consumption, the share of it in GDP would fall to roughly 17.3% by the end of 2026.

In this period of time, it is expected that, through fiscal policy measures, part of the funds from current

consumption should be channelled for the purpose of strengthening investment spending in Bosnia and Herzegovina. Therefore, with the improvement of the business environment, unlike previous years, investments could have a more significant growth and therefore a greater contribution to the expected GDP growth.

In the period 2024-2026 in Bosnia and Herzegovina, an increase in gross investment in fixed assets is expected at an average annual growth rate of about 5% (2024: 3.5%, 2025: 5.7%, 2026: 6.3%). In this time frame, in addition to the increase in private investments, which make up the majority of total investments (about 80% of total investments), as stated earlier, a significant contribution of public investments is also expected. It is believed that the progress in the process of European integration combined with the improvement of the business environment through reform processes could increase the interest of both domestic and foreign investors in investments in Bosnia and Herzegovina. On the other hand, considering the structure and position of the economy of Bosnia and Herzegovina, it is considered that public investments will represent a somewhat more important lever for stimulating economic growth in the medium term. Projects within the construction of road infrastructure and energy projects (green transition), as well as the availability of funds from international financial institutions, with their adequate and timely implementation, could result in an annual increase of public investments of over 7%, for the period 2024-2026. Thus, in the medium-term time frame, the share of public investments within GDP in Bosnia and Herzegovina would increase to around 3.3% of GDP. Stabilisation of the external environment along with improvement of the industrial base and raising competitiveness in the country are a prerequisite for improving foreign trade exchange with the world. Only under the condition of the materialisation of the mentioned external assumptions in the period 2024-2026, an increase in foreign trade exchange with the world can be expected. In this case, an average annual export growth of 8% can be expected in Bosnia and Herzegovina, while the projected growth of goods and services would be fairly uniform. Thus, during this period, thanks to this export growth, the share of exports in GDP would increase to more than 50% by the end of 2026. On the other hand, it is expected that imports in this time period should move at a slightly slower annual growth rate of around 6%. During this period, fairly balanced growth in the import of goods and services is expected. The consequence of this trend in import growth would be the stabilisation of the share of imports in GDP to around 60% of GDP by the end of 2026. Slightly stronger export growth compared to import growth in the medium term would result in a gradual stabilisation of the foreign trade balance as a share of GDP at around 10%, i.e. a slightly positive contribution to economic growth, while the coverage of imports by exports should be over 80% by 2026.

Industrial production

In the period 2024-2026, both in Bosnia and Herzegovina and around the world, a gradual reduction of inflationary pressures is expected, along with a gradual stabilisation of economic growth, which will be reflected in the trend of production, employment, and exports volume. Trends in industrial production, in addition to economic trends in the external environment, will be heavily influenced by internal dynamics in Bosnia and Herzegovina during the observed period. Specifically, during this time, an improvement in the implementation of reform measures to strengthen the business environment implemented by competent institutions in Bosnia and Herzegovina is expected.

Improving the business environment is a prerequisite for increasing investments (domestic and foreign), greater utilisation of existing and new capacities, increasing the number of employees, and strengthening the competitive position of BiH producers on both domestic and foreign markets. Only if all external and internal projections are met, does DEP believe Bosnia and Herzegovina will make progress in terms of increasing production, employment, and technological structure when it comes to industrial production in the country.

Labour market – projections for 2023-2026

In Bosnia and Herzegovina, the number of employed persons increased by 1.2% y/y in Q1 2023, reaching 846.7 thousand⁸. However, the growth rate of the number of employed persons gradually started slowing down from the beginning of 2023. The most significant growth in the number of

⁸ Temporary data, source: BHAS.

employed persons in the first half of 2023 was in the fields of information and communication, education, and trade. In Q1 2023, the number of employed persons in the field of information and communication increased by 6.5% y/y, contributing 0.2 p.p. to the overall increase in the number of employees while in the field of education, the number of employed persons increased by 2.4%, contributing the same amount to the overall increase in the number of employed persons as the previous activity. In the wholesale and retail trade⁹, as well as motor vehicle and motorcycle repair, the number of employed persons climbed by 0.9% y/y (contributing 0.2 p.p. to the overall increase in employment). All other activities contributed less to the increase in the total number of employed persons. According to the labour force survey, the unemployment rate in Bosnia and Herzegovina started gradually declining compared to the previous year, and was 13.1% in Q2. In Q1 2023, the average net salary nominally increased by 14.6% y/y and amounted to BAM 1,244. Along with the price growth of 9.3% in the observed period, the real growth of the average net salary was substantially lower and amounted to 4.9%. Based on semi-annual labour market developments as well as assumed economic growth, the annual growth in the number of employed persons and the average net salary in Bosnia and Herzegovina in 2023 is expected to be around 1.3%, with an increase in the average net salary of around 13% y/y.

The mid-term labour market scenario is based on expected economic growth and trends in trade, industrial production, domestic demand, investment, and the overall business climate. Because Bosnia and Herzegovina predicts higher economic growth in 2024-2026 than in 2023 (further details in the chapter on economic growth), this will be reflected in the number of employed persons and salary growth. Furthermore, the projections of international institutions were considered, which could have an indirect impact on the business climate and therefore the evolution of events on the labour market. According to the ECB's projections (September 2023), the Eurozone unemployment rate in 2024-2025 might rise slightly to 6.7%¹⁰, with a 0.2% y/y growth in the number of employed persons. As in previous years, the contribution of the public¹¹ sector to the rise of the number of employed persons in Bosnia and Herzegovina is expected to be more moderate when compared to other sectors of activity. The greatest number of employed persons may continue in the trade and processing industries, which employ the greatest number of people (about 38%). During the observed period (2024-2026), it is predicted that the number of employed persons in Bosnia and Herzegovina will continue to increase at a growth rate of 1.4-1.6% y/y, with a gradual decline in the unemployment rate. Furthermore, the average net salary could rise by 3-4% y/y. Nonetheless, labour market projections are subject to risks that could dramatically alter expected salary growth as well as the number of employed persons¹².

Prices – projections for 2023-2026

In Bosnia and Herzegovina, since the beginning of 2023, the growth of inflation has slowed down. Inflation measured by the consumer price index in the period I-VII of 2023 amounted to 8.5% y/y. Food and non-alcoholic beverages, as well as housing, water, electricity, gas, and other energy products, had the most significant price increases throughout the observed period. Prices in the section of food and non-alcoholic beverages, which accounts for the majority of the CPI index, increased by 14.7% in the period I-VII of 2023. However, since the beginning of the year, food prices have been growing more slowly when compared year-on-year. Housing, water, electricity, gas and other energy product prices increased by 12.1% over the observed period, contributing significantly to the trend of inflation in Bosnia and Herzegovina following food prices. On the contrary, decreasing crude oil prices on the global market had a substantial impact on the trajectory of transportation prices, which declined by 2.9% y/y in the period I-VII of 2023. Prices are predicted to gradually stabilise by the end of 2023. According to ECB projections (September 2023), Eurozone inflation could decelerate sharply to 5.6% y/y (it was 8.4% the previous year). Energy product prices would help to reduce inflation. According to ECB projections, the price of crude oil in 2023 may be 20.3% lower y/y, amounting to \$82.7/barrel, while the price of gas could be 65% lower y/y. Lower energy product prices would lower production

⁹ The total turnover of retail trade in Bosnia and Herzegovina in current prices increased by 7.0% in June 2023 compared to the same month of the previous year. In constant prices, total retail trade turnover increased by 13.0% compared to the same month of the previous year. Source: Press release, Retail Trade Turnover Index in Bosnia and Herzegovina for June 2023.

¹⁰ In 2022, it amounted to 6.5%.

¹¹ The analysis refers to the activities of public administration, healthcare and education.

¹² In the basic scenario, the intensity of development in the number of employed persons and net salaries will be determined by the aforementioned risks.

costs, influencing consumer prices. Aside from energy, it is expected that food prices on the global market will begin to decrease in 2023 by 7.9% y/y (according to World Bank projections from April). In its summer projections, the EC predicts that inflation in the EU will be 6.5% in 2023 (5.6% in the Eurozone) and that crude oil prices will be 18.8% lower y/y. If we add stable utility prices in Bosnia and Herzegovina to the above external price determinants, we can expect 6.2% y/y inflation in 2023¹³.

As in previous years, the development of inflation projections in Bosnia and Herzegovina for the period 2024-2026 is based on the trend of energy and food prices on the global market, as well as inflation projections in the EU, as major external factors. According to the ECB's projections (September 2023), inflation in the Eurozone could continue to fall and reach 3.2% in 2024, with crude oil prices falling 1.1% y/y to \$81.8/barrel. Crude oil prices are expected to fall 4.8% y/y in 2025, but inflation in the Eurozone could be even lower, at 2.1% y/y. The European Commission announced similar inflation forecasts in its summer projections¹⁴. In terms of the global food index trend, the World Bank's most recent projections¹⁵ show that the food price index could fall by roughly 2.8% y/y in 2024. Given the significant influence of global prices on domestic inflation, it is reasonable to expect a gradual stabilisation of prices in Bosnia and Herzegovina in the period 2024-2026. Based on the data presented above, inflation in Bosnia and Herzegovina could reach 3.1% in 2024, 2.2% in 2025, and 1.9% in 2026.

Bank loan and deposit growth trends in 2023-2026

In 2023, despite lower inflationary pressures, stricter financing conditions, rising interest rates, and market expectations of tightening credit conditions, but also weaker economic activity within the European Union (Bosnia and Herzegovina's main trading partner), will all have an impact on the real economy, burdening companies and the population, and credit activity will grow at a moderate rate of around 5.5% y/y in 2023.

With the decrease of financial market tensions, the strengthening of foreign demand will contribute to greater production growth and stronger demand for domestic products, which will benefit Bosnia and Herzegovina's foreign trade exchange. In the period 2024-2026, credit activity will rise substantially faster with an average growth rate of 6.3% - 7% y/y, with loans from non-financial private companies contributing significantly more than in 2022 and 2023.

The growth of disposable income and positive labour market trends will have an impact on the trend of household loans and deposits, which have a significant share in both segments. The household sector will continue to develop at a positive rate until the end of 2023, with total deposits growing at a rate of 7.5%-8% by the end of 2023. This deposit growth was also driven by high growth rates of private company deposits as a result of the business sector's weak investment activity and low business confidence in improving economic trends. Total deposit growth rate in the period 2024-2026 will be between 8.5% and 9%.

External sector

Balance of payments projections for 2023-2026

Based on DEP estimates and projections, the foreign trade deficit in 2023 is predicted to be 3.8% higher y/y. In the period 2024-2026, a nominal decrease in the foreign trade deficit of 4.3%-5.3% is possible as a result of an increase in the nominal rate of imports (7.1-8.5%) and an increase in the rate of exports (10.4-11.3%). According to DEP projections, the current account deficit in 2024 will be around 3.7% of GDP, while the current account deficit in 2025 and 2026 will be around 3% or 2.8% of GDP. Current net inflows from abroad are estimated to range from 7.1% to 9.2% of GDP in the period 2023-2026.

In terms of financing the current account deficit, it can be expected that, as in the past, the current account deficit will be financed by inflows of financial resources from abroad via trade loans, foreign direct investments, and possible new borrowings on the international financial market.

¹³ As in the previous year, the expected price increase will be determined by the aforementioned risks (increases in the price of crude oil, electricity, food, etc.) that could cause inflation to be higher than expected.

¹⁴ In 2024, Eurozone inflation will be 2.9%, or 3.2% y/y in the EU. The observed year's crude oil price will be 0.7% lower y/y, amounting to 81.2 \$/barrel.

¹⁵ According to World Bank projections (April 2023).

Foreign trade exchange for the period 2024-2026

According to current projections in EU countries, a slightly higher rate of economic growth of roughly 1.5% is predicted in 2024, which could have a favourable impact on Bosnia and Herzegovina's foreign trade exchange¹⁶. According to these trends and DEP estimates from the basic scenario for 2024, Bosnia and Herzegovina may expect the growth trend in foreign trade exchange to continue, but at slightly higher rates than the previous year. According to DEP projections for 2024, total export growth of Bosnia and Herzegovina is predicted to be 8.4% in real terms, driven by 7.1% growth in goods exports and 12.2% growth in services exports. However, given that Bosnia and Herzegovina has a somewhat import-dependent economy, a real growth in total imports of 5.7% can be predicted in 2024 with uniform growth rates of imports of goods and services. As with the export trend, the predicted increase in import prices would result in a substantially higher rate of nominal import growth. Such export and import trends could eventually result in a 3.8% reduction in the foreign trade deficit by the end of 2023, with the trade balance having a somewhat positive impact on the projected economic growth in 2024 of roughly 0.5 p.p.

The trend of economic activity in the external environment will undoubtedly be the key determinant of the trend of foreign trade exchange in goods in Bosnia and Herzegovina in the medium term. Only under the assumption of improved economic activity and the resolution of newly developing global economic challenges faced by the world economy can foreign trade exchange in Bosnia and Herzegovina be expected to improve. As a result, if the aforementioned circumstances are overcome, DEP projects a real increase in total exports in Bosnia and Herzegovina in the period 2025-2026, with annual growth rates of 8.5% in 2025 and 8.1% in 2026 in real terms. This increase in exports is attributed to consistent export demand, the expansion of the production base, and the country's increasing competitiveness. These forecasts are further supported by projections of increased imports into the EU throughout the aforementioned time period. On the other hand, an increase in economic activity in the country, i.e. an increase in domestic demand within the population sector and the corporate sector through somewhat faster growth in consumption and investments should also result in an increase in imports to Bosnia and Herzegovina. According to DEP projections, import growth rates are expected to be slightly lower than export growth rates, amounting to 6.0% in 2025 and 5.9% in 2026. Higher export growth rates than import growth rates in the medium term could result in an increase in the representation of exports in GDP to around 55% by the end of 2026, while total exports (goods + services) would equal to around 65%. As a result of such export and import trends, the total foreign trade deficit would gradually stabilise at about 10% of GDP, with a modestly positive contribution to yearly economic growth of 0.5 p.p. and increased import-export coverage to around 85% by 2026.

Foreign direct investments

Investment projections for the period 2023-2026

The fact that energy product costs began to fall dramatically at the beginning of 2023 boosted global economic growth. On the contrary, in response to the increasingly rapid growth of inflation, the world's leading central banks were forced to raise reference interest rates¹⁷, resulting in a slowdown in the growth of economic parameters and stock indices on global stock exchanges.

According to the most recent available data, total FDI in Bosnia and Herzegovina reached 426.6 million BAM (net financial liabilities) in the first quarter and were 79.5% higher compared to the same period last year. Foreign investments are expected to gradually fall in Bosnia and Herzegovina as a result of current global economic trends, with total investment in 2023 predicted to be about 2.6% of GDP.

The start of the implementation of the project by the company Adriatic Metals¹⁸ in Vareš on the mining of polymetals, as well as the entry of the retail chains Lidl and Pepco, are among the more significant and fascinating investments. Major infrastructure investments that have already begun will be

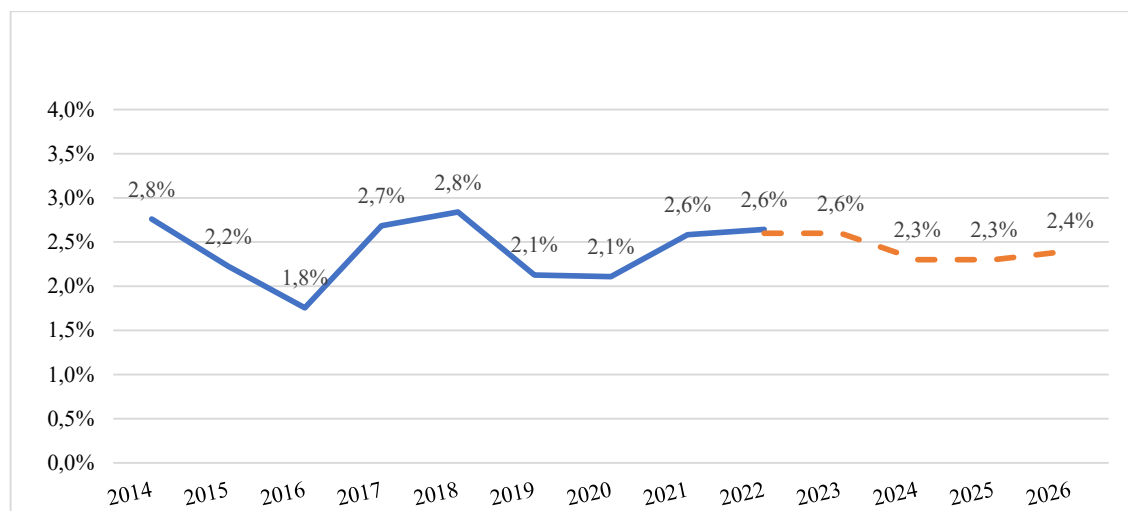
¹⁶ Available data from DG ECFIN "European Economic Forecasts" Summer 2023 were used in the process of projecting economic trends in the external environment (export demand), September 2023.

¹⁷ <https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.mp230316-aad5249f30.en.htm>

¹⁸ <https://www.adriaticmetals.com/our-projects/the-vares-project-bosnia/>

continued, bringing large financial resources in the coming period (highways Banja Luka-Prijedor¹⁹, Brčko-Bijeljina²⁰, Rača-Bijeljina²¹, and Trebinje airport).

Graph 3: FDI projections by year in percentages of GDP



Source: BHAS, CBBiH and DEP estimates

Investment in 2023

Projection

The present worldwide environmental trend of shifting to renewable energy sources makes this field of investment appealing in our country as well. The Republic of Serbia is likely to invest in the HES Gornja Drina²² hydropower project, within which the Buk Bijela HPP²³ (valued at 200 million EUR) and the Bistrica hydropower plant²⁴ would be completed first of the three planned hydropower plants. The construction of the Iovik wind power plant²⁵, whose principal owner is the Luxembourg-based company Iovik Wind Power²⁶, is estimated to cost around 130 million EUR.

The private company ETF is anticipated to finish work on the Bileća solar power plant²⁷ valued at around 45 million EUR. In addition, seven solar power plants in Nevesinje²⁸ (440 million EUR²⁹) are expected to be built, with a concession already signed, as well as a solar power plant in Trebinje³⁰. A contract was also signed between the Mine and Thermal Power Plant (RiTE) “Ugljevik” and the Chinese state company “Beijing New Building Materials” to build a gypsum board factory worth around 50 million BAM³¹.

¹⁹ <http://www.autoputevirs.com/aprs/Doc.aspx?cat=5&subcat=24&id=24&lang=cir&txt=295>, Potpisan ugovor o koncesiji sa kineskom kompanijom “China Shadong Int. Economic & technical cooperation Group Ltd.”

²⁰ <https://autoputevirs.com/2023/02/23>

²¹ <https://integral.ba/svecani-pocetak-radova-autoput-raca-bijeljina/>

²² <https://www.srbija.gov.rs/vest/497512/srbija-od-2014-godine-ulozila-u-rs-59-miliona-evra.php>

²³ <https://www.vladars.net/sr-SP-Cyrl/Vlada/media/aktuelnosti/Pages/11.zajednickasjednica.aspx>

²⁴ <https://www.hebistrica.com/en/contact/>

²⁵ <http://www.fipa.gov.ba/novosti/aktivnosti/default.aspx?id=15383&langTag=en-US>

²⁶ <https://www.energetika-net.com/obnovljivi-izvori/novi-vecinski-vlasnik-ve-ivovik-3557>

²⁷ <http://www.eft-sebileca.net/index.php/se-bileca>

²⁸ <https://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mpcr/media/vijesti/Pages/SENevesinje.aspx>

²⁹ <https://balkangreenenergynews.com/rs/etmax-dobio-koncesiju-za-gradnju-solarne-elektrane-snage-500-mw/>

³⁰ <https://energetika.ba/u-trebinju-planirana-gradnja-najvece-solarne-elektrane-na-balkanu/>

³¹ <https://balkangreenenergynews.com/rs/termoelektrana-ugljevik-planira-proizvodnju-gipsanih-ploca/>

3.3. Alternative scenario and risks

Indicator	Official data	Projections				
	2022	2023	2024	2025	2026	
Nominal GDP in million BAM	45,518	49,183	52,132	54,634	57,418	
Nominal growth in %	13.7	8.1	6.0	4.8	5.1	
GDP deflator (previous year = 100)	109.5	107.0	103.8	102.4	102.2	
Real GDP in million BAM (previous year = 100)	41,560	45,982	50,208	53,373	56,160	
Real growth in %	3.8	1.0	2.1	2.4	2.8	
Inflation measured by the consumer price index in %	14	6.7	4.1	2.5	2.1	
Consumption in million BAM	39,284	41,948	43,859	45,365	46,893	
Real growth in %	1.8	0.7	0.9	1.2	1.3	
Government spending in million BAM	8,513	8,981	9,341	9,621	9,890	
Real growth in %	1.3	1.6	1.5	1.0	0.7	
Private consumption in million BAM	30,771	32,967	34,518	35,744	37,003	
Real growth in %	1.9	0.5	0.7	1.3	1.5	
Investments (gross) in fixed assets in million BAM	10,081	10,656	11,190	12,040	12,847	
Real growth in %	0.3	0.8	3.2	5.7	4.8	
Government investments in million BAM	1,356	1,451	1,571	1,728	1,875	
Real growth in %	-5.0	1.9	5.1	6.8	6.3	
Private investments in million BAM	8,725	9,205	9,619	10,312	10,972	
Real growth in %	1.2	0.7	2.9	5.5	4.5	
Imports in million BAM	28,230	28,774	29,726	31,556	33,280	
Nominal growth in %	33.8	1.9	3.3	6.2	5.5	
Real growth in %	6.2	0.8	2.2	4.7	4.3	
Export in million BAM	21,954	22,596	23,969	25,831	27,783	
Nominal growth in %	31.7	2.9	6.1	7.8	7.6	
Real growth in %	12.0	0.0	4.0	5.7	5.9	
National gross savings in % of GDP	23.1	23.5	24.0	24.5	25.0	
Current account balance in million BAM	-1,978	-1,853	-1,540	-1,616	-1,675	
Growth in %	184.7	-6.3	-16.9	5.0	3.6	
Current account balance in % of GDP	-4.3	-3.8	-3.0	-3.0	-2.9	

Economic growth

Bosnia and Herzegovina's economic recovery following the global pandemic was relatively good, as seen by a 7.2% real economic growth rate in 2021. However, the economic recovery trend did not last long, as a conflict in Ukraine in 2022 had a severe impact on both global economic trends and Bosnia and Herzegovina. Specifically, the energy crisis that occurred in the first half of 2022 increased inflationary pressures, severely slowing the growth of economic activity in the main trading partners, and hence economic growth in Bosnia and Herzegovina. Thus, the recorded economic growth rates in 2022 were 3.5% in the EU and 3.8% in Bosnia and Herzegovina.

The weakening of economic growth in the external environment and the trend of rising prices of goods and services resulted in a further slowdown of economic activity in the country, with the DEP projecting an economic growth rate of around 2% in the basic scenario in 2023, while the average rate of economic growth for the programme period 2024-2026 should be 3.1%.

However, current statistical indicators, as well as projections from international institutions, indicate that there has been an additional complication of circumstances in the world, which could have an impact on both global economic growth and growth in Bosnia and Herzegovina. Because of the increased risk perception in the external environment, which is critical for the country's economic trends, an alternative scenario for the Economic Reform Programme of Bosnia and Herzegovina was prepared. Before presenting the alternative scenario, it is important to remember that in previous years, the external environment (primarily EU countries) represented the key structural determinant of most economic trends in Bosnia and Herzegovina through trade and capital flows. As a result of increased risks in the external environment, the DEP revised its economic growth projections for the period 2023-2026 as part of an alternative scenario³². According to the projections from the alternative scenario, the projected rate of economic growth is about 0.7 p.p. lower compared to the basic scenario. Events in the international environment would slow down and prolong the country's planned economic recovery in the medium term of 2024-2026. The assumption is that Bosnia and Herzegovina will find it far more difficult to achieve economic growth than before the Covid 19 pandemic (about 3% annually), and reaching the potential level of GDP will be substantially longer. Because of the high level of trade integration with EU countries, a lower level of export demand would result in a slower recovery of exports, a lower level of production, and therefore would affect the aggregate supply of Bosnia and Herzegovina. On the other hand, the weakening of economic activity in the external environment would undoubtedly lead to a slower recovery of domestic aggregate demand, because the lower level of production would slow down the planned increases in employment and salaries, which, along with the weaker inflow of citizens' remittances from abroad, would weaken the disposable income of citizens, i.e. private consumption. A lower level of overall economic activity in the country would undoubtedly lead to a slowdown in expected investments in both the private and public sectors.

On the other hand, internal challenges and risks in Bosnia and Herzegovina pose a threat to the realization of the projections from the basic scenario. Internal risks are represented by a complex decision-making system and the slow pace of implementing structural reforms in the country. Possible delays in the implementation of fiscal policy measures, as well as the implementation of general ERP structural reforms, could have a negative impact on overall economic growth. Partial implementation of the structural reforms foreseen in the programme (business environment, labour market, education, energy market - green transition, transportation infrastructure), as well as the migration of young and educated population would undoubtedly result in a decrease in productivity and slower GDP growth than projected in the basic scenario.

Industrial production

The structural composition of the industry in Bosnia and Herzegovina, as well as the high level of export orientation, particularly in the processing industry, makes it quite susceptible to international economic trends. A continuance of unfavourable economic trends in the external environment (weakening of economic growth, inflation, and energy insecurity) would have a negative impact on the physical volume, employment, investments, and productivity in Bosnia and Herzegovina's industrial sector. The slower economic recovery of main trading partners, the demanding business environment, and the low level of implementation of product market reforms (digital transformation, green transition, research, development, and innovation) could be a burden and slow down the planned recovery of industrial production in Bosnia and Herzegovina in the medium term.

Labour market

Labour market projections are influenced by events in the environment, specifically the business climate in Bosnia and Herzegovina and around the world. Negative geopolitical events (as an external factor) could have a negative impact on economic activity in Bosnia and Herzegovina, further affecting the

³² DEP projections (alternative scenario), November 2023

labour market. As a result, slower economic growth than expected will reduce business activity both globally and in Bosnia and Herzegovina. As a result, the rise in the number of employed persons and salaries may be smaller than projected in the basic scenario. Furthermore, the labour force reduction (due to population migration) as well as the degree of implementation of the planned structural reforms in Bosnia and Herzegovina may have an impact on the labour market and the standard of living. Based on this, it is possible to conclude that the aforementioned events provide potential risks for projections, slowing the strengthening of the labour market in Bosnia and Herzegovina.

Prices

Creating an alternative inflation scenario is dependent on both external and domestic factors. It is vital to note that food and non-alcoholic beverages, housing, and transportation account for approximately 65% of the CPI index. Negative geopolitical developments in the world, as an external factor, could have a considerable impact on the inflation trend. As a result, global energy product (particularly crude oil and gas) and food prices may be slightly higher than predicted. Higher-than-expected product prices would create new inflationary pressures and raise consumer prices along with growing production costs. Furthermore, domestic factors (potential changes in utility costs, excise taxes, etc.) should be considered when projecting inflation, hence the main risks for inflation projections are related to price fluctuations in the aforementioned domestic and external sources. As a result, total inflation in Bosnia and Herzegovina may be slightly higher than in the basic scenario.

Banking sector

Potential risks in the banking sector are related to new financial shocks and changes in the trend of trading partners' economies, which would have an impact on the decrease of Bosnia and Herzegovina's foreign trade exchange, industrial production, investments, and final consumption. The aforementioned negative trends would affect the banking system in the form of a decrease in demand for new loans and an increase in loan interest rates. The loan growth trend will be conditioned by the deposit trend as well as the quality of the loan portfolio, which can significantly limit bank credit activity.

Balance of payments

According to DEP projections, there will be a nominal improvement in the foreign trade deficit in 2023, as well as an increase in current net inflows from abroad, resulting in a reduction in the current account deficit. The foreign trade deficit of goods and services is expected to decrease in 2024, while in the period of 2025-2026 it is expected to be around the same.

Current net inflows from abroad would increase slightly in 2023, but growth of current net inflows could slow down or even stagnate in the following years due to economic challenges and uncertainty in the global economy. As a result of possible trends in foreign trade exchange and the aforementioned net inflows, it is to be expected that the deficit rate will decrease in the period 2023-2024, while the current account deficit in Bosnia and Herzegovina's balance of payments will increase in the next two observed years.

Aside from the previously mentioned goods and services foreign trade deficit, as well as the inflow of money from abroad, the trend of which represents the majority of the risk (increase or decrease) of the balance of payments deficit, a number of external and internal risks should be considered. Thus, the economic implications such as the duration of the war in Ukraine, the potential economic consequences of the conflict in the Middle East, inflationary pressures (particularly on the energy and food markets), a slower rate of economic activity in EU countries as well as in the region, and political insecurity and uncertainty in Bosnia and Herzegovina should also be considered. Prospective risks in financing the current account deficit should include the possible problems with borrowing on international financial markets, lower inflows of foreign direct investment, and limited access to trade loans.

The following are the potential risks that can have a significant impact on the economy in the event of medium-term external borrowing: an increase in the total level of public debt, interest rates and interest burden, an increase in the share of the entity's direct debt in the total external debt, an increase in public debt service (especially internal), negative economic growth, negative budget balance (deficit), exchange rate risks, refinancing risk and credit rating deterioration. The appearance of a negative impact

of one of the mentioned risks could lead to significant implications and disruptions to the economy of Bosnia and Herzegovina.

Foreign trade exchange

The stronger-than-expected economic recovery in EU countries, the rise in global prices, disruptions in global supply chains (increased costs of transporting goods from China), and the relatively quick adaptation of BiH companies to the new circumstances, as well as financial support for BiH exporters, all contributed to a good recovery of foreign trade goods exchange with the rest of the world in 2021. A similar growth trend in foreign trade exchange continued in 2022 (double-digit growth rates of exports and imports).

However, in the period 2023-2026, a possible increase in external risks such as the escalation of the Ukrainian-Russian conflict and the rise in global energy and food prices could have a negative impact on export demand, and thus on foreign trade exchange in Bosnia and Herzegovina. In addition to external risks, internal risks also represent a potential risk for foreign trade projections in the basic scenario for the period 2023-2026. Specifically, the additional complication of the political crisis may result in additional difficulties in the country's economic management processes, which would have a particularly negative impact on both economic activity and the institutions in charge of foreign trade operations in Bosnia and Herzegovina. The eventual materialisation of these internal risks would complicate and threaten the business of export-oriented companies, as well as impair Bosnia and Herzegovina's already insufficiently diverse export offer. The indirect negative repercussions of the potential materialisation of internal risks would be reflected in a decline in BiH companies' market share on global markets, as well as a loss of competitiveness for companies operating on export markets and the overall economy.

Due to increased external risks, DEP predicts somewhat slower growth of foreign trade exchange in the alternative scenario of the economic reform programme for the period 2023-2026, with average annual export growth rates of 4% and import growth rates of 3%, so that the trade balance would have a neutral contribution within the projected economic growth in Bosnia and Herzegovina.

Foreign investments

The escalation of conflicts in Ukraine and the Middle East, as well as rising geopolitical tensions, lead to the disruption of supply chains and the increase in energy product prices, influencing inflationary trends. The shortage of raw materials and energy products in the market will certainly have a detrimental impact on economic activity and investment in Bosnia and Herzegovina. Additional sanctions, which are unavoidable, would have a particularly negative impact on the oil and gas industry, which is mostly owned by Russia. Bosnia and Herzegovina has signed the Green Agenda for the Western Balkans, which commits the country to reducing greenhouse gas emissions in the coming years. As a result, the EU imposing further levies on the export of electricity from so-called "dirty energy sources" would make Bosnia and Herzegovina a less appealing investment location. Violations of Bosnia and Herzegovina's political stability and security conditions, as well as a credit rating downgrade, would have severe implications, and FDI would be roughly 2.1% of GDP in the coming period.

4. FISCAL FRAMEWORK

4.1. Policy strategy and medium-term objectives

Although 2022-2023 saw numerous economic challenges (high global price growth, war in Ukraine, slowdown of economic growth in the EU and the Western Balkans region), the fiscal policy of BiH remained stable throughout this period. In 2022, a fiscal surplus was achieved, and in accordance with the Joint Conclusions (JC)³³, the available fiscal space in the 2023 budget was used primarily for targeted support to vulnerable households and businesses to diminish the consequences of high inflation and rising energy prices. Thus, during 2023, transfers for social protection increased by as much as 20% compared to 2022 (about 1.8 p.p. of GDP). However, despite the large increase in budget expenditures for social policy, as well as some other public expenditures, the fiscal deficit was under control in 2023 and amounted to only 0.4% of GDP.

In addition to transfers for social protection, the increase of budget expenditures for gross wages and benefits was relatively high in 2023, since it followed the accelerated price growth from the previous period. This led to a consolidated increase in expenditures for employees by 13.7% in 2023. On the side of public revenues, the increase in wages, and partly the growing number of persons employed in the private sector during this period led to a strong, double-digit increase in revenue from contributions, which largely compensated for the increase in public expenditures. Relatively favourable fiscal trends were also used for the growth of capital expenditures from 3.5% of GDP in 2022 to 3.9% of GDP in 2023 (with estimated additional growth to 4% of GDP in 2024). Increasing the share of public investments in GDP is one of the priorities of institutions at all levels in BiH, which is in accordance with the JC.

The Federation of BiH maintained the stability of the public revenue collection system, despite challenges at the beginning of 2022 due to complex international political circumstances, which enabled the fiscal space for the implementation of measures to support the economy and households. By continuing the additional capacity building activities and modernisation of the tax administration through technologically more advanced process of fiscalisation, restructuring the tax burden on labour and property taxation in the Federation of BiH, as well as through continuation of the activities to prevent the erosion of the tax base and profit shifting, the efficiency of public revenue collection will be increased and the functionality of the labour market and competitiveness will rise, while creating the fiscal capacity of the budget to create fiscal instruments on the expenditure side. The increased expenditure measures in 2022 and 2023 were financed from generated public revenues, and the budget of the Federation of BiH achieved a surplus in both observed years.

At its session held on 14 July 2023, the Government of the Republika Srpska adopted the Framework Budget Document of the RS for the period 2024–2026, which defined the planned budget frameworks, financing, and debt for all levels of government in the RS. This document is the baseline for the development of RS ERP 2024–2026. The consolidated deficit of the general government of the Republika Srpska amounted to 1.9% of GDP of the RS in 2022. According to estimates, the deficit is expected to increase to 2.7% of GDP in 2023. On the revenue side, the growth in 2023 will be 12.4%, while expenditures grow at a rate of 14.1%. The growth in expenditures is mostly the result of a multiple increase in expenditures for gross salaries and benefits during 2022, which was fully realised in 2023. Also, transfers for social protection increased significantly due to the regular adjustment of pensions in 2023, as well as the dynamics of the increase in the number of beneficiaries.

³³ Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey.

Table 1: Fiscal indicators in BiH for the period 2022-2026³⁴

% of GDP	2022	2023	2024	2025	2026
	Execution	Assessment of execution	Plan	Projection	Projection
Total revenue	39.8	41.9	41.9	41.3	40.9
Total expenditures	38.7	42.2	42.5	41.4	40.7
Net borrowing/lending	1.0	-0.4	-0.6	-0.1	0.3
Interest expenditures	0.6	0.9	1.0	1.0	1.0
Primary balance	1.6	0.6	0.4	0.9	1.2

Source: MoFT, FMF, MFRS and BD Finance Directorate

In the forthcoming period, fiscal policy will be moderately restrictive and stabilising, which will ultimately result in a projected surplus of around 0.3% of GDP in 2026. Such fiscal policy will significantly contribute to preserving the country's macroeconomic stability, inflation slowdown and reducing the foreign trade deficit. After a small fiscal deficit growth in 2024 due to increased expenditures on salaries and transfers for social protection in the previous period, public expenditures are expected to grow more slowly than public revenues in 2025 and 2026, i.e., the budget is expected to gradually transition to a slight surplus in 2026. At the same time, the planned mid-term growth of public revenues will be slightly lower than the GDP growth due to the expected rebalancing of the economy, i.e., slower growth of tax-generous private consumption compared to the growth of net exports and investments. Such trends will lead to a decline in the share of public revenues in GDP from 41.9% in 2023 to 40.9% of GDP. At the same time, the share of expenditure in GDP is expected to decrease from 42.5% in 2024 to 40.7% of GDP in 2026. Such cautious fiscal planning and strategic management of the policy of a balanced budget resulting from policies of all levels of government within BiH is even more important at this time of great global uncertainties. Namely, in this way, sufficient fiscal space is provided in BiH for potential budgetary interventions if some of the smouldering external risks materialise.

In the Federation of BiH, the projected revenue share in the GDP of the FBiH will decline from 38% to 37.4%, while a somewhat faster decrease in the share of consumption in GDP is expected (from 37.9% of GDP in 2024 to 36.5% of GDP in 2026). As a result, the surplus is expected to grow from 0.1% to 0.8% of GDP with a decrease of public debt from 19.1% in 2024 to 16.4% of the GDP of the Federation in 2026. Following the structure of planned revenues at the level of the Federation of BiH government sector, tax revenues will account for the largest average share in total public revenues of 49.7%, followed by revenues from contributions (42.3%), while other revenues, including various types of fees and other non-tax revenues will account for 8%. On the expenditure side, transfers for social protection (about 39%) and salary expenditures (about 23.6%) will have the largest share in total public expenditures, while the share of capital expenditures will be about 7.5%.

The budget spending of the Republika Srpska in the coming period reflects priority policies that are in line with the total level of available funds and are aimed at providing a realistic framework for functioning of competent ministries and budget users, while fulfilling their legal obligations based on the principles of cost-efficiency and saving. The Republika Srpska Government will continue with the structural reforms described in part 5 of the Republika Srpska Economic Reform Programme 2024-2026, with the aim of macroeconomic and fiscal stabilisation, increasing employment, and recovery and acceleration of economic growth. The projected share of total revenues in the GDP of the Republika

³⁴ Consolidated revenues/expenditures of the Government of FBiH include data from the Budget of the Federation of BiH, cantonal budgets, budgets of local self-government units, financial plans of extra-budgetary funds and budgets of public enterprises that are financed from public revenues (Roads of FBiH and the FBiH Motorways). Consolidated revenues/expenditures of the Government of the Republika Srpska include data from the budgets of the Republika Srpska, local self-government units, social security funds and budgets of PE "Republika Srpska Roads" and PE "Republika Srpska Motorways." Consolidated revenues/expenditures of the Government of Brčko District include the budget, extra-budgetary funds (Health Insurance Fund and the Employment Institute) and extra-budgetary users who are subject to public-sector accounting (Development and Guarantee Fund, Institute for Planning, Design and Development, RNU Radio Brčko and the Tourist Organisation).

Srpska ranges from 42.9% in 2023 to 42.1% in 2026, while the share of public spending in the GDP of the Republika Srpska decreases at a faster pace and ranges from 44.4% to 42.7%, and the budget deficit gradually declines from 1.6% to 0.6% of the Republika Srpska's GDP. Tax revenues account for 54.1% to 55.1%, revenues from contributions range from 35.1% to 35.8%, while the share of other revenues ranges from 9.1% to 10.8% of total revenues and receipts in the period ahead. Within the planned spending, current expenditures are significant in the period 2023–2026 and account for 87.3% to 88.2% of total expenditures and expenses. The share in total expenditures and expenses is significant for gross salaries and benefits (from 20.1% to 21.6%), transfers for social protection (from 47% to 48.9%) and other expenses (from 7.1% to 9.1%). Allocations for material costs range from 7.1% to 7.5%, while the planned allocations for interest costs range from 3.1% to 4.2% of total expenditures and expenses. In the structure of planned total expenses, capital expenses are not negligible either (from 11.8% to 12.7%).

4.2. Budget implementation in 2023

During 2023, the realised fiscal flows deviated to a limited extent from the expectations at the beginning of this year. When the 2023 budget was prepared, the principle of somewhat more conservative planning was followed, which was necessary considering numerous economic uncertainties, primarily from the external environment. Due to such planning approach and impacts of some additional factors, the generated public revenues systematically exceeded the projections during 2023. Fiscal developments that differed from the projections resulted in the adoption of budget rebalances at practically all levels of government in BiH in 2023. Brčko District adopted the budget rebalance for 2023 in September, the budget rebalance of the Federation of BiH was adopted at the end of October, and budget rebalance of the Republika Srpska at the beginning of November. These rebalances recognised that the public revenues outperformed the projections, but also enabled an increase in public expenditures reflecting the identified needs. The changes brought about by the adopted rebalances were carried out in such a way that a smaller consolidated fiscal deficit was realised than initially planned.

Consolidated revenues at the BiH level amounted to about BAM 20.3 billion, which is a 4.4% increase compared to the originally adopted budgets. This revenue increase resulted from an increase in all current revenues, and in particular the revenue from contributions due to the increase in nominal wages during 2023³⁵. The increase in indirect taxes compared to the plan is mainly caused by the initial conservative planning during the budget preparation, while the higher growth of the 'other revenue' category came as a result of the increase in collected dividends, as well as revenues from fees and taxes.

The revenues of the Institutions of BiH were at the planned level, while the revenues of Brčko District were slightly above the projected level as a result of higher indirect tax revenues. The growth of total revenues at the level of the Federation of BiH outperformed the projections by about 5.8%, resulting from the growth of both direct and indirect tax revenues, as well as revenues from contributions and other revenues. According to the data of the FBiH Institute for Statistics, average gross salary in the Federation of BiH increased by 14.1% in the first nine months of 2023, which resulted in the growth in revenue from contributions and personal income tax revenue. Also, an increase in tax revenues was achieved in the category of revenue from corporate income tax, considering the particularly dominant growth in corporate income tax collection in electricity industry. Finally, the collection of other revenues increased by 14% primarily because the original plan did not include the current transfer from foreign governments and international organisations, which, among other things, refers to the financial support package of the European Union for mitigation of the negative socio-economic impact of the energy crisis.

Revenues from contributions and personal income tax recorded a significant growth in the Republika Srpska as well. The average salary in the Republika Srpska in the first ten months of 2023 achieved a nominal growth of 12.3%³⁶ compared to the same period in 2022. This growth is caused by a significant growth of wages in the real sector, as well as an increase of the minimum wage in the Republika Srpska from BAM 650 to 700 since January 2023. At the same time, with the new set of laws on salaries that

³⁵ According to the data of the BiH Statistics Agency, the growth of gross wages in the first nine months of 2023 was 13.8% compared to the same period of the previous year.

³⁶ According to the data of the RS Institute of Statistics.

came into force on 1 January 2023, salary coefficients were increased for employees in the public administration whose net salary is below the average net salary in the Republika Srpska. Finally, the number of employed persons went up in the observed period. Average number of employed persons in 2023 grew by 1.3% compared to 2022 in the Republika Srpska.

Total consolidated expenses and expenditures were higher by about 3.5% compared to the originally planned budgets for 2023. The growth of expenditures is primarily driven by the increase of transfers for social protection (7.4%) and the growth of expenditures for employee salaries (3.9%). Lower execution level compared to the expenditure plan in the category of gross salary and benefits at the level of the Institutions of BiH results from the fact that most institutions are not staffed in accordance with the headcount approved by the budget, because the Council of Ministers of BiH did not approve new employment in the previous mandate. At the same time, in the case of material costs, execution is lower than planned because temporary financing was in place in the first quarter of 2023, and because of lengthy public procurement procedures for budget users. Budget execution at the Brčko District level was higher due to the increase of expenditures for transfers for social protection and capital expenditures, within the limits of available revenue.

The growth of expenditures for employees at the level of the Federation of BiH was slightly higher and amounted to about 11%, considering the slightly higher growth of employees' wages during 2023 than originally estimated. On the other hand, in the Republika Srpska, starting from 1 January 2023, wages were increased by 5% for employees whose net salary was below average in the RS (under BAM 1,200). Considering that in the original plan salary increases were planned for all public sector employees, and only those with below average salaries received it, execution of this item was by 1.2% less than planned in the RS.

Transfers for social protection have also increased significantly, primarily due to growing number of beneficiaries and the increase in pension expenditures. Due to the dynamic increase in the number of beneficiaries and higher allocations for health and child protection, transfers for social protection exceeded the plan by about 5% in the Republika Srpska. The increase in transfers for social protection compared to the plan at the level of the Federation of BiH was around 8.9% and partly resulted from an extraordinary increase of pensions in April 2023 (with retroactive effect from 1 January 2023), which led to an overall increase of allocations for pensions by about 16.25%. On the other hand, due to the inflation increase, especially the rising energy prices, the number of beneficiaries of social protection transfers has increased. To mitigate the impact of high energy prices, the Government of the Federation of BiH passed the Decision on assistance to the most vulnerable part of the population in the amount of approximately BAM 64.5 million.

Interest expenses were somewhat lower than expected on an aggregated level (by BAM 20.9 million, i.e., 4.5% compared to the initial budget plan), despite the global increase in interest rates, which was difficult to quantify when preparing the budget. At the level of the Republika Srpska, during the budget preparation, slightly higher provisions were made for this risk, and interest allocations were less than planned eventually, while the execution slightly exceeded the plan at the level of the Federation of BiH. Against this background, despite this increase, public expenditures for interest payments remained relatively low, below 1% of BiH's GDP at the aggregated level, which is a consequence of low public debt of BiH.

Capital expenditures at the level of the general government are lower by about 13% than planned. This is the result of a smaller volume of realisation of capital expenditures in the Federation of BiH by about 20%, while the realisation of capital expenditures in the Republika Srpska was by around 1.1% higher than planned. At the same time, the realisation of the capital budget was slightly higher at the level of the Brčko District, while the realisation was lower at the level of the institutions of BiH.

Table 2: Plan and execution of the budget for 2023 (in million BAM)

	Plan 2023	Assessment of execution 2023	Assessment of execution - Plan (abs. difference)	Assessment of execution / Plan (% difference)
Total revenues	19,435.2	20,287.9	852.7	4.4
Current revenue	19,435.2	20,287.9	852.7	4.4
- <i>Tax revenues (direct and indirect)</i>	10,607.5	10,892.0	284.5	2.7
- <i>Revenue from contributions</i>	7,025.3	7,366.4	341.1	4.9
- <i>Other revenues</i>	1,802.4	2,029.5	227.1	12.6
Total expenditures	19,778.2	20,463.4	685.2	3.5
Current expenditures	17,638.6	18,601.2	962.6	5.5
- <i>Gross wages and benefits</i>	5,136.3	5,338.4	202.1	3.9
- <i>Material expenditure</i>	3,217.9	3,257.4	39.5	1.2
- <i>Transfers for social protection</i>	7,344.5	7,891.6	547.1	7.4
- <i>Interest expenditure</i>	467.1	446.2	-20.9	-4.5
- <i>Other expenditure</i>	1,472.7	1,667.6	194.9	13.2
Capital expenditures and expenses	2,139.7	1,862.2	-277.5	-13.0
Net borrowing/lending	-343.0	-175.5	167.5	-48.8
Primary balance	124.2	270.7	146.6	118.1

Source: MoFT, FMF, MFRS and BD Finance Directorate

As a result of revenue and expenditure trends in 2023, the consolidated account of the general government budget had a deficit of about 0.36% of GDP, which is by 48.8% less than the originally planned deficit. Primary reason is the aforementioned increase in budget revenues at all levels. At the same time, the primary balance recorded a surplus of around 0.56% of GDP, which is a significant increase compared to the plan, considering that interest expenditures were slightly lower than originally planned. At the level of the Federation of BiH, the surplus of BAM 192.7 million is slightly higher than planned, considering that the revenue increase was followed by expenditure growth. At the level of the Republika Srpska, there was a slight nominal increase in the fiscal deficit compared to the original plan (by BAM 21.6 million, which is less than 0.05% of GDP). The main reason for the deficit growth is the above-mentioned relatively strong increase in allocations for social benefits (extraordinary increase of pensions, general increase in the number of social protection beneficiaries and higher allocations for child and health care), and partly the increase in public investments.

4.3. Budget plans for ERP submission year

Projected consolidated revenues in 2024 amount to about BAM 21.4 billion (41.9% of GDP), which is by around 5.7% more compared to the budget execution in 2023. This resulted from tax revenue growth of 5.8% due to the predicted economic growth of 2.9% (with the expected slowdown of average annual inflation to around 3%). Within the framework of tax revenues, indirect revenues are expected to grow in line with price growth and the expected real growth in consumption (1.4%). At the same time, increase of revenue from contributions by 7.2% is planned due to the continuation of positive trends on the labour market. Namely, real wages are expected to grow by 2.5-3% with an increase in the number of employed persons of around 1.5%. After slightly higher collection of non-tax revenues than usual in 2023, their nominal decrease by 0.7% is expected in 2024.

Fiscal Council in BiH did not adopt the 2024-2026 Global Framework of Fiscal Balance and Policies in BiH. Accordingly, MoFT has no legal ground for the preparation of the Framework Budget Document (DOB) of BiH institutions for 2024-2026 and the Law on the Budget of BiH Institutions and international obligations of BiH for 2024 yet. Therefore, the data for the institutions of BiH were taken

from the DOB of BiH for 2023-2025, which implies the same revenue level in 2024. At the Brčko District level, a 21.3% revenue increase is planned in 2024, which is primarily the result of amendments to the Budget Law and growth of other revenues on that basis. Growth in tax revenues (about 8%) and revenue from contributions (11.6%) is also planned as a result of the expected increase in wages in 2024.

Bearing in mind that in 2022 and 2023, growth of the average salary in the Federation of BiH was largely related to adjustments to inflationary shocks, which resulted in double-digit growth rates on the side of collection of personal income tax and revenue from mandatory social contributions, in view of the expected stabilisation of inflation, the projection of these categories for 2024 assumes a more modest growth. Revenue increase by around 4.1% compared to 2023 execution is expected as a result of increase in tax revenues (about 4.3%) and revenues from contributions (5.8%). It is estimated that personal income tax revenues will grow by 6.1%, while corporate income tax revenue in 2024 should remain at approximately the same level as in 2023, given that according to official forecasts, a taxpayer that currently accounts for a significant share in the total payments will end the 2023 business year with a loss and is excluded from the projection base for 2024. Finally, it is estimated that other revenues will fall by around 5% in 2024 because of lower non-tax revenues.

A significant growth of indirect tax revenue, revenues from personal income tax and profit tax is planned in the Republika Srpska. In 2024, a significant increase in indirect tax revenues that will be remitted to the Republika Srpska is expected due to the continued price growth trend. An increase in final consumption is also expected in the Republika Srpska, which will additionally contribute to the growth of the coefficient of distribution of indirect tax revenues for the Republika Srpska. Inflationary trends in 2023 and the growth of domestic consumption due to the increase in wages have a positive impact on profit tax revenue trends; thus in 2024, in addition to the expected growth of advance payments, revenue from the settlement of obligations based on annual returns for 2023 is expected to rise. Projected revenues from contributions in the Republika Srpska are by around 10.3% higher compared to the 2023 budget rebalance. This estimate is aligned with the current trend in revenue from contributions and the planned significant increase in salaries and the number of employed persons in the Republika Srpska in 2024. Other projected revenues are by around 1.8% lower than in the 2023 budget rebalance. The projection of these revenues is aligned with current trends in revenue collection and expected economic trends.

The total consolidated expenditures of BiH in 2024 are nominally higher by 6.3% than in 2023. This growth is the result of an increase in almost all expenditures, and it was contributed to the most by expenditures for transfers to the population (8.8% at the aggregate level). Also, due to the increase in interest rates during 2023 and therefore more expensive loans, interest expenses are also expected to rise by around 15% in 2024. On the expenditure side of the institutions of BiH, the increase mostly refers to the salary category because of the base increase by 12.15% in three months (the base has been applied since 1 April 2023, and the 2023 budget includes the effect for 9 months). Also, an increase in material costs is planned due to the increase in the general price level, an increase in the costs of procurement of materials for personal documents because to their issuance dynamics and holding of local elections in 2024. At the level of Brčko District, the increase in salary expenditures in 2024 results from an increase in the base for calculation of the basic salary in 2024 for budget users (from BAM 700 to 735). The increase in interest expenditures results from the start of the repayment of some new loans and estimated increase in the required funds for interests based on growth of reference interest rates. Finally, the planned increase in capital expenditures is caused by amendments to the Law on Budget of Brčko District, which included all capital expenditures from the previous years (2021 and 2022) and from 2023 in the 2024 budget.

In 2024, the projected total expenditure growth of the Federation of BiH is 5.4% compared to 2023. This growth is the result of an increase in expenditures for gross wages (5%) due to the increase in wages and employment level in the Federation of BiH, but also an increase in expenditures for material expenses (6.7%) due to growing prices in the previous period. Larger transfers for social protection are also planned as a result of the expected increase in the number of beneficiaries. Finally, increase of interest expenditures (15.7%) is projected due to growth of interest rates.

At the level of the Republika Srpska in 2024, the total projected expenditures are 6% higher than in the general government budget rebalance for 2023. The projected gross salaries and benefits are 4.1% higher in 2024 because of adjustment of salary coefficients of employees with higher education level in the field of education and culture. Also, pursuant to Article 6 of the Law on Salaries and Benefits of Judges and Public Prosecutors in the Republika Srpska, funds are projected for an increase of judges' and prosecutors' salaries. Projected interest expenditures are higher than in the budget rebalance of the general government of the Republika Srpska for 2023 (13.6%), which is in line with the maturity of liabilities.

In terms of transfers for social protection, an increase of 9.2% is planned compared to the revised budget for 2023 because of the increase in remittances for the monthly veteran's allowance. Remittances for family, personal and civil disability allowances have also increased, and in this group of expenditures, funds are planned for financial assistance to unemployed parents of four or more children in the Republika Srpska. Also, remittances based on pension insurance are planned according to the current trend in the number of pension beneficiaries and the expected number of beneficiaries in the coming period, as well as the regular adjustment of pensions in 2024 by 9%. Other projected expenditures are 9% lower than in the Republika Srpska general government budget rebalance for 2023. Projected capital expenditures amount to BAM 866.2 million, which is 6% more compared to the revised budget for 2023. Larger allocations are planned for the sub-sector of central government, social security funds and PE "Motorways" of the Republika Srpska.

Table 3: Estimated execution of the budget for 2023 and the plan for 2024 (in million BAM)

	Assessment of execution 2023	Plan 2024	2024-2023 (abs. difference)	2024/2023 (% difference)
Total revenues	20,287.8	21,436.2	1,148.4	5.7
Current revenue	20,287.8	21,436.2	1,148.4	5.7
- Tax revenues (direct and indirect)	10,892.0	11,522.5	630.5	5.8
- Revenue from contributions	7,366.4	7,898.5	532.1	7.2
- Other revenues	2,029.4	2,015.2	-14.2	-0.7
Total expenditures	20,463.4	21,747.5	1,284.1	6.3
Current expenditures	18,601.2	19,704.8	1,103.7	5.9
- Gross wages and benefits	5,338.4	5,639.4	301.1	5.6
- Material expenditures	3,257.4	3,501.7	244.3	7.5
- Transfers for social protection	7,891.6	8,589.3	697.6	8.8
- Interest expenditures	446.2	512.8	66.6	14.9
- Other expenditures	1,667.6	1,461.7	-205.9	-12.3
Capital expenditures and expenses	1,862.2	2,042.7	180.5	9.7
Net lending/borrowing	-175.6	-311.3	-135.7	77.3
Primary balance	270.7	201.5	-69.2	-25.6

Source: MoFT, FMF, MFRS and BD Finance Directorate

As a result of the planned trends in revenues and expenditures in 2024, the consolidated budget deficit is planned at BAM 311.3 million (about 0.6% of GDP), which is an increase of about 77% compared to the previous year but is still at a relatively low deficit level. At the same time, a primary surplus of around 0.4% of GDP is planned in 2024. Consolidated fiscal result was caused by the following trends:

- A deficit of BAM 97.3 million at the level of BiH institutions, which will be financed from the transferred surplus of revenue over expenditures from previous years, in accordance with the amount stated in the Reports on budget execution of BiH institutions and international obligations of BiH, and from other sources;
- Deficit of BAM 260.3 million in the Republika Srpska;

- At the level of the Federation of BiH, the surplus of BAM 46.2 million, and
- Balanced result at the Brčko District level.

4.4. Medium-term budgetary outlook

In the next medium-term period, revenue growth is expected to continue at the level of BiH by an average of about 4.2% in nominal terms per year. It will mostly result from increase in revenues from contributions (about 5.5%) and tax revenues (4.2%). These projections are in line with the projected growth of economic activity and growth of wages and employment (estimated employment growth of 1.4-1.6% on average per year in 2024-2026). Revenue trend in BiH is the result of revenue trends at the levels of the FBiH and the Republika Srpska.

It is estimated that mid-term revenue growth in the Federation of BiH will average at 4.9% per year as a result of increase in revenue from contributions (5.8% on average annually) and tax revenues (4.5% on average annually). Following the mid-term assumptions of key indicators related to the labour market, the expected average annual growth rate of revenue from personal income tax is 6.9%. Revenue from corporate income tax in 2025 and 2026 is projected with an expected average annual growth of 4.2%, while the expected average annual growth rate of income from property tax and real estate sales tax is 3.6%. For other revenue category, an average annual growth of 2.5% is projected.

In the same period, at the level of the Republika Srpska, an average revenue growth of about 4.6% per year is expected, while the increase of tax revenues is projected at 5% on average per year. Within the framework of tax revenues, the largest share will account for revenues from indirect taxes, personal income tax and profit tax. This projection takes into account GDP growth rates, inflation, as well as projected growth rates of wages and of the number of employed persons in the Republika Srpska. In 2025 and 2026, increase of contributions is expected to be around 4.9% on average per year. This projection is aligned with the current trend in revenues from contributions, as well as with the expected growth trend of gross wages and the number of insured persons in the observed period. Other revenues are expected to grow by an average of 1.3% per year.

The increase in consolidated expenditures in the medium term is planned at the average level of around 3.2% per year. The largest increase in consolidated expenditures is projected for material expenses, considering the general increase in prices, and transfers for social protection due to the increase in the number of beneficiaries. At the level of the Federation of BiH, an increase in expenditures for gross wages and benefits of approximately 4.2% per year is expected, followed by an increase in expenditures based on material expenses (5.3%) and transfers for social assistance (4.3%). Also, interest expenditures are expected to decrease as a consequence of the projected reduction of public debt until 2026.

Observing the expenditure projections of the Republika Srpska, which foresee an average growth of 3.4% per year, transfers for social protection (3.8%) and gross wages and benefits (0.6%) account for the most significant share. Average interest expenditure growth of around 17.4% per year is also planned, in view of the planned public debt growth. Continuation of the growth trend of capital expenditures of 7.6% on average per year is also planned.

Table 4: Mid-term budget prospects 2022-2026 (in million BAM)

	Execution 2022	Assessment 2023	Projection 2024	Projection 2025	Projection 2026
Total revenues	18,098.3	20,287.9	21,436.1	22,282.2	23,292.0
Current revenue	18,098.3	20,287.9	21,436.1	22,282.2	23,292.0
- Tax revenues	9,885.2	10,892.0	11,522.5	12,003.6	12,521.4
- Revenue from contributions	6,446.6	7,366.4	7,898.5	8,333.0	8,787.8
- Other revenues	1,766.5	2,029.5	2,015.2	1,945.6	1,982.8
Total expenditures	17,625.6	20,463.4	21,747.5	22,336.8	23,144.7
Current expenditures	16,026.5	18,601.2	19,704.8	20,386.0	21,068.1

- <i>Gross wages and benefits</i>	4,696.2	5,338.4	5,639.4	5,784.6	5,920.4
- <i>Material expenditures</i>	2,982.8	3,257.4	3,501.7	3,615.1	3,786.6
- <i>Transfers for social protection</i>	6,571.4	7,891.6	8,589.3	8,936.4	9,305.8
- <i>Interest expenditures</i>	275.4	446.2	512.8	532.4	549.2
- <i>Other expenditures</i>	1,500.7	1,667.6	1,461.7	1,517.6	1,506.1
Capital expenditures and expenses	1,599.2	1,862.2	2,042.7	1,950.8	2,076.5
Net lending/borrowing	472.6	-175.5	-311.4	-54.6	147.3
Primary balance	748.0	270.7	201.4	477.8	696.5

Source: MoFT, FMF, MFRS and BD Finance Directorate

In accordance with the trend of consolidated revenues and expenditures in the medium term, an improvement of the fiscal result is projected, which will turn into a surplus of 0.3% in 2026 after a deficit of 0.6% in 2024 and 0.1% in 2025. The fiscal result is a consequence of the projected increase in the surplus in the Federation of BiH, from BAM 46.1 million in 2024 to BAM 315.7 million in 2026. At the same time, deficit reduction is projected in the Republika Srpska from BAM 260.3 million in 2024 to BAM 102.3 million in 2026.

When it comes to financing in the forthcoming period, no deficit is planned at the levels of the institutions of BiH, Brčko District and the Federation of BiH, while the consolidated budget deficit of the Republika Srpska will be financed with revenue from bond issues and financial assets. In the given period, financing from external sources is planned, namely 88% in 2024, 63.4% in 2025, and 71.2% in 2026. The planned financing is almost entirely realised through long-term (domestic and external) instruments, which will account for 100% of the total financing in 2024 and 2025, and 98.4% in 2026. The participation of financing through securities (domestic and foreign) in the given period is more dominant (over 80%). Investment projects will be fully financed from external sources, as a result of maximum utilisation of access to concessional financing sources (World Bank, EIB, EBRD, IFAD, etc.). Domestic and foreign sources of financing will be used to finance budget spending.

4.5. Structural balance (cyclical component of the deficit, one-off and temporary measures, fiscal stance)

The cyclically adjusted budget balance was calculated based on the semi-aggregate method of the European Commission. The calculation of the cyclical part of the balance carried out by the European Commission is based on the usual procedure in two steps: (i) on the assessment of the aggregate production gap as an indicator of the economic cycle and (ii) on the assessment of the elasticity of total income and expenditure in relation to this gap.

In the first step, the cyclical state of the economy (production gap) is evaluated by comparing the actual GDP with the potential one. Considering the unavailability of data, the production function method could not be used to assess the aggregate production gap. Thus, the estimate of potential GDP is based on the adapted Hodrick-Prescott (H-P) filter, due to its transparency and simplicity, with a smoothing coefficient (λ) for annual data, 6.25³⁷. According to Bruchez, P. A. (2003), the adapted Hodrick-Prescott filter solves the problem of sample start/end bias, which is the main drawback of the original H-P filter. Using such an adapted filter, it was not necessary to artificially extend the data series beyond the projection period.

In the second step, the effect of cyclical movements on the budget is assessed by applying budget elasticities. The total elasticity of revenue/expenditure is derived as a weighted sum of the elasticity of individual revenue/expenditure categories that are sensitive to the movement of the business cycle, where the weights of individual categories are their shares in total revenue/expenditure. At the same time, the elasticity of individual revenue/expenditure components is first calculated regarding their relevant macroeconomic base, then the elasticity of the macroeconomic base to the aggregate

³⁷ Morten O. Ravn and Harald Uhlig (2001), "Discussion Paper No. 2858 on adjusting the HP – Filter for the frequency of observation, CEPR, Harvard College and the Massachusetts Institute of Technology.

production gap is evaluated. By multiplying these two elasticities, the elasticity of individual revenue/expenditure component to the aggregate production gap is calculated.

As a standard in assessing the elasticity of revenue and expenditure, it is assumed that the elasticity of consumption tax, income tax, profit tax, social contributions, and expenditure for the unemployed relative to the corresponding tax base is equal to one (1). In this way, the calculated total elasticity of the budget balance of the consolidated general government is 0.34, where the estimated elasticity for revenues is 0.33 and for expenditures -0.01. The obtained results and their interpretation depend to the greatest extent on the length of the series used, the reliability and quality of the data.

After calculating the overall sensitivity of the budget balance, the cyclical component of the budget balance is then obtained as the product of the output gap and the overall cyclical sensitivity. To show the real character of the discretionary fiscal policy, the fiscal position is calculated. It is measured as the annual change in the cyclically adjusted primary budget balance (excluding interest) minus one-off measures (structural budget primary balance), where a positive sign indicates an expansionary and a negative sign a restrictive policy. The structural primary balance calculated in this way shows the structural fiscal position.

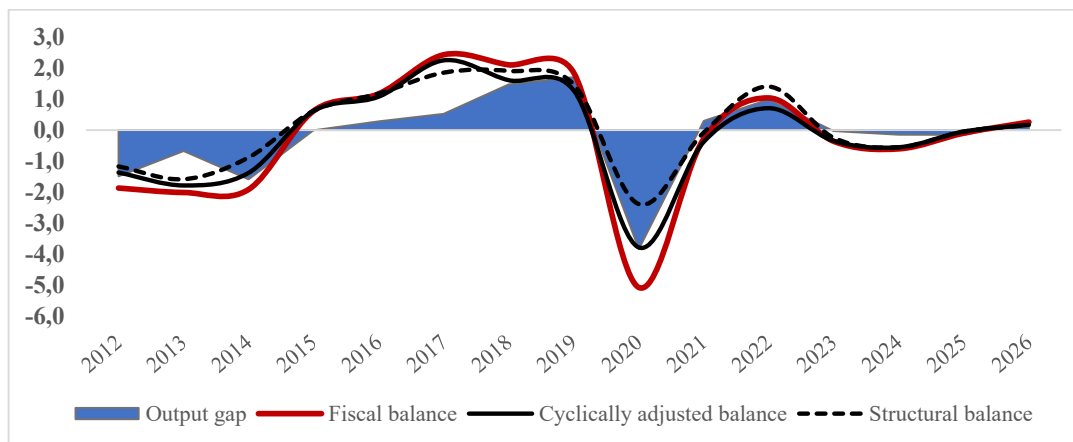
Table 5: Fiscal balance and components for calculating the cyclically adjusted balance in the period 2007-2026, in % GDP³⁸

Year	Output gap	Cyclical component	Fiscal balance	Primary fiscal balance	Cyclically adjusted fiscal balance	Cyclically adjusted primary fiscal balance	Structural fiscal balance	Structural primary fiscal balance	Fiscal impulse
2007	0.3	0.1	1.1	1.5	1.0	1.4	-3.0	-2.6	
2008	3.3	1.1	-2.0	-1.5	-3.1	-2.6	-1.5	-1.0	-1.5
2009	0.7	0.2	-4.0	-3.5	-4.2	-3.8	-3.6	-3.2	2.1
2010	0.3	0.1	-2.3	-1.8	-2.4	-1.9	-0.4	0.1	-3.2
2011	0.2	0.1	-1.2	-0.6	-1.3	-0.7	-0.4	0.2	-0.2
2012	-1.5	-0.5	-1.9	-1.2	-1.4	-0.7	-1.2	-0.5	0.7
2013	-0.7	-0.2	-2.0	-1.3	-1.8	-1.1	-1.6	-0.9	0.4
2014	-1.6	-0.5	-1.9	-1.1	-1.4	-0.6	-0.9	-0.1	-0.8
2015	0.0	0.0	0.6	1.5	0.6	1.5	0.6	1.5	-1.5
2016	0.3	0.1	1.2	2.0	1.1	1.9	1.2	2.0	-0.5
2017	0.5	0.2	2.4	3.1	2.3	2.9	1.9	2.5	-0.6
2018	1.5	0.5	2.1	2.8	1.6	2.3	1.9	2.6	-0.1
2019	1.7	0.6	1.9	2.5	1.3	1.9	1.5	2.1	0.5
2020	-3.9	-1.3	-5.1	-4.4	-3.8	-3.1	-2.4	-1.7	3.8
2021	0.3	0.1	-0.3	0.3	-0.4	0.2	-0.1	0.5	-2.2
2022	1.0	0.3	1.0	1.6	0.7	1.3	1.4	2.0	-1.5
2023	0.0	0.0	-0.4	0.6	-0.4	0.6	-0.3	0.7	1.3
2024	-0.2	-0.1	-0.6	0.4	-0.6	0.4	-0.6	0.4	0.2
2025	-0.2	-0.1	-0.1	0.9	-0.1	0.9	-0.1	0.9	-0.5
2026	0.3	0.1	0.3	1.2	0.2	1.1	0.2	1.1	-0.2

Source: MoFT

³⁸ For the period 2007-2021, data from the CBBH was used, and for the period 2022-2026, data provided by the ministries of finance (MoFT, FMF and MFRS) and the Finance Directorate of the BD.

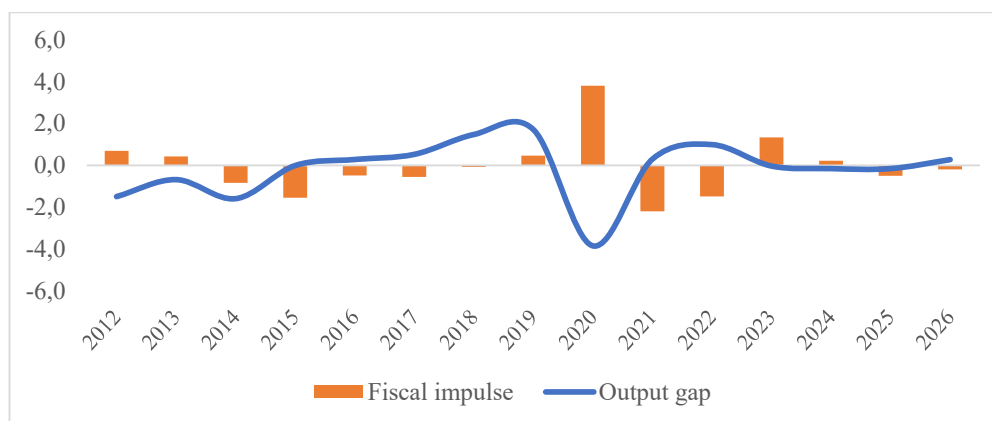
Graph 4: Actual and cyclically adjusted fiscal balance in the period 2012-2026 in % of GDP



Source: MoFT

Based on the data provided by the Federation of BiH, the Republika Srpska, the Brčko District and the Institutions of BiH and their aggregation, a calculation of the structural balance and an assessment of the fiscal position and fiscal policy in BiH was made. When interpreting such analyses, it should be borne in mind that data from different entities were aggregated to assess the overall character of fiscal policy at the BiH level. For example, if in a certain year the fiscal policy at the BiH level was restrictive, this does not necessarily mean that the same assessment automatically applies to all individual budgets that are aggregated (Federation of BiH, Republika Srpska, Brčko District and Institutions of BiH). In other words, it cannot be ruled out that some of these budgets were expansive in the same year. Nevertheless, with this reservation, the obtained evaluations that are presented in this part certainly represent the predominant fiscal policy that has been conducted or is planned to be conducted in BiH.

Graph 5: Character of fiscal policy in BiH in the period 2012-2026



Source: MoFT

The outbreak of the pandemic caused by COVID-19 was followed by a sharp economic downturn in BiH, with the deterioration of most macroeconomic aggregates in 2020. It resulted in a decrease in the collection of all public revenues and a strong increase in public expenditures – due to the large costs of health care and measures taken to help the economy and citizens (counter-cyclical expansionary fiscal policy). After that, the gradual stabilisation of epidemiological conditions and the strong recovery of economic growth in the EU and the region led to a large increase in economic activity in BiH in 2021 compared to 2020 (GDP growth of 7.4%). As a result of the recovery of domestic demand (private consumption), there was a significant increase in public revenues with gradual abandonment of expansive, crisis fiscal policy measures. Namely, measures to help the economy and the population and increased expenses for health care continued to be applied in 2021, but in a significantly reduced scope. Thus, in 2021, the fiscal impulse reverses its direction compared to 2020 and switches to a

countercyclical restrictive fiscal policy. During 2022, however, the economy was faced with new challenges, due to the complex international political circumstances related to the war events in Ukraine, which had a significant impact on global and domestic economic flows, primarily through sudden and high inflationary flows and economic downturn. Such circumstances required another intervention of all levels of government in BiH through the adoption and implementation of fiscal policy measures (especially in the aspects of preserving the living standard of citizens and social protection). Fiscal policy measures such as increases in wages, pensions and social benefits had their greatest effect during 2023, when there was another moderate increase in fiscal policy expansion (Graph 2).

Against this backdrop, the period 2020-2023 was evidently marked by unusually large macroeconomic changes, which were accompanied by strong fiscal policy reactions (especially in 2020). Nevertheless, the country's structural fiscal position has not deteriorated much. The structural fiscal balance of BiH in 2019 was 1.5% of GDP, and in 2023 it was estimated at -0.3% of GDP (while the primary structural balance changed from 2.1% of GDP in 2019 to 0.7% of GDP in 2023). In the coming period (2024-2026), macroeconomic and fiscal trends are expected to stabilise. According to available data and forecasts, the projected GDP will be close to the potential one in 2024-2026, and the fiscal policy will be almost balanced with minor impact on a change in aggregate demand (Graph 2).

4.6. Debt levels and developments, analysis of below-the-line operations and stock-flow adjustments

In accordance with the constitutional arrangement in BiH, a legislative and institutional framework for public debt management has been established at all levels of government. Legislation at the levels of BiH, Federation of BiH, Republika Srpska and Brčko District lays down fiscal rules related to borrowing limits for the respective level of government. According to the legal framework, public debt management in BiH is carried out by the Ministry of Finance and Treasury of BiH, Federation Ministry of Finance, Ministry of Finance of the Republika Srpska and the Finance Directorate of the BD. Public debt management is carried out through the implementation of borrowing procedures, recording, monitoring, servicing and preparation of debt management strategies and the development of plans for external and internal operations with public debt. Debt is managed in accordance with the guidelines defined by the Mid-Term Debt Management Strategy of BiH, and mid-term debt management strategies of the Federation of BiH and the Republika Srpska. Debt management activities are aimed at keeping the level of costs and risks at an acceptable level.

The Law on Debt, Borrowing and Guarantees of BiH regulates the debt and guarantees of BiH, borrowing method and procedure, provision of funds for debt repayment, issuing guarantees and securities, reserve measures and their application, keeping records on debt and guarantees, and other issues pertaining to debt and guarantees of BiH. A borrowing on the basis of a long-term national debt can arise if at the time of borrowing on the basis of long-term direct internal national debt or long-term direct external national debt, the amount of long-term debt repayment that is due in any subsequent year does not exceed 18% of regular revenues generated in the previous fiscal year.

Thus, in accordance with the Law on Debt, Borrowing and Guarantees in the Federation of BiH (Law on Debt in FBiH), FBiH can borrow in the country and abroad in domestic or foreign currency. The Law on Debt in the FBiH establishes limits on borrowing by the FBiH, cantons, cities and municipalities, as well as the purposes for which it can borrow on the external or internal market, and issue guarantees. Borrowing limits have also been defined for the total public debt of FBiH, which is consolidated at the level of FBiH. It is stipulated that the FBiH can borrow long-term if, at the time of borrowing, the amount of debt servicing, total internal and external debt and guarantees due each subsequent year, including the servicing of the proposed new borrowing and all loans for which the FBiH has issued guarantees, with limits on the amount of the canton's debt, does not exceed 18% of the consolidated revenues of FBiH and cantons generated in the previous fiscal year. Cantons, cities, and municipalities can incur long-term debt if, at the time of long-term debt, the amount of debt repayment for the total internal and external debt and guarantees due in each subsequent year, including servicing for the proposed new debt and all loans for which guarantees of the cantons, cities and municipalities have been issued, does not exceed 10% of the revenues generated in the previous fiscal year. When

determining the aforementioned limits, guarantees are calculated in the amount of 30% of the nominal value of the guarantee. In accordance with the Law on Debt in FBiH, the Government of FBiH has established a Debt Committee, which includes representatives of the Federation and Cantonal Ministries of Finance. The Committee is, among other things, responsible for monitoring the sustainability of the total debt in the FBiH.

The Law on Borrowing, Debt and Guarantees of the Republika Srpska regulates in detail the area of borrowing and issuing guarantees of the Republika Srpska and local self-government units, as well as the ways and procedures of borrowing, which together with the existing laws in the area of the budget system and the Law on Fiscal Responsibility in the Republika Srpska, forms an overall legal framework for the improvement and control of budget discipline. In accordance with the Law on Borrowing, Debt and Guarantees of the Republika Srpska, the limitation of the amount of the debt is determined so that the total debt of the Republika Srpska at the end of the fiscal year, cannot exceed 60%, while the public debt of the Republika Srpska cannot exceed 55% of the realised GDP in that year. The debt of the Republika Srpska arising on the basis of liability for the financing of damage repair from the Unified Register of Damages, prescribed in the Law on the Solidarity Fund for the Reconstruction of the Republika Srpska, is exempt from the restrictions prescribed for the total and public debt of the Republika Srpska. The short-term debt of the Republika Srpska cannot exceed 8% of the amount of regular revenues generated in the previous fiscal year. The total exposure of the Republika Srpska based on the issued guarantees cannot exceed 15% of the realised GDP in that year. Additionally, the Budget of the Republika Srpska determines the amount of short-term and long-term debt of the Republika Srpska that may arise during the budget year. The National Assembly of the Republika Srpska, on the proposal of the Government, decides on total short-term and long-term borrowing that may arise during the fiscal year, as well as on its purpose, on the total amount of guarantees of the Republika Srpska that the Government may issue during the fiscal year, and on the approval of capital investment, as well as on the maximum amount of debt for financing that investment.

Local self-government units in the Republika Srpska can incur long-term debt only if, in the period of debt creation, the total amount due for repayment, based on the proposed debt and the entire due, outstanding existing debt, in any subsequent year does not exceed 18% of the amount of their regular revenues generated in the previous fiscal year. The short-term debt of local self-government units cannot exceed 5% of their regular revenues generated in the previous fiscal year, and the exposure under issued guarantees cannot exceed 30% of the amount of their regular revenues generated in the previous fiscal year (all rules that apply to units of local governments also apply to social security funds, except for the part concerning guarantees - social funds cannot issue guarantees). The assembly of the local self-government unit makes a decision on the indebtedness and issuance of the guarantee of the local self-government unit, and the Ministry of Finance gives consent for the indebtedness and issuance of the guarantee. The Management Board of the Social Security Fund makes a decision on borrowing to be made by the Social Security Fund, the Ministry of Finance issues an opinion, and the Government of the Republika Srpska gives consent to the borrowing to be made by the Fund. The Law on Fiscal Responsibility, within the framework of the general fiscal rules, establishes a debt rule which implies that the public debt of the Republika Srpska at the end of the fiscal year cannot exceed 55% of the realised GDP in that year, while within the framework of the special fiscal rules, a debt threshold is defined, which implies that if the public debt of the Republika Srpska at the end of the fiscal year reaches 50% of the realised GDP in that year, the budget for the following year must have a budget surplus. The Ministry of Finance of the Republika Srpska annually reports to the Government of the Republika Srpska and the National Assembly of RS on the state of the debt and other indicators related to the public debt.

Limits on the amount of BD's internal debt are established by the Law on Internal Debt of the Brčko District of BiH. The short-term debt may never exceed 5% of the amount of regular revenues generated in the previous fiscal year. BD may create long-term liabilities only if, at the time of indebtedness, the debt repayment amount repayable in any subsequent year for all outstanding long-term internal debt of the District and the proposed indebtedness to be incurred does not exceed 10% of the regular revenues collected in the previous fiscal year. The BD legislation does not regulate the subject of borrowing from foreign creditors, and BD can borrow externally on the basis of the Law on Borrowing, Debt and

Guarantees of BiH. The Law on Debt, Borrowing and Guarantees of BD is in the drafting process, and it will cover the entire area of borrowing and set clearer limits and fiscal rules for BD's borrowing.

According to estimates of all levels of government in BiH, the total debt at the end of 2023 will amount to BAM 12,924.6 million (EUR 6,608.2 million or 26.7% of GDP). In the total estimated value of the total debt for 2023, 99.2% or 12,808.7 refer to the entities (Federation of BiH 51.2% or BAM 6,552.8 million and the Republika Srpska 48.8% or BAM 6,255.9 million). One of the main characteristics of BiH's public debt is that the largest part of the debt relates to external debt; according to the estimate, at the end of 2023, 70.6% of public debt will relate to external debt, and 29.4% to internal debt. When observed by entities, the share of external debt in the public debt of the Federation of BiH will be 80.3%, while that of the Republika Srpska will be 59.9% at the end of 2023. The projected balance of external debt at the end of 2023 is based on the amount of withdrawn credit funds as of 30 September 2023, increased by estimated withdrawals for investment projects in implementation and withdrawals for the purpose of financing budget spending, and reduced by the estimated amount of external debt principal servicing.

According to the data of MoFT, at the end of September 2023, average interest rate on BiH's external debt was 2.71%, which is an increase of 1.1 p.p. compared to last year, while on the same day the share of fixed interest rate was 63.5%, and of variable interest rate 36.5%. The average time to maturity (years) for external debt as at 30/9/2023 is 6.7 years, while the average refixing time is 4.54 years.

Regarding the currency structure, the largest part of external debt is denominated in euros, 67.4%, while 4.6% is denominated in US dollars, and 21.7% in SDR. 6.3% of the external debt is denominated in other currencies. The currency risk is moderate and significantly lower compared to the share of external debt in the total debt structure because of the currency clause (BAM peg to EUR), which is why 32.6% of the total debt is exposed to exchange rate changes, although the share of external debt in the total public debt is above 70%.

The external debt repayment profile indicates a significant external debt service in the observed period, given that the European Commission's Macro-Financial Assistance II loan (EUR 50 million), the RS Eurobond (EUR 300 million), and the principal repayment for the IMF loan RFI (Rapid Finance Instrument) to combat the negative consequences of reduced economic activity caused by the Covid-19 pandemic will become due that year. The largest external debt creditors at the end of September 2023 were the World Bank (27%), the EIB (24%), the EBRD (9%), the IMF (9%) and the European Commission (3%), and other creditors accounted for 28% of external debt on the observed date.

As of 30 September 2023, the external debt of the Institutions of BiH amounts to BAM 45.2 million, which is 0.1% of BiH's GDP. In the currency structure of the external debt of the Institutions of BiH, the largest percentage refers to EUR currency (72%), while the rest refers to SDR (28%). The currency risk of the existing debt is low, which results from the fact that EUR accounts for a high share in the currency structure of external debt. Entire external debt of Institutions of BiH is repaid at a fixed interest rate. The average interest rate is 1.1%, while the average maturity of external debt of the Institutions of BiH (ATM) is 6.4 years.

The situation concerning public debt at FBiH level as of 30 September 2023 amounts to BAM 5,979.03 million (18.8% of GDP of FBiH³⁹), of which BAM 5,156.11 million refers to foreign debt and BAM 822.92 million to internal debt. The currency structure of the total debt portfolio of the Federation of BiH is as follows: EUR – 55.7%, SDR – 19.8%, BAM – 13.8%, USD – 10.4%, JPY – 0.4%. Currency risk of the total debt of the Federation of BiH is relatively high, considering that around 31% of the external debt is sensitive to changes in exchange rates (after the SDR decomposition, the share of the EUR currency in the total debt is 61.5%).

Refinancing risk is significant for both internal and external debt and is concentrated to the short- and medium-term. The average time to maturity (ATM) for the end of 2022 for internal debt is 4.2 years, and 6.4 years for external debt. The debt that is refixed within one-year accounts for 45.2% of the total debt and is almost the same compared to the previous period. The average time to refix the total debt

³⁹ The estimated value of GDP for FBiH for 2023 is BAM 31,679 million.

portfolio of the Federation of BiH is 4.2 years, that is, it is the same for both external and internal debt.

According to data as of 30 September 2023, the average interest rate for the internal debt of the Federation of BiH is relatively low and amounts to 1.7%. The weighted average interest rate is 1.56%, while the ratio of fixed and variable interests on external debt is in favour of fixed rate, which accounts for 57.4% of external debt. Estimated average weighted interest rates on internal debt for 2023-2026 are 2.91%, 3.6%, 3.7% and 2.38% respectively, taking into account trends of interest rates on securities issues during 2023.

The public debt of the Republika Srpska as of 30 September 2023 is BAM 5,298.4 million, which is 34.2% of RS's GDP⁴⁰, while the total debt of the Republika Srpska amounts to BAM 6,255.8 million, or 40.4% of GDP. The balance of the total external debt is BAM 3,687.5 million, while the balance of the total internal debt is BAM 2,568.3 million. As of 30 September 2023, the total debt of the Republika Srpska that is subject to legal limitation amounts to BAM 6,196.5 million (40% of GDP), while the public debt that is subject to legal limitation amounts to BAM 5,239.1 million (33.7 % of GDP).

The currency structure of the total debt of the Republika Srpska is dominated by three currencies: EUR (42.5%), BAM (41.1%) and SDR (11.9%). Of the total debt of the Republika Srpska, only 1.7% is short-term debt (original maturity), while the entire remaining debt is long-term, and its share is 98.3%. Most of the total debt, i.e., 79.2%, is repaid at fixed interest rates. Of the total external debt 70.7% is repaid on fixed terms, while 91.4% of the total internal debt is repaid on fixed terms. When it comes to the structure of the total debt of the Republika Srpska and the relevant instruments, the marketable part of the debt (bonds and treasury bills) amounts to 40.9%, while the remaining debt represents the non-marketable part of the debt (loans and debt that is settled through an action plan or in cash).

The average weighted interest rate of the total debt of the Republika Srpska for 2022 is 2.4%, with external debt of 2.1%, and internal debt 2.9%. The average weighted interest rate of total debt estimated for the period 2023–2026⁴¹ is 3.4%, 3.9%, 4.6% and 5%, namely external debt 3.1%, 3.9%, 4.6% and 5%, and internal debt 4%, 4%, 4.5% and 5% by year, respectively.

As of 30 September 2023, public debt of Brčko District amounts to BAM 46.19 million, which is 4.2% of GDP of Brčko District of BiH, and the whole amount accounts for external debt⁴². In the currency structure of the district's external debt, the largest percentage refers to EUR currency (79%), followed by USD (14%), while the rest refers to SDR (basket currency). The currency risk of existing debt is low, although external debt accounts for 100% of the total debt, which results from the fact that EUR accounts for a high share in the currency structure of external debt (79.2%), and only 20.8% of total debt is exposed to currency risk. The interest rate risk for the total debt is high considering that about 72% of the debt comprises debt with a variable interest rate.

Table 6: Public debt and projections (in million BAM)

	2022	2023	2024	2025	2026
1. EXTERNAL DEBT	9,811.4	9,132.9	9,564.9	9,918.1	9,682.0
1.1. BiH Institutions	68.9	61.0	74.7	78.6	70.3
1.2. Federation of BiH	5,467.4	5,266.7	5,037.9	5,130.0	4,878.0
1.3. Republika Srpska	4,225.8	3,750.3	4,393.1	4,639.4	4,670.7
1.4. Brčko District	49.3*	54.9	59.3	70.1	63.0
2. INTERNAL DEBT	3,143.3	3,791.7	3,553.9	3,368.8	3,437.7
2.1. Federation of BiH	1,011.5	1,286.1	1,337.3	1,222.5	1,265.6
- <i>The Federation of BiH Government</i>	682.6	952.9	982.2	899.9	950.51
- <i>Cantons, municipalities and cities</i>	328.9	333.2	355.1	322.6	315.08

⁴⁰ The estimated value of GDP for the RS for 2023 is BAM 15,474 million.

⁴¹ Interest rate values are obtained by comparing the estimated amount of interest for a given year and the debt balance in the previous year.

⁴² The debt balance differs from the official MoFT data for external debt serviced by BD, which was incurred in the period before the establishment of BD.

2.2. Republika Srpska	2,131.3	2,505.6	2,216.6	2,146.3	2,172.1
- <i>The Republika Srpska budget</i>	1,600.5	2,002.2	1,806.2	1,817.7	1,921.7
- <i>Local self-government units</i>	360.2	338.1	287.9	240.0	193.8
- <i>Social security funds</i>	170.6	165.3	122.5	88.6	56.6
2.3. Brčko District	0.5	0.0	0.0	0.0	0
IN TOTAL (1+2)	12,954.7	12,924.6	13,118.8	13,286.8	13,119.7

Source: MoFT, FMF, MFRS and BD Finance Directorate

* The debt balance differs from the official MoFT data for external debt serviced by BD, which was incurred in the period before the establishment of BD

Table 7: Repayment of public debt and projections in million BAM⁴³

	2022	2023	2024	2025	2026
1. Federation of BiH total	838.4	1,024.9	1,198.6	1,033.4	863.9
1.1. External debt of FBiH	544.4	843.9	878.8	733.6	598.1
1.2. Internal debt	293.9	181.0	319.8	299.9	265.9
- <i>The Federation of BiH Government</i>	263.9	150.9	281.7	262.4	230.4
- <i>Cantons, municipalities and cities</i>	30.1	30.1	38.1	37.5	35.5
2. Republika Srpska total	672.3	1,292.2	1,161.3	1,108.3	1,605.9
2.1. External debt of RS	305.7	824.1	586.2	592.0	1,152.4
2.2. Internal debt of RS	366.7	468.1	575.1	516.3	453.5
- <i>RS Budget</i>	267.2	358.7	462.2	416.9	361.3
- <i>Local self-government units</i>	58.3	64.9	62.0	59.4	56
- <i>Social security funds</i>	41.2	44.5	50.9	40.0	36.2
3. BD total	8.6	11.1	15.9	12.8	10.3
3.1. External debt	7.9*	10.7	15.9	12.8	10.3
3.2. Internal debt	0.7	0.5	0.0	0.0	0.0
4. External debt of Institutions of BiH	6.8	21.6	6.1	8.1	8.9
BIH TOTAL	1,526.0	2,349.8	2,381.9	2,162.6	2,489.0

Source: MoFT, FMF, MFRS and BD Finance Directorate

* The debt balance differs from the official MoFT data for the amount of external debt serviced by BD, which was incurred in the period before the establishment of BD

Contingent liabilities

As at 30 September 2023, the total exposure of the FBiH under the issued guarantees is BAM 261.78 million (0.83% of GDP). It refers to guarantees issued within the credit-guarantee programmes of the Guarantee Fund established in 2020 for the purpose of recovering the economy from the consequences of the COVID-19 pandemic. The fund is managed by the Development Bank of the Federation of BiH. Potential liabilities of the general government of RS include liabilities that could fall on the budget of the Republika Srpska based on issued guarantees of RS, and on budgets of local self-government units based on issued guarantees of the local self-government units, in case of their activation. As at 30 September 2023, the total exposure of the Republika Srpska under the issued guarantees is BAM 1.201.8 million (7.8% of GDP). Of the stated amount, BAM 11.6 million refers to the guarantees of the Republika Srpska issued for internal debts of local self-government units, BAM 165.6 million for internal debts of social security funds, BAM 936.3 million for debts of public enterprises (of which BAM 618.9 million external, and BAM 317.4 million internal), and BAM 88.3 million for internal liabilities of the public sector. The total exposure of local self-government units under the issued guarantees as at 30 September 2023 is BAM 54.8 million.

⁴³ Principal and interest.

Table 8: Status of contingent liabilities in the period 2023-2024 (in million BAM)

	2023	2024
Federation of BiH	261.8	261.8
Projected liabilities based on guarantee of credit-guarantee programmes of the Guarantee Fund	261.8	261.8
Republika Srpska	1,186.4	1,036.2
Republika Srpska	1,136.6	996.0
Local self-government unit	49.8	40.2
Brčko District	0	0
BiH Institutions	231.5	185.3
In total	1,679.7	1,483.3
% GDP	3.5%	2.9%

Source: MoFT, FMF, MFRS and BD Finance Directorate

4.7. Sensitivity analysis and comparison with the previous programme

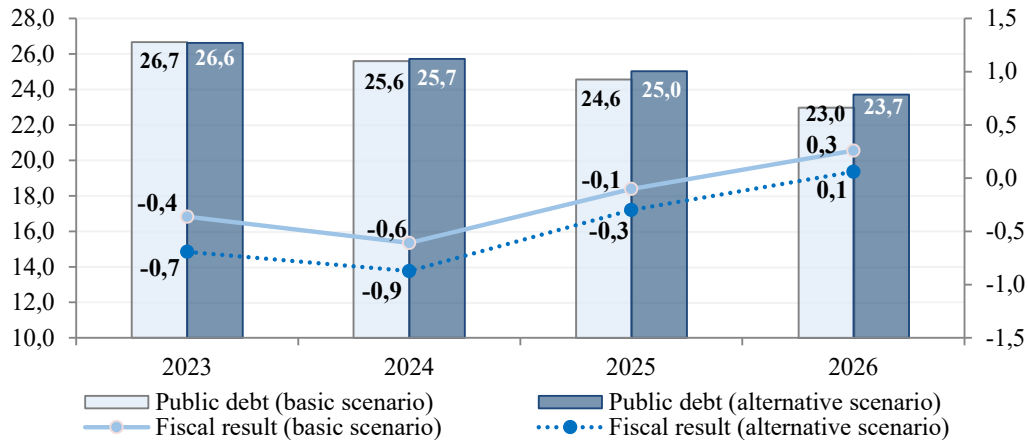
Sensitivity of the budgetary projections to alternative scenarios and risks

Mid-term macroeconomic and fiscal projections are always accompanied by a level of uncertainty and risk. Namely, they are based on certain assumptions related to trends in the domestic economy and external environment that do not necessarily come true. Considering different factors, Chapter 3 provides an analysis of main risks and, accordingly, an alternative scenario of macroeconomic trends in BiH in the medium term is quantified. This scenario recognises external factors as the main source of risk, i.e., deteriorating trends in the EU, which would spill over into the BiH economy through trade and capital flows. Also, certain internal risk factors were recognised - above all, a complex decision-making system and the slow implementation pace of structural reforms in the country. Effecting the recognised risks would contribute to slower annual real GDP growth in the alternative scenario compared to the basic scenario in 2023-2026 by about 0.7 p.p. per year (on average), higher inflation (by 0.4 p.p.), slight worsening of the current account deficit of the balance of payments (by 0.3 p.p. of GDP) and other changes.

Main fiscal developments have a relatively low sensitivity to the described (potential) worsening of the macroeconomic environment compared to basic forecasts (Table 3.3 from Chapter 3 of ERP). The calculation of the alternative fiscal deficit trend was made taking into account the sensitivity of public revenues to changes in real GDP growth (elasticity of 0.33) and without adjusting public expenditures. This would lead to a moderate deterioration of the overall fiscal result and a proportionately greater increase in public debt. When calculating the share of public debt in GDP in the alternative scenario, the estimated change in nominal GDP was also taken into account. However, since in the alternative scenario real GDP growth decreases, but average inflation (and the GDP deflator) increases at the same time, the change in nominal GDP is not large and does not represent an important source of differences in trends related to the share of public debt in GDP in the baseline and alternative scenarios.

It is also important to note that BiH's public finances are characterised by an almost fully balanced budget, relatively low public debt (below 30% of GDP) and firm fiscal rules that additionally guarantee stable fiscal movements. Therefore, BiH's public finances would be resistant to significantly stronger shocks and instabilities than those predicted in the alternative macroeconomic scenario.

Graph 6: Public debt and fiscal balance according to the basic and alternative scenarios in the period 2023-2026



Source: MoFT

Comparison with the previous programme

Projections of the medium-term fiscal framework relative to the previous programme are different, bearing in mind the continued crisis caused by price growth, which was reflected in the complete change of the previously assumed pattern of movement of revenue collection as well as the level of expenditure projections (Table 4.9). Revenue and expenditure projections from ERP BiH 2023-2025 assumed that inflation would resume a single-digit level in the first half of 2023, and that the economy would recover after the negative effects of price growth. At the same time, a high level of caution was preserved in forecasting, given the then still present uncertainty regarding the future. On the other hand, 2023 has seen continuation of the price growth exceeding the projections, which on the one hand affected the nominal revenue growth, and on the other the need to increase expenditures for transfers for social protection. All of this resulted in a significantly higher budget realisation in 2023, and on that basis, higher projections of revenue and expenditure trends in the following period.

Table 9: Comparison of the fiscal result with the previous programme

	2022	2023	2024	2025	2026
ERP 2023-2025					
Total revenues	17,782.8	19,205.8	20,371.1	21,603.4	
Total expenditures	17,669.8	19,214.5	20,035.9	20,764.9	
Net borrowing/crediting	113.0	-8.7	335.2	838.5	
ERP 2024-2026					
Total revenues	18,098.3	20,287.9	21,436.1	22,282.2	23,292.0
Total expenditures	17,625.6	20,463.4	21,747.5	22,336.8	23,144.7
Net borrowing/crediting	472.6	-175.5	-311.4	-54.6	147.3
Difference					
Total revenues	315.5	1,082.1	1,065.0	678.8	
Total expenditures	-44.2	1,248.9	1,711.6	1,571.9	
Net borrowing/crediting	359.6	-166.8	-646.6	-893.1	

Source: MoFT, FMF, MFRS and BD Finance Directorate

4.8. Quality of public finances

Reform measures to improve the quality of public finances are defined in Comprehensive Public Finance Management Strategy in BiH for the period 2021-2025, and in individual strategies of all levels

of government. In August 2023, the Council of Ministers of BiH adopted the first consolidated report on the implementation of the Comprehensive Public Finance Management Strategy in BiH for 2021, after all levels of government in BiH have adopted the reports on the implementation of individual strategies. The factors that influenced the implementation of the reform measures defined by the strategic documents the most were the circumstances of eliminating the consequences of the pandemic, the limited resources of the reformers, as well as limited access to technical assistance. Nevertheless, the implementation of the activities defined by the Comprehensive Strategy began with the planned dynamics at all levels of government in BiH, and the overall achievement of results in all six pillars of the Strategy shows satisfactory progress.

The comprehensive strategy of public financial management in BiH envisages activities that should contribute to strengthening the quality of public finances, primarily through the restructuring of the tax burden and improvement of the legislative framework, reduction of fiscal risks related to public enterprises, improvement of the budget programme format, development of financial reporting, and improvement of functioning of the financial management and audit system at all levels of government in BiH. Considering that the institutional framework for planning and implementing public finance management reforms in BiH is highly decentralised, the key factor for the success of reform activities is the consistence of all levels of government in the implementation of measures defined in strategic documents.

The Consolidated Report on the Implementation of the Comprehensive Public Finance Management Strategy in BiH for 2022 is currently in the adoption procedure will be the basis for maintaining a dialogue on public finance with the European Union, along with the findings of the Public Expenditure and Financial Responsibility Assessment (PEFA) in BiH. A revision of strategic documents at all levels of government in BiH is planned in 2024, which aims to better define activities and deadlines for implementation, in accordance with the achieved progress and plans for improvement of public finance management in BiH.

At all levels of government in BiH, activities to improve macroeconomic projections and strengthen the capacity of institutions in the preparation of the BiH Economic Reform Programme (ERP BiH) have been intensified. The implementation of the IPA 2018 Support to the Economic Reforms Programme of BiH, which started in the first quarter of 2023, will especially contribute to increasing the credibility of the fiscal framework of the ERP BiH and its connection with the macroeconomic framework and structural reforms.

During 2023, activities to improve the process of budget creation and monitoring in the programme format continued. Through the EU project “Further Support to Public Finance Management in BiH”, activities for the procurement of a software for programme budget planning at all levels of government in BiH are underway. In the field of management and supervision of public sector entities, the Unit for Monitoring Public Enterprises has been established in the Federation of BiH, and its personnel capacities are expected to be strengthened in the coming period. In the Republika Srpska, the Department for Coordination of the Supervision of Public Enterprises was established and actively works on the implementation of measures for the reform of public enterprises that are planned in 2022-2026. In Brčko District, a register of public sector entities is expected to be established in the forthcoming period. To restructure the tax burden and improve the legislative framework, harmonisation of legislation and practices with European regulations in this area has continued at all levels of government in BiH. Also, activities to improve the work of tax administrations continued.

4.9. Fiscal governance and budgetary frameworks

The budgetary process in BiH begins with the adoption of the Global Framework of Fiscal Balance and Policies in BiH (GFFBP) by the Fiscal Council in BiH for a period of three years. The Fiscal Council coordinates the fiscal policy in BiH in order to ensure macroeconomic stability and sustainability of public finance of all levels of government. The GFFBP document is developed based on the Law on Fiscal Council in BiH and contains all the necessary elements that fiscal policy holders in BiH need to prepare their framework budget documents and annual budgets. These elements are: fiscal goals defined as the primary fiscal balance (primary surplus or primary deficit), projections of total indirect taxes

based on macroeconomic projections, and their distribution for the next fiscal year, as well as a proposal for the upper limit of the debt budget of the institutions of BiH, RS, FBiH and DB. The aforementioned elements, the harmonisation of which represents the basic assumption for the budget planning of fiscal policy holders in BiH, constitute the essence of fiscal coordination in BiH.

The procedure is the same for Framework Budget Documents (FBD) at other levels of government in BiH. Bearing in mind the marked fiscal decentralisation and independence of each level of government in BiH in determining fiscal policy, the structure of budget expenditures presented in the GFFBP tabular overviews is indicative for each level of government, and each level of government determines in its framework budget documents and annual budgets the final structure of expenditures and revenues in accordance with the adopted policies. In this process, each level of government in BiH has and applies its own laws and defines the preparation of FBD for the next three years.

Fiscal rules in BiH are set at the levels of the Federation of BiH, the Republika Srpska and Brčko District. The Law on Amendments to the Law on Budget of the Brčko District of BiH lays down that “the share of the budget deficit in the gross domestic product may not exceed 3% of the District’s GDP at the end of the previous fiscal year.” The fiscal rule on debt will be incorporated into the Law on Borrowing, Debt and Guarantees of Brčko District of BiH, which is in the drafting stage. Fiscal rules in the Federation of BiH are prescribed by the Law on Budgets of the FBiH and the Law on Debt, Borrowing and Guarantees in the FBiH:

- The planned current balance of the budget must be positive or equal to zero, except in cases of natural disasters or natural disasters declared by the legislative body, and when the amount of determined damages exceeds 20% of realised expenditures in the previous fiscal year.
- Short-term debt created by borrowing for the purpose of temporarily financing the deficit arising from the cash flow will be repaid within a period of one year and at no time during the fiscal year will it exceed 5% of the generated revenue without receipts in the previous fiscal year.
- The Federation of BiH can incur long-term debt, so that the due obligations each year do not exceed 18% of the consolidated revenues from the previous year, while the annual debt obligations of the cantons, cities and municipalities must not exceed 10% of the generated revenues from the previous year.

At the same time, the Law on Fiscal Responsibility of the Republika Srpska regulates the fiscal rules, measures and procedures on the basis of which the fiscal framework is established, limits public spending, strengthens responsibility for the efficient and effective use of budget funds, establishes the Fiscal Council of the Republika Srpska and strengthens the control and supervision system. This law defines general and special fiscal rules. The general fiscal rules refer to the total budget system of the Republika Srpska, while the special fiscal rules are binding, automatic measures if the indicators stated in the general fiscal rules reach the value thresholds defined by this law. General fiscal rules in the Republika Srpska are:

- Public debt rule – The public debt of the Republika Srpska at the end of the fiscal year cannot exceed 55% of the realised GDP in that year;
- Consolidated budget deficit rule – The consolidated budget deficit at the end of the fiscal year cannot exceed 3% of the realised GDP in that year.

Independent fiscal institutions. The Law on the Fiscal Council in BiH established the Fiscal Council tasked with coordinating the fiscal policy in BiH in order to ensure macroeconomic stability and sustainability of all levels of government in BiH. The Fiscal Council is responsible for the development of the budget’s fiscal goals and upper debt limits for the next three years, as well as for the development of macroeconomic projections within the framework of the Fiscal Balance and Policies Global Framework document, which is adopted every year for the following year and the following two years.

Pursuant to the FBiH Law on Budgets, with the aim of ensuring macroeconomic stability and fiscal sustainability of FBiH, the Fiscal Coordination Body of FBiH was established. The fiscal coordination body is responsible for: coordination of fiscal policy in FBiH; proposal of fiscal goals of budgets of

FBiH cantons, cities, municipalities and extra-budgetary funds; setting of macroeconomic projections and projections of total tax and non-tax revenues in FBiH; control of the implementation of fiscal rules; a proposal for the upper borrowing limit for budgets of FBiH, cantons, cities, municipalities and extra-budgetary funds; determining the situation and debt projection in the FBiH; determination of measures and activities to ensure the stability of debt servicing; defining criteria and the amount of new borrowings in view of the total borrowing limits for the next fiscal year, and other competencies in accordance with the Law.

The implementation of the Law on Fiscal Responsibility in the Republika Srpska, through the Fiscal Council of the Republika Srpska, which was established in July 2017, significantly improved fiscal responsibility and discipline for spending public funds in the entire budget system of the Republika Srpska, both at the Republika Srpska level and at the level of local self-government units and extra-budgetary funds. The Fiscal Council analyses and verifies the macroeconomic and fiscal assumptions and projections used in the preparation of Government documents, provides an independent and credible assessment of economic policy, assesses basic fiscal risks and the probability that the Government will meet its goals in the future, assesses the extent to which the Government has met the set fiscal goals and checks whether the fiscal rules have been observed.

Financial reporting. All levels of government in BiH have regulated financial reporting with their by-laws. Accordingly, all levels of government in BiH prepare and publish quarterly and annual reports on budget execution. In terms of consolidated reporting for BiH, the Central Bank of BiH (CBBH) publishes reports on government operations for all sectors of the general government in BiH in accordance with the GFS 2014.

In the Federation of BiH, consolidated quarterly and annual reports are made, which include lower levels of government and extra-budgetary funds. These reports are regularly published on the FBiH MF's website. In accordance with the Rulebook on Financial Reporting and Annual Budget Calculation, public enterprises that are financed from public revenues or companies for which the Government of FBiH issues debt guarantees (FBiH Railways, FBiH Roads and FBiH Motorways) submit periodic and annual financial reports on the execution of business plans to the FBiH MF. In the field of financial reporting, in accordance with the Rulebook on Financial Reporting of Budget Users, starting from 2017, on the website of the Ministry of Finance of the Republika Srpska, financial data for the central government of the Republika Srpska are published monthly, while consolidated data for the central government of the Republika Srpska, extra-budgetary funds that are not included in the Republika Srpska's budget and all local self-government units are published quarterly. Data are presented in GFS codes (GFS 2014) and are available in Serbian and English.

Alignment with ESA2010 is ongoing in BiH, in accordance with the strategy. Significant progress was made when the Agency for Statistics of BiH, in cooperation with the Federation Institute for Statistics of FBiH and the Republika Srpska Institute for Statistics, published a list of units (business entities) classified in the general government sector. The list was prepared in accordance with internationally accepted standards (ESA 2010, Manual on State Sector Deficit and Debt - MGDD), and the Decision on Establishing the Statistical Classification of Institutional Sectors.

In the Federation of BiH, the Rulebook on financial reporting and annual budget calculation is applied, which is regularly harmonised with the European System of Accounts and State Financial Statistics. The reporting is harmonised with the Analytical Chart of Accounts of the Federation of BiH, (ESA2010) and (GFS2014), which ensures the quality (up-to-dateness and reliability) of fiscal data. In order to improve the reporting system, the plan is to automate the reporting process, as well as to refine the law and accompanying by-laws, which is foreseen in the entity and comprehensive strategy. In the Republika Srpska, the development and implementation of treasury GFS and ESA books is underway, which will provide a prerequisite for a greater degree of automation, consistency and precision in the process of translation and re-consolidation of accounting data from the Treasury system (SUFI) to GFS 2014 and ESA 2010 classifications, which are applied in international frameworks.

Reforms in the field of public finances are contained in the individual Public Finance Management Strategies for the period 2021-2025 and for the Public Finance Management Comprehensive Strategy in BiH for the period 2021-2025, which were adopted at all levels of government in BiH. All strategies

are based on analyses and recommendations of relevant international institutions and aim to ensure fiscal and macroeconomic sustainability and improve the public finance management system.

In the context of planning and budgeting, as from 2023, two IPA projects related to the application of ESA standards are being implemented. In this sense, it is planned to expand the scope of users/institutions in accordance with international standards. In addition, the implementation of a project related to the improvement of budgeting in the programme format is underway, with the aim of more efficient and transparent budget planning and spending of public funds. For the implementation of the programme budget at all levels of government in BiH, procedure for the procurement of adequate software is underway, financed by the EU (IPA III)⁴⁴. Also, the World Bank will provide technical assistance on fiscal management financed by the European Union through the Strengthening Fiscal Management in the Western Balkans Trust Fund. These activities are in line with the second recommendation of the Joint Conclusions.

Improvement of the public investment system will ensure more efficient management of public finances, that is, better planning and management, supervision of public investments, cost estimation by projects, as well as the determination of priority investments. The goal is to ensure compliance of public investment programmes with strategic documents and budgets at all levels of government, as well as to improve the efficiency of spending public funds. This measure is planned in the individual and comprehensive PFM strategy, and it will be the subject of IPA III programming for the next period. At the same time, these activities are in line with part of the first recommendation of the Common Guidelines concerning the increase of the share of capital investments in GDP. The Law on Amendments to the Law on Budgets in the Federation of BiH created conditions for the review of multi-year capital investments, which will ensure adequate planning of multi-year funds in the budget, as well as more efficient implementation of capital projects. The improvement of the public investment management system in the institutions of FBiH was achieved with the entry into force of amendments to the Regulation on the method and criteria for the preparation, development and monitoring of the implementation of public investment programmes, which harmonised the calendar for the preparation of public investment programmes and definitions with the Law on Budgets in FBiH. Another amendment to the Regulation is planned by the end of 2023. The new amendment to the Regulation will create better preconditions for expanding the criteria for the evaluation of individual projects and reduce taking of “ad hoc” decisions on the selection. In order to increase the capacity in the field of macroeconomic statistics, the training of FMF employees in the use and application of the software package for simulations of econometric models and forecasting is ongoing. Application of the software package should improve the work on assessment and forecasting of fiscal parameters, revenues, expenditures, and debt.

On the other hand, the improvement of the debt management function in the Republika Srpska is planned through the implementation of a comprehensive debt management information system (DMS).

In the following period, the priority will be to monitor, analyse and report on fiscal risks, especially those related to public companies and funds, which is in accordance with a part of the first recommendation of the Joint Conclusions. In the Republika Srpska, the first Report on fiscal risks of public enterprises in 2022 was completed in the third quarter of 2023 and refers to the fiscal risks of 20 public enterprises of special interest in the Republika Srpska. At the General Secretariat of the Government of the Republika Srpska, the Department for the Coordination of Supervision of Public Enterprises was established, which is responsible for the centralised collection and processing of data on public enterprises for the needs of the Government, and other tasks related to the coordination of supervision of operations of public enterprises. Currently, the measures of the updated 2022-2026 Action Plan for the reform of public enterprises are actively implemented. At the same time, on FBiH level, to solve the problem of transparency and good management in public enterprises in accordance with the strategy, a measure is planned to establish a unit for monitoring the work of public enterprises

⁴⁴ Due to the delay in the programme budget software procurement procedure which is carried out by the EU delegation to BiH, it is very certain that the start of implementation of the programme budget planned for 2024 will be postponed to one of the following years, that is, until the technical prerequisites, including development and putting of the relevant software in service for FBiH, are created.

within the General Secretariat of the FBiH Government. The task of this unit will be the initial analysis of the situation, including reports and recommendations of international institutions and the drafting of by-laws that will regulate its work.

4.10. Sustainability of public finances

Demographic changes, viewed in the long term, are one of the key problems facing BiH. Negative demographic trends in the long term worsen the position of the labour market and the fiscal position and the sustainability of all budget payments, the public health system and education. Due to the constitutional setup and separate legislative frameworks for financing and exercising rights in the pension and health insurance systems, in order to assess the long-term sustainability of these systems in BiH, separate analyses and projections for the levels of the Federation of BiH and the Republika Srpska should be made.

With the introduction of the Pension and Disability Insurance Funds of the Republika Srpska into the budget of the Republika Srpska, as of 1 January 2016, and of the Federation of BiH as of 1 January 2020, the governments of both entities expressed their commitment for the pensioner population to have priority in the payment of budget benefits. In this way, the complete fiscal consolidation of the Pension and Disability Insurance Funds was performed.

The reform of the pension system was implemented in the Republika Srpska in 2011, and in the Federation of BiH in 2018. In both entities, the reform produced significant results in terms of the sustainability of the pension system in the medium term. However, due to demographic trends, it will be necessary in the coming period to very carefully monitor the parameters of the pension system, especially in the segment of pension adequacy, in order to be able to respond in a timely manner to negative demographic or economic trends. Due to the aging of the population and the departure of the young and able-bodied, the number of contributors is expected to decline in the coming years, and the pension system is expected to be threatened, and the budget system overburdened in the long run.

The challenges for the next period in the area of the health care system are particularly related to the aging of the population, the growth of malignant diseases, the monitoring of the medical equipment modern technologies and treatment methods, and the revision of the network of health institutions. The strategic commitment of the Government of the Republika Srpska and the Government of the Federation of BiH is to establish fiscal consolidation of health systems in the forthcoming period through the settlement of overdue liabilities of public health institutions and their gradual introduction into the treasury systems.

In the period from 2021, the Government of the Republika Srpska included four institutes in the treasury system at the level of the Republika Srpska, and 18 health centres at the level of local self-governments. The strategic commitment is also to ensure the settlement of outstanding liabilities of public health institutions and the Health Insurance Fund from the previous period. The reform will be based on the standardisation of the network of health institutions, and the invention of new models of financing health insurance.

The FBiH Public Finance Management Reform Strategy for the period 2021-2025 plans to include extra-budgetary funds in the FBiH budget and cantonal budgets. Of the extra-budgetary funds, it is planned to have the Institute for Health Insurance and Reinsurance and the Employment Institute of FBiH included. Furthermore, it is planned to have the entire health system included in the treasury system of operations.

In this way, fiscal discipline within the health systems will be preserved, and prerequisites will be created for the structural reforms, improvement of transparency and better supervision of public spending in the Republika Srpska and the Federation of BiH.

5. STRUCTURAL REFORMS

COMPETITIVENESS

Analysis of obstacles

The key challenges for the economy in Bosnia and Herzegovina (BiH), whose productivity is only one-third of the EU average and amounts to EUR 12,400 of added value per employee (BAM 24,242), are reflected in the insufficient level of technological development and the growing lack of labour force of appropriate qualifications.

Exports of products from BiH are dominated by raw materials and low-tech products, and export competitiveness should be improved by investing in more technologically advanced processes and more stages of processing, as well as in a better connection of the domestic processing industry with the raw material base from agriculture, forestry and mining. In order to create conditions for the needed larger investments and productivity growth, there is room to improve access to appropriate financing sources for investments in production modernisation and improvement of business conditions. The system of quality infrastructure in BiH has not been developed in accordance with contemporary global and European trends and is not able to provide exporters with adequate support when exporting to the international market, especially the EU market. This entails that domestic companies have to use significantly more expensive services of foreign conformity assessment bodies during exports, which makes them less competitive, while at the same time the market of Bosnia and Herzegovina is unprotected from imports of unsafe products. Another underutilised way to increase the productivity of the entire economy is the digital transformation of business, which also requires investments in information and communication technologies, raising the level of knowledge and digital literacy, and providing appropriate public infrastructure. There is also a significant space for a closer connection between the domestic scientific and research community and the economy, and overall investments in research and development are relatively low (about 0.19% of GDP). Therefore, one of the underutilised opportunities for simultaneously tracing the path to smart economic growth and engaging domestic research and development potential lies in the increase of investments in research and development of both public and private sectors, as well as connecting science and the economy through the creation of an appropriate innovative ecosystem and focusing on fields in which BiH has competitive advantages through the framework offered by the smart specialisation strategy.

In the field of agriculture and rural development, some of the biggest challenges relate to low productivity due to insufficient investment in new technologies, knowledge and modernisation of farms and in the introduction of information systems in all areas of agricultural production and resource management. This challenge is joined by the increasing instability of doing business, caused by climate change (damages due to increasingly frequent weather events and infectious animal diseases) and market disruptions (recent increase in prices of all fuels, resulting in higher prices of all inputs).

In the field of services, there is significant untapped potential in the tourism sector, which gained momentum in the previous period, but it lacks unified products, adequate infrastructure to support such products, and appropriate promotion in order to be valued properly in total exports.

Recently, one of the limiting challenges for the economy is the lack of qualified labour, which is caused by insufficiently coordinated education and training programmes, but also the rising level of emigration for employment, especially of the highly educated population.

State-owned/public enterprises (SOEs) account for a large part of the total economy and number of employed persons, but they operate with a low level of productivity - which significantly affects the competitiveness of the economy since they operate in strategic business sectors - and unsatisfactory financial and other business performance, which poses a risk on public finances. There are a total of 550 public enterprises which are owned by the Entities, but a few of the largest ones - in the energy, transport and water management sectors - account for about 80% of fixed assets and 70% of the turnover of all public enterprises. Despite their presence in strategic, capital-intensive sectors, and wages that are 40% higher, productivity in the SOE sector is lower than in the private sector. Average wages are 40%

higher than in the private sector despite their lower productivity⁴⁵. Low profitability has started to undermine the financial position of SOEs, and the level of assets is on the decline while the level of liabilities rises. Due to such trends, the SOE sector represents a significant and growing source of fiscal risk. In addition, the current legal definition and classification of SOE is not in accordance with international standards and does not allow clear sectoral classification or comparisons. Current systems of supervision over the operations of SOEs focus on the creation/implementation of sectoral strategies without any incentives to maximise shareholder value. Moreover, the financial reports of SOEs are not fully aligned with international accounting standards, which results in partially inaccurate presentation of the financial positions and performance of enterprises, and increases fiscal risks.

Structural reform no. 1: Improving the competitiveness of the economy by supporting technological development and improving business conditions

The main purpose of the structural reform, which consists of two measures, is to improve: the competitiveness of the economy by supporting technological development (the first measure) and important elements of business conditions (the second measure) in order to remove obstacles to greater investments in technological modernisation and develop the economy based on knowledge and innovation and able to achieve higher productivity level. This reform primarily concerns the fulfilment of the Copenhagen economic criteria on the need to boost competitiveness of the economy, i.e., to prepare it for integration in the EU economy, as an integral part of cluster 1, “Fundamentals”, within the EU accession negotiations with candidate countries. Also, it refers to parts of Recommendation 4 of the Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey from May 2023 (JC) pertaining to the simplification of administrative procedures, while the better integrated internal market (cluster 2) is treated within the framework of a special reform concerning the creation of conditions for digital transition. The structural reform was formulated in accordance with strategic documents at all levels, including the “2021-2024 Common Regional Market Action Plan for the Western Balkans” and principles of the Small Business Act - SBA - Dimension 7. Also, as part of this reform, it is planned to adopt smart specialisation strategies of BiH and RS and Strategic guidelines for the harmonisation of SME support in BiH for 2023-2027.

Reform measure 1: Support to technological development of the economy

1. Description of reform measure

The purpose of this reform measure is to improve the existing technological level of the processing industry, which is relatively low, and to use the potential of the digital transition trend to improve business processes, management and valuation of all phases of the production cycle. This measure includes the development of smart specialisation strategies of BiH and the RS Smart Specialisation Strategy.

This measure is based on the following strategic documents, in the FBiH: FBiH Development Strategy 2021–2027, FBiH Tourism Development Strategy 2022–2027; and in the RS: SME development strategy of the Republika Srpska for 2021–2027; Industry development strategy of the Republika Srpska for 2021–2027; Strategy of development of science and technology, higher education and information society in the Republika Srpska for 2023-2029; Strategy for the development of agriculture and rural areas of the Republika Srpska for 2022-2027; Tourism Development Strategy of the Republika Srpska 2021–2027; the system of incentive programmes is defined by the Law on Incentives in the Economy of the Republika Srpska, with the aim of attracting investors with higher level of technological development.

Several incentive programmes for investment in technology, exports and entrepreneurship are planned for both strategic enterprises and SMEs. Their aim is to eliminate the problem of low investment level, especially in the improvement of technological processes as well as improving access to sources of financing for investments in capital equipment and in general financial position. This particularly applies to many enterprises that have exhausted working capital for current operations after the

⁴⁵ Bobana Cegar and Francisco J. Parodi, 2019, IMF Working Paper: State-Owned Enterprises in Bosnia and Herzegovina: Assessing Performance and Oversight

consequences of the Covid-19 pandemic and inflation. In the RS, financial support will refer to the implementation of development projects of companies aimed at the introduction of modern technology, modern equipment and know-how, development of new products, support to innovations, digital transformation and other purposes that contribute to the development and improvement of competitiveness of the industry. In the domain of small and medium-sized enterprises and entrepreneurs in the RS, incentive measures are planned for the digitisation of business, technical innovations, participation in fairs and conferences, as well as measures in the domain of changing legislation to ensure better representation of entrepreneurs' interests. Through the establishment of a register of exporters and analysis of the potential for the development of the domestic product, efforts will be made to eliminate the lack of sufficient knowledge and connections among domestic export potentials. In this domain, the implementation of "Boosting the SME competitiveness" project is planned in the FBiH, as well as a support programme offering loans for procurement of equipment and infrastructure for the development of IT sector companies, and a support programme for start-ups for innovative and digital economy.

When it comes to raising the level of innovation in the economy as well as greater development of technologies and products, this reform measure will target the problem of insufficient investment through the construction of technology parks and encouragement of innovation and other elements of the innovation ecosystem. In the RS, one of the primary strategic projects will be the development of the Banja Luka Science and Technology Park, which is currently under construction, and the plan is also to improve the legal framework for innovation, and to establish a Fund for innovation activity. In the FBiH, the Law on Innovation is in the drafting stage, and in addition to the establishment of hubs for digitisation and product development, mapping of existing centers of excellence is planned for the purpose of analysing the needs for the establishment of science and technology parks. Support programmes for scientific research and development projects are planned both in the RS and in the FBiH, with an emphasis on cooperation between the economy and scientific research institutions.

Finally, this measure includes support for technological improvement and modernisation of agriculture, forestry and tourism sectors. In the RS, a number of activities are planned in agriculture, but the emphasis is on raising the productivity of general agri-business sector through the improvement of the market infrastructure for purchase of domestic agricultural products. Changes to the legislative and strategic framework are also foreseen for the purposes of approximation to the framework of the Common Agricultural Policy of the EU through the adoption of a new Law on Agriculture in 2024. In the FBiH, in addition to planning the Programme of investment in the production, processing and diversification of agricultural products, the establishment of an information system and registry in agriculture, as well as a website for "disaster recovery", is also foreseen. Development of information system in forestry is also envisaged. Through the use of digital technologies and investment in infrastructure, improvement in tourism is planned in both Entities.

Activities planned by years

Activity	Responsible level/body	2024	2025	2026
The development and adoption of a Smart Specialisation Strategy of BiH and the RS Smart Specialisation Strategy through the entrepreneurial discovery process.	BiH (DEP and WG for development of the Smart Specialisation Strategy of BiH), RS (MSTDHE)			
A programme to support economic development, improve business efficiency and introduce new technologies (MEE), as well as through various credit lines within the Investment-Development Bank of the Republika Srpska.	RS (MEE, IDB)			
Incentive programme for small and medium-sized enterprises and entrepreneurs for technical innovation, organisation and participation in fairs and conferences, and for co-financing the purchase of equipment and software for digital transformation purposes.	RS (MEE)			

An incentive programme for investors of special importance	RS (MEE)			
Programme to support the development of entrepreneurship by facilitating access to financial resources needed for the performance of business activities by entrepreneurs (legal and natural persons) through the Guarantee Fund of the Republika Srpska	RS (GFRS)			
Design, development and promotion of the register of exporters of the Republika Srpska for the purposes of analysing and improving export competitiveness of domestic products	RS (MEE)			
Improvement of market infrastructure for purchase of domestic agricultural products and support for the contracting of agricultural production and connecting domestic primary agricultural production with the domestic food industry	RS (MAFWM)			
Implementation of new strategic measures to improve competitiveness, productivity and sustainable development, including measures for the introduction of digital technologies and automation of work processes	RS (MAFWM)			
Encouraging the cooperation of the scientific research and innovation community with the economy by financing projects that will be directly applied in the economy	RS (MNE)			
Creation of tourism products and building tourism infrastructure through support programmes for investment in tourism infrastructure.	RS (MTT)			
Introduction of the Central Information System related to e-records of tourist stays and collection of residence tax	RS (MTT)			
Start of construction of the Science and Technology Park of the Republika Srpska (2024); implementation of initial support programmes for startups in the Science and Technology Park of the Republika Srpska (2026)	RS (MNE)			
Improvement of the legal framework on innovation activity of the Republika Srpska	RS (MNE)			
Establishment of a Science and Innovation Fund of the Republika Srpska	RS (MNE)			
Implementation of “Boosting the SME competitiveness” project	FBiH (FBiH MDEC)			
Start-up support programme for innovative and digital economy established (2024) and implementation (2025–26)	FBiH (FBiH MDEC)			
Support programme offering loans for procurement of equipment and infrastructure for the development of IT sector companies established (2024) and implementation (2025–26)	FBiH (FBiH MDEC)			
Support the development of entrepreneurship in the tourism sector through digitisation	FBiH (FBiH FMET)			
Analysis and mapping of the existing Centres of Excellence in the FBiH and demands/needs of businesses for the establishment of science and technology parks	FBiH (FBiH MEMI)			
Law on Innovation Activity in the Federation of Bosnia and Herzegovina adopted	FBiH (FBiH MEMI)			
Support for joint projects of businesses and scientific research institutes and universities through co-financing	FBiH (FBiH MEMI)			
Support to scientific research i research-development projects	FBiH (FBiH MES)			

Programme of investments in agricultural production, processing and diversification of economic activities	FBiH (FBiH MAWMF)			
Information systems and registries in agriculture, as well as a website for “disaster recovery”, is also foreseen.	FBiH (FBiH MAWMF)			

2. Results indicators

Indicator	Baseline (2023)	Intermediate target (2025)	Target (2026)
Research and development expenses, in % of GDP	0.19% (2021)	0.20%	0.21%
The share of medium and high-tech processing industry in the total added value	19.0% (2019)	21.0%	21.5%

3. Expected impact on competitiveness

It is to be expected that through incentive measures for the introduction of new technologies, digitisation of business operations, and better support measures for internationalisation of business operations, a higher degree of productivity, product finalisation, and thereby of overall competitiveness will be achieved. The measures are focused on large business entities, as well as on medium and small businesses, including entrepreneurs.

4. Estimated cost of the activities and the source of financing

Estimated costs of the reform measure for all three years at all levels of government amount to around EUR 127 million.

In the FBiH in 2024, planned costs of reform activities amount to EUR 30,644,362.50; EUR 29,241,293.70 will be covered from the FBiH budget, EUR 500,000.00 from other national sources, EUR 300,000.00 from IPA funds and EUR 1,103,068.80 from grants. Total costs projected for 2025 amount to EUR 33,363,544.10; EUR 32,071,297.30 will be financed from the FBiH budget, EUR 500,000.00 from other national sources, and EUR 1,292,246.80 from grants. Total projected costs for 2026 amount to EUR 35,633,146.90; EUR 34,315,335.50 will be financed from the FBiH budget, EUR 500,000.00 from other national sources, and EUR 1,317,811.40 from grants.

In 2024–2026, in accordance with the Framework Budget Document of the Republika Srpska, BAM 4,400,000.00 is projected for grants for science, innovation and technological development. The estimated operating costs of the Science and Innovation Fund of the Republika Srpska amount to BAM 2,900,000.00 annually, but only the costs of establishment (about BAM 100,000) are required in the observed period, which is planned by the Framework Budget Document of the RS. Estimated costs for the construction of Science and Technology Park of the Republika Srpska amount to BAM 30,000,000.00. Negotiations with donors and creditors are in the final stage. Improvement of market infrastructure for purchase of domestic agricultural products and support for the contracting of agricultural production and connecting domestic primary agricultural production with the domestic food industry – BAM 10,000,000 (RS Budget/World Bank Loan). Implementation of new strategic measures to improve competitiveness, productivity and sustainable development, including measures for the introduction of digital technologies, as well as support for circular economy models in the agriculture and food industry sector – BAM 10,000,000 (RS Budget / World Bank Loan). According to FBD, the Current grant support to the development of the economy and the improvement of business efficiency and the introduction of new technologies in the amount of 14.6 million KM, as well as the Current grant for the implementation of the SME and Entrepreneurship Development Strategy in the amount of 380,000.00 KM and 40,000.00 KM for the organization and participation in fairs.

At the level of BiH institutions, the development of the Smart Specialisation Strategy of BiH (about EUR 280,000) is planned to be financed from donor funds (JRC and others).

5. Expected impact on social outcomes, such as employment, poverty reduction, equality and gender

Attract new technologically advanced investments, which creates conditions for additional employment and better jobs with higher personal income. Support programmes for business entities impact their competitiveness, employment and poverty reduction, and gender equality is also a criterion for project evaluation.

All scientific research and innovative projects and programmes that will be implemented will have a gender component properly integrated.

The impact of the measure supporting technological progress of agricultural production on poverty reduction and income increase is reflected in the direct growth of income per farm. The impact of the measure on equality and gender issue is also relevant for the agricultural sector, and refers to the number of women owners of agricultural farms, the number of women beneficiaries of support measures, the number of women employed in the sector etc. These indicators are subject to regular monitoring as part of the implementation of agricultural policy measures.

6. Expected impact on the environment

The incentives awarded take into account the impact of new technologies, the application of which has a positive impact on health protection, employee safety and environmental protection. Nevertheless, the growth of economic activity in the domestic processing industry can have a negative impact on the environment, and awareness of the green transition and the reduction of impact on the environment as well as the reduction of the carbon footprint should be raised at the same time.

7. Potential risks

Risk	Probability	Planned mitigating action
Insufficient financial resources to meet the needs of businesses	Medium	Budget restructuring and proactively seeking additional sources of funding.
Insufficient preparedness of the economy for the introduction of new technologies, especially digitisation	Low	Support programme promotion
Unfavourable trends in the global market	Medium	Measure restructuring

Reform measure 2: Improvement of business conditions

1. Description of reform measure

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

Bosnia and Herzegovina has the obligation to harmonise the quality infrastructure system with the provisions of the Stabilisation and Association Agreement with the EU, which defines the harmonisation of the quality infrastructure system in BiH with the European model (Article 75). The adoption of the Quality Infrastructure Strategy of BiH in 2024 will follow the recommendation of the European Commission from the 2022 Report. Harmonisation of the legal framework in the areas of Free Movement of Goods with the law and rules of the EU and international agreements (CEFTA, WTO, etc.) in BiH implies the continuation of the harmonisation of national legislation on products with the *acquis* and principles of the EU and modern standards, as well as participation in the activities of transposition of harmonised European standards (EN) and their availability to users. It includes continuation of the removal of the so-called “conflicting” SFRY legislation and mandatory JUS

standards from the legal system, as well as the establishment and improvement of a publicly available Register of valid regulations, Information points on products, on valid regulations and standards and designated certification bodies (in the RS).

In the RS, this measure includes the establishment of contact points for reporting regulations under preparation within the legal system in BiH (in accordance with legal and constitutional competences) and notification points about regulations under preparation in BiH according to the EC, WTO and CEFTA Secretariat, as well as information points about regulations and products, which is an obligation of the European integration process (requirement of the EU) and CEFTA/WTO. In order to remove non-tariff barriers to free trade in goods, the measure includes the preparation for signing with the EU the "Agreement on Conformity Assessment and Acceptance of Industrial Products", which is also the measure proposed in the working version of the Action Plan for the implementation of the recommendations of the European Commission "BiH Integration Program, for Chapter 1, Free movement of goods, which is in the final phase of harmonization

Activities within the scope of this reform measure are provided for in strategic documents, namely the Public Finance Management Reform Strategy of BiH 2021-2025; in the RS, the Strategy on quality infrastructure of products and services of the Republika Srpska for 2019-2023 and the Public Finance Management Strategy of the Republika Srpska for 2021-2025 (under pillar II, measure II, reduction of the grey zone); in the FBiH, the FBiH Development Strategy for 2021-2027 and the Public Finance Management Strategy of the Federation of BiH (in the field of reducing the grey economy).

As part of this measure in the RS, the implementation of the new turnover control system through fiscal cash registers is planned to be finalised, as well as the fiscalisation of taxpayers who are covered by the new Law on Fiscalisation and were not covered by the Law on Fiscal Cash Registers. Also, the register of tax and non-tax benefits will be updated and analysed in order to identify the benefits that can be abolished. In addition, efforts will be made to find a model for simplified taxation of persons engaged in certain types of temporary jobs that are short-term only and do not fit into the format of standard employment relations, dividend taxation will be introduced, and work will be done to establish the process of completing the Fiscal Register of Real Property and determining the initial values of real property.

In the FBiH, within the framework of this measure, digitisation of the tax administration will be carried out. Also, in the FBiH, the Law on Small Business Incentives in the FBiH will be adopted, which will provide a definition of SMEs harmonised with the EU recommendation as well as with the SBA principles, and a minimum support of 0.7% of the FBiH budget, the Law on Entrepreneurial Infrastructure in the FBiH, which provides a clear definition of supporting institutions, as well as the Support Programme for the development of entrepreneurial infrastructure which is based on it. New laws on capital market and public-private partnership will be adopted, as well as amendments to the Company Law in order to increase the level of harmonisation with EU directives, facilitate relevant procedures and encourage private sector investments.

Activities planned by years:

Activity	Responsible level/body	2024	2025	2026
Adoption of Strategic Guidelines for the harmonisation of support to the development of small and medium-sized enterprises and entrepreneurship in Bosnia and Herzegovina in 2023-2027.	BiH (MOFTER), FBiH (FBiH MEMI), RS (MEE)			
The Law on Fostering Small Business Development and related implementing regulations were adopted (Regulation on the establishment, management and operation of the SME Information System, Regulation on procedures for the implementation of the SME Incentive Programme based on the Law)	FBiH (FBIH MDEC)			
FBiH register of crafts established	FBiH (FBIH MDEC)			

The Law on Entrepreneurial Infrastructure and related implementing regulations were adopted (Regulation on procedures for the implementation of the Incentives Programme, Regulation governing the stages of establishment of entrepreneurial zones, Regulation defining the required data for entry into the Register of Entrepreneurial Infrastructure)	FBiH (FBiH MDEC)			
The Support Programme for the Development of Entrepreneurial Infrastructure adopted and implemented	FBiH (FBiH MDEC)			
The Law on Public-Private Partnership was adopted with the aim of stimulating investment by domestic and private partners in the public sector	FBiH (FBiH MEMI)			
The Law on Capital Market adopted	FBiH (FBiH MoF)			
Digitisation of tax administration	FBiH (FBiH MoF)			
Law on Amendments to the Company Law adopted, in order to improve business environment	FBiH (FBiH MEMI)			
The Incentive Programme for the development of small businesses adopted and implemented	FBiH (FBiH MDEC)			
Support to cooperation of interest for agriculture and rural development (Connecting primary agricultural producers with purchase organisations, processors, etc.)	FBiH (FBiH MAWMF)			
Law on Amendments to the Law on Agricultural Land adopted, and corresponding implementing regulations passed after the adoption of the Law	FBiH (FBiH MAWMF)			
Fiscalisation of taxpayers who were not subject to fiscalisation according to the Law on Fiscal Cash Registers, but are covered by the Law on Fiscalisation (MoF),	RS (MoF)			
Full implementation of the new turnover control system through fiscal cash registers	RS (MOF, TA RS)			
Amendments to the Law on Personal Income Tax in the part related to dividend taxation	RS (MoF)			
Adoption of the Law on Amendments to the Law on Real Property Tax and harmonisation of implementing regulations with the provisions of the amended Law	RS (MoF)			
Updating the register of tax and non-tax benefits of the Republika Srpska and abolishing them based on analysis	RS (MoF, TA RS, MAFWM, MLWVP, CoC, EA)			
Harmonize and establish a model for the procedure for reporting regulations in preparation, maintaining contact points for products and regulations and notification points about regulations in preparation in BiH according to the EC, WTO and CEFTA Secretariat	BiH: Council of Ministers of BiH, MOFTER; RS: Government of the RS; FBiH: Government of FBiH; Brčko District			
Harmonize the model system for recording technical regulations in BiH aligned with the requirements of the EU, the CEFTA agreement and the WTO and maintaining contact points for products and regulations, provide IT and other conditions and establish a harmonized system	BiH: Council of Ministers of BiH, MOFTER; RS: Government of the RS; FBiH: Government of FBiH; Brčko District			

Agree and adopt the Quality Infrastructure Strategy in BiH	BiH: Council of Ministers of BiH, MOFTER; RS: Government of RS; FBiH: Government of FBiH; Brčko District			
Start preparatory activities for signing the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) with the European Union	BiH: Council of Ministers of BiH, MOFTER; RS: Government of RS; FBiH: Government of FBiH; Brčko District			

2. Results indicators

Indicator	Baseline (year 2023)	Intermediate target (2025)	Target (2026)
The number of active companies in the Statistical Business Register in terms of the framework for conducting statistical surveys	49,367	50,600	51,865
The number of active entrepreneurs in the Statistical Business Register in terms of the framework for conducting statistical surveys	60,952	62,476	64,038
The level of harmonisation of legislation of the Republika Srpska (horizontal and vertical) with the acquis, Chapter 1 - Free movement of goods	60%	65%	80%
The percentage of removed obstacles to free trade in goods that were identified in legislation of all three levels (obligations from Articles 34, 35 and 36 of the TFEU)	20%	40%	60%

3. Expected impact on competitiveness

This reform measure in the field of quality infrastructure will have a positive impact on competitiveness because it will contribute to harmonisation with the requirements of developed EU markets and remove various non-customs barriers contained in non-harmonised legislation concerning products from the territory of BiH. However, some of the activities related to the quality infrastructure may initially make production in BiH more expensive, but in the long run they ensure the competitiveness of products on the international market through the implementation of appropriate standards and other requirements.

This measure contributes to free trade in goods as one of the principles of the single economic market of the region, CEFTA, EU and WTO, and contributes to making the domestic product market safer and more transparent, the production more innovative and aligned with modern trends, and domestic labour force more specialised. By implementing this measure, the economy in BiH will be in a position to become an active and competitive participant on regional, European and global markets. In accordance with the needs of the domestic economy and single market in BiH, consumer protection and current trends in the development of quality infrastructure (QI) in Europe and the world, improving the QI in BiH at all levels through the planned transposition of the EU acquis from Chapter 1 - Free movement of goods contributes to the overall improvement of QI throughout BiH and its fulfilment of the obligations within the EU accession process, which will have a positive impact on (a) domestic businesspeople who will produce, import and export products without additional conformity assessment costs and technical obstacles, (b) consumers, who will have access to quality and safe products, (c)

administrative bodies that will standardise the relevant areas in a simpler and more efficient way and carry out effective supervision of the implementation of adopted legislation.

A higher level of conformity of domestic production technologies and domestic products with modern requirements of quality standards and eco standards required for access to the single EU and other markets will contribute to the increase in productivity of domestic companies as a consequence of their greater investments in modern and green technologies. This measure should lead to an increase in the number of companies in the processing industry that export finished products to foreign markets directly or indirectly, while meeting the marketing requirements of legislation and safety and eco-standards. The former will lead to an increase in the number of domestic products that have the “CE” marking, which is necessary for their free access to the EU and regional markets.

Activities concerning the improvement of legal framework governing access to financing and public-private partnership will create conditions for a higher level of private investments with more accessible and favourable financing, which will also impact the competitiveness of the economy in BiH.

In the domain of reducing the grey economy, the measure contributes to fair competition because tax evasion is reduced, i.e., unfair competition is eliminated between business entities that regularly pay taxes and those operating in the grey zone. Also, the collection of public revenues increases, which leads to greater financial stability and fiscal space for investments and development of public services that strengthen the competitiveness of the economy.

4. Estimated cost of the activities and the source of financing

In the period 2024-2026 the costs of implementing this reform measure amount to about EUR 63.4 million and will be covered from the budget (about EUR 18 million in the FBiH and 6.7 in the RS) and from project loans of EUR 38.8 million in the FBiH.

In the FBiH in 2024, planned costs of reform activities amount to EUR 7,711,254.60; EUR 5,770,390.60 will be covered from the FBiH budget, and remaining costs from project loans. Total costs projected for 2025 amount to EUR 32,642,358.00; EUR 5,955,733.90 will be financed from the FBiH budget, and remainder will be covered from project loans. The total estimated costs for 2026 amount to EUR 16,311,695.30; part of the cost in the amount of EUR 6,122,159.40 will be covered from the FBiH budget, and the rest from project loans.

In the RS in 2024, it is planned to provide BAM 300,000 of budget funds for the development of software and lease of necessary hardware equipment for management of the legislation register, the information point on products and legislation, and the notification point of legislation under preparation. Other activities will be implemented from the regular budget lines of competent authorities. The fiscalisation cost implies the cost of initial fiscalisation of taxpayers, and it will be covered by the Republika Srpska Government in the amount of BAM 13 million. The implementation of activities related to the completion of the Fiscal Register of Real Property has no direct and measurable costs for the Republika Srpska budget.

5. Expected impact on social outcomes, such as employment, poverty reduction, equality and gender

Greater economic activity as a result of better export competitiveness will contribute to the growth of average wage and higher employment of qualified labour force. The measure in the domain of quality infrastructure also contributes to better consumer protection.

In the domain of reducing the grey economy, the measure contributes to better working conditions and encourages employers to provide the workers' rights through legitimate operations, providing appropriate labour related rights that cannot be exercised in informal employment.

6. Expected impact on the environment

The improvement of product quality standards after the introduction of quality infrastructure will contribute to the increase in production, exports and placement on the market of safe and environmentally friendly products, which positively impacts the environment.

7. Potential risks

Risk	Probability	Planned mitigating action
Difficult coordination due to the large number of competent institutions responsible for the implementation of the measure	Low	In the RS: strengthening the role of the Coordination Body for quality infrastructure and the use of planning documents in this field
A small number of domestic and internationally recognised (accredited) bodies for product conformity assessment	Medium	Support to business entities for accreditation and designation of conformity assessment bodies, support for the availability and translation of standards, and strengthening of regional cooperation in these areas

Structural reform no. 2: Increasing the efficiency of operations of public enterprises

1. Description of reform/reform measure

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

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

Through this structural reform, recommendations 2 and 5 from JC are implemented related to the management of potential liabilities of public enterprises and the strengthening of management with up-to-date public registers in both Entities and the provision of adequate human resources in the central supervision units in both Entities. Also, the reform is important for the fulfilment of the Copenhagen economic criteria on the need to boost competitiveness of the economy in the country at the time of integration in EU flows, within the EU accession negotiations with candidate countries.

This reform largely comprises the continuation of previously started activities: The Government of the Federation of BiH and the Government of the Republika Srpska have established special organisational units for the coordination of supervision over the operations of public enterprises within the general secretariats and monitoring of fiscal risks within the ministries of finance; the process of capacity building of these units is underway, which, in addition to training, will also include the development of tools and registers of financial data for monitoring the performance of public enterprises owned by FBiH and RS. The plan is to continue working on improving the planning process, which includes the timely adoption of business plans in accordance with three-year projections and strategic development documents. In the following period, activities are planned to make these units fully functional and to establish comprehensive and up-to-date registers of public enterprises in the two Entities.

The implementation of the second phase of the Reorganisation Programme of MH “Elektroprivreda Republike Srpske” is also planned, which includes the reorganisation of production companies (power plants) and full reorganisation of MH “Elektroprivreda Republike Srpske” a. d. Trebinje, in order to establish an efficient and optimal organisation that will enable the profitable and efficient operation of the whole Elektroprivreda system as a public enterprise. This implies a full personnel and corporate reorganisation of the way of doing business, as well as reconstruction, modernisation, overhaul and installation of ecological purification systems in thermal power plants, as well as improvement of the management system in the entire Holding.

The restructuring of RS Railways is in the initial phase and will continue through three components: financial, organisational and labour force restructuring. Financial restructuring implies the settlement of liabilities to the Tax Administration of the Republika Srpska based on taxes and contributions until 31 July 2018, and the settlement of liabilities to employees for the period 2011-2016. On this basis, ownership restructuring will be carried out through the conversion of debt into equity, based on the debt of RS Railways to the Government of the Republika Srpska stemming from foreign loans that the Republika Srpska Government repays on their behalf. In this way, the Republika Srpska will become the owner of more than 90% of shares of RS Railways and then proceed with purchase of minority shareholders' shares.

The next step is to modernise and renovate the railway network in accordance with the goals of the Green Agenda that aims to establish a competitive, innovative, inclusive, safe and environmentally friendly railway system, which contributes to increasing the quality of life and equal opportunities for all users of railway transport. Annual costs of railway infrastructure maintenance require huge funds, and the lack thereof has led to the closure of some insufficiently maintained railroad sections for traffic, or to the reduction of permitted speeds. Investments in the efficiency and climate neutrality of the railway system, as well as the digitisation of services and system monitoring contribute to the company's sustainability target in terms of green and digital transition.

Activities planned by years

Activity	Responsible level/body	2024	2025	2026
Law on Amendments to the Law Financial Management and Control in the Public Sector in the Federation of BiH and related implementing regulation adopted.	FBiH (FBiH MoF)			
A public register of companies with a share of state capital in the FBiH has been developed	FBiH (GS)			
Law on Amendments to the Law on Public Enterprises in the FBiH adopted.	FBiH (FBiH MEMI)			
Operational Unit for supervision and management of public enterprises in the FBiH established within the General Secretariat of the FBiH Government	FBiH (GS)			
Department for analysis of operations of public enterprises owned by the Federation of BiH established (2024) and fully operational (2026).	FBiH (FBiH MoF)			
Department for coordination of supervision of public enterprises within the General Secretariat of the Republika Srpska Government fully capacitated and the first phase of staff training completed (2024); training of the Department employees in accordance with the training plan continued (2025)	RS (GSRSG)			
Procurement of an IT software and raising the level of functionality from basic to advanced (2024) and continuous updating of the Register of Public Enterprises (2025 and 2026).	RS (GSRSG, RM, IDB RS, SOEs)			

Adoption of amendments to the Law on Public Enterprises in the Republika Srpska and other related laws and implementing regulations in the field of functioning and management and responsibilities in the management of SOEs, for the purpose of improving the performance of SOEs	RS (RM, IDB, GSRSG)			
Adoption of the Ownership policy for public enterprises	RS (RM, IDB, GSRSG)			
Adoption of a comprehensive strategy for the reform of the public enterprises sector	RS (GSRSG)			
Incorporation of the planning, reporting and control process into the existing internal acts of public enterprises, in accordance with the new general procedures	RS (SOEs)			
Adoption of the annual aggregated report on the situation in specially supervised public enterprises, which also includes a report on fiscal risks related to public enterprises	RS (GSRSG, RM, MoF, IDB)			
Adoption of a legislation package governing the procedures for the valuation of publicly owned infrastructure used or exploited by public enterprises and their depreciation and calculation of capital expenditures, as well as the reporting requirements in this regard	RS (MoF, RM, IDB RS)			
Adoption of legislation and harmonisation of company acts so that all public enterprises publish detailed reports on revaluation gains, losses and asset value corrections for the previous ten-year period	RS (RM, SOEs)			
Implementation of business goal setting, performance contracts and reporting requirements in accordance with the new regulatory framework, using the prescribed methodology, forms and deadlines	RS (RM, SOEs)			
Adoption of mid-term and annual plans of public enterprises with the prescribed methodology applied in relation to the public property they use and handling of dedicated excise taxes and state aid or subsidies	RS (SOEs)			
Development of financial reports of public enterprises in accordance with international standards, especially for aspects related to deadlines and conditions of use of public property, handling of dedicated excise tax and state aid or subsidies	RS (SOEs)			
Finalisation of the ownership restructuring process through the conversion of debt into shares, and resolving minority shareholders' issues	RS (MTC, MoF and SC)			
Procurement and implementation and monitoring of the implementation of a new information system for management of business processes and management of assets in a new enterprise	RS (RS Railways)			
Registration of the Republika Srpska Railways holding	RS (RS Railways, MTC)			
Modernisation and renovation of the railroad network in accordance with the Green Agenda objectives (preparation of project documentation for the improvement of transport infrastructure, modernisation of the rolling stock and provision of charging capacity)	RS (MTC, RS Railways)			
Adoption of the Railway Infrastructure Development Strategy	RS (MTC)			
Implementation of green technologies in the renovation of railroad infrastructure	RS (RS Railways)			

Drafting (2024) and implementation (2025) of the Programme for the reorganisation of electricity producers by MH “Elektroprivreda Republike Srpske”, which would foresee the optimisation of operations and the relationship between parent and subsidiary companies and other corporate management elements	RS (EP RS, MEM)			
Operationalisation of the Recovery Fund	RS (IDB RS)			
Adoption of the categorisation and restructuring plan of SOE in accordance with international standards	RS (GSRSG, IDB RS)			
Assessment of status and needs of individual prioritised SOEs from the list of strategic public enterprises and preparation of restructuring proposals	RS (RM, IDB RS)			
Adoption of policies and action plans for the start of a time-limited restructuring process in strategic SOEs	RS (GSRSG, RM)			

2. Results indicators

Indicator	Baseline (2022)	Intermediate target (year)	Target (year)
Share of state-owned enterprises that regularly update data in the Register of Public Enterprises (out of the total number of SOEs)	82% (RS)	(2024) 95%	(2025) 100
Share of specially supervised state-owned enterprises for which business performance indicators have been established (out of the total number of specially supervised SOEs)	0% RS	(2023) 0%	(2024) 100

3. Expected impact on competitiveness

This reform measure will have a long-term positive effect on competitiveness because it will reduce the dependence of state-owned enterprises on budget subsidies and relieve the budget of potential liabilities based on outstanding debts of SOEs to the rest of the economy in the long run. Also, the restructuring of several large SOEs in the Republika Srpska based on the principles of greater efficiency will create space for greater investments in infrastructure and resources, thus enabling more modern and better services of key SOEs, primarily in the field of energy and transport. This will contribute to greater competitiveness of other economic branches.

4. Estimated cost of the activities and the source of financing

In the period 2024-2026, total funds for financing the reform in the domain of better management and supervision include budget and grant financing and amount to about EUR 1.5 million (EUR 357,000 in the FBiH and about EUR 1.15 million in the RS), and a project loan of EUR 51.3 million is planned in the RS for restructuring of SOE Railways.

In the period 2024–2026 in the RS, estimated additional cost of implementation of the measure in the part related to the improvement of management and supervision of SOE is BAM 2.25 million, of which BAM 1.44 million will be provided from donor funds, and BAM 0.81 million will be financed from the Republika Srpska budget. Of the total amount, BAM 1.44 million accounts for the cost of purchasing IT software (from donor funds in 2024), BAM 0.58 million for costs of its maintenance (BAM 0.29 million per year in 2025 and 2026), while BAM 0.23 million refers to costs of new employees at the General Secretariat - Department for Coordination of the Supervision of SOEs (BAM 0.08 million per year in 2024-2026). The costs of restructuring RS Railways are equal to the total loan from the World Bank, which amounts to EUR 51.3 million, for the implementation of all three restructuring phases. The Republika Srpska budget is burdened by repayment of loan from the World Bank for financing of component 1 (settlement of debts to employees and the Tax Administration), in the amount of EUR 42.7 million. The remaining debt of 8.5 mil. EUR is the debt of RS Railways. To solve the issue of small shareholders, funds will be provided in the RS budget (after the assessment of the value shares is completed).

In the FBiH, estimated costs for 2024 amount to EUR 97,457.20, for 2025 they amount to EUR 113,777.60, and for 2026 to EUR 146,418.50. These costs will be fully financed from the FBiH budget.

5. Expected impact on social outcomes, such as employment, poverty reduction, equality and gender

The establishment of better supervision of the work of SOEs and their reform will certainly have a short-term downsizing effect on employees. However, in the long term, fiscal pressures associated with SOEs will decrease, which will free up space in the budget for socially beneficial programmes in the long run. The reform may lead to an increase in the prices of electricity and other SOE services, which may have negative impact on the costs of living in households, especially among socially vulnerable categories of the population.

Modernisation of the railway infrastructure will contribute to an increase in the quality of life and equal opportunities for all users of railroad transport.

6. Expected impact on the environment

This measure has a positive impact on the environment, as conditions are being created for the modernisation of SOEs' operations and greater investments, including those that contribute to the green transition. The former specifically refers to greater possibilities of energy generation from renewable sources after opening of the market, as well as to a greater participation of railway transport, which directly reduces the use of fossil fuels.

7. Potential risks

Risk	Probability	Planned mitigating action
The constant outflow of technical staff and occupations that are necessary in all work processes can potentially lead to the inability to implement the planned activities	Medium	More active engagement of the management of MH "ERS", RS Government and MEM
Delay in the preparation of project documentation for development of the railway system	Medium	Active participation in the preparation of project documentation
In the FBiH, the lack of cooperation of SOEs in terms data entry in the Register	Medium	Increased efforts to improve communication.

SUSTAINABILITY AND RESILIENCE

Analysis of obstacles

BiH is a country with relatively high emissions of greenhouse gases and pollutants considering the size and level of economic development. Total annual emissions in 2022 were estimated at 26.44 Mt CO₂ (not counting the sink effect, i.e., land use) i.e., 19.31 Mt CO₂ with sinks⁴⁶, which is the highest value in the Western Balkan region measured per GDP unit, almost five times more than the European Union average⁴⁷. Emissions per capita are at the level of the EU average, but they are on the rise, instead of decreasing, which is not in accordance with BiH's international obligations, both under the Paris Agreement and as part of the EU accession process and membership in the Energy Community.

The energy sector, agriculture, industry and transport sectors are the largest polluters and emitters of carbon dioxide, with around 70% of total emissions related to energy, despite the share of RES in the energy mix (39.7% in 2022–2023, draft NECP) being relatively high. As much as one-third of the electricity comes from hydro potential, and the contribution (traditional use) of wood biomass in

⁴⁶ Draft Integrated Energy and Climate Plan,

https://www.mvteo.gov.ba/data/Home/Dokumenti/Energetika/Nacrt_NECP_BiH_loc.pdf

⁴⁷ UNDP, Country Plan:

https://info.undp.org/docs/pdc/Documents/BIH/RBEC_BiH_JSB_CP_PIP_final.docx.pdf

buildings is also high. However, almost two-thirds of electricity is generated from outdated thermal power plants that use low-quality coal - lignite - as fuel. This fuel generates many times more greenhouse gases than other fossil fuels, and has a high degree of pollution with other gases, such as SO₂. In addition, the BiH economy is also highly energy-intensive (450 kgoe per 1000 euros of GDP), which is three times more than the EU average.

High reliance on an energy-intensive industrial structure is also a problem for competitiveness in BiH. Namely, BiH is a net exporter of electricity and highly energy-intensive products such as aluminium and steel. These products together accounted for as much as 10% of BiH's exports in 2021; however, due to lack of satisfactory progress in meeting the EU requirements - that is, by the beginning of 2026, a carbon pricing system harmonised with the EU emissions trading scheme (EU ETS) model, and an operator of organised energy market of BiH and the EU formed by the end of that year - there is a risk that already in 2026 these products could be subject to the carbon border adjustment mechanism, which would radically reduce their competitiveness.

Finally, the high level of emission of pollutants due to the use of bad fuels and the high share of heavy industry with outdated technologies is harmful to the health of citizens. BiH is in the 19th place of the most polluted countries in the world, with a concentration of PM_{2.5} particles five to seven times higher than the limit value of the World Health Organization. The World Bank estimates that about 3,300 people die prematurely every year because of this in Bosnia and Herzegovina.

On the other hand, BiH has significant potential in untapped RES, as well as in the space for a significant increase in energy efficiency. Although existing coal-fired power plants are important for overall energy stability, resilience and independence in supply, most of them are nearing the end of their service life, which additionally opens the opportunity for transition to RES. In 2022, the Ministerial Council of the Energy Community defined new national targets for 2030 when it comes to the share of renewable energy sources (RES) in the total gross final energy consumption. For BiH, the target is 43.6% (NECP), and for now BiH is making good progress towards this value. In addition to hydro power plants, which can be environmentally controversial, BiH also has a large and cost-competitive solar and wind potential. The identified RES potential in BiH indicates that, in the long run, it is possible to decarbonise not only the power sector but also the heating/cooling and transport sectors through their greater electrification.

For greater investments in capacities for energy production from sustainable sources, however, the prerequisite is access to financing and adjustment of regulatory and administrative procedures, as well as upgrading the energy network to absorb newly produced energy in the system. In the context of development of the Integrated Energy and Climate Plan, it is estimated that the costs of achieving energy transition target values by 2030 amount to around BAM 15 billion. Part of the financing can be expected from the budget and the inflow of private capital, but significant support from funds and programmes of international partners will also be needed. Also, current electricity prices for consumers in BiH are at one of the lowest levels in Europe, which, on the one hand, makes the operation of electricity companies unsustainable, and creates negative incentives in terms of energy efficiency and environmental protection on the other.

The transition from linear to a circular economy is an important priority of the European Green Deal, and BiH has not started it yet. The circularity concept goes significantly beyond the recent understanding of good waste management and recycling and extends to efficient use of resources, reuse of waste, separation of waste components and specific treatments for reuse depending on the type and components. It permeates all phases and aspects of production and consumption of services and goods, including all regulatory aspects of the economy (including energy, industry, mining, agriculture, trade, services, etc.), as well as environmental protection. The most relevant laws that need to be adapted first in the process of transition from linear to circular business models are related to the management of raw materials and waste management, with the aim of minimising or eliminating waste. In the past period, BiH achieved progress through the development of the regional concept of waste disposal and improvement of relevant legislation. However, significant investment and further development is needed to address existing challenges and improve the entire system. The share of the population covered by the waste collection service is estimated at around 75%, with the coverage of the urban

population being almost 100%, but the disparities between urban and rural areas are large. The number of illegal waste dumps is very high, estimated at over 1,400⁴⁸. Also, the level of waste separation and recycling is very low.

When it comes to the processing industry, about one-third (according to research conducted in the Republika Srpska) of companies have the environmental protection infrastructure (mostly filters for treatment of waste water flows and emissions). One-fifth use renewable materials in production (most often wood and recycled materials). Also, about one-fifth apply energy efficiency measures (thermal insulation of buildings, LED lighting) as well as heating with renewable (biological) fuel. A small number of them use other renewable energy sources, most often solar.

For the digital transformation of the private sector and public services to gain momentum, a big obstacle lies in the still weak coverage by the necessary infrastructure as well as the inadequate institutional and regulatory framework in accordance with the EU directive. In terms of digital infrastructure and connectivity, there is room for improving Internet access and broadband Internet coverage, although there is no sufficiently reliable data. About 75% of households use the Internet, according to ITU data, against the EU average of 87.6%, there are no reliable data on 4G coverage (it is estimated that 97% of the population has access to 3G network), while there are about 24 broadband Internet subscriptions per 100 inhabitants which is below the EU average of 35. There is still no organised data on the territorial coverage by broadband Internet, and some estimates say that it is only about 48.9% (USAID report), which hinders the modernisation of business and competitiveness of the economy.

Legislation governing electronic communications is outdated because it is not aligned with the EIDAS directive and has not been applied in order for digital identity services to come into mass use on a harmonised regulatory and institutional framework throughout BiH in a way that facilitates digital transformation of the society, doing business, and development of more e-services by the public sector.

Structural reform no. 3: Establishing conditions to accelerate the green transition

The purpose of this reform is to achieve green transition in the economy in BiH, in terms of reducing the ecological footprint that economic activities - both production and consumption of services and goods - leave on the environment. The green transition improves the quality of the environment and fulfils BiH's obligations towards the European Union (and international community in general) by signing the Sofia Declaration on the Green Agenda for the Western Balkans (2020), following the UN Agenda 2030, the Paris Agreement (2015) and the European Green Agenda (2019), as well as the obligations assumed under the Energy Community Treaty. It is about creating conditions for sustainable economic development while contributing to climate change mitigation and improving quality of the environment in BiH, but also globally. The emphasis in this reform is on two of the four goals of the Sofia Declaration: reducing the carbon footprint in energy production (through harmonisation with EU acquis and maintaining energy security), and creating conditions for the transition from a linear to a circular economy in order to minimise waste generation, which will also contribute to the reduction of BiH's carbon footprint. This reform is also crucial for maintaining/improving competitiveness of BiH - directly, because exports to the EU will become more and more expensive or impossible for countries that do not comply with the system established by the European Green Deal, but also indirectly, because its implementation is an essential requirement for BiH's integration into the European Union, BiH's major trade partner. This reform is implemented through two reform measures pertaining to energy transition and transition from linear to circular economy.

⁴⁸ <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/834281562138748942/municipal-solid-waste-management-sector-review-review-of-the-extended-producer-responsibility-in-bosnia-and-herzegovina-for-packaging-and-packaging-waste-and-weee>

Reform measure 1: Energy transition, including the provision of energy security, implementation of market reform, increased efficiency, and a greater share of renewable energy sources

1. Description of reform measure

The objectives of the energy transition in Bosnia and Herzegovina are multiple and intertwined. It is essential to reduce greenhouse gas emissions (as well as air pollution). This should be achieved both through increased energy efficiency and diversification of electricity production, which should reduce production from coal-fired thermal power plants (primarily through increased investments in RES), and through the reform of energy markets and their integration into the regional and European markets. Market integration increases transparency and reduces obstacles in long-term contracting and increases security, which in turn increases incentives for private sector investments in capacities for the exploitation of significant RES potentials that BiH has, and in the development of decentralised capacities. On the other hand, diversification of supply (including production) also enhances energy security. The recommendations in the 2023 Joint Conclusions (JC 5) stress the need to adopt an energy and climate plan, to open and establish an organised intraday and day-ahead electricity market, as well as to heighten activities to increase energy efficiency to a new level, by adopting and implementing the Building Retrofit Strategy in BiH, at all levels of government. In addition, in order to postpone the application of CBAM to BiH exports - which (as already mentioned, and explained in more detail in point 3 of this section) would significantly set back the competitiveness of BiH exports - it is necessary to establish a system carbon pricing in compliance with the emissions trading scheme in the EU (EU ETS model) before 2026, and to form the operator of the organised energy market of BiH and the EU.

The current strategic framework in this area comprises the Framework Energy Strategy of Bosnia and Herzegovina 2035 (the implementation plan has not been adopted) in addition to the Framework Energy Strategy of the FBiH 2035, Energy Development Strategy of RS 2035. This framework will need to be updated after the National Energy and Climate plan (NECP), as well as the Energy and Climate Plan of RS and the Energy and Climate Plan of the FBiH have been adopted, which should happen in 2024.

Activities planned in the upcoming period in the area of electricity market reform should facilitate the establishment of an organised electricity market (intraday and day ahead) as well as establishment of the gas market in BiH in the next three-year period. At the BiH level, the plan includes the adoption of a new Law on the Regulator of Electricity and Natural Gas, Transmission and Electricity Market in Bosnia and Herzegovina (a Working Group was already established in October 2023), which should, among other things, enable the establishment of the Nominated Energy Market Operator (NEMO). In the FBiH, the plan includes passing of by-laws for the set of energy laws adopted in August 2023 (the Law on Electricity in the FBiH, the Law on Energy and Regulation of Energy Activities in the FBiH, and the Law on RES in the FBiH) which should enable separation of operators of distribution systems. In the RS, the separation of distribution system operators has already been completed at the legislative level, while the operational restructuring and reorganisation of MH ERS, a.d. Trebinje is underway, as described in SR Increasing the Efficiency of Public Enterprises. The implementation of the new Law on RES in the RS is also among the activities planned in the RS.

In order to fulfil the obligations regarding decarbonisation to which BiH committed by signing the Sofia Declaration, the adoption of the National Energy and Climate Plan of BiH 2030, the Energy and Climate Plan of the RS as well as the Energy and Climate Plan of the FBiH is a crucial step, as they will determine the path and method of gradual decarbonisation. These plans have already been drafted at levels of government. In both entities, other activities on the development of the legal framework necessary for progress in decarbonisation are underway, more specifically: RS plans to draft and pass the Law on Climate Change of the Republika Srpska in the upcoming period, which will transpose the climate dimension related to ETS and CBAM; in the FBiH, the plan includes the adoption of the Strategy on Just Transition of the Energy Sector, and the implementation of activities on closure of coal mines, based on the findings of geological reserves audit, and the Roadmap for the Transition of Coal-rich Regions in BiH.

In both entities, a new favourable environment for RES development establishes the prosumer concept and the auction system instead of feed-in tariffs in setting the price of energy from renewable sources.

The premium feed-in tariff is reserved for large producers and is awarded through a public bidding system. In 2024, FBiH will operationalise the new regulation through the adoption of appropriate by-laws. In the RS, the RS Law on RES and accompanying regulations have already been passed, and the emphasis will be on intensifying capital investments both in RES (MH “ERS”, and the private sector) and in the ecological improvement of existing thermal power plants. Finally, the first step towards achieving the necessary increase in the capacity of transmission and distribution networks with the aim of enabling the acceptance of electricity from new RES-based plants will be the adoption of the Long-Term Plan for the Development of the Electric Transmission Network.

As for programmes aimed at increasing energy efficiency, the policy framework in this area will be significantly improved already in 2024 through adoption of the Building Retrofit Strategy in BiH 2050, the Building Retrofit Strategy 2050 in the RS until, and the Long-Term Building Retrofit Strategy 2050 in the FBiH, as well as through adoption of amendments to the Law on Energy Efficiency in the FBiH (which will establish incentive mechanisms for EE such as ESCO model of energy efficiency financing, implementation of energy audits in utility activities and large companies). Also, both entities are already implementing a significant number of programmes, the effects of which could be significantly enhanced with an increased financial support. These programmes simultaneously implemented in the RS and in the FBiH include: Energy efficiency measures support programmes for residential buildings, and energy efficiency measures support programmes for micro, small and medium-sized enterprises, with support from IPA funds, as well as the “Retrofit buildings for energy efficiency project “; then, in the RS, financial support programmes for energy efficiency projects and the use of renewable energy sources in industry, as well as support for energy efficiency measures for MSMEs financed from IPA funds; and, finally, in the FBiH, the Operational Plan for improving energy efficiency in institutions is being implemented while a recapitalisation of the Revolving Fund for energy efficiency of buildings is also planned.

The signing of international agreements on new gas supply routes (for both the eastern and southern interconnections in BiH), as well as the adoption of the Law on Gas of FBiH and the Law on the Gas Pipeline “Southern Interconnection of BiH and RC” in 2024 should create a legal basis for diversification of gas supply and ensure compliance with EU regulations in this area.

The Government of the Republic of Srpska approved the implementation of the Project for the construction of a main gas pipeline (Eastern Gas Interconnection) from the border with the Republic of Serbia and the main gas pipeline Bijeljina - Banja Luka - Prijedor - Novi Grad, as a project of strategic importance for RS, with a length of approximately 325 km, which will follow the route of the Belgrade-Banja Luka highway. All current large industrial consumers and city heating plants on the route of the gas pipeline in all cities and municipalities in the Republika Srpska along that main gas pipeline should be connected to this pipeline. Also, this project of strategic importance for the Republika Srpska is a part of the Framework Energy Strategy of BiH 2035.

Activities planned by years

Activity	Responsible level/body	2024	2025	2026
Drafting, adoption (2024) and implementation (2025-26) of the National Energy and Climate Plan (NECP) of Bosnia and Herzegovina until 2030, the Energy and Climate Plan of RS, and the Energy and Climate Plan of FBiH	BiH (MOFTER) FBiH (FBIH MEMI, FBIH MET,) RS (MEM, MSPCE)			
Update of the Framework Energy Strategy in BiH 2035, the Energy Development Strategy of RS 2035, and the Energy Strategy of FBiH 2022-2035 with a projection to 2050	BiH (MOFTER), FBiH (FBIH MEMI) RS (MEM)			

Strategy on Just Transition of the Energy Sector adopted	FBiH (FBIH MEMI)			
Mineral Resources Management Strategy adopted	FBiH (FBIH MEMI)			
Beginning of realisation of capital investments “Elektroprivreda RS” (modernisation and construction of MH “ERS”) (2024) and their (2025-26), as well as continued investments of MH “ERS” and private investments in RES (2024-2026); construction of new power facilities (2024-26).	RS (MH “ERS”, Elektroprenos BiH)			
Drafting of a new Law on Transmission, Regulator and Operator of the Electricity System in BiH in order to define the operator of the market NEMO, and drafting of a new legal framework for electricity and gas	BiH (MOFTER) FBIH (FBIH MEMI) RS (MEM)			
By-laws and acts for a set of energy laws passed (Law on Electricity, Law on Energy and Regulation of Energy Activities and Law on RES in the FBiH)	FBiH (FBIH MEMI)			
Separation of Distribution System Operators in the FBiH	FBiH (FBIH MEMI)			
The Law on Climate Change of RS adopted	RS (MSPCE, RSHMI)			
Adoption of the Building Retrofit Strategy in BiH 2050, Building Retrofit Strategy in the RS 2050, and Strategy on long-term retrofit of buildings in the FBiH 2050 (2024) adopted, and their implementation (2025-2026)	BiH (MOFTER) RS (MSPCE, MER, EPEEF) FBIH (FBIHMSP)			
The Law on Amendments to the Law on Energy Efficiency in the FBiH (2024) adopted and a set of by-laws drawn up (Regulation on the ESCO model of energy efficiency financing, Rulebook on energy audits in utilities, and Rulebook on energy audits in large enterprises)	FBiH (FBIH MEMI)			
Programme of support for energy efficiency measures for micro, small and medium-sized enterprises from IPA implemented	RS (EPEEF), FBiH (FBIHMDEC)			
Programme of support for energy efficiency measures in residential buildings from IPA implemented	RS (EPEEF) FBiH (FBIHMDEC)			
Programmes “Retrofit buildings for energy efficiency” implemented	FBiH (FBIHMSP), RS (EPEEF)			
Financial support for energy efficiency projects and the use of renewable energy sources in industry	RS (EPEEF)			
Operational Plan on improvement of energy efficiency in the institutions of FBiH (27 buildings) implemented	FBiH (FBIHMSP)			
Revolving Fund for energy efficiency of public buildings in the FBiH Recapitalised	FBiH (FBIHMSP)			
Amendments to the Regulation on minimum requirements on energy characteristics of buildings in the FBiH adopted	FBiH (FBIHMSP)			
The Law on Heat Energy in the FBiH adopted	FBiH (FBIH MEMI)			
KfW project “Energy efficiency in public buildings” implemented	BiH (FBIHMSP)			

Amendments to the Network Code of Bosnia and Herzegovina in the part related to the balancing of new production capacities (2024)	BiH (BiHISO)			
Signing of Agreements, i.e., International treaties on new gas supply routes (for the purpose of diversification of gas supply sources and routes)	BiH (MOFTER)			
The Law on the Gas Pipeline “Southern Interconnection of BiH and Republic of Croatia” adopted	FBiH (FBIH MEMI)			
The Southern Interconnection built	FBiH (FBIH MEMI)			
The Eastern Gas Interconnection with Serbia built	RS (MER)			
The Law on Gas adopted	FBiH (FBIH MEMI)			
The power transmission network development plan was adopted with the aim of integrating new power plants - RES and increasing the capacity of interconnections	BiH (MOFTER) FBiH (FBIH MEMI) RS (MER)			
Support for the introduction of equipment for renewable energy sources in agriculture and the food industry	FBiH (FBIH MAWMF)			
Support the construction of warehouses for agricultural products, especially those that use RES	FBiH (FBIH MAWMF)			
Programme for subsidising energy audits and introducing the ISO 50001 standard in SMEs adopted	FBiH (FBIHMDEC)			

2. Results indicators

Indicator	Baseline (2023)	Intermediate target (2025)	Target (2026)
Total greenhouse gas emissions from energy, CO ₂ in MtCO ₂ eq. with sinks (draft NECP, ver. 7)	26.62 (1990) 19.82 (2023)	19.07	18.12
Import dependence of energy and energy products, in %, (draft NECP version 7)	42.7%	42.7%	41.86%
Share of RES in total energy consumption, in % (draft NECP ver. 7)	39.7%	40.0%	40.3%

3. Expected impact on competitiveness

Stepping up of the energy transition is one of the structural reforms with the most significant implications for the mid- and long-term competitiveness of the BiH economy. This requires adaptation to technologies and practices in the markets on which nearly the entire export of BiH relies. BiH placed 74.6% of its exports (in 2022) on the EU market of the EU, and the EU market also determines the standards of the CEFTA member countries, which together form the second largest trade partner of BiH. EU introduces obligations related to CBAM in phases. Importers of highly energy-intensive products are already required to calculate emissions, and from 2026 they will have to pay for certificates depending on the greenhouse gas emissions of any given product. The problem for BiH is that until now its model of industrial development has largely relies on a relatively low price of electricity—its export as well as the export of energy-intensive products. In this context, on the one hand, the anticipated reforms will prevent a sudden increase in the price of (or even prevent) the export of energy-intensive products as early as 2026, (and later also others). Instead, it will enable a gradual adjustment of the production structure with the gradual introduction of carbon prices and the reduction of emissions

through the transformation of the energy sector. On the other hand, these reforms will allow the BiH energy sector to significantly increase investments in RES exploitation and to decentralise energy production, which should have a strong immediate positive effect on the economic growth as well as modernisation and technological improvement of production. Finally, the inflow of capital into the energy sector, as well as the end of implicit subsidisation of energy, will have a highly favourable effect on the country's fiscal position.

4. Estimated cost of the activities and the source of financing

In the period 2024-2026 anticipated costs for reform activities amount to around EUR 108.5 million, but depending on the pace of the implementation of the projects that are in progress, they will very likely be higher.

In the FBiH, the estimated costs of activities for 2024 amount to EUR 47,840,964.40, financed from the FBiH Budget in the amount of EUR 29,829,767.90, from IPA funds EUR 6,456,000.00 and from grants EUR 11,555,196.50. The estimated total costs for 2025 amount to EUR 13,182,083.80, financed from the FBiH Budget in the amount of EUR 5,257,059.60 and from grants EUR 7,925,024.20. The estimated costs for 2026 amount to EUR 6,852,913.20, and will be financed from the FBiH Budget in the amount of EUR 4,021,267.30 and from grants EUR 2,831,645.90.

In the RS, the cost estimate depends on the interest of investors, the pace of the implementation of projects in progress, and the situation on the financial markets, and they are volatile. The funds will be provided by MH "Elektroprivreda RS", Elektroprenos BiH, the Fund for Environmental Protection and Energy Efficiency, EU funds, the RS Budget, allocations for incentives for legal and natural persons, and international financial institutions. An amount of BAM 40,661,705.7 was secured from the instrument for pre-accession aid, IPA 2023, for the Republika Srpska, which will be allocated, in accordance with the established coefficients, within three components, namely: I. Support for energy-poor consumers/vulnerable households to address the increased heating bills; II. Support for energy efficiency measures for micro, small and medium enterprises, and III. Support for energy efficiency measures for residential buildings.

5. Expected impact on social outcomes

The impacts of this measure on social outcomes are complex. On the one hand, increased (or even just maintained) competitiveness is a necessary condition for maintaining the current level, and particularly increasing general employment rate in the country, which is crucial for reducing the risk of poverty. Also, the increase in energy efficiency leads to a decrease in household expenditure on energy, especially heating. On the other hand, the energy transition could have negative social outcomes in the short to medium term, to the extent that the introduction of the market mechanism for energy pricing directly or indirectly increases the prices of energy for households as well as products in the consumer basket of the socially vulnerable population (heating, food). On the long run, the closure of coal mines and the decommissioning of coal-based power capacities could lead to a decline in employment rate in the affected regions if preventive measures are not taken. Each of these adverse impacts can be mitigated or completely eliminated if they are considered when designing reform measures. The preparation of a just transition strategy in the FBiH based on the Road Map for a just transition of coal-rich regions in BiH is an example of such designing process: This Strategy which will define how the effects, respectively, of increasing energy prices and decreasing employment in mines on the vulnerable population could be significantly mitigated.

6. Expected impact on the environment

This is a measure whose overriding goal is to preserve environment, i.e., the mitigation of climate change through the reduction of the carbon footprint of the economy and the citizens in BiH, and the reduction of air pollution. In the Nationally Determined Contribution (NDC) for the period 2020-2030 with projections until 2050, BiH defined the goal of reducing the total emission of greenhouse gases by 17.5% by 2030 compared to 2014. Although these goals have been accepted by the UNFCCU Secretariat, with the adoption of the NECP these ambitions will be further increased. At the same time, reduced reliance on low-quality fossil fuels such as coal, and planned modernisation of power plants,

will also reduce emissions of SO₂, NO_x and dust into the atmosphere with a direct positive impact on the quality of the air that the citizens of BiH breathe.

7. Potential risks

Risk	Probability	Planned mitigating action
The rise in energy prices can also affect the prices of other products, causing social resistance to reforms.	Medium	Timely planning of gradual changes and accompanying, properly targeted measures to mitigate social consequences.
Resistance to reforms due to fear of loss of employment.	Medium	Strengthening and expansion of the EE program, especially for vulnerable households. Timely development of investment and alternative employment programmes as a part of the just transition program.
Difficulties in securing financial resources necessary to achieve the desired effects.	Low	Timely submission of applications for projects of financial and other support for the energy transition.

Reform measure 2: Establishing conditions for transition to circular economy

1. Description of reform

The aim of this reform is to complete the regulatory and institutional framework established in the previous period and continue establishing a system that would enable adequate collection, separation, treatment and greater use of waste in the economy. The elements of this reform are related to appropriate incentive programmes for the economy, provision of necessary communal infrastructure and services of utility companies, as well as raising the awareness of citizens and the economy of the need for, and value of, circular economy.

In the previous period, the regulatory framework concerning the establishment of a system for organised disposal and separation of waste, as well as for its purification and recycling was completed in the RS, and it will be completed in the FBiH in the following period. However, the implementation of this legislation in both Entities is relatively slow, and in the coming period, efforts are focused on intensifying activities and providing funds to increase incentives for implementation of the envisaged systems. Payment of fees (to the Fund or to the operator) for products that fall into special categories of waste after use were introduced in both Entities (packaging and electronic) in 2022, and the collection of the fees started. Also, analyses are conducted continuously and efforts are put towards greater compatibility of information systems in the RS and FBiH, as well as the adoption of legislation governing the operation of IWMIS (Integrated Waste Management Information System). Adequate waste management (in the traditional sense) is a required basis for the next generation of reform activities that would expand to the establishment of circular economy, in terms of the comprehensive efficiency of resource use throughout the value chains. These activities are under development at all institutional levels in partnership with the UNDP through the Circular Economy Roadmap Project for BiH.

The strategic framework of this reform consists of: in the FBiH, the FBiH Development Strategy for 2021–2027, and the Environmental Protection Strategy 2022–2032; in the RS, the Waste Management Strategy of the Republika Srpska 2017-2026, as well as the Industry Development Strategy of the Republika Srpska for 2021-2027.

In the forthcoming period, FBiH plans to establish regional centres for waste management in all regions with all the necessary facilities (plants for mechanical and biological waste treatment - MBO plants), as well as capacities for adequate disposal of hazardous waste through cooperation with regional

landfills or through PPP. It is also planned to carry out analyses of efficiency and cost-efficiency of the existing waste management system and to adopt several regulations on waste management.

In the period ahead, RS plans to continue financial support activities for the implementation of projects in industry that have an impact on environmental protection, which relate to the change of production processes, inputs, products and the introduction of management standards in order to reduce harmful impact on the environment and increase opportunities for a circular process. The measure includes the promotion of such changes, and raising awareness of the importance of environmental protection through the organisation of promotional and educational events. Work is also underway on the construction of centres for separate collection of special categories of waste from households in each LSGU, and on the improvement of the developed management system, and the construction of facilities for treatment of separately collected special categories of waste. Although there are producers who have introduced waste as a raw material into their production chain, an entire chain is still lacking in terms of waste management and treatment (collectors and processors). Activities on its establishment will be carried out in the coming years. Plans and legislation should be implemented at the level of local self-governments and functioning of local utility companies should be adapted through the adoption of new decisions on waste management at the local level that would be aligned with the legal framework. In this context, it is very important to provide enough green islands and recycling yards at the local level; to date, there were no clearly defined incentives prescribed at the central level for this purpose.

Activities planned by years:

Activity	Responsible level	2024	2025	2026
Analyses of efficiency and cost-efficiency of the existing waste management system completed (municipal waste, special categories and all other types of waste)	FBiH (FBiH MET)			
Regulation on waste management (for small businesses) adopted	FBiH (FBiH MET)			
Establish regional centres for waste management in all regions with all the necessary facilities (plants for mechanical and biological waste treatment - MBO plants).	FBiH (FBiH MET)			
Regulation on methods and conditions of waste disposal and categories of waste disposal sites adopted	FBiH (FBiH MET)			
Capacities for adequate disposal of hazardous waste through cooperation with regional landfills or through PPP established.	FBiH (FBiH MET)			
Increase the volume of separate collection, disposal, recycling and reuse of waste in the entire FBiH (municipal, construction, agricultural, industrial, etc.)	FBiH (FBiH MET)			
Environmental protection management information system improved	FBiH (FBiH MET)			
Financial support for the implementation of projects in industry that have an impact on environmental protection	RS (MEE and MSPCE)			
Promotion of the production and use of products with a reduced impact on the environment, and raising awareness of the importance of environmental protection	RS (MSPCE, MEE and CC RS)			
Improvement of the developed system for management of special categories of waste	RS (MSPCE, EPEEF and business entities)			
Construction of centres for separate collection of special categories of waste from households in each LSGU	RS (EPEEF, LSGU and business entities)			

Construction of plants for treatment of separately collected special categories of waste	RS (EPEEF, LSGU and business entities)		
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2. Results indicators

Indicator	Baseline (year)	Intermediate target (2025)	Target (2026)
Share of untreated municipal waste (SDG Framework, 11.6.1.a, BHAS)	23.5% (2020)	20%	19%
Share of recycled municipal waste (SDG Framework, 11.6.1.b, BHAS)	0.03% (2020)	5%	7%
Number of centres for collection of special categories of waste	0 (RS)	3 (RS)	7 (RS)
Number of centres for recycling of special categories of waste	0 (RS)	3 (RS)	7 (RS)

3. Expected impact on competitiveness

Compliance with the green agenda principles is an important factor in international competitiveness, and the application of this reform enables export-oriented domestic businesspeople to be present in the increasingly demanding market of developed countries in terms of production methods.

4. Estimated cost of the activities and the source of financing

In the FBiH, the estimated costs of activities for 2024 amount to EUR 9,150,000.00, financed from the FBiH budget in the amount of EUR 2,650,000.00, EUR 4,000,000.00 from grants, and EUR 2,500,000.00 from project loans. Estimated costs for 2025 amount to EUR 27,900,000.00, financed from the FBiH budget in the amount of EUR 5,400,000.00, EUR 4,000,000.00 from grants, and EUR 18,500,000.00 from project loans. Estimated costs for 2026 amount to EUR 27,700,000.00, financed from the FBiH budget in the amount of EUR 5,200,000.00, EUR 4,000,000.00 from grants, and EUR 18,500,000.00 from project loans.

In the RS, in accordance with the RS Waste Management Plan for 2019–2029, estimated total amount of investment in measures to achieve waste management targets is about BAM 422,779,000, of which the estimated amount of investment in the development of the waste management system in 2025–2029 amounts to BAM 301,583,000. Potential sources of financing are public and private sources. Public sources represent the main source of financing for the communal infrastructure needed for the implementation of waste management facilities, and the facilities themselves (regional landfills, transfer stations, etc.). Private sources of financing are reflected through public-private partnerships, concessions or privatisation.

5. Expected impact on social outcomes, such as employment, poverty reduction, equality and gender

The transition to circular economy stimulates the development of a whole new branch of industry that provides opportunities for employment, especially for certain vulnerable population categories such as the Roma.

6. Expected impact on the environment

This measure has an extremely positive impact on the environment by reducing the total amount of waste through reuse, recycling and waste treatment. Also, by enabling safe disposal of different types of waste, the negative impact on the environment is reduced.

7. Potential risks

Risk	Probability	Planned mitigating action
To implement the legislation that has already been adopted or is in the adoption process for the transition to circular economy, programmes are needed that require higher level of investment than the current one.	Medium	Intensify efforts to provide significant funding for enforcement of legislation.
Insufficient capacities of inspections and (lack of) development of the generated waste monitoring system.	Medium	Strengthening the capacity of inspections and monitoring systems.
Weak motivation of municipalities and company managements for the construction of regional sanitary landfills.	Medium	Boosting the incentives (which requires increased financial investments). Intensify activities to raise awareness of the need for reform.

Structural reform no. 4: Creating preconditions for full digital transition

1. Description of reform

The purpose of this reform is to enable the necessary public infrastructure in the field of information and communication technologies in order to create the necessary preconditions for a more dynamic development of electronic services for the economy and citizens (e-services), as well as a greater degree of digitisation of business based on secure and confidential exchange of data and documents. Due to the importance of this information-communication infrastructure for business conditions through the availability of digitised and efficient public services throughout BiH, as well as for the international competitiveness of the economy and integration into the EU legal system (transposition of appropriate directives in the field of electronic identity eIDAS and cyber security and network security, in accordance with the constitutional competences and existing laws of the Entities and Brčko District), and considering the complexity of the government setup of BiH, it is of particular importance to ensure a coordinated approach of all relevant competent levels and institutions in the implementation of this reform at every level of government. This reform addresses part of recommendation 4 from JC pertaining to the adoption of legislation on electronic identity and trust services in accordance with the EU acquis.

As part of this reform, the missing regulatory framework in the field of electronic communications, digital identity and security will be established and improved in order to establish the necessary legal framework at the Entity level and Brčko District in accordance with the competences of each level of government, and in line with EU regulations. Existing institutions for the provision of trust services and their competences will then be harmonised with eIDAS, and their capacities will be strengthened. In the previous period, three certification (CA) bodies were established at the level of BiH within: HALCOM, Indirect Taxation Authority and IDDEEA. In the RS, CA was established within the Agency for Information and Communication Technologies. In addition, for the needs of e-government development, platforms for electronic delivery and electronic payments will be developed at each level of government in accordance with the Strategic Framework of Public Administration Reform and the related Action Plan. Also, as part of this reform, the development of capacities with cloud technology for modern management in accordance with the EU cloud strategy and guidelines is planned, as well as the storage of public sector and economic data applying the necessary organisational and technical information-security measures for data protection in accordance with European information security standards at every level of government in accordance with the Strategic Framework of Public Administration Reform and the related Action Plan. Finally, as part of the key information and communication infrastructure, the necessary interoperable information system within public administrations will be established under this reform. In parallel, this reform also includes the improvement of high-speed broadband access through the establishment of a system of institutions/offices at the Entity and Brčko District levels in accordance with the preliminary draft of

the Broadband Access Strategy in BiH and the Policy of the electronic communications sector for the development of broadband internet network, by introducing incentives for the construction of fixed and mobile broadband networks in rural areas and mapping of existing broadband networks.

The content of this reform in the domain of key information and communication infrastructure is defined within the uniform Strategic Framework for Public Administration Reform in BiH 2022-2025 with an action plan, which was adopted by the Council of Ministers and Entity governments. Also, in the coming period, several strategic documents necessary for the harmonisation and implementation of its other elements will be adopted. In the field of e-communications, these are: Policy of the electronic communications sector of BiH for 2023-2027 and the Broadband Access Development Framework Strategy in BiH for the period 2023-2027, with related action plans for both documents. The most important elements of the Policy relate to the regulation and construction of electronic communication infrastructure, encouraging competition, licensing public electronic communication networks and services, introducing universal services, and enabling the protection of the rights and privacy of end users, mapping broadband networks, establishing broadband network offices and adopting a law on electronic communications at the BiH level. The framework strategy includes elements of this reform related to the current state of broadband access development in BiH, the regulatory and institutional framework, construction and development of 4G and 5G network infrastructure, defining the financing models and the vision and objectives of broadband access development. Also, the plan is to adopt a strategic framework for information security in the institutions of BiH, a strategic framework for the development of e-government in the institutions of BiH (for the period 2024-2028), and a strategic framework for cloud computing in the institutions of BiH for the period 2024-2028.

Activities planned by years

Activity	Responsible levels and institutions	2024	2025	2026
Adopt a strategic framework for cloud computing of the institutions of Bosnia and Herzegovina for 2024-2028	BiH (MCT, CoM General Secretariat – eGovernment)			
Adopt a strategic framework for the development of e-Government in the institutions of Bosnia and Herzegovina for 2024-2028	BiH (MCT, CoM General Secretariat – eGovernment, PARCO, IDDEEA)			
Adopt a strategic framework of information security in BiH institutions	BiH (MCT, MoS)			
Adopt a strategic framework for the development of broadband access in Bosnia and Herzegovina for the period 2023–2027	MCT BiH, Regulatory Communications Agency, MTC FBiH, RS ICT Agency			
Adopt a strategic framework of e-communications sector of Bosnia and Herzegovina for 2023-2027	MCT BiH, Regulatory Communications Agency, MTC FBiH, RS ICT Agency			
The Law on Electronic Communications in BiH adopted	BiH (MCT, RCA, MoS, DEI), FBiH (FBiH MTC), RS (ICT Agency, MTC)			
The Law on identification and trust services for electronic transactions of Bosnia and Herzegovina adopted, which will regulate eSignature, eSeal, eTimestamp, eDelivery, internet page authentication, eDocument, in accordance with EIDAS	BiH (MCT), FBiH (FBiH MTC), RS (ICT Agency)			

Harmonisation of national legislation with EU NIS2, i.e., designation of competent authorities, single point of contact and computer emergency response teams (CERTs) for network security tasks	BiH (MCT, MoS), FBiH (FBiH MTC), RS (ICT Agency)			
Harmonisation of national legislation with EU Directive 2008/114, i.e., determination and marking of BH critical infrastructure and assessment of the need to improve its protection in order to determine and protect critical infrastructures on the territory of Bosnia and Herzegovina	BiH (MCT, MoS), FBiH (FBiH MTC), RS (ICT Agency)			
Broadband network offices opened	BiH (MCT) FBiH (FBiH MTC), RS (ICT Agency, MTC, RS GA)			
Analysis and definition of financial potential for subsidising the construction of fixed and mobile broadband networks in rural areas prepared; based on the Analysis, an action plan for subsidising fixed and mobile broadband networks for rural areas will be developed	BiH (MCT, RCA), FBiH (FBiH MTC), RS (ICT Agency, MTC)			
Mapping of broadband networks in BiH	Institutions at all administrative levels of government in accordance with their competencies			
Mass production of qualified electronic certificates for electronic signature and electronic seal in accordance with EU Directives	RS (ICT Agency)			
Effective professional supervision in the field of e-government and information security established	RS (ICT Agency)			
Establishing a platform for security and risk management in the use of cloud in BiH institutions	BiH (MCT, CoM General Secretariat – eGovernment, PARCO, IDDEEA)			
Establishment of systems/services for identity management (IAS), Shared Service centres, eMailbox, ePayment, e-Identity (e-ID) and Government cloud (data classification)	BiH (MCT, CoM General Secretariat – eGovernment, PARCO, IDDEEA)			
Establish a data storage centre in the cloud (Cloud computing centre FBiH) and internet security lab	FBiH (FBiH MTC)			
Adoption of the law on information security of the Federation of BiH	FBiH (FBiH MTC)			
Strengthening the infrastructural and human capacities of the CERT of the Republika Srpska to respond to computer security incidents on the key IC infrastructure of the Republika Srpska	RS (ICT Agency)			
Full financial and functional independence of the Certification Body of the RS ICT Agency achieved	RS (ICT Agency, GSRSG)			
Full application and use of an interoperable information system for electronic data exchange in administrative bodies established	RS (ICT Agency, GSRSG)			

Full implementation and use of the Qualified Electronic Delivery Platform	RS (ICT Agency, GSRSG)			
Full application and use of unified e-government portals at Entity levels	RS (ICT Agency)			
Full implementation and use of e-payments platform	RS (ICT Agency, MoF)			
Full implementation and use of Data Centres	RS (ICT Agency)			

2. Results indicators

Indicator	Baseline (2022)	Intermediate target (2025)	Target (2026)
DESI index RCC	23.2	27.0	30.0
Number of fixed broadband Internet subscribers per 100 inhabitants	24.9	28.5	30.2

3. Expected impact on competitiveness

Setting the necessary preconditions for digitisation opens up space for digital transformation in the private sector and the development of new digitised public services. Both processes have the potential to increase the productivity and quality of products and services and the overall competitiveness of the economy.

4. Estimated cost of the activities and the source of financing

For the whole period 2024-2026, the cost of this reform is estimated at around EUR 27 million. Of this amount, EUR 1.5 million will be provided from the BiH budget, namely earmarked funds from the sale of licences, around EUR 1 million will be provided from the Entity budget and grants, and a source of financing for EUR 25 million has yet to be obtained.

At the level of IBiH, a part (BAM 2-3 million) will be used to finance the network construction from existing earmarked funds from licences.

In the RS, the budgeted funds for the implementation of these activities are BAM 50,000,000. A small part (BAM 1,000,000) of the funds is planned in the Republika Srpska budget. The remaining funds for the implementation of this reform measure are planned to be provided from loans with domestic banks (IDB, commercial banks) and international financial institutions, as well as from donor funds (IPA funds, EU projects and programmes).

In the FBiH in 2024, total planned costs of reform activities amount to EUR 202,709.30, EUR 13,531.30 will be covered from the FBiH budget, and remaining costs from grants. In 2025, total planned costs of reform activities amount to EUR 224,301.10, EUR 19,273.10 will be covered from the FBiH budget, and remaining costs from grants. In 2026, total planned costs of reform activities amount to EUR 70,913.60, EUR 19,273.10 will be covered from the FBiH budget, and remaining costs from grants.

5. Expected impact on social outcomes, such as employment, poverty reduction, equality and gender

The availability of many services increases with greater internet coverage and digitisation, for example in rural and poorly connected parts of the country. On the other hand, due to the high level of digital illiteracy, a gap is opening that should be addressed in the coming period.

6. Expected impact on the environment

Better connectivity with information and communication infrastructure and opening up space for a greater level of digitisation of the business sector and public sector has a very positive impact on the environment due to reduced need for transport, which reduces emissions of harmful gases.

7. Potential risks

Risk	Probability	Planned mitigating action
Delay in passing the required legislation	Medium	Active dialogue with all participants in the process and timely reaction to potential delays
A large number of participants in the process	Medium	Active dialogue, promotion of positive outcomes of the measure implementation
Implementation depending on the dynamics and volume of available funds	Medium	Finding alternative sources of financing and active communication with international and domestic creditors

HUMAN CAPITAL AND SOCIAL POLICIES

Analysis of obstacles

Bosnia and Herzegovina has a population of around 3.5 million (according to the 2013 census) with a negative natural increase rate and an outflow of qualified working population – emigration. Structural mismatches in the labour market are reflected, on the one hand, in long-term unemployment and discouragement of the working-age population and, on the other hand, in the lack of adequate workforce profiles to match the demand. The long-term unemployed (over 12 months) in the first quarter of 2023 make up as much as 76.7% of the unemployed, which, in addition to structural reasons, is also a consequence of the fact that the unemployment records are burdened with people who are not job seeker but are rather registered for the purpose of exercising unemployment-based rights. At the same time, the high inactivity rate of the population in BiH stands out negatively (52.4% in BiH, 52.8% in the RS, 52.1% in the FBiH in 2022), which in turn reflects a high degree of discouragement of citizens to join the labour market – not surprising given the long unemployment. Although the overall unemployment rate is not so high, 15.4% in 2022 (11.2% in the RS in 2022, 17.2% in the FBiH), youth unemployment (15-24 years) stands out and amounts to 35.1% in 2022 (28.1% in the RS, 37.4% in the FBiH) while the gap between the employment of men and women is extremely high and amounts to 23.2 percentage points (21.1% in the RS, 25.1% in the FBiH in 2022).

Active employment policies do exist, but their planning can be improved, as can the quality of services provided by the employment offices. While inactivity and discouragement of the working-age population are undoubtedly a reflection of accumulated long-term structural problems, there are also clear and increasingly urgent indicators that the mismatch in the labour market is also a consequence of current policies, i.e., instead of being eliminated, it continues to exist due to the mismatch in the supply of educational profiles and insufficient effectiveness of active employment measures. Only a third of employers employ workers directly from the educational system, after completing secondary general or technical school or university. Furthermore, a large percentage of employers (43.5% in the RS, 42.4% in the FBiH) reported difficulties in finding and hiring the necessary workers in 2022. The main obstacles are the lack of required occupations and the lack of professional knowledge and skills for the workplace (2022/2023 Labour market research in Bosnia and Herzegovina).

Allocation for education in BiH is at a similar level as in the EU (4.1% of GDP, compared to 4.7% of the EU average). However, the situation with regard to the measured results of the educational system, such as the last available results of the PISA test, where BiH is in 62nd place out of 79 countries, reflects the need to reform educational programmes so that education meets the needs of modern society. Digital skills are also significantly behind the EU average (36.55% of the population in 2019 had basic digital skills, compared to 52.77% in the EU, according to the ITU). Furthermore, schools are poorly equipped in terms of access to a quality Internet connection and appropriate ICT equipment (about 20 students use one computer, compared to 1.2 in OECD countries). The fact that only 30% of five-year-olds attend preschool education also reduces achievements in later education cycles.

With a high rate of dependent population that fails to find employment, often of an older age, as well as the limited fiscal space, it is a particular challenge for social protection to be carefully focused on the

protection of those who need it most. A big problem for social policy is the lack of appropriate statistical measurement. The latest available data refer to 2015, when the relative poverty rate was 16.9% (the poverty rate of the elderly was 19.6%, and the share of children living in relatively poor households was 18.7%, according to the Household Budget Survey).

A major challenge regarding the social protection system is that the relatively generous total social transfers are not used efficiently enough due to a poor information base. This also results in an unnecessarily long stay in the status of social protection beneficiary, but also insufficient targeting of the needs of the most vulnerable categories of the population. In addition, social welfare centres, focused on material support instead of a far more effective combination with other types of professional support, lack the necessary capacities to provide social protection services in a multidisciplinary manner. The number of employees and funds are planned according to the realised rights, which are mostly proportional to the number of inhabitants, and not to the real needs of the vulnerable.

Although the total allocation for health care is relatively high for a country with a medium level of development and amounts to about 9% of GDP (of which about 30% refers to private contributions), the health of the population in terms of non-communicable diseases and mortality from heart attack and cancer is not at the expected level or in line with the European average. Citizens' satisfaction with health care can also be improved with regard to the level of allocation, and there is a significant space to enhance the management of the health system, improve the medical staff and modernise capacities.

Structural reform no. 5: Increasing employability by improving the alignment of education and the development of practical knowledge and skills on the labour market

1. Description of reform

The main goal of this reform is to improve the employability of young people after leaving the educational system and to increase the efficiency of training and other active employment policy programmes for all categories of the unemployed. The end result of this will be an increase in the activity of the working-age population, reduction in structural long-term unemployment and improvement of working conditions. This goal is to be achieved through two activities – improvement of educational programmes and strengthening of mediation services by making training for reskilling and upskilling and other active employment policy programmes more efficient based on the analysis of labour market needs and the evaluation of implemented employment programmes. Furthermore, this reform plans to improve the systems for medium-term monitoring and forecasting of the needs on the labour market. Finally, this reform will address the problem of the lack of qualified workforce of certain profiles due to increasing emigration. This reform directly responds to all aspects of recommendation number 6 of the Joint Conclusions.

The reform builds upon the activities already implemented in the previous period, with the ongoing support of the EU4Employment Project, implemented with the support of the European Union and Sweden, and as part of the inclusion of BiH in the EU Youth Guarantee (YG) programme.

The strategic framework in which the reform is implemented in the RS consists primarily of the 2021-2027 Employment Strategy of the Republika Srpska and the 2022-2030 Strategy for the Development of Preschool, Primary and Secondary Education of the Republika Srpska, as well as the 2021-2031 Adult Education Strategy in the Republika Srpska – the first strategic document with a planned approach to the development and improvement of adult education in the context of lifelong learning. In the FBiH, this framework consists of the FBiH 2021-2027 Development Strategy.

To fully implement the Youth Guarantee, it is necessary to develop and adopt the Implementation Plan for Bosnia and Herzegovina. Draft action plans have been prepared for the RS, BD, whereas the FBiH action plan is currently in the drafting phase. Once the plans are adopted, the prerequisites will be in place for the implementation of the Youth Guarantee and the launch of the pilot project as the first phase in the implementation of the Programme. In the coming period, the focus will be on the adoption and implementation of Youth Guarantee Action Plans in the RS, FBiH and BD through the establishment of institutional capacities in the sectors supporting youth employment.

Piloting of the Youth Guarantee is planned in 2026 in Bosnia and Herzegovina, to obtain a detailed overview of the established systems and their efficiency, as well as of the need for possible corrections.

In the coming period, the RS and FBiH plan to strengthen the capacity for evaluating employment programmes at the employment offices, to be followed by redesigning active employment measures based on the evaluation. In the FBiH, the Law on Mediation in Employment and Social Security of Unemployed Persons has been drafted and will be adopted in 2024, improving the records system by separating active job seekers from inactive ones.

In the coming period and in the context of the sustainable development of local communities, the RS will work on defining new occupations needed by the labour market, while continuously revising the nomenclature of occupations in accordance with the needs of the labour market. In addition, the system of adult education will be improved, by reviewing the legislation and educational programmes. Furthermore, professional development will be organised for educational workers and directors of institutions, promoting good practice examples as work standards, as well as the improvement of the capacity of employees and resources invested in education and didactic work with children and youth with disabilities. Also, the necessary support will be provided to HEIs in the coming period to develop inter-university or joint study programmes, i.e., interdisciplinary and multidisciplinary study programmes in view of internationalisation of higher education.

In the coming period, FBiH will work on projects for the procurement of equipment in educational institutions for the purpose of preventing violence and developing functional knowledge and skills of preschool children and primary and secondary school students in the FBiH, as well as on professional development of foreign language teachers. Training projects and professional development of adults will be supported with a focus on women for easier integration into the labour market in the FBiH, as will be educational activities in the BiH diaspora. In higher education, FBiH will support the linking with the needs of the labour market for study programmes of the first and second cycle of studies in the FBiH.

Activities planned by years:

Activity	Responsible level/body	2024	2025	2026
Developing the Strategic Directions for the Development of Career Guidance in BiH (2024)	Activities are carried out at the level of competent educational authorities			
Development of the Qualification Framework in BiH (2024–2026)	Activities are carried out at the level of competent educational authorities			
Improving digital and entrepreneurial competence in educational systems in BiH (2024–2026)	Activities are carried out at the level of competent educational authorities			
Developing the process of recognition of prior learning, non-formal and informal learning and adult education (2024–2026)	Activities are carried out at the level of competent educational authorities			
Improving the quality of vocational education and training in BiH (2024–2026)	Activities are carried out at			

	the level of competent educational authorities			
Implementation Plan for the Youth Guarantee Programme in Bosnia and Herzegovina adopted	BiH (MCA)			
Accession of Bosnia and Herzegovina to the EU Programme for Employment and Social Innovation (EaSI)	BiH (MCA)			
Creating the conditions for the accession of Bosnia and Herzegovina to the Youth Guarantee Programme	BiH (MCA)			
Adopt the Law on Mediation in Employment and Social Security of Unemployed Persons	FBiH (FMLSP)			
Improving the system for monitoring the effects and evaluation of employment measures that will be implemented by the cantonal services, improving the capacity of the cantonal services to perform their primary function - mediation	FBiH (FMLSP)			
FBiH Youth Guarantee Action Plan adopted	FBiH (FMLSP)			
Adopt the Law on Foreign Nationals and amendments to the Law on the Employment of Foreign Nationals – to facilitate employment of foreign citizens, especially in the fields of IT, medicine, engineering, electrical engineering.	FBiH (FMLSP)			
Law on Strike in the FBiH adopted	FBiH (FMLSP)			
The new Law on the Economic and Social Council in the FBiH was adopted	FBiH (FMLSP)			
Support for projects procuring equipment in educational institutions for the purpose of preventing violence and developing functional knowledge and skills of preschool children and primary and secondary school students in the FBiH	FBiH (FMSE)			
Support for projects for professional development of foreign language teachers to strengthen multilingualism in the FBiH	FBiH (FMSE)			
Support for projects of training and professional development of adults focusing on women for easier integration into the labour market in the FBiH	FBiH (FMSE)			
Support for educational activities in the diaspora of Bosnia and Herzegovina.	FBiH (FMSE)			
Support to higher education institutions for projects of linking with the needs of the labour market in relation to study programmes of the first and second cycle in the FBiH	FBiH (FMSE)			
Support for the implementation of the CEEPUS mobility programme for students and teachers in the Federation of Bosnia and Herzegovina	FBiH (FMSE)			
Law on Amendments to the Labour Law adopted	FBiH (FMLSP)			
Adoption of the (annual) Employment Action Plan for 2024/2025/2026	RS (MLVDP, RS PES, soc. partners)			
Implementation of the Youth Guarantee Action Plan in the Republika Srpska – YG establishment	RS (MLVDP and other ministries)			
Launching negotiations with social partners on the conclusion of the General Collective Agreement and collective agreements, as well as improving the social dialogue by strengthening the role of the Economic and Social Council	RS (Negotiating Committee and ECC RS)			

Building the capacity of the Employment Institute to evaluate employment programmes (2024) and conduct evaluations (2025–26)	RS (RS PES)			
Digitisation of training in the RS PES	RS (RS PES)			
Continued implementation of the Social Care Programme for workers who lost their jobs in the process of privatisation, bankruptcy and liquidation of enterprises	RS (MLVDP, RS PES, soc. partners)			
Improving the social dialogue through strengthening the role of the Economic and Social Council and other tripartite bodies	RS (MLVDP, RS PES, soc. partners)			
Redesigned employment programmes in accordance with the evaluation results.	RS (RS PES)			
Implementation of the programme for children in the year before starting school from the beginning of March to the end of May	RS (MEC)			
Increasing the spatial capacity of existing institutions by providing funds for construction of new or adaptation of existing facilities	RS (MEC)			
Increasing the number of facilities in local communities in which pre-school education is a registered activity, but which have not had any organised pre-school education so far	RS (MEC)			
Professional development of educational workers and directors of educational institutions	RS (MEC)			
Developing an enrolment policy in accordance with the actual needs of the labour market and the development policies of the Republika Srpska, based on labour market needs assessments in the local communities	RS (MEC)			
Harmonising the curricula in secondary education with current trends and needs of the labour market	RS (MEC)			
Implementation of the activities foreseen in the Youth Guarantee Action Plan of the Republika Srpska	RS (MEC)			
Defining new standards for the accreditation of academic and vocational studies according to the dual model	RS (AVORS, MSTDHE)			
Adoption of the Law on Student Employment of the Republika Srpska	RS (MSTDHE)			
Adoption of the Qualifications Framework of the Republika Srpska	RS (MSTDHE)			
A study on the status and opportunities of preserving and improving identity disciplines	RS (MSTDHE)			
Updating existing and developing new higher education curricula and programmes with appropriate share and involvement of Industry 4.0, green and circular economy	RS (MSTDHE)			
Adoption of the Law on Regulated Professions of the Republika Srpska	RS (MSTDHE)			

2. Results indicators

Indicator	Baseline (year)	Intermediate target (2025)	Target (2026)
Share of young people not in education, employment or training (NEET, SDG Framework, 8.6.1)	19.9 (2021)	16.0	15.0
Long-term unemployment rate (2 or more years) (LFS, BHAS)	59.7% (2021)	54.0%	52.0%
Employment rate (LFS, BHAS)	48.3 (Q3, 2023)	51.0	52.5

3. Expected impact on competitiveness

An improved mediation service and more effective active employment policy measures will contribute to the activation of the long-term unemployed and reduce the pressure on employers regarding the lack of work force. Increasing the quality of education outcomes and improving the efficiency of mediation will contribute to the growth of economic productivity through greater availability of qualified work force.

4. Estimated cost of the activities and the source of financing

The planned costs of 2024-2026 reform activities amount to around EUR 38.6 million.

In the period 2024-2026, the Budget of the institutions of BiH plans BAM 63,000 annually for the employment of Roma, as well as World Bank loan funds for the period 2024-2025 in the amount of BAM 28 million.

In the 2024 RS Budget, an amount of BAM 6,050,000 is planned for the social care programme for workers.

In the FBiH, the estimate of the total costs of 2024 activities is EUR 1,438,775.40, which will be financed from the FBiH budget in the amount of EUR 416,191.60 and from a grant in the amount of EUR 1,022,583.80. The total planned costs for 2025 and 2026, as well as their funding sources, are identical to 2024.

5. Expected impact on social outcomes, such as employment, poverty reduction, equality and gender

Employment measures are aimed at reducing poverty and social inequalities, contributing to enhancing the employment primarily of young people, women, especially from rural areas, and long-term unemployed persons, as well as mitigating the consequences of inflationary trends. These measures also reduce regional inequalities by employing people in underdeveloped and extremely underdeveloped municipalities. For the social community, investing in the first years of a child's life can have a multiple impact in terms of educational results and better health status, and will facilitate the exit from poverty of children from vulnerable categories through their inclusion in further cycles of education. More efficient active employment policies will have an impact of reducing the number of job seekers and unemployment, and improving the standard of living for that population category.

The measure will have a positive impact on the position of women and their inclusion in the labour market due to higher availability of preschool education and childcare, as well as due to special programmes for the employment of women.

The introduction of social entrepreneurship (FBiH) will positively contribute to the position of the socially disadvantaged.

6. Expected impact on the environment

This measure has a neutral impact on environment.

7. Potential risks

Risk	Probability	Planned mitigating action
General Collective Agreement has not been concluded	Medium	Re-intensify the dialogue with social partners with the aim of reaching an agreement for the conclusion of collective agreements
Collective agreements have not been concluded	Low	Re-intensify the dialogue with social partners with the aim of reaching an agreement for the conclusion of collective agreements
Lack of funds and spatial capacities for preschool education, as well as for the implementation of after school extended stays for primary school students	Medium	Possibility of using donor funds, and make available the spatial capacities of existing buildings that are not used for their original purposes

Structural reform no. 6: Improving the quality and efficiency of institutional mechanisms of social protection and health services delivery systems

The main goal of the structural reform is to improve the quality and efficiency social and health care services delivery, while the implementation of the reform measures should have a direct impact on some of the key challenges identified in this area - poverty reduction, improvement of care for children and vulnerable categories, and enhance quality of health care. This structural reform directly addresses one particular point in recommendation no. 1 in the JC, which suggests the need to use the available fiscal space for targeted support to vulnerable households.

The content of the structural reform focuses on two areas, hence two measures were defined. The first measure addresses restructuring of institutional mechanisms and personnel capacity building in the social and child protection system. This should, among other things, include the development of the social map, central institution of the Social Protection Institute, which will manage the social protection system based on needs analysis. Also, the reform should encourage abandoning the concept of beneficiaries, as well as expand the coverage of beneficiaries through better “targeting” of needs with the help of a robust information base. Furthermore, the non-governmental sector should also be integrated in the network of services providers. The second measure involves activities aimed at improving the quality and availability of health care services, including ensuring sustainable funding of the health care system, and addresses the capacity gaps.

Reform measure 1: Improved system of social and child protection through strengthening of institutional mechanisms and legal framework

1. Description of reform measure

The aim of this reform measure is to improve the effects (quality and efficiency) of the social protection system, and to improve the above final outcomes through better targeting of users of the social protection system and their needs. The main elements of the measure include improved management of the social protection system in the RS and FBiH through establishment of central institutions of the Social Protection Institutes (RS and FBiH), criteria for licensing social protection service providers and professional workers, necessary training to improve the capacity of the system. Also, this measure will include establishment of social map registers in the entities, which will serve as information basis for better management and improvement of criteria for defining rights based on data on the social and economic status of individuals and families, and enable more efficient social protection through more adequate and better targeted coverage of users’ needs. The measure also envisages upscaling of research in the field of social protection in order to enable monitoring of social phenomena and problems, as well as continuous evaluation of implemented programmes. In addition to human capacity building, necessary space will be secured for the Child Protection Fund in the RS, while FBiH plans to establish a Family Fund. Also, the Republika Srpska plans to establish a children and youth education centre, which should take preventive measures, and provide care, education, and health care for children and youth with behavioural disorders.

The structural reform was formulated in accordance with the adopted strategic documents, namely: the Social Protection Strategy of the Republika Srpska 2023–2029, which is in the process of adoption, the Strategy for Improving the Social Position of Persons with Disabilities in the Republika Srpska 2017–2026, the Strategy for the Improvement the Position Old People in the Republika Srpska 2019-2028, the Strategy on Primary Health Care in the Republika Srpska, and the Strategy on Secondary and Tertiary Health Care the Republika Srpska. In 2024, the Federation of Bosnia and Herzegovina plans to adopt the Strategy for the Development of the Social and Child Protection System in the FBiH and the Strategy for Improving the Rights and Position of Persons with Disabilities in the FBiH.

Activities planned by years

Activity	Responsible level/body	2024	2025	2026
Strategy for the Development of the Social and Child Protection System in the FBiH adopted.	FBiH (MLSP)			
Strategy for Improving the Rights and Position of Persons with Disabilities in the FBiH adopted.	FBiH (MLSP)			
Law on Social Services in the FBiH was adopted to define social services, minimum standards for services delivery and licensing of service providers.	FBiH (MLSP)			
Law on Social Services in the FBiH was adopted with the accompanying Regulation on the minimum work conditions and delivery of social services.	FBiH (MLSP)			
Law on the Methodology of Creating a Social Map in the FBiH was adopted	FBiH (MLSP)			
Amendments to the Pension and Disability Insurance Law passed.	FBiH (MLSP)			
New Law on the Organisation of Pension and Disability Insurance passed.	FBiH (MLSP)			
Register of organisations and representative organisations of OPwD (organisation of persons with disabilities) and OCVW (Organisation of Civilian Victims of War) in the FBiH established.	FBiH (MLSP)			
Law on Family Fund in the FBiH adopted.	FBiH (MLSP)			
Law on universal Principles and Framework of Material Support for Persons with Disabilities (PwD) in the FBiH adopted.	FBiH (MLSP)			
Amendments to the Law on the Single Register of Beneficiaries of Non-Contributory Cash Benefits.	FBiH (MLSP)			
Amendments to the Law on Professional Rehabilitation, Training and Employment of Persons with Disabilities in the FBiH passed to improve employability of persons with disabilities on the labour market.	FBiH (MLSP)			
Council for Social Entrepreneurship established.	FBiH (MDEC)			
Law on Social Entrepreneurship in the FBiH passed	FBiH (MDEC)			
Universal and centralised electronic database on the social and economic status of individuals and households established.	FBiH (MLSP)			
Regulation, which specifies in more detail the content and method of keeping data in the Register of social enterprises in the FBiH passed.	FBiH (MDEC)			
Institute for Social Protection of RS starts operating.	RS (MHSP)			
Institute for Social Protection of FBiH established.	FBiH (MLSP)			
Establishment of the Centre for the Education of Children of RS.	RS (MHSP)			
Creation of new databases (universal personal register of adoptions)	RS (MHSP)			
Purchase of space for organisational units of the Child Protection Fund completed.	RS (MHSP. PI Public Child Protection Fund)			

Licencing procedure of social protection professionals as well institutions defined.	RS (MHSP)			
Establishment of various accredited training programmes for professional workers in social work centres and other institutions of social protection in the RS and in the FBiH	RS (MHSP), FBiH (MLSP)			
Improvement of the research in the field of social protection in order to enable monitoring of social phenomena and problems.	RS (MHSP)			
Body for assessment of children with developmental disabilities and persons with disabilities within established the Social Protection Institute of the Republika Srpska.	RS (MHSP)			
Establishment of an interoperable information system of the social map of the Republika Srpska.	RS (MHSP)			

2. Results indicators

Indicator	Baseline (year)	Intermediate target (2025)	Target (2026)
Number of licensed social protection professionals	0	30(RS) + ?? FBiH	60 + ?? (FBiH)
Number of licensed social protection institutions	0	20 (RS) + ?? (FBiH)	40 + ?? (FBiH)
Share of children with moderate or severe stunting (SDG Framework, 212b, UNICEF/MICS)	9.1 (2020)	5	4
Evaluation of the effectiveness of the social protection programmes	no	yes	yes

3. Expected impact on competitiveness

This reform measure has no impact on competitiveness in the short term. On the long run, more efficient social care enables greater work activation of persons from vulnerable groups, which increases the labour force availability.

4. Estimated cost of the activities and the source of financing

In the FBiH, costs of activities in 2024 are estimated at EUR 136,105,898.30, in 2025 at EUR 143,263,985.30, and in 2026 at EUR 153,540,951.50. These costs will be financed from the FBiH Budget.

In the RS, the implementation of the activities requires allocations from the RS Budget, as well as funds from the JU Public Fund for Child Protection, which need to be secured in the upcoming period, after completion of an analysis. In addition to the above, it is necessary to identify other alternative sources of funding. An amount of BAM 600,000 is dedicated in the Budget for the work of the Social Protection Institute of the Republika Srpska.

5. Expected impact on social outcomes, such as employment, poverty reduction, equality and gender

This measure is expected to have a particularly positive impact on social outcomes, such as employment and poverty reduction. The activities comprised in this measure will contribute to improvement of the living conditions of the beneficiaries of social protection services, as well as the working conditions and competences of those employed in social protection bodies, which should secure a fairer and more just targeted distribution of funds to those who are unable to independently provide the necessary support, with the aim improving the quality of the services provided to end users and rights they enjoy.

6. Expected impact on the environment

The measure has no impact on the environment.

7. Potential risks

Risk	Probability	Planned mitigating action
Lack of funds	Medium	Timely allocation of funds, both from the RS Budget and budgets of local self-government units for vulnerable categories of the population

Reform measure 2: Improving the quality of healthcare in the Republika Srpska and the Federation of BiH

1. Description of reform measure

The goal of the healthcare systems reform in the RS and the FBiH is to provide better quality and availability of the healthcare services, including sustainable funding thereof. In that regard, reform measure will encompass adoption and improvement of the legislative framework (laws and by-laws) in both Entities, including the implementation of previously adopted legislative framework for improvement of the healthcare system. The reform will include creating of framework and establishing of information systems to digitalise health services and promote the use of digital systems in the healthcare. And finally, the reform will include investments in capital equipment and human resources necessary for execution of defined activities. This reform will address a portion of the Recommendation 2 referred to in Common Conclusions, in the part pertaining to preparation of the report on potential obligations and strategy for handling emerging of the new potential obligations, as well as managing risks related to existing ones.

The reform is formulated based on strategic and other already adopted documents, or documents that are in the advanced phase of adoption by the competent Entities' institutions. Agenda 2030 recognised the importance of the health as one of the 17 sustainable development goals (Goal 3, Good health and well-being). There are 10 indicators under the SDGs Framework in BiH with target values pertaining to SDG 3, that is, pathway "Society of Equal Opportunities". Development Strategy of the FBiH 2021-2027 is the foundation for healthcare system reform at the level of the Federation of BiH. Focus is on the improvement of the primary healthcare, improvement and preservation of mental health and strengthening of healthcare computerisation and digitalisation. The RS Strategic Framework has been defined by the Strategy for Primary Healthcare in the Republika Srpska and the Strategy for Secondary and Tertiary Healthcare in the Republika Srpska.

As a part of the to-date reform activities, a new Law on Healthcare, Law on Medical Documents and Records in Healthcare and Law on Mandatory Health Insurance were adopted in 2022, and several by-laws were adopted in 2023. Drafting/revision of the remaining by-laws in line with the foregoing laws and valid Strategic Framework will continue in the near future, including the implementation thereof. The RS Government allocated funds from its budget to settle accumulated debts of certain public healthcare institutions and will continue the process of transferring such institutions into treasury operation system without financial obligations from previous period. The Government is also continuously implementing the 2021-2026 Programme for settling debts under contributions for Pension and Disability Insurance Fund for the employees in the healthcare institutions. Thus is provided better fiscal stability of the healthcare system and prerequisites for continued structural reforms of the system that will refer to standardisation of healthcare institutions network, creation of nomenclature of healthcare services, improvement of the service quality in the public healthcare institutions, continued investment into education of staff, construction, reconstruction and equipping of facilities, revision of healthcare services package and finding of a new model/source of health insurance financing.

In 2022, the FBiH adopted the Law on Financial Consolidation and Restructuring of Healthcare Institutions and by-laws. Further financial sustainability of the system will be provided through implementation of the programme of financial consolidation and restructuring of individual healthcare institutions. Having new legislative framework on health insurance will also help the sustainability of

the system. Legal framework for further computerisation and digitalisation of the healthcare system in the Federation of BiH has been planned as well. Improvement of the healthcare will be implemented through better preventive programmes, with focus on early detection and prevention of non-communicable diseases (cardiovascular diseases, diabetes, malignant diseases, mental health, oral health), design and implementation of subprogrammes in the transplantation medicine, and through establishment of integrated healthcare information system.

Activities planned by years

Activity	Responsible level and institutions	2024	2025	2026
Drafting new legal framework in the area of health insurance (mandatory, voluntary) - Law on Health Insurance	FBiH (FBiH MoH)			
Financial consolidation and restructuring of hospital operations, settling large hospital debts via different modalities	FBiH (FBiH MoH)			
Implementation of Single FBiH Transplantation Programme - Designing subprogrammes in the transplantation medicine and establishing of information system (added from FBiH MoH's explanation)	FBiH (FBiH MoH)			
Drafting framework for further computerisation and digitalisation of the healthcare system in the Federation of BiH	FBiH (FBiH MoH)			
Development of all-encompassing preventive programmes, with focus on early detection and prevention of non-communicable diseases (cardiovascular diseases, diabetes, malignant diseases, mental health, oral health),	FBiH (FBiH MoH)			
Establishment of public databases on debts of each healthcare institution in the FBiH	FBiH (FBiH MoH)			
Procurement and installing of the IT and network equipment according to the recommendations from situational analysis	FBiH (FBiH MoH)			
Adoption of new Law on Activities in Healthcare	RS (MoHSP)			
Implementation of Construction and equipping of new hospital in Doboj project	RS (MoHSP)			
Implementation of Construction and equipping of new stationary traffic project, Public Healthcare Institution University Clinical Centre of the Republika Srpska	RS (UCC, MoHSP)			
Promotion of "e-healthcare" services and awareness of healthcare professionals, patients and patient associations (RS HIF)	RS (HIF)			
Making of 5-year human resource plans by public healthcare institutions and establishment of register of healthcare professionals	RS (MoHSP, PHI, IPH)			
Drafting a nomenclature of healthcare services for primary healthcare	RS (MoHSP)			
Implementation of the Reconstruction and add-ons to the orthopaedic surgery department in Slatina project	RS (Institute Dr Miroslav Zotović, MoHSP)			
Implementation of Construction and equipping of dedicated facility for providing healthcare services to the malignant patients project, Public Healthcare Institution University Clinical Centre of the Republika Srpska	RS (UCC, MoHSP)			
Implementation of Construction and equipping of new hospital in Trebinje project	RS (MoHSP)			
Establishing/revising prices for DRG services in healthcare system	RS (HIF, HI, MoHSP)			

Drafting a nomenclature of healthcare services for secondary and tertiary healthcare	RS (MoHSP)			
Implementation of Expanding capacity of hospital in Prijedor project	RS (hospital in Prijedor, MoHSP)			
2021-2026 Programme for settling debts under contributions for Pension and Disability Insurance Fund for the employees in the healthcare institutions	RS (MoHSP)			

2. Results indicators

Indicator	Baseline (year)	Intermediate target (2025)	Target (2026)
Coverage of essential health services (SDG indicator 3.8.1)	65 (2019)	69	70
Transferring public healthcare institutions into RS treasury system	1 HI	19 HI	18 HI
Under - 5 mortality rate per 1.000 live births (SDGs Framework, 3.2.1)	5.7 (2020)	4.5	4.0

3. Expected impact on competitiveness

The healthcare system reform will establish financially viable system that will provide for more efficient healthcare and thus improve public health and subsequently its productivity and efficiency. Also, settling accrued debts of healthcare institutions in terms of taxes and contributions from previous years will be positively reflected on the revenue of the RS budget and related creditors' funds for the calculated contributions, who will be able to use those funds to improve their competitiveness and capital expenditure. The same effect is expected against the FBiH budget.

4. Estimated cost of the activities and the source of financing

In the RS, the cost estimate and sources of funding for the planned activities under the reform measure pertain to estimated assets needed to settle tax obligations of primary healthcare centres accrued in the last years and to implementation of planned capital investments in the amount of around BAM 253,551,276 (EUR 129,638,709). Planned structure of funding sources for the estimated costs is: EUR 92,718,709 from the RS budget, EUR 36,920,000 from the project loans.

In the FBiH, in 2024, costs for planned activities amount to EUR 37,500,000.00 and will be fully funded from the FBiH budget. Estimated total costs for 2025 amount to EUR 1,530,000.00 and they will be funded from the project loans in the amount of EUR 780,000.00, whereas for the rest of the costs, funding sources are yet to be identified. For 2006, total estimated costs amount to EUR 7,300,000.00 and will be fully funded from the project loan.

5. Expected impact on social outcomes, such as employment, poverty reduction, equality and gender

Improved healthcare services and its availability will contribute to better public health, productivity and life quality. Opening of more modern healthcare centres will stimulate employment of young staff and improve working conditions in healthcare. Streamlining of healthcare institutions network may lead to closing of some of institutions for which the analysis showed that there was no justification for them to operate.

6. Expected impact on the environment

This reform measure has mostly positive environment impact. When building new facilities for primary healthcare, energy efficiency standards will be adhered to.

7. Potential risks

Risk	Probability	Planned mitigating action
Lack of funds for financial consolidation of healthcare institutions.	Low	Possibility for additional items in the budget and/or financial restructuring with extended deadlines.
Lack of funds for investments into key infrastructure development.	Medium	Mobilisation of partners' funds.

6. THE COST AND FINANCING OF STRUCTURAL REFORMS

Costs of the implementation of structural reforms in the period 2024-2026 are estimated at about EUR 1.11 billion. This amount comprises a cost estimate for RS of EUR 337.6 million, in FBiH EUR 773.3 million. Disaggregated by year, the costs of implementing structural reforms amount to EUR 404.7 million in 2024 (EUR 134.0 for RS, EUR 270.7 for FBiH), in 2025 a total of EUR 355.5 million (EUR 101.8 for RS, EUR 253.7 for FBiH), and in 2026 they amount to EUR 350.8 million (EUR 101.8 for RS, EUR 249 for FBiH). The assessment of necessary funds and identification of sources of funding of energy transition, market reform, increasing energy efficiency, and investment in renewable energy sources in RS have not yet been completed, and funds for the improvement of the social and child protection system in RS have not been determined, and they will depend on the preliminary analysis, investors interest and pace of the implementation.

Expenditures for the purchase of goods and services are predominant in the cost structure of reform measures in the next three-year period with EUR 462.4 million (41.2%), of which EUR 12.9 million in RS and EUR 449.5 million in FBiH. Subsidies and transfers are the second biggest expenditures with estimated EUR 376.2 million (33.9%), of which EUR 170.8 million in RS and EUR 205.4 million in FBiH. The third largest are capital expenditures with EUR 267.8 million (24.1%), of which EUR 153.6 million in RS and EUR 114.2 million in FBiH.

Some of the presented reforms concern regulatory and management interventions, and they do not require extra costs beyond regular budget allocations from the institutions responsible for their implementation. Reform 1 includes financial incentive schemes which will be financed from the budget in the amount of about EUR 124 million (of which about EUR 10 million in RS and about EUR 114 million in FBiH). Capital investments of about EUR 216.5 million have been planned in the framework of reforms 2, 3 and 4. They should be funded mainly from the budget and project loans (of which EUR 143.5 million in RS and about EUR 73 million in FBiH). Finally, allocations of EUR 129.6 million have been planned for settlement of the arrears of health care institutions in RS, and EUR 37.5 million in FBiH, which should come from budgets and loans from the World Bank.

As for sources of financing in the period 2024-2026, budget revenues with around EUR 754 million (a share of 67.6% in total sources of financing) will be the main source of funding of structural reforms, followed by loans, EUR 277.1 million (a share of 24.9%), other grants with EUR 42.3 million (3.8%) and IPA funds with EUR 11.4 million (1% of all planned funding sources).

Financial resources for the implementation of structural reforms in 2024 have been planned based on the 2024 budgets of BiH, the Federation of BiH and RS, and provided from budget revenues, loans, donations and other sources. Financial resources from the budget for the implementation of structural reforms in 2025 and 2026 will be planned in accordance with the fiscal policy framework during the budgeting process, and based on available fiscal space and current economic circumstances in the upcoming period. Part of the funds for financing of the reforms related to the transition to a circular economy, digital transition, improvement of health care, and technological progress of the economy are yet to be secured in the upcoming period. Detailed information on the costs of implementing each individual structural reform is presented in Tables 10a and 10b in Annex 1.

7. INSTITUTIONAL ISSUES AND STAKEHOLDER INVOLVEMENT

The European Commission officially launched the Economic Reform Programme (ERP) 2024-2026 cycle in July 2023, with the release of new Guidance for the Economic Reform Programmes 2024-2026 of candidate countries and potential candidates. The BiH Council of Ministers adopted the Activity Plan for Development of the BiH Economic Reform Programme (ERP BiH) together with the accompanying documents of the European Commission at its 28th session on 9 November 2023, which are the foundation for the tenth cycle of the ERP preparation, thereby officially starting the process of preparing the document.

As in previous years, the process of preparing and coordinating ERP BiH 2024-2026 was led by the Directorate for Economic Planning in the capacity of technical coordinator on behalf of the Council of Ministers of Bosnia and Herzegovina, and in cooperation with the FBiH Institute for Development Programming and the Ministry of Finance of the Republika Srpska in the capacity of coordinators from the Federation of BiH and the Republika Srpska (Coordinators). Chapter 4 of the document was coordinated by the Ministry of Finance and Treasury of Bosnia and Herzegovina, whereas the Ministry of Finance of the Republika Srpska and the FBiH Ministry of Finance participated in data consolidation. NIPAC was kept informed about the process throughout, in accordance with its competencies, with the goal of improving the link between reform priorities and IPA, as specified in the EC Guidance.

This year's focus in the process of preparing the ERP BiH was on further improving the process of coordination with all relevant stakeholders within the institutions of the BiH Council of Ministers, institutions within the Government of the Republika Srpska, and the Government of the Federation of BiH in order to timely prepare the ERP BiH that is formally and content-compliant with the Guidance and will be submitted to the EC within the stipulated deadline, simultaneously respecting all the complexity of the constitutional order in BiH. Because of the previous effort, combined with a very short time frame, some Guidance requirements, such as strengthening ties with IPA and a special process of consultation with stakeholders on the text of the ERP draft, were left for the next cycle and were only partially implemented this year.

What is new in comparison to previous years is that Bosnia and Herzegovina received European Union support for this cycle of ERP BiH development and coordination in the form of a technical assistance project from IPA2018 funds called "EU Support to the BiH Economic Reform Programme," which began work in February 2023 (EU4ERP Project).

Throughout the preparation of this year's ERP, which was supported by the Project from August to December 2023, a series of meetings and workshops were held with representatives from all levels of government. The goal was not only to develop a high-quality ERP in compliance with the EC Guidance, but also to strengthen the coordination process and long-term ERP preparation capability. Through this extensive process of consultation and training on the creation of public policies based on the results, work was done for the first time to improve the coordination of a large number of participants in their creation and implementation who are at different levels and often located far apart. Because the inherent complexity of the consulting process set up in this manner through all decision-making stages and tight deadlines posed a special challenge, an additional training will be conducted in the coming period for the knowledge and skills of the participants in the planning and coordination process, which will crucially contribute to the efficiency of the ERP preparation and implementation.

Because the representatives of the institutions involved in the ERP preparation process are located in different cities, and it was frequently necessary to gather a large number of representatives of departments from all levels of government involved in the document's preparation, full-day or multi-day workshops and meetings were organised in locations that were accessible to the participants. A two-day workshop on the beginning of the process of preparing the ERP 2024-2026 was held in July 2023, with 31 participants; a one-day workshop on the methodology for Chapter 5 of ERP and identification of priority areas of structural reforms for the next ERP cycle was held in August 2023, with 15 participants; furthermore, during the organisation of thematic workshops (either on areas or specific

reforms) in which representatives of line ministries from all levels of government participated, an effort was made to concentrate the work in several combined one-day workshops due to the necessity for Coordinators from all three levels of government to attend the workshops. Thus, in September and October 2023, two rounds of three one-day workshops were held on the analysis of the main obstacles to sustainable economic and social growth (first round) and structural reform plans for Chapter 5 (second round). In both rounds of workshops, one day was designated for each of the three structural reform areas (Human capital and Social Policies; Competitiveness; and Sustainability and Resilience). All three workshops were attended by 111 participants in the first round and 98 participants in the second round. The results of numerous domestic strategic documents, available research, as well as documents from international organisations (UN, IMF, OECD, ILO, WB), the academia, and economy sector were taken into account when identifying obstacles and planning structural reforms and measures; Coordinators attended a one-day workshop on the prioritisation of structural reforms in BiH for ERP 2024-2026; a one-day workshop on developing macro-fiscal chapters ERP 2024-2026 was held in early October 2023, with 12 representatives from entity ministries of finance and 5 representatives from DEP participating; a one-day workshop on the preparation and development of Chapter 4 – Fiscal Framework was held in early November; a two-day workshop on the analysis of activities for the implementation of reform measures and the costing of selected structural reforms (executed by CEF) was held in November. Throughout the process, there was continuous communication between the Coordinators and representatives of the ministries at each level, as well as several workshops to specifically agree on individual open questions about the priority reforms that comprise Chapter 5 of the ERP BiH, and to formulate policies in these areas for the entity ERPs (whose content of reforms and activities can be broader, but the priorities included in the ERP BiH are harmonised with all levels). In September 2023, three one-day workshops were held on the topic of selecting and defining priority structural reforms for ERP RS 2024-2026 for each of the areas, with a total of 24 representatives of line ministries and RS coordinators participating; in December 2023, a one-day workshop on writing a description of structural reforms was held with representatives of the FBiH Institute for Development Planning; during this period, the coordinating team held 7 meetings to harmonise the content of the ERP and to agree on the next steps in coordinating the process of document development and adoption.

Efforts were made throughout the process to ensure that the recommendations from the JC and other reports from the EU accession process and the EC Guidance, as well as the principle of result-oriented good public policy planning based on facts, were consistently applied.

As part of the process of developing the Economic Reform Programme of the Republika Srpska (ERP RS) 2024-2026, the Government of the Republika Srpska considered and adopted the Information on activities for the preparation of the ERP RS for the period 2024-2026 and coordination of activities related to the preparation of the ERP BiH for the period 2024-2026, and appointed the Team and the coordinator of both processes at its 33rd session held on 17 August 2023.

The proposals of the Union of Employers' Associations of the Republika Srpska, the Chamber of Commerce of the Republika Srpska, and the Federation of Trade Unions of the Republika Srpska were collected and taken into account in the formulation of reforms and measures in the ERP RS. Furthermore, on 22 November 2023, a business conference entitled "Challenges and Future of Business #3" was held in the organisation of the Union of Employers's Associations of the Republika Srpska, where representatives of the Government of the Republika Srpska took part in a panel on the following topics: 1) Economic Reform Programme – How to Preserve and Develop Human Potential in Times of Economic Migration Growth, 2) Accelerated Technological Development – The Path to Competitiveness and a Better Standard of Living. Furthermore, on 27 October 2023, the Union of Employers's Associations of the Republika Srpska and the Confederation of Trade Unions of the Republika Srpska signed the agreement "For the Future of Srpska," containing 11 measures and serving as the foundation for the development of ERP RS 2024-2026. Furthermore, at the very end of the document preparation process, in the period from 24 to 29 November 2023, consultations were held with representatives of the Chamber of Commerce of the Republika Srpska, the Federation of Trade Unions of the Republika Srpska, the Association of Pensioners of the Republika Srpska, the Confederation of Trade Unions of the Republika Srpska and representatives of the associations formed as a result of the Defensive-Homeland War.

The earlier Decision of the FBIH Government designating the FBiH coordinator, who engages in joint activities and assists in the coordination of FBIH institutions, ensured the FBiH's participation in the preparation of the BiH Economic Reform Programme 2024-2026. In addition to attending thematic workshops organised as part of the ERP BiH coordination, the FBIH ministries worked hard to harmonise the three-year budget and planning framework with the ERP preparation process, which includes public consultations in the form of publishing the draft and collecting comments from the interested public. The FBiH's contribution to the ERP BiH is known as the FBiH Economic Reform Programme, which the FBiH Government adopts concurrently with the state ERP.

The parallel professional and technical consultations established in this manner between representatives of institutions at all levels ensured that the decision-making on ERP BiH is carried out in parallel with the process of developing the ERP RS and ERP FBiH, and that the ERP BiH is prepared in a relatively short period of time. ERP RS was adopted by the RS Parliament at the Seventh Regular Session held on 14 December 2023, after being adopted by the Government. The BiH Council of Ministers adopted the BiH Economic Reform Programme for the period 2024-2026 at the 25th special (telephone) session of the Council of Ministers held on February 28, 2024, and the document was delivered to the European Commission on March 5, 2024, in accordance with protocol.

ANNEX 1: TABLES TO BE CONTAINED IN THE ECONOMIC REFORM PROGRAMMES AND THEIR UPDATES

Table 1a: Macroeconomic prospects

	ESA Code	2022	2022	2023	2024	2025	2026
		bn EUR	Rate of change				
1. Real GDP at market prices	B1*g	21.250	3.8	2.0	2.9	3.0	3.4
2. Current GDP at market prices	B1*g	23.273	13.7	6.5	5.6	5.4	5.5
Components of real GDP							
3. Private consumption expenditure	P3	13.9	1.9	0.8	1.4	1.3	1.5
4. Government consumption expenditure	P3	3.9	1.3	1.2	1.5	1.0	0.7
5. Gross fixed capital formation	P51	4.3	0.3	0.7	3.5	5.7	6.3
6. Changes in inventories and net acquisition of valuables (% of GDP)	P52+P53	1.0	4.9	5.8	5.8	5.7	5.8
7. Exports of goods and services	P6	9.5	12.0	2.3	8.4	8.5	8.1
8. Imports of goods and services	P7	11.5	6.2	1.1	5.7	6.0	5.9
Contribution to real GDP growth							
9. Final domestic demand		22.1	1.6	0.9	2.0	2.3	2.5
10. Change in inventories and net acquisition of valuables	P52+P53	1.0	0.5	0.6	0.4	0.2	0.4
11. External balance of goods/services	B11	-1.9	1.7	0.5	0.5	0.5	0.5

Table 1b: Price developments

	ESA Code	2022	2023	2024	2025	2026
1. GDP deflator	% yoy	9.5	4.4	2.6	2.4	2.1
2. Private consumption deflator	% yoy	13.3	5.3	2.5	2.2	2.0
3. HICP ¹	% yoy	:	:	:	:	:
4. National CPI change	% yoy	14.0	6.2	3.1	2.2	1.9
5. Public consumption deflator	% yoy	10.6	3.8	2.5	2.0	2.1
6. Investment deflator	% yoy	19.7	5.0	1.8	1.8	1.4
7. Export price deflator (goods & services)	% yoy	17.6	3.0	1.8	2.0	3.0
8. Import price deflator (goods & services)	% yoy	25.9	3.9	1.3	1.4	2.4

¹ Agency for Statistics of Bosnia and Herzegovina does not publish HICP.

Table 1c: Labour markets developments

	ESA Code	2022	2022	2023	2024	2025	2026
		Level	Level/Rate of change				
1. Population (thousands)			3,434.0	3,453.9	3,444.8	3,435.2	3,425.0
2. Population (growth rate in %)			-0.6	0.6	-0.3	-0.3	-0.3
3. Working-age population (persons)			2,296	2,277	2,277	2,277	2,277
4. Participation rate			59.8	59.7	59.7	59.6	59.6
5. Employment, persons			1,162	1,180	1,197	1,214	1,234
6. Employment, hours worked			:	:	:	:	:
7. Employment (growth rate in %)			1.0	1.5	1.4	1.5	1.6
8. Public sector employment (persons)			204.4	206.1	:	:	:
9. Public sector employment (growth in %)			1.5	0.9	:	:	:
10. Unemployment rate			15.4	13.2	11.9	10.5	9.1
11. Labour productivity, persons		35.8	2.8	0.4	1.4	1.5	1.7
12. Labour productivity, hours worked			:	:	:	:	:
13. Compensation of employees	D1	20.6	16.1	:	:	:	:

Note: Population data for the observed years (as of December 31 of each observed year) are taken from the Presentation of population analysis and population projections for the period 2020-2070 in Bosnia and Herzegovina presented in December 2020 by the Agency for Statistics of Bosnia and Herzegovina in cooperation with the entity statistical institutions and the United Nations Population Fund (UNFPA).

Source: <https://bhas.gov.ba/News/Read/42?lang=en.%20In%202021>

All survey data for 2023 represent the average of Q1 and Q2. More details in the methodological explanations in the document at the link: https://bhas.gov.ba/data/Publikacije/Saopštenja/2023/LAB_00_2023_Q2_1_BS.pdf

Projections on the working age population (15-64) are not available, so the last available data from 2023 has been retained until the end of the projection period. Item 4. Participation rate - refers to the participation of the labor force in the working age population (survey data). Historical data on the working age population, labor force (employment and unemployment) and unemployment rates are taken from the Labor Force Survey of Bosnia and Herzegovina (for better comparison with other countries) and do not match the data from the textual part of the ERP (Chapter 3), because administrative data are presented in the text part. For 2032, data for Q1 and Q2 were available.

The Agency for Statistics of Bosnia and Herzegovina does not publish data on the number of employees per working hour. Data on employees in the public sector are not published by the Agency for Statistics of Bosnia and Herzegovina. The administrative data listed in Table 1c (paragraph 8) is the sum of the number of employees in the areas of public administration, health and education (for 2023, the data refers to the average of the period I-VIII). This data includes not only employees in public schools and health care (hospitals) but also employees in private schools and health care. Therefore, the data do not fully present the number of employees in the public sector (as in previous years). Also, projections for these areas of activity are not available.

Employee benefits are taken from currently available national accounts and are expressed in billions of KM (projections for this item are not available).

Table 1d: Sectoral balances

Percentage of GDP	ESA Code	2022	2023	2024	2025	2026
1. Net lending/borrowing vis-à-vis the rest of the world	B.9					
<i>of which:</i>						
- Balance of goods and services						
- Balance of primary incomes and transfers						
- Capital account						
2. Net lending/borrowing of the private sector	B.9/ EDP B.9					
3. Net lending/borrowing of general government		1.0	-0.4	-0.6	-0.1	0.3
4. Statistical discrepancy						

Table 1e: GDP, investment and gross value added

	ESA Code	2022	2023	2024	2025	2026
GDP and investment						
GDP <i>level</i> at <i>current</i> market prices (in domestic currency)	B1g	45.5	48.5	51.2	54.0	56.9
Investment ratio (% of GDP)		22.1	22.0	21.9	22.4	22.9
Growth of Gross Value Added, percentage changes at constant prices						
1. Agriculture		1.5	:	:	:	:
2. Industry (excluding construction)		1.7	:	:	:	:
3. Construction		2.8	:	:	:	:
4. Services		5.3	:	:	:	:

Note: Projections for growth of gross value added are not available.

Table 1f: External sector developments

		2022	2023	2024	2025	2026
1. Current account balance	% of GDP	-13.8	-13.4	-12.2	-10.9	-9.8
2. Export of goods	bn EUR	8.4	8.7	9.5	10.5	11.7
3. Import of goods	bn EUR	13.6	14.3	15.3	16.5	17.9
4. Trade balance	bn EUR	-5.2	-5.6	-5.8	-6.0	-6.2
5. Export of services	bn EUR	2.9	3.1	3.6	3.9	4.4
6. Import of services	bn EUR	0.9	0.9	0.9	1.0	1.1
7. Service balance	bn EUR	2.0	2.2	2.6	3.0	3.3
8. Net interest payments from abroad	bn EUR					
9. Other net factor income from abroad	bn EUR					
10. Current transfers	bn EUR					
11. <i>Of which</i> from EU	bn EUR					
12. Current account balance	bn EUR	-3.2	-3.3	-3.2	-3.0	-2.9
13. Capital and financial account	bn EUR					
14. Foreign direct investment	bn EUR					
15. Foreign reserves	bn EUR					
16. Foreign debt	bn EUR					
17. <i>Of which</i> : public	bn EUR					
18. <i>O/w</i> : foreign currency denominated	bn EUR					
19. <i>O/w</i> : repayments due	bn EUR					
20. Exchange rate vis-à-vis EUR (annual average)	NCU/EUR	1.95583	1.95583	1.95583	1.95583	1.95583
21. Exchange rate vis-à-vis EUR (end-year)	NCU/EUR	1.95583	1.95583	1.95583	1.95583	1.95583
22. Net foreign saving	% of GDP					
23. Domestic private saving	% of GDP					
24. Domestic private investment	% of GDP					
25. Domestic public saving	% of GDP					
26. Domestic public investment	% of GDP					

Table 1g: Sustainability indicators

	Dimension	2019	2020	2021	2022	2023
1. Current Account Balance	% of GDP			-11.1	-13.8	-13.4
2. Net International Investment Position	% of GDP					
3. Export market shares	%, yoy					
4. Real Effective Exchange Rate	%, yoy					
5. Nominal Unit Labour Costs	%, yoy					
6. Private sector credit flow	% of GDP					
7. Private sector debt	% of GDP					
8. General Government Debt	% of GDP			32.0	28.3	26.7

Table 2a: General government budgetary prospects – Bosnia and Herzegovina

	ESA Code	2022	2022	2023	2024	2025	2026
		mill. KM	% of GDP BiH				
Net lending (B9) by sub-sectors							
1. General government	S13	472.6	1.0	-0.4	-0.6	-0.1	0.3
2. Central government	S1311	245.5	0.5	-1.0	-1.6	-1.1	-0.7
3. State government	S1312	0.0	0.0	0.0	0.0	0.0	0.0
4. Local government	S1313	114.1	0.3	0.2	0.4	0.4	0.4
5. Social security funds	S1314	113.0	0.2	0.4	0.5	0.5	0.5
General government (S13)							
6. Total revenue	TR	18,098.3	39.8	41.9	41.9	41.3	40.9
7. Total expenditure	TE	17,625.7	38.7	42.2	42.5	41.4	40.7
8. Net borrowing/lending	EDP.B9	472.6	1.0	-0.4	-0.6	-0.1	0.3
9. Interest expenditure	EDP.D41 incl. FISIM	275.3	0.6	0.9	1.0	1.0	1.0
10. Primary balance		748.0	1.6	0.6	0.4	0.9	1.2
11. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0	0.0
Components of revenues							
12. Total taxes (12 = 12a+12b+12c)		9,885.2	21.7	22.5	22.5	22.2	22.0
12a. Taxes on production and imports	D2	7,984.3	17.5	17.8	17.8	17.5	17.3
12b. Current taxes on income and wealth	D5	1,896.8	4.2	4.6	4.7	4.7	4.7
12c. Capital taxes	D91	4.1	0.0	0.0	0.0	0.0	0.0
13. Social contributions	D61	6,446.6	14.2	15.2	15.4	15.4	15.4
14. Property income	D4	154.2	0.3	0.5	0.5	0.5	0.5
15. Other (15 = 16-(12+13+14))		1,612.3	3.5	3.7	3.5	3.1	3.0
16 = 6. Total revenue	TR	18,098.3	39.8	41.9	41.9	41.3	40.9
p.m.: Tax burden (D2+D5+D61+D91- D995)		16,331.8	35.9	37.7	38.0	37.7	37.4
Selected components of expenditures							
17. Collective consumption	P32	7,503.3	16.5	17.7	17.7	17.4	17.1
18. Total social transfers	D62 + D63	6,541.2	14.4	16.2	16.7	16.6	16.3
18a. Social transfers in kind	P31=D63	829.8	1.8	2.4	2.4	2.4	2.4
18b. Social transfers other than in kind	D62	5,711.4	12.5	13.9	14.3	14.1	14.0
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	275.3	0.6	0.9	1.0	1.0	1.0
20. Subsidies	D3	753.6	1.7	1.8	1.7	1.6	1.5
21. Gross fixed capital formation	P51	1,599.2	3.5	3.9	4.0	3.6	3.6
22. Other (22 = 23-(17+18+19+20+21))		953.1	2.1	1.6	1.4	1.3	1.1
23=7. Total expenditures	TE	17,625.7	38.7	42.2	42.5	41.4	40.7
p.m. compensation of employees	D1	4,696.2	10.3	11.1	11.0	10.7	10.4

Source: MFT BiH, FMF, MFRS and Finance Directorate of Brčko District

Table 2a: General government budgetary prospects – Institutions of Bosnia and Herzegovina

	ESA Code	2022 mill. KM	2022	2023	2024	2025	2026
% of GDP BiH							
Net lending (B9) by sub-sectors							
1. General government	S13	30.7	0.1	0.1	-0.2	-0.1	-0.1
2. Central government	S1311	30.7	0.1	0.1	-0.2	-0.1	-0.1
3. State government	S1312	0.0	0.0	0.0	0.0	0.0	0.0
4. Local government	S1313	0.0	0.0	0.0	0.0	0.0	0.0
5. Social security funds	S1314	0.0	0.0	0.0	0.0	0.0	0.0
General government (S13)							
6. Total revenue	TR	1,044.3	2.3	2.5	2.3	2.2	2.1
7. Total expenditure	TE	1,013.6	2.2	2.4	2.5	2.3	2.2
8. Net borrowing/lending	EDP.B9	30.7	0.1	0.1	-0.2	-0.1	-0.1
9. Interest expenditure	EDP.D41 incl. FISIM	0.7	0.0	0.0	0.0	0.0	0.0
10. Primary balance		31.4	0.1	0.1	-0.2	-0.1	-0.1
11. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0	0.0
Components of revenues							
12. Total taxes (12 = 12a+12b+12c)		865.5	1.9	2.1	2.0	1.9	1.8
12a. Taxes on production and imports	D2	865.5	1.9	2.1	2.0	1.9	1.8
12b. Current taxes on income and wealth	D5	0.0	0.0	0.0	0.0	0.0	0.0
12c. Capital taxes	D91	0.0	0.0	0.0	0.0	0.0	0.0
13. Social contributions	D61	0.0	0.0	0.0	0.0	0.0	0.0
14. Property income	D4	0.0	0.0	0.0	0.0	0.0	0.0
15. Other (15 = 16-(12+13+14))		178.8	0.4	0.4	0.3	0.3	0.3
16 = 6. Total revenue	TR	1,044.3	2.3	2.5	2.3	2.2	2.1
p.m.: Tax burden (D2+D5+D61+D91- D995)		865.5	1.9	2.1	2.0	1.9	1.8
Selected components of expenditures							
17. Collective consumption	P32	943.4	2.1	2.4	2.3	2.2	2.1
18. Total social transfers	D62 + D63	13.5	0.0	0.0	0.0	0.0	0.0
18a. Social transfers in kind	P31=D63	0.0	0.0	0.0	0.0	0.0	0.0
18b. Social transfers other than in kind	D62	13.5	0.0	0.0	0.0	0.0	0.0
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	0.7	0.0	0.0	0.0	0.0	0.0
20. Subsidies	D3	0.0	0.0	0.0	0.0	0.0	0.0
21. Gross fixed capital formation	P51	41.0	0.1	0.2	0.1	0.0	0.0
22. Other (22 = 23-(17+18+19+20+21))		15.0	0.0	-0.3	0.0	0.0	0.0
23=7. Total expenditures	TE	1,013.6	2.2	2.4	2.5	2.3	2.2
p.m. compensation of employees	D1	758.6	1.7	2.0	1.9	1.8	1.7

Source: MFT BiH

Table 2a: General government budgetary prospects – Federation of Bosnia and Herzegovina

	ESA Code	2022 mill. KM	2022	2023	2024	2025	2026
% of GDP FBiH							
Net lending (B9) by sub-sectors							
1. General government	S13	675.8	2.3	0.6	0.1	0.6	0.8
2. Central government	S1311	480.8	1.6	-0.6	-1.0	-0.6	-0.4
3. State government	S1312	0.0	0.0	0.0	0.0	0.0	0.0
4. Local government	S1313	99.0	0.3	0.5	0.5	0.5	0.5
5. Social security funds	S1314	96.0	0.3	0.7	0.7	0.7	0.7
General government (S13)							
6. Total revenue	TR	10,929.8	37.1	38.5	38.0	37.6	37.4
7. Total expenditure	TE	10,254.0	34.8	37.9	37.9	37.0	36.5
8. Net borrowing/lending	EDP.B9	675.8	2.3	0.6	0.1	0.6	0.8
9. Interest expenditure	EDP.D41 incl. FISIM	120.1	0.4	0.7	0.8	0.7	0.6
10. Primary balance		795.9	2.7	1.3	0.9	1.3	1.4
11. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0	0.0
Components of revenues							
12. Total taxes (12 = 12a+12b+12c)		5,546.5	18.8	19.2	19.0	18.7	18.5
12a. Taxes on production and imports	D2	4,296.5	14.6	14.6	14.5	14.2	14.0
12b. Current taxes on income and wealth	D5	1,250.1	4.2	4.6	4.5	4.5	4.5
12c. Capital taxes	D91	0.0	0.0	0.0	0.0	0.0	0.0
13. Social contributions	D61	4,401.2	14.9	15.9	16.0	15.9	15.9
14. Property income	D4	39.1	0.1	0.1	0.1	0.1	0.1
15. Other (15 = 16-(12+13+14))		942.9	3.2	3.3	3.0	2.9	2.8
16 = 6. Total revenue	TR	10,929.8	37.1	38.5	38.0	37.6	37.4
p.m.: Tax burden (D2+D5+D61+D91-D995)		9,947.7	33.7	35.1	34.9	34.6	34.4
Selected components of expenditures							
17. Collective consumption	P32	4,752.7	16.1	16.7	16.8	16.6	16.5
18. Total social transfers	D62 + D63	3,626.5	12.3	14.2	14.7	14.4	14.3
18a. Social transfers in kind	P31=D63	0.0	0.0	0.0	0.0	0.0	0.0
18b. Social transfers other than in kind	D62	3,626.5	12.3	14.2	14.7	14.4	14.3
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	120.1	0.4	0.7	0.8	0.7	0.6
20. Subsidies	D3	483.2	1.6	1.7	1.7	1.6	1.6
21. Gross fixed capital formation	P51	842.2	2.9	3.0	3.0	2.7	2.7
22. Other (22 = 23-(17+18+19+20+21))		429.3	1.5	1.5	0.9	1.0	0.9
23=7. Total expenditures	TE	10,254.0	34.8	37.9	37.9	37.0	36.5
p.m. compensation of employees	D1	2,498.0	8.5	8.9	8.9	8.8	8.6

Note: Consolidated revenues/expenditures of the General Government of the Federation of BiH include data from the Budget of the Federation of BiH, Cantonal budgets, budgets of local self-government units, financial plans of extrabudgetary funds and budgets of public companies financed from public revenues (Roads of the FBiH and Motorways of the FBiH).

Source: FMF

Table 2a: General government budgetary prospects – Republika Srpska

	ESA Code	2022 mill. KM	2022	2023	2024	2025	2026
% of GDP RS							
Net lending (B9) by sub-sectors							
1. General government	S13	-278.9	-1.9	-2.7	-1.6	-1.2	-0.6
2. Central government	S1311	-311.1	-2.1	-2.2	-2.1	-1.8	-1.1
3. State government	S1312	0.0	0.0	0.0	0.0	0.0	0.0
4. Local government	S1313	15.1	0.1	-0.4	0.3	0.3	0.3
5. Social security funds	S1314	17.0	0.1	-0.1	0.3	0.2	0.2
General government (S13)							
6. Total revenue	TR	5,802.9	39.9	42.2	42.9	42.5	42.1
7. Total expenditure	TE	6,081.8	41.8	44.9	44.4	43.8	42.7
8. Net borrowing/lending	EDP.B9	-278.9	-1.9	-2.7	-1.6	-1.2	-0.6
9. Interest expenditure	EDP.D41 incl. FISIM	154.1	1.1	1.4	1.5	1.7	1.8
10. Primary balance		-124.8	-0.9	-1.3	-0.1	0.5	1.2
11. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0	0.0
Components of revenues							
12. Total taxes (12 = 12a+12b+12c)		3,216.1	22.1	22.8	23.4	23.4	23.2
12a. Taxes on production and imports	D2	2,596.1	17.9	18.0	18.1	18.0	17.8
12b. Current taxes on income and wealth	D5	616.0	4.2	4.8	5.3	5.3	5.4
12c. Capital taxes	D91	4.1	0.0	0.0	0.0	0.0	0.0
13. Social contributions	D61	2,005.4	13.8	14.8	15.2	15.2	15.1
14. Property income	D4	115.1	0.8	1.2	1.2	1.2	1.2
15. Other (15 = 16-(12+13+14))		466.2	3.2	3.3	2.9	2.8	2.6
16 = 6. Total revenue	TR	5,802.9	39.9	42.2	42.9	42.5	42.1
p.m.: Tax burden (D2+D5+D61+D91-D995)		5,221.6	35.9	37.6	38.7	38.5	38.3
Selected components of expenditures							
17. Collective consumption	P32	1,634.8	11.2	12.4	12.2	12.1	11.8
18. Total social transfers	D62 + D63	2,841.8	19.5	21.1	21.5	21.4	20.8
18a. Social transfers in kind	P31=D63	829.8	5.7	7.4	7.5	7.5	7.3
18b. Social transfers other than in kind	D62	2,012.0	13.8	13.7	14.0	13.9	13.5
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	154.1	1.1	1.4	1.5	1.7	1.8
20. Subsidies	D3	240.2	1.7	2.0	1.7	1.6	1.5
21. Gross fixed capital formation	P51	709.9	4.9	5.3	5.2	5.3	5.4
22. Other (22 = 23-(17+18+19+20+21))		500.9	3.4	2.8	2.3	1.7	1.3
23=7. Total expenditures	TE	6,081.8	41.8	44.9	44.4	43.8	42.7
p.m. compensation of employees	D1	1,347.9	9.3	9.7	9.4	9.0	8.6

Note: Consolidated revenues/expenditures of the General Government of the Republic of Srpska include data from the budget of the Republic of Srpska, local self-government units, social security funds and the budgets of the PC "Roads of the Republic of Srpska" and the PC "Motorways of the Republic of Srpska".

Source: MFRS

Table 2a: General government budgetary prospects – Brčko District

	ESA Code	2022	2022	2023	2024	2025	2026
		mill. KM	% of GDP BD				
Net lending (B9) by sub-sectors							
1. General government	S13	45.0	4.0	0.0	0.0	0.0	0.0
2. Central government	S1311	45.0	4.0	0.0	0.0	0.0	0.0
3. State government	S1312	0.0	0.0	0.0	0.0	0.0	0.0
4. Local government	S1313	0.0	0.0	0.0	0.0	0.0	0.0
5. Social security funds	S1314	0.0	0.0	0.0	0.0	0.0	0.0
General government (S13)							
6. Total revenue	TR	321.4	28.5	31.5	36.4	27.5	26.9
7. Total expenditure	TE	276.3	24.5	31.5	36.4	27.5	26.9
8. Net borrowing/lending	EDP.B9	45.0	4.0	0.0	0.0	0.0	0.0
9. Interest expenditure	EDP.D41 incl. FISIM	0.5	0.0	0.0	0.2	0.1	0.1
10. Primary balance		45.5	4.0	0.0	0.2	0.1	0.1
11. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0	0.0
Components of revenues							
12. Total taxes (12 = 12a+12b+12c)		257.1	22.8	22.7	23.3	22.8	22.4
12a. Taxes on production and imports	D2	226.3	20.1	19.6	20.6	20.3	20.1
12b. Current taxes on income and wealth	D5	30.8	2.7	3.2	2.8	2.5	2.4
12c. Capital taxes	D91	0.0	0.0	0.0	0.0	0.0	0.0
13. Social contributions	D61	40.0	3.5	3.5	3.7	3.3	3.1
14. Property income	D4	0.0	0.0	0.0	0.0	0.0	0.0
15. Other (15 = 16-(12+13+14))		24.3	2.2	5.3	9.3	1.4	1.4
16 = 6. Total revenue	TR	321.4	28.5	31.5	36.4	27.5	26.9
p.m.: Tax burden (D2+D5+D61+D91-D995)		297.1	26.3	26.2	27.0	26.1	25.5
Selected components of expenditures							
17. Collective consumption	P32	172.4	15.3	17.6	17.6	16.6	16.0
18. Total social transfers	D62 + D63	59.4	5.3	6.5	5.4	6.5	7.6
18a. Social transfers in kind	P31=D63	0.0	0.0	0.0	0.0	0.0	0.0
18b. Social transfers other than in kind	D62	59.4	5.3	6.5	5.4	6.5	7.6
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	0.5	0.0	0.0	0.2	0.1	0.1
20. Subsidies	D3	30.2	2.7	2.3	2.1	0.0	0.0
21. Gross fixed capital formation	P51	6.1	0.5	4.2	10.0	3.3	2.5
22. Other (22 = 23-(17+18+19+20+21))		7.8	0.7	0.9	1.1	1.0	0.8
23=7. Total expenditures	TE	276.3	24.5	31.5	36.4	27.5	26.9
p.m. compensation of employees	D1	91.7	8.1	9.6	10.1	9.6	9.1

Note: The consolidated revenues/expenditures of the General Government of Brčko District include the budget, extrabudgetary funds (Health Insurance Fund and the Employment Agency) and extrabudgetary users who are taxpayers of budget accounting (Development and Guarantee Fund, Institute for Planning, Design and Development, Radio-news and publishing institution Radio Brčko and Tourist organization).

Source: Finance Directorate of Brčko District

Table 2b: General government budgetary prospects – Bosnia and Herzegovina

	ESA Code	2022	2023	2024	2025	2026
mill. KM						
Net lending (B9) by sub-sectors						
1. General government	S13	472.6	-175.5	-311.3	-54.7	147.2
2. Central government	S1311	245.5	-478.6	-798.4	-570.5	-401.5
3. State government	S1312	0.0	0.0	0.0	0.0	0.0
4. Local government	S1313	114.1	105.9	217.8	234.7	251.7
5. Social security funds	S1314	113.0	197.2	269.3	281.1	297.0
General government (S13)						
6. Total revenue	TR	18,098.3	20,287.8	21,436.1	22,282.1	23,291.9
7. Total expenditure	TE	17,625.7	20,463.3	21,747.5	22,336.8	23,144.7
8. Net borrowing/lending	EDP.B9	472.6	-175.5	-311.4	-54.7	147.2
9. Interest expenditure	EDP.D41 incl. FISIM	275.3	446.1	512.8	532.4	549.2
10. Primary balance		748.0	270.6	201.4	477.7	696.4
11. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0
Components of revenues						
12. Total taxes (12 = 12a+12b+12c)		9,885.2	10,891.9	11,522.5	12,003.6	12,521.4
12a. Taxes on production and imports	D2	7,984.3	8,647.9	9,109.9	9,453.4	9,824.0
12b. Current taxes on income and wealth	D5	1,896.8	2,238.6	2,406.0	2,543.5	2,690.4
12c. Capital taxes	D91	4.1	5.5	6.6	6.8	7.0
13. Social contributions	D61	6,446.6	7,366.4	7,898.5	8,332.9	8,787.8
14. Property income	D4	154.2	225.0	246.4	255.5	263.8
15. Other (15 = 16-(12+13+14))		1,612.3	1,804.4	1,768.8	1,690.1	1,719.0
16 = 6. Total revenue	TR	18,098.3	20,287.8	21,436.1	22,282.1	23,291.9
p.m.: Tax burden (D2+D5+D61+D91-D995)		16,331.8	18,258.3	19,420.9	20,336.5	21,309.2
Selected components of expenditures						
17. Collective consumption	P32	7,503.3	8,586.0	9,053.4	9,385.0	9,739.8
18. Total social transfers	D62 + D63	6,541.2	7,866.5	8,563.9	8,936.5	9,305.9
18a. Social transfers in kind	P31=D63	829.8	1,142.0	1,246.8	1,309.2	1,343.5
18b. Social transfers other than in kind	D62	5,711.4	6,724.5	7,317.2	7,627.2	7,962.4
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	275.3	446.1	512.8	532.4	549.2
20. Subsidies	D3	753.6	875.5	866.1	857.1	875.4
21. Gross fixed capital formation	P51	1,599.2	1,908.3	2,042.7	1,950.8	2,076.5
22. Other (22 = 23-(17+18+19+20+21))		953.1	780.9	708.5	675.0	597.8
23=7. Total expenditures	TE	17,625.7	20,463.3	21,747.5	22,336.8	23,144.7
p.m. compensation of employees	D1	4,696.2	5,400.1	5,639.4	5,784.5	5,920.4

Source: MFT BiH, FMF, MFRS and Finance Directorate of Brčko District

Table 2b: General government budgetary prospects – Institutions of Bosnia and Herzegovina

	ESA Code	2022	2023	2024	2025	2026
		mill. KM				
Net lending (B9) by sub-sectors						
1. General government	S13	30.7	48.4	-97.3	-66.2	-66.2
2. Central government	S1311	30.7	48.4	-97.3	-66.2	-66.2
3. State government	S1312	0.0	0.0	0.0	0.0	0.0
4. Local government	S1313	0.0	0.0	0.0	0.0	0.0
5. Social security funds	S1314	0.0	0.0	0.0	0.0	0.0
General government (S13)						
6. Total revenue	TR	1,044.3	1,191.8	1,192.2	1,184.2	1,184.2
7. Total expenditure	TE	1,013.6	1,143.4	1,289.5	1,250.4	1,250.4
8. Net borrowing/lending	EDP.B9	30.7	48.4	-97.3	-66.2	-66.2
9. Interest expenditure	EDP.D41 incl. FISIM	0.7	0.9	0.5	0.5	0.5
10. Primary balance		31.4	49.3	-96.8	-65.7	-65.7
11. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0
Components of revenues						
12. Total taxes (12 = 12a+12b+12c)		865.5	1,020.5	1,020.5	1,020.5	1,020.5
12a. Taxes on production and imports	D2	865.5	1,020.5	1,020.5	1,020.5	1,020.5
12b. Current taxes on income and wealth	D5	0.0	0.0	0.0	0.0	0.0
12c. Capital taxes	D91	0.0	0.0	0.0	0.0	0.0
13. Social contributions	D61	0.0	0.0	0.0	0.0	0.0
14. Property income	D4	0.0	0.0	0.0	0.0	0.0
15. Other (15 = 16-(12+13+14))		178.8	171.3	171.7	163.7	163.7
16 = 6. Total revenue	TR	1,044.3	1,191.8	1,192.2	1,184.2	1,184.2
p.m.: Tax burden (D2+D5+D61+D91-D995)		865.5	1,020.5	1,020.5	1,020.5	1,020.5
Selected components of expenditures						
17. Collective consumption	P32	943.4	1,163.2	1,196.1	1,196.1	1,196.1
18. Total social transfers	D62 + D63	13.5	12.6	15.0	13.9	13.9
18a. Social transfers in kind	P31=D63	0.0	0.0	0.0	0.0	0.0
18b. Social transfers other than in kind	D62	13.5	12.6	15.0	13.9	13.9
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	0.7	0.9	0.5	0.5	0.5
20. Subsidies	D3	0.0	0.0	0.0	0.0	0.0
21. Gross fixed capital formation	P51	41.0	89.6	63.4	24.7	24.7
22. Other (22 = 23-(17+18+19+20+21))		15.0	-122.9	14.5	15.2	15.2
23=7. Total expenditures	TE	1,013.6	1,143.4	1,289.5	1,250.4	1,250.4
p.m. compensation of employees	D1	758.6	963.3	986.6	990.9	990.9

Source: MFT BiH

Table 2b: General government budgetary prospects – Federation of Bosnia and Herzegovina

	ESA Code	2022	2023	2024	2025	2026
mill. KM						
Net lending (B9) by sub-sectors						
1. General government	S13	675.8	192.7	46.2	223.4	315.7
2. Central government	S1311	480.8	-181.7	-345.6	-197.8	-131.7
3. State government	S1312	0.0	0.0	0.0	0.0	0.0
4. Local government	S1313	99.0	160.2	165.0	179.0	188.5
5. Social security funds	S1314	96.0	214.3	226.8	242.2	258.9
General government (S13)						
6. Total revenue	TR	10,929.8	12,205.4	12,702.1	13,310.2	13,974.9
7. Total expenditure	TE	10,254.0	12,012.7	12,655.9	13,086.8	13,659.2
8. Net borrowing/lending	EDP.B9	675.8	192.7	46.2	223.4	315.7
9. Interest expenditure	EDP.D41 incl. FISIM	120.1	232.3	268.8	235.7	215.3
10. Primary balance		795.9	425.0	315.0	459.1	531.0
11. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0
Components of revenues						
12. Total taxes (12 = 12a+12b+12c)		5,546.5	6,075.1	6,334.9	6,609.3	6,917.1
12a. Taxes on production and imports	D2	4,296.5	4,617.5	4,833.7	5,028.6	5,247.1
12b. Current taxes on income and wealth	D5	1,250.1	1,457.6	1,501.3	1,580.8	1,670.0
12c. Capital taxes	D91	0.0	0.0	0.0	0.0	0.0
13. Social contributions	D61	4,401.2	5,036.8	5,328.1	5,637.6	5,965.7
14. Property income	D4	39.1	39.2	39.9	40.7	41.5
15. Other (15 = 16-(12+13+14))		942.9	1,054.3	999.1	1,022.6	1,050.6
16 = 6. Total revenue	TR	10,929.8	12,205.4	12,702.1	13,310.2	13,974.9
p.m.: Tax burden (D2+D5+D61+D91-D995)		9,947.7	11,111.9	11,663.1	12,246.9	12,882.8
Selected components of expenditures						
17. Collective consumption	P32	4,752.7	5,306.1	5,615.1	5,868.8	6,158.7
18. Total social transfers	D62 + D63	3,626.5	4,515.4	4,921.2	5,097.6	5,349.7
18a. Social transfers in kind	P31=D63	0.0	0.0	0.0	0.0	0.0
18b. Social transfers other than in kind	D62	3,626.5	4,515.4	4,921.2	5,097.6	5,349.7
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	120.1	232.3	268.8	235.7	215.3
20. Subsidies	D3	483.2	546.3	559.8	575.1	591.3
21. Gross fixed capital formation	P51	842.2	952.3	990.5	952.7	1,015.1
22. Other (22 = 23-(17+18+19+20+21))		429.3	460.4	300.5	356.9	329.1
23=7. Total expenditures	TE	10,254.0	12,012.7	12,655.9	13,086.8	13,659.2
p.m. compensation of employees	D1	2,498.0	2,826.9	2,969.5	3,099.4	3,226.5

Note: Consolidated revenues/expenditures of the General government of the Federation of BiH include data from the Budget of the Federation of BiH, Cantonal budgets, budgets of local self-government units, financial plans of extrabudgetary funds and budgets of public companies financed from public revenues (Roads of the FBiH and Motorways of the FBiH).

Source: FMF

Table 2b: General government budgetary prospects – Republika Srpska

	ESA Code	2022	2023	2024	2025	2026
mill. KM						
Net lending (B9) by sub-sectors						
1. General government	S13	-278.9	-416.7	-260.3	-211.9	-102.3
2. Central government	S1311	-311.1	-345.3	-355.6	-306.5	-203.6
3. State government	S1312	0.0	0.0	0.0	0.0	0.0
4. Local government	S1313	15.1	-54.3	52.7	55.7	63.2
5. Social security funds	S1314	17.0	-17.1	42.6	38.9	38.1
General government (S13)						
6. Total revenue	TR	5,802.9	6,523.6	7,096.8	7,432.0	7,765.5
7. Total expenditure	TE	6,081.8	6,940.3	7,357.1	7,643.9	7,867.9
8. Net borrowing/lending	EDP.B9	-278.9	-416.7	-260.3	-211.9	-102.3
9. Interest expenditure	EDP.D41 incl. FISIM	154.1	212.5	241.4	294.6	332.4
10. Primary balance		-124.8	-204.2	-18.9	82.7	230.1
11. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0
Components of revenues						
12. Total taxes (12 = 12a+12b+12c)		3,216.1	3,532.0	3,881.7	4,079.0	4,277.4
12a. Taxes on production and imports	D2	2,596.1	2,782.3	3,004.1	3,142.0	3,282.4
12b. Current taxes on income and wealth	D5	616.0	744.2	871.0	930.3	988.0
12c. Capital taxes	D91	4.1	5.5	6.6	6.8	7.0
13. Social contributions	D61	2,005.4	2,289.0	2,525.0	2,653.2	2,779.9
14. Property income	D4	115.1	185.8	206.5	214.8	222.3
15. Other (15 = 16-(12+13+14))		466.2	516.9	483.7	485.1	486.0
16 = 6. Total revenue	TR	5,802.9	6,523.6	7,096.8	7,432.0	7,765.5
p.m.: Tax burden (D2+D5+D61+D91-D995)		5,221.6	5,821.0	6,406.6	6,732.2	7,057.3
Selected components of expenditures						
17. Collective consumption	P32	1,634.8	1,911.6	2,026.4	2,105.4	2,167.0
18. Total social transfers	D62 + D63	2,841.8	3,262.8	3,562.1	3,740.6	3,838.4
18a. Social transfers in kind	P31=D63	829.8	1,142.0	1,246.8	1,309.2	1,343.5
18b. Social transfers other than in kind	D62	2,012.0	2,120.8	2,315.4	2,431.4	2,495.0
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	154.1	212.5	241.4	294.6	332.4
20. Subsidies	D3	240.2	302.8	280.9	282.0	284.1
21. Gross fixed capital formation	P51	709.9	817.6	866.2	931.1	1,002.6
22. Other (22 = 23-(17+18+19+20+21))		500.9	433.1	380.0	290.2	243.2
23=7. Total expenditures	TE	6,081.8	6,940.3	7,357.1	7,643.9	7,867.9
p.m. compensation of employees	D1	1,347.9	1,498.4	1,560.2	1,570.8	1,579.0

Note: Consolidated revenues/expenditures of the General Government of the Republic of Srpska include data from the budget of the Republic of Srpska, local self-government units, social security funds and the budgets of the PC "Roads of the Republic of Srpska" and the PC "Motorways of the Republic of Srpska".

Source: MFRS

Table 2b: General government budgetary prospects – Brčko District

	ESA Code	2022	2023	2024	2025	2026
mill. KM						
Net lending (B9) by sub-sectors						
1. General government	S13	45.0	0.0	0.0	0.0	0.0
2. Central government	S1311	45.0	0.0	0.0	0.0	0.0
3. State government	S1312	0.0	0.0	0.0	0.0	0.0
4. Local government	S1313	0.0	0.0	0.0	0.0	0.0
5. Social security funds	S1314	0.0	0.0	0.0	0.0	0.0
General government (S13)						
6. Total revenue	TR	321.4	366.9	445.0	355.7	367.3
7. Total expenditure	TE	276.3	366.9	445.0	355.7	367.3
8. Net borrowing/lending	EDP.B9	45.0	0.0	0.0	0.0	0.0
9. Interest expenditure	EDP.D41 incl. FISIM	0.5	0.5	2.1	1.6	1.0
10. Primary balance		45.5	0.5	2.1	1.6	1.0
11. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0
Components of revenues						
12. Total taxes (12 = 12a+12b+12c)		257.1	264.4	285.4	294.8	306.4
12a. Taxes on production and imports	D2	226.3	227.6	251.6	262.3	274.0
12b. Current taxes on income and wealth	D5	30.8	36.8	33.8	32.5	32.5
12c. Capital taxes	D91	0.0	0.0	0.0	0.0	0.0
13. Social contributions	D61	40.0	40.6	45.4	42.2	42.2
14. Property income	D4	0.0	0.0	0.0	0.0	0.0
15. Other (15 = 16-(12+13+14))		24.3	61.9	114.3	18.7	18.7
16 = 6. Total revenue	TR	321.4	366.9	445.0	355.7	367.3
p.m.: Tax burden (D2+D5+D61+D91-D995)		297.1	305.0	330.8	337.0	348.6
Selected components of expenditures						
17. Collective consumption	P32	172.4	205.2	215.9	214.7	218.0
18. Total social transfers	D62 + D63	59.4	75.7	65.6	84.3	103.8
18a. Social transfers in kind	P31=D63	0.0	0.0	0.0	0.0	0.0
18b. Social transfers other than in kind	D62	59.4	75.7	65.6	84.3	103.8
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	0.5	0.5	2.1	1.6	1.0
20. Subsidies	D3	30.2	26.5	25.4	0.0	0.0
21. Gross fixed capital formation	P51	6.1	48.8	122.6	42.3	34.1
22. Other (22 = 23-(17+18+19+20+21))		7.8	10.3	13.5	12.8	10.3
23=7. Total expenditures	TE	276.3	366.9	445.0	355.7	367.3
p.m. compensation of employees	D1	91.7	111.6	123.1	123.5	124.0

Note: The consolidated revenues/expenditures of the General Government of Brčko District include the budget, extrabudgetary funds (Health Insurance Fund and the Employment Agency) and extrabudgetary users who are taxpayers of budget accounting (Development and Guarantee Fund, Institute for Planning, Design and Development, Radio-news and publishing institution Radio Brčko and Tourist organization).

Source: Finance Directorate of Brčko District

Table 3: General government expenditure by function

Bosnia and Herzegovina

% of GDP BiH	COFOG Code	2022	2023	2024	2025	2026
1. General public services	1	7.0	8.1	8.1	7.8	7.7
2. Defence	2	0.7	0.8	0.8	0.8	0.8
3. Public order and safety	3	3.0	2.9	2.9	2.8	2.7
4. Economic affairs	4	3.2	3.1	3.1	3.1	3.0
5. Environmental protection	5	0.3	0.4	0.4	0.3	0.3
6. Housing and community amenities	6	0.8	1.1	1.0	0.9	0.9
7. Health	7	6.4	6.8	6.6	6.5	6.5
8. Recreation, culture and religion	8	0.8	0.8	0.7	0.7	0.7
9. Education	9	3.7	4.0	3.9	3.7	3.6
10. Social protection	10	12.6	14.3	14.9	14.7	14.5
11. Total expenditure (item 7 = 23 in Table 2)	TE	38.7	42.2	42.5	41.4	40.7

in mill. KM	COFOG Code	2022	2023	2024	2025	2026
1. General public services	1	3,203.9	3,917.9	4,167.6	4,216.2	4,387.7
2. Defence	2	339.7	377.3	431.7	434.7	436.4
3. Public order and safety	3	1,375.1	1,423.1	1,478.9	1,493.0	1,525.2
4. Economic affairs	4	1,454.5	1,489.8	1,589.1	1,663.6	1,720.0
5. Environmental protection	5	150.8	174.5	180.8	186.6	194.3
6. Housing and community amenities	6	373.1	526.0	508.8	510.2	530.6
7. Health	7	2,901.2	3,308.9	3,401.0	3,532.2	3,682.5
8. Recreation, culture and religion	8	365.6	379.2	368.5	376.8	393.2
9. Education	9	1,705.8	1,931.0	1,982.7	2,008.7	2,034.1
10. Social protection	10	5,755.9	6,935.5	7,638.3	7,914.6	8,240.8
11. Total expenditure (item 7 = 23 in Table 2)	TE	17,625.7	20,463.2	21,747.4	22,336.7	23,144.6

Source: MFT BiH, FMF, MFRS and Finance Directorate of Brčko District

Institutions of Bosnia and Herzegovina

% of GDP BiH	COFOG Code	2022	2023	2024	2025	2026
1. General public services	1	0.7	0.7	0.8	0.7	0.7
2. Defence	2	0.7	0.7	0.8	0.7	0.7
3. Public order and safety	3	0.6	0.7	0.7	0.7	0.6
4. Economic affairs	4	0.1	0.1	0.1	0.1	0.1
5. Environmental protection	5	0.0	0.0	0.0	0.0	0.0
6. Housing and community amenities	6	0.0	0.0	0.0	0.0	0.0
7. Health	7	0.0	0.0	0.0	0.0	0.0
8. Recreation, culture and religion	8	0.0	0.0	0.0	0.0	0.0
9. Education	9	0.0	0.0	0.0	0.0	0.0
10. Social protection	10	0.0	0.0	0.0	0.0	0.0
11. Total expenditure (item 7 = 23 in Table 2)	TE	2.2	2.4	2.5	2.3	2.2

in mill. KM	COFOG Code	2022	2023	2024	2025	2026
1. General public services	1	313.7	347.7	419.1	378.0	378.0
2. Defence	2	309.7	342.3	395.2	397.0	397.0
3. Public order and safety	3	293.7	343.8	361.9	361.5	361.5
4. Economic affairs	4	53.2	59.4	60.4	60.8	60.8
5. Environmental protection	5	7.2	8.5	9.1	9.1	9.1
6. Housing and community amenities	6	0.0	0.0	0.0	0.0	0.0
7. Health	7	8.0	8.0	8.1	8.4	8.4
8. Recreation, culture and religion	8	16.6	18.1	19.3	19.2	19.2
9. Education	9	3.0	3.7	3.9	3.9	3.9
10. Social protection	10	8.5	11.9	12.5	12.5	12.5
11. Total expenditure (item 7 = 23 in Table 2)	TE	1,013.6	1,143.4	1,289.5	1,250.4	1,250.4

Source: MFT BiH

Federation of Bosnia and Herzegovina

% of GDP FBiH	COFOG Code	2022	2023	2024	2025	2026
1. General public services	1	7.1	7.7	7.7	7.5	7.4
2. Defence	2	0.1	0.1	0.1	0.1	0.1
3. Public order and safety	3	2.2	2.1	2.0	1.9	1.9
4. Economic affairs	4	2.2	2.2	2.2	2.1	2.1
5. Environmental protection	5	0.4	0.4	0.4	0.4	0.4
6. Housing and community amenities	6	0.7	0.7	0.7	0.7	0.7
7. Health	7	5.8	6.0	5.9	5.7	5.7
8. Recreation, culture and religion	8	0.6	0.6	0.6	0.6	0.6
9. Education	9	3.5	3.8	3.6	3.5	3.4
10. Social protection	10	12.3	14.2	14.7	14.4	14.3
11. Total expenditure (item 7 = 23 in Table 2)	TE	34.8	37.9	37.9	37.0	36.5

in mill. KM	COFOG Code	2022	2023	2024	2025	2026
1. General public services	1	2,090.8	2,450.4	2,555.7	2,642.6	2,758.9
2. Defence	2	29.9	35.0	36.5	37.7	39.4
3. Public order and safety	3	639.8	649.8	664.9	687.5	717.8
4. Economic affairs	4	649.1	700.6	728.4	753.2	786.3
5. Environmental protection	5	121.2	142.0	149.7	154.8	161.6
6. Housing and community amenities	6	195.2	218.8	230.6	238.4	248.9
7. Health	7	1,712.5	1,907.1	1,960.0	2,026.7	2,115.8
8. Recreation, culture and religion	8	166.5	195.1	205.7	212.7	222.0
9. Education	9	1,022.5	1,198.4	1,203.1	1,235.5	1,258.7
10. Social protection	10	3,626.5	4,515.4	4,921.2	5,097.6	5,349.7
11. Total expenditure (item 7 = 23 in Table 2)	TE	10,254.0	12,012.6	12,655.8	13,086.7	13,659.1

Source: FMF

Republika Srpska

% of GDP RS	COFOG Code	2022	2023	2024	2025	2026
1. General public services	1	4.9	6.4	6.1	6.1	6.1
2. Defence	2	0.0	0.0	0.0	0.0	0.0
3. Public order and safety	3	2.9	2.6	2.5	2.4	2.3
4. Economic affairs	4	5.2	4.7	4.8	4.9	4.7
5. Environmental protection	5	0.2	0.2	0.1	0.1	0.1
6. Housing and community amenities	6	1.2	2.0	1.6	1.5	1.5
7. Health	7	7.6	8.4	8.1	7.9	7.7
8. Recreation, culture and religion	8	1.1	0.9	0.7	0.7	0.7
9. Education	9	4.4	4.4	4.3	4.1	3.9
10. Social protection	10	14.4	15.3	16.1	16.1	15.6
11. Total expenditure (item 7 = 23 in Table 2)	TE	41.8	44.9	44.4	43.8	42.7

in mill. KM	COFOG Code	2022	2023	2024	2025	2026
1. General public services	1	711.3	985.6	1,002.2	1,064.9	1,128.3
2. Defence	2	0.1	0.0	0.0	0.0	0.0
3. Public order and safety	3	421.3	400.3	416.6	416.3	416.7
4. Economic affairs	4	752.2	729.8	800.3	849.6	872.9
5. Environmental protection	5	22.4	24.0	22.0	22.7	23.6
6. Housing and community amenities	6	175.5	304.4	270.3	269.0	278.8
7. Health	7	1,104.6	1,305.7	1,337.6	1,378.3	1,423.1
8. Recreation, culture and religion	8	166.3	144.8	123.5	127.3	131.6
9. Education	9	637.2	674.6	712.7	711.3	714.3
10. Social protection	10	2,090.7	2,371.2	2,671.8	2,804.5	2,878.6
11. Total expenditure (item 7 = 23 in Table 2)	TE	6,081.8	6,940.3	7,357.1	7,643.9	7,867.9

Izvor: MFRS

Brčko District

% of GDP BD	COFOG Code	2022	2023	2024	2025	2026
1. General public services	1	5.6	8.9	8.4	7.6	6.3
2. Defence	2	0.0	0.0	0.0	0.0	0.0
3. Public order and safety	3	1.8	2.5	2.9	2.1	2.1
4. Economic affairs	4	0.0	0.0	0.0	0.0	0.0
5. Environmental protection	5	0.0	0.0	0.0	0.0	0.0
6. Housing and community amenities	6	2.5	2.8	7.8	2.8	2.8
7. Health	7	6.7	7.6	7.8	9.2	9.9
8. Recreation, culture and religion	8	1.4	1.8	1.6	1.4	1.5
9. Education	9	3.8	4.7	5.1	4.5	4.2
10. Social protection	10	2.7	3.2	2.7	0.0	0.0
11. Total expenditure (item 7 = 23 in Table 2)	TE	24.5	31.5	36.4	27.5	26.9

in mill. KM	COFOG Code	2022	2023	2024	2025	2026
1. General public services	1	88.1	134.2	190.6	130.7	122.5
2. Defence	2	0.0	0.0	0.0	0.0	0.0
3. Public order and safety	3	20.3	29.2	35.5	27.7	29.2
4. Economic affairs	4	0.0	0.0	0.0	0.0	0.0
5. Environmental protection	5	0.0	0.0	0.0	0.0	0.0
6. Housing and community amenities	6	2.5	2.8	7.8	2.8	2.8
7. Health	7	76.1	88.1	95.3	118.9	135.2
8. Recreation, culture and religion	8	16.2	21.3	20.0	17.6	20.4
9. Education	9	43.1	54.4	63.0	58.0	57.2
10. Social protection	10	30.2	37.0	32.8		
11. Total expenditure (item 7 = 23 in Table 2)	TE	88.1	134.2	190.6	130.7	122.5

Source: Finance Directorate of Brčko District

Table 4: General government debt developments

% of GDP	ESA Code	2022	2023	2024	2025	2026
1. Gross debt		28.3	26.7	25.6	24.6	23.0
2. Change in gross debt ratio		-3.7	-1.7	-1.1	-1.0	-1.6
Contributions to change in gross debt						
3. Primary balance		-1.6	-0.6	-0.4	-0.9	-1.2
4. Interest expenditure		0.6	0.9	1.0	1.0	1.0
5. Real growth effect		-1.1	-0.5	-0.7	-0.7	-0.8
6. Inflation effect		-2.7	-1.2	-0.7	-0.6	-0.5
7. Stock-flow adjustment		1.1	-0.3	-0.2	0.2	-0.1
<i>of which:</i>						
- Differences between cash and accruals						
- Net accumulation of financial assets						
<i>of which:</i>						
- Privatisation proceeds						
- Valuation effects and other						
p.m. implicit interest rate on debt		2.1	3.5	4.0	4.1	4.1
Other relevant variables						
8. Liquid financial assets						
9. Net financial debt (9 = 1 - 8)						

Source: MFT BiH, FMF, MFRS and Finance Directorate of Brčko District

Table 5: Cyclical developments

% of GDP	ESA Code	2022	2023	2024	2025	2026
1. Real GDP growth (%. yoy)	B1g	3.8	2.0	2.9	3.0	3.4
2. Net lending of general government	EDP. B.9	1.0	-0.4	-0.6	-0.1	0.3
3. Interest expenditure	EDP. D.41	0.6	0.9	1.0	1.0	1.0
4. One-off and other temporary measures		-0.7	-0.1	0.0	0.0	0.0
5. Potential GDP growth (%)		3.0	3.0	3.0	3.0	3.0
Contributions:						
- labour						
- capital						
- total factor productivity						
6. Output gap		1.0	0.0	-0.2	-0.2	0.3
7. Cyclical budgetary component		0.3	0.0	-0.1	-0.1	0.1
8. Cyclically-adjusted balance (2-7)		0.7	-0.4	-0.6	-0.1	0.2
9. Cyclically-adjusted primary balance (8+3)		1.3	0.6	0.4	0.9	1.1
10. Structural balance (8-4)		1.4	-0.3	-0.6	-0.1	0.2

Source: MFT BiH

Table 6: Divergence from previous programme

	2022	2023	2024	2025	2026
1. GDP growth (%. yoy)					
Previous programme	2.7	1.7	2.7	3.0	:
Latest update	3.8	2.0	2.9	3.0	3.4
Difference (percentage points)	1.1	0.3	0.2	0.0	:
2. General government net lending (% of GDP)					
Previous programme	0.3	0.0	0.7	1.6	:
Latest update	1.0	-0.4	-0.6	-0.1	0.3
Difference	0.7	-0.4	-1.3	-1.7	:
3. General government gross debt (% of GDP)					
Previous programme	30.5	30.2	29.5	28.4	:
Latest update	28.3	26.7	25.6	24.6	23.0
Difference	-2.2	-3.5	-3.9	-3.8	:

Source: DEP, MFT BiH, FMF, MFRS and Finance Directorate of Brčko District

Table 7: Long-term sustainability of public finances

Percentage of GDP	2007	2010	2020	2030	2040	2050	2060
Total expenditure	:	:	:	:	:	:	:
of which:	:	:	:	:	:	:	:
- Age-related expenditures	:	:	:	:	:	:	:
- Pension expenditure	:	:	:	:	:	:	:
- Social security pension	:	:	:	:	:	:	:
- Old-age and early pensions	:	:	:	:	:	:	:
- Other pensions (disability, survivors)	:	:	:	:	:	:	:
- Occupational pensions (if in general government)	:	:	:	:	:	:	:
- Health care	:	:	:	:	:	:	:
- Long-term care (this was earlier included in the health care)	:	:	:	:	:	:	:
Education expenditure	:	:	:	:	:	:	:
Other age-related expenditures	:	:	:	:	:	:	:
Interest expenditure	:	:	:	:	:	:	:
Total revenues	:	:	:	:	:	:	:
<i>of which:</i> property income	:	:	:	:	:	:	:
<i>of which:</i> from pensions contributions (or social contributions, if appropriate)	:	:	:	:	:	:	:
Pension reserve fund assets	:	:	:	:	:	:	:
<i>of which:</i> consolidated public pension fund assets (assets other than government liabilities)	:	:	:	:	:	:	:
Assumptions							
Labour productivity growth	:	:	:	:	:	:	:
Real GDP growth	:	:	:	:	:	:	:
Participation rate males (aged 20-64)	:	:	:	:	:	:	:
Participation rates females (aged 20-64)	:	:	:	:	:	:	:
Total participation rates (20-64)	:	:	:	:	:	:	:
Unemployment rate	:	:	:	:	:	:	:
Population aged 65+ over total population	:	:	:	:	:	:	:

Table 7a: Contingent liabilities - stock of General Government guarantees adopted/announced at [month-year] according to the Programme

Measures		Date of adoption	Maximum amount of contingent liabilities (% of GDP)	Estimated take-up (% of GDP)
			2023	2023
In response to COVID-19	Guarantees issued within the credit-guarantee programs of the Guarantee Fund of the Development Bank of the Federation of Bosnia and Herzegovina		0.5	
	Subtotal	% of GDP	0.5	
Others	Guarantees issued by the Government of the Republic of Srpska for social security funds		0.3	
	Guarantees issued by the Government of the Republic of Srpska for debts of public companies		1.9	
	Guarantees issued by the Government of the Republika Srpska for internal liabilities of the public sector		0.2	
	Subtotal	% of GDP	2.4	
Total		% of GDP	2.9	

Table 8: Basic assumptions on the external economic environment underlying the programme framework

	Dimension	2022	2023	2024	2025	2026
1. Short-term interest rate	Annual average					
2. Long-term interest rate	Annual average					
3. USD/EUR exchange rate	Annual average					
4. Nominal effective exchange rate	Annual average					
5. Exchange rate vis-à-vis the EUR	Annual average	1.95583	1.95583	1.95583	1.95583	1.95583
6. Global GDP growth, excluding EU	Annual average	3.3	3.5	3.2	3.5	:
7. EU GDP growth	Annual average	3.4	0.6	1.3	1.7	:
8. Growth of relevant foreign markets	Annual average	:	:	:	:	:
9. World import volumes, excluding EU	Annual average	4.3	1.2	3.4	3.7	:
10. Oil prices (Brent, USD/barrel)	Annual average	100.7	84.1	84.5	79.6	:

Source for item 6, 7, 9 and 10:

https://economy-finance.ec.europa.eu/system/files/2023-11/autumn_forecast-2023_statistical%20annex_en.pdf

Table 9a: Social scoreboard indicators

	Data source	Last available	2018	2019	2020	2021	2022
<i>Equal opportunities</i>							
1. Adult participation in learning during the last 12 months, aged 25 to 64	BHAS	2.2% (2017)					
2. Share of early leavers from education and training, age 18-24	BHAS	4.9% (2016)					
3. Share of population with basic overall digital skills or above, age 16-74	ITU			36,55%			
4. Young people neither in employment nor in education or training (NEET rate), age 15-29	RCC (2019) ILO (2021)			21,20%		19%	
5. Gender gap in employment rate, age 20-64, in percentage points	BHAS			17,9	21	22	23.2 (BiH) 37.4 (FBiH) 28.1 (RS)
6. Income quintile share ratio - S80/S20	BHAS	4.9% (2015)					
<i>Working conditions</i>							
7. Employment rate, age 15+	BHAS		34,3%	35,5%	40,1%	39,6%	40,2%
8. Unemployment rate, age 15-74	BHAS		18,4%	15,7%		17,4%	15.4% (BiH) 17.2% (FBiH) 11.2% (RS)
9. Long-term unemployment rate, age 15-74, longer than 2 years	BHAS					59,7%	
10. Gross disposable income of households in real terms, per capita, in USD	BHAS		5.857	5.867	5.822	6.848	
<i>Social protection and inclusion</i>							
12. At-risk-of-poverty or social exclusion rate (AROPE) for children (0-17)	UNICEF	30.5% (2011)					
13. Impact of social transfers (other than pensions) on poverty reduction	ILO	9.2% (2015)					

Table 9b: Other selected indicators

	Data source	Last available	2018	2019	2020	2021	2022
Other social and healthcare indicators							
1. Public social protection expenditure in % of GDP	ILO		18,9%	19,2%			
2. Public healthcare expenditure in % of GDP	BHAS		8,7%	9%	10%	9,6%	
3. Household out-of-pocket payments as a % of total health expenditure	BHAS		30%	30%	29%	31%	
4. Percentage of population not covered by health insurance	ILO	14% (2017)					
Environment							
8. Greenhouse gas emissions per capita	BHAS	268 (kg CO ₂ -eq / god) (2017)					
9. Generation of waste excluding major mineral wastes (Annual amount of waste per inhabitant, kg)			355	352	354	356	
Digital economy							
11. Share of total population using internet [NB: population 16-74]	BHAS		69%	72%	73%	75,5%	75,9%

Table 10a: Costing of structural reform measure

Structural reform 1, reform measure: Support for the technological development of the economy					
Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	Total
2024	150.000,00	259.333,10	29.639.374,30	595.655,10	30.644.362,50
2025	150.000,00	269.559,00	32.151.482,70	792.502,40	33.363.544,10
2026	150.000,00	208.203,90	34.446.650,10	828.292,90	35.633.146,90
Structural reform 1, reform measure: Improvement of business conditions					
Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	Total
2024	50.106,60	-	5.720.284,00	1.940.864,00	7.711.254,60
2025	38.858,20	65.445,40	5.851.174,70	26.686.879,70	32.642.358,00
2026	35.790,40	25.564,60	6.060.804,40	10.189.535,90	16.311.695,30
Structural reform 2: Increasing the efficiency of public enterprises					
Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	Total
2024	97.457,20	-	-	-	97.457,20
2025	113.777,60	-	-	-	113.777,60
2026	146.418,50	-	-	-	146.418,50
Structural reform 3, reform measure: Energy transition with the provision of energy security, market reform, increasing efficiency and a greater share of renewable energy sources					
Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	Total
2024	-	1.464.360,30	36.917.704,30	9.458.899,80	47.840.964,40
2025	-	513.337,00	3.312.105,30	9.356.641,50	13.182.083,80
2026	-	453.516,00	3.567.751,30	2.831.645,90	6.852.913,20
Structural reform 3, reform measure: Establishing the conditions for the transition to a circular economy					
Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	Total
2024	1.050.000,00	350.000,00	1.250.000,00	6.500.000,00	9.150.000,00
2025	1.050.000,00	350.000,00	4.000.000,00	22.500.000,00	27.900.000,00
2026	1.050.000,00	350.000,00	3.800.000,00	22.500.000,00	27.700.000,00
Structural reform 4: Creating the preconditions for a full digital transition					
Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	Total
2024	13.531,30	189.178,00	-	-	202.709,30
2025	19.273,10	205.028,00	-	-	224.301,10
2026	19.273,10	51.640,50	-	-	70.913,60
Structural reform 5: Increasing employability through improving the alignment of education and the development of practical knowledge and skills on the labor market					
Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	Total
2024	24.030,70	1.022.583,80	392.160,90	-	1.438.775,40
2025	24.030,70	1.022.583,80	392.160,90	-	1.438.775,40
2026	24.030,70	1.022.583,80	392.160,90	-	1.438.775,40

Structural reform 6, reform measure: Improved system of social and child protection through strengthening of institutional mechanisms and legal framework					
Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	Total
2024	20.451,60	136.085.446,70	-	-	136.105.898,30
2025	20.451,60	143.243.533,70	-	-	143.263.985,30
2026	20.451,60	153.520.499,90	-	-	153.540.951,50
Structural reform 6, reform measure: Improving the quality of health care in Bosnia and Herzegovina					
Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	Total
2024	-	-	37.500.000,00	-	37.500.000,00
2025	-	1.530.000,00	-	-	1.530.000,00
2026	-	7.300.000,00	-	-	7.300.000,00
Total FBiH					
Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	Total
2024	1.405.577,40	139.370.901,90	111.419.523,50	18.495.418,90	270.691.421,70
2025	1.416.391,20	147.199.486,90	45.706.923,60	59.336.023,60	253.658.825,30
2026	1.445.964,30	162.932.008,70	48.267.366,70	36.349.474,70	248.994.814,40
Total:	4.267.932,90	449.502.397,50	205.393.813,80	114.180.917,20	773.345.061,40

Table 10b: Financing of structural reform measure

Structural reform 1, reform measure: Support for the technological development of the economy									
	Year	Budget BiH	Budget FBiH/RS/BiH	Other national public finance sources	IPA funds	Other grants	Project loans	To be determined	Total
FBiH	2024	0	29,241,294	500,000	300,000	1,103,069	0	0	30,644,363
FBiH	2025	0	32,071,297	500,000	0	1,292,247	0	0	33,363,544
FBiH	2026	0	34,315,336	500,000	0	1,317,811	0	0	35,633,147
RS	2024-26	0	2,295,918	0	0	0	10,204,082	15,306,122	27,806,122
Structural reform 1, reform measure: Improvement of business conditions									
FBiH	2024	0	5,770,391	0	0	0	1,940,864	0	7,711,255
FBiH	2025	0	5,955,734	0	0	0	26,686,880	0	32,642,358
FBiH	2026	0	6,122,159	0	0	0	10,189,536	0	16,311,695
RS	2024-26	0	6,785,714	0	0	0	0	0	6,785,714
Structural reform 2: Increasing the efficiency of public enterprises									
FBiH	2024	0	97,457	0	0	0	0	0	97,457
FBiH	2025	0	113,778	0	0	0	0	0	113,778
FBiH	2026	0	146,419	0	0	0	0	0	146,419
RS	2024-26	0	270,408	0	0	734,694	51,300,000	0	52,305,102
Structural reform 3, reform measure: Energy transition with the provision of energy security, market reform, increasing efficiency and a greater share of renewable energy sources									
FBiH	2024	0	29,829,768	0	6,456,000	11,555,197	0	0	47,840,964
FBiH	2025	0	5,257,060	0	0	7,925,024	0	0	13,182,084
FBiH	2026	0	4,021,267	0	0	2,831,646	0	0	6,852,913
RS	2024-26	0	N/A	N/A	20,745,768	N/A	N/A	N/A	20,745,768
Structural reform 3, reform measure: Establishing the conditions for the transition to a circular economy									
FBiH	2024		2,650,000	0	0	4,000,000	2,500,000	0	9,150,000
FBiH	2025		5,400,000	0	0	4,000,000	18,500,000	0	27,900,000
FBiH	2026		5,200,000	0	0	4,000,000	18,500,000	0	27,700,000
RS	2024-26		0	0	0	0	0	60,000,000	60,000,000
Structural reform 4: Creating the preconditions for a full digital transition									
FBiH	2024		13,531	0	0	189,178	0	0	202,709
FBiH	2025		19,273	0	0	205,028	0	0	224,301

FBiH	2026		19,273	0	0	51,641	0	0	70,914
RS	2024-26		510,204	0	0	0	0	25,000,000	25,510,204
Inst.BiH	2024-26			1,500,000					1,500,000
	Structural reform 5: Increasing employability through improving the alignment of education and the development of practical knowledge and skills on the labor market								
FBiH	2024		416,192	0	0	1,022,584	0	0	1,438,775
FBiH	2025		416,192	0	0	1,022,584	0	0	1,438,775
FBiH	2026		416,192	0	0	1,022,584	0	0	1,438,775
RS	2024-26	96,429	3,086,735	0	0	0	14,285,714	0	17,468,878
	Structural reform 6, reform measure: Improved system of social and child protection through strengthening of institutional mechanisms and legal framework								
FBiH	2024	0	136,105,898	0	0	0	0	0	136,105,898
FBiH	2025	0	143,263,985	0	0	0	0	0	143,263,985
FBiH	2026	0	153,540,952	0	0	0	0	0	153,540,952
RS	2024-26	0	306,122	0	0	0	0	N/A	306,122
	Structural reform 6, reform measure: Improving the quality of health care in Bosnia and Herzegovina								
FBiH	2024	0	37,500,000	0	0	0	0	0	37,500,000
FBiH	2025	0	0	0	0	0	780,000	750,000	1,530,000
FBiH	2026	0	0	0	0	0	7,300,000	0	7,300,000
RS	2024-26	0	92,718,709	0	0	0	36,920,000	0	129,638,709
	Total FBiH								
FBiH	2024	0	241,624,531	500,000	6,756,000	17,870,027	4,440,864	0	270,691,422
FBiH	2025	0	192,497,318	500,000	0	14,444,883	45,966,880	750,000	253,658,825
FBiH	2026	0	203,781,597	500,000	0	9,223,682	35,989,536	0	248,994,814
	Total	0	637,903,446	1,500,000	6,756,000	41,538,592	86,397,280	750,000	773,345,061
	Total RS								
RS	2024-26	96,429	105,973,811	0	20745767.86	734,694	112,709,796	100,306,122	340,566,620
	Total Institutions of BiH								
Inst.BiH	2024-26			1,500,000	0	0	0	0	1,500,000
BIH	TOTAL	96,429	743,877,257	3,000,000	27,501,768	42,273,285	199,107,076	101,056,122	1,115,411,681

Table 11: Reporting on the implementation of the structural reform measures of the ERP 2023-2025

Key obstacle no. 1 Insufficient efficiency of the labor market	Activity implementation status [1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
	0-5		
5.1.1.1 Reform measure: Increase the efficiency of the labor market through effective employment policies and strengthening the mediation role			
Activities planned for 2023 by holders			
Signing the Agreement between the European Union and Bosnia and Herzegovina, on the participation of BiH in the Program for Employment and Social Innovation (EaSI) of the European Social Fund Plus (ESF+), (MCA BIH)	3	Bosnia and Herzegovina has the possibility to request a part of the funds for the payment of the entrance ticket within the framework of the Pre-Accession Assistance Instruments (IPA III)	The Council of Ministers of Bosnia and Herzegovina, at its 57th session, held on November 9, 2022, adopted the information of the Ministry of Civil Affairs of Bosnia and Herzegovina on the accession of BiH to the Program for Employment and Social Innovation (EaSI) 2021-2027 and concluded that the Ministry of Civil Affairs of Bosnia and Herzegovina will send a letter of interest for joining the Program to the European Commissioner for Employment, Social Affairs, and Inclusion. On December 7, 2022, the Ministry sent a letter of interest for the accession of BiH to the EU Program, through the Ministry of Foreign Affairs of BiH and asked the same to be sent through the diplomatic mission of BiH in Brussels, to the Director General for Employment, Social Affairs and Inclusion (DG EMPL). The text of the Agreement is expected from the European Commission.

Preparation of the implementation plan of the Youth Guarantee Program, which will contain three pilot projects, prepared in accordance with the competences (MCA BiH)	2		In October, two meetings were held on the topic of developing the Implementation Plan for the Youth Guarantee, pilot projects on the topic of developing the Plan for the Federation of Bosnia and Herzegovina and an online meeting of the youth guarantee coordinators. In the previous period, a new coordinator of the Youth Guarantee for the Federation of Bosnia and Herzegovina was appointed, and after that, members of expert working groups were also appointed. In the following period, the preparation and adoption of the FBiH Youth Guarantee Implementation Plan is planned, and it is necessary that the implementation plans for the RS and BD BiH be adopted, in order to fulfill the obligation to prepare the Youth Guarantee Implementation Plan for Bosnia and Herzegovina. During December of 2023, a meeting of the TAIEX workshop - Youth Guarantee in the Western Balkans is planned. It is planned that the Implementation Plan will be drawn up and adopted by the end of 2023.
Drafting the text of the Law on Mediation in Employment and Social Security of Unemployed Persons. (MLSP FBiH)	3		The Ministry's work program for 2023 plans to draft a new text of the Law on Mediation in Employment and Social Security of Unemployed Persons. In this regard, the Preliminary Draft of the aforementioned Law was prepared and sent to the competent institutions in the Federation of Bosnia and Herzegovina for their opinion. After obtaining the opinions, it will be referred to the further procedure. This law establishes new solutions that represent part of the reform of legislation in the field of employment, with the aim of improving the rights of unemployed persons and regulating the employment mediation system in the Federation of Bosnia and Herzegovina.
Development of the Implementation Plan for the Youth Guarantee Program (MLWVDP RS and relevant ministries and institutions included in the Program)	4		As part of the interdepartmental working group in the Republika Srpska, a coordinator for the implementation of the Youth Guarantee program was appointed. Coordination is carried out by MLWVDP with competent institutions in the Republika Srpska. RS Employment Strategy 2021–2027 is in line with the Economic and Investment Plan (EIP) for the Western Balkans, priority area 6, which refers to increasing support for the development of human capital and point 10, which refers to support for the establishment of Youth Guarantee schemes in the Western Balkans. The coordinator directed the action plan of the Youth Guarantee to the consultants of the International Labor Organization for valorization.

Intensification of dialogue with social partners with the aim of harmonizing opinions and attitudes on relevant issues (MLWVDP RS in cooperation with social partners)	2		The Economic and Social Council conducted a tender procedure and appointed 20 conciliators and 15 arbitrators for the peaceful settlement of labor disputes in the Republika Srpska. In accordance with the Conclusion of the RS Government from June 15, 2023, a session of the Economic and Social Council was held with the aim of actualizing the issue of collective bargaining and determining the basis for calculating salaries and salary coefficients.
Social care for workers who lost their jobs in the process of privatization, bankruptcy and liquidation of companies (MLWVDP RS in cooperation with social partners)	4		The Government of the Republika Srpska adopted the Information on the Implementation of the Foundations of the Workers' Social Care Program for 2022, and four decisions on approving funds for workers' social care in 2022.
Improving services to key users and enabling better interaction between employers and unemployed persons. (MLWVDP RS and the Employment Agency of the Republika Srpska - hereinafter: EA RS).	4		EA RS implements activities to improve services to key users (employers and unemployed persons) through annual Cooperation Plans with employers, advisory process for unemployed persons, and employment mediation. In September 2022, the "Labor Market Survey" was conducted, which aimed to examine the needs of employers to create future employment policies.
Key obstacle no. 2 Improve the business environment through closer cooperation and coordination at all levels of government	Activity implementation status [1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
	0-5		-
5.1.2.1. Reform measure: Improve the turnover display system			
Activities planned for 2023, by holders			
Drafting the Law on Fiscal Systems (MF FBiH)	3	Work program of the FBiH Government for the period 2023 – 2026.	Drafting of the Law is underway.
Full implementation of the Law on Fiscalization (MF RS)	4		Due to the complex and lengthy procedure of the public procurement procedure for fiscalization management systems, led by the RS Tax Administration Office, the conditions for the start of the implementation of the Law on Fiscalization, have not been met in 2023, as it has been planned. The implementation of the Law on Fiscalization is expected to begin in the first quarter of 2024.

Financing the taxpayers' costs of initial fiscalization (MF RS)	5		Funds for financing the taxpayers' costs of initial fiscalization will be provided in the Budget of the Republika Srpska for 2024.
5.1.2.2. Reform measure: Restructuring of the tax and non-tax burden			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
Adoption of the Income Tax Law in FBiH (MF FBiH)	4	Public Finance Management Strategy 2021 - 2025, Activity: II.1.1 Reduction of the fiscal burden of work: Work Program of the FBiH Government for the period 2023 - 2026	The Draft Law is being drafted in the FBiH Ministry of Finance
Adoption of the Law on Contributions in FBiH (MF FBiH)	4		The Law on Contributions will be submitted to the procedure for adoption within 45 days
Adoption of the Law on simplified work engagement in seasonal jobs in certain industries (MLWVDP RS)	0		Not implemented.
Adoption of the Law on Amendments to the Law on Income Tax (MF RS)	0		The adoption of the Law on Amendments to the Law on Income Tax is conditioned by the adoption of the Law on Simplified Work Engagement in Seasonal Jobs in Certain Industries. Since MLWVDP did not begin drafting the mentioned law, the conditions for changes to the Law on Income Tax were not met.
Adoption of the Law on Amendments to the Law on Contributions (MF RS)	0		The adoption of the Law on Amendments to the Law on Contributions is conditioned by the adoption of the Law on Simplified Work Engagement in Seasonal Jobs in Certain Industries. Since MLWVDP did not begin drafting the mentioned law, the conditions for changes to the Law on Contributions were not met.
Adoption of the Law on Amendments to the Law on Tax Procedure of the Republika Srpska (MF RS)	0		The adoption of the Law on Amendments to the Law on Tax Procedure is conditioned by the adoption of the Law on Simplified Work Engagement in Seasonal Jobs in Certain Industries. Since MLWVDP did not begin drafting the mentioned law, the conditions for changes to the Law on Tax Procedures were not met.

Preparation of the Analysis of introducing minimum contribution bases by economic branches (MF RS)	1		The Government of Republika Srpska expressed the need to conduct an analysis and prepare proposals for possible solutions; meetings, negotiations and agreements are ongoing.
Development of a methodology for determining the minimum wage in the Republika Srpska (MF RS)	3		For the third time in a row, the Ministry of Finance prepared Information on macroeconomic indicators relevant for determining the amount of the minimum wage in the Republika Srpska and submitted it to the Economic and Social Council, and the Information was used as material for the session and was the basis for determining the minimum wage in 2022 and 2023.
Updating the Register of tax and non-tax levies of the Republika Srpska and implementing further activities to reduce or abolish non-tax levies (MF RS)	5		The Ministry of Finance updates the Register of Tax and Non-tax Levies continuously, following the Rulebook on the establishment and management of the Register of Tax and Non-tax Levies.
Analysis of the effects of the implementation of laws that reduce the tax burden (MF RS)	5		In 2023, technical assistance was provided by the IMF to analyze the current Law on Income Tax and determine all tax exemptions, i.e. the amount of tax revenues that the Republika Srpska has given up and thus reduced the tax burden. Concerning this, a Report on the analysis of tax revenue waivers was prepared.
5.1.2.3. Reform measure: Simplification of administrative procedures for doing business			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
Adoption of the Law on stimulating the development of small enterprises in FBiH (MDEC FBIH)	4	FBiH Development Strategy 2021-2027. In the text of the Law, the solutions foreseen by the Commission's Recommendation 2003/361/EC on the definition of micro, small, and medium-sized enterprises from May 6, 2003, have been incorporated.	The law has been prepared in the form of a draft and it is only waiting for the opinion of the FBiH Ministry of Finance to be sent to the FBiH Government for consideration.
Adoption of the Law on Entrepreneurial Infrastructure in FBiH (MDEC FBIH)	4	FBiH Development Strategy 2021-2027.	The law has been prepared in the form of a draft and it is only waiting for the opinion of the FBIH Ministry of Finance to be sent to the FBIH

			Government for consideration.
Adoption of 5 by-laws based on the Law on Crafts and Related Activities in the Federation of Bosnia and Herzegovina. (MDEC FBIH)	5	FBiH Development Strategy 2021-2027.	
Continuation of the implementation of the agreed simplification plan (institutions of the entity Republika Srpska that issue formalities)	4		In April 2023, information on the implementation of the Project for the Optimization of Administrative Procedures and Formalities at the entity level was discussed. 95% of planned formalities were abolished. When it comes to the formalities planned for simplification, for the majority of them, the key prerequisites for the simplification and finalization of the action plan have been created (application in practice is conditioned by the amendment of individual regulations and the plan for their amendment - considering that changes related to optimization are most often an integral part of changes to other segments of regulations and in some cases it will be necessary to wait for the implementation of the plan to change the regulations as a whole). The implementation included multiple changes, both to regulations that define mandatory documentation, and to software solutions that ensure automatic data exchange. Such an example is the refinement of the bizreg.esrpska.com portal, where the current extract from the court register for every legal entity and entrepreneur is publicly available in real-time. At the same time, the regulations that create a legal basis for the use of these data as public documents by competent institutions were amended, with the aim that the party will not have to submit a registration decision, but the competent authority will check the data by inspecting the official database. With the same aim, the system of RS Tax Administration was refined, so that data on settled tax obligations could be automatically exchanged between institutions.
Launch an initiative towards local self-government units to implement the project at the local level according to the same methodology.	1		The plan is to implement this activity by the end of the year.
5.1.2.4. Reform measure: Support for the entrepreneurship development			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
Implementation of support projects for the development of entrepreneurial infrastructure in FBiH (MDEC FBIH)	5	Harmonized with the three-year work plan of the FBiH Government and the FBiH Ministry	

		of Development, Entrepreneurship and Crafts	
Implementation of support projects for strengthening the competitiveness of small enterprises in FBiH (MDEC FBiH)	5	Harmonized with the three-year work plan of the FBiH Government and the FBiH Ministry of Development, Entrepreneurship and Crafts	
Realization of the Project "Start up incentive" in FBiH (MDEC FBiH)	5	Harmonized with the three-year work plan of the FBiH Government and the FBiH Ministry of Development, Entrepreneurship and Crafts	
Realization of the "Guarantee Fund" project in FBiH (MDEC FBiH)	5	Harmonized with the three-year work plan of the FBiH Government and the FBiH Ministry of Development, Entrepreneurship and Crafts	
Realization of the Program "Loan incentive for development, entrepreneurship and crafts" in FBiH (MDEC FBiH)	5	Harmonized with the three-year work plan of the FBiH Government and the FBiH Ministry of Development, Entrepreneurship and Crafts	
Continuation of implementation of the financial support program (MEE RS)	4		In 2023, the Regulation on Amendments and Supplements to the Regulation on the Procedure for Awarding Subsidies for Small and Medium Enterprises was adopted, to improve certain provisions and better implementation of the awarding procedure. Decisions on the plan for the use of funds have been prepared to initiate activities related to the preparation of the public call implementation. A working version of the public call has been prepared, which is scheduled to be announced in the coming period.

Establishing the necessary structures for social enterprises and enabling the support (MEE RS)	3		In the previous period, six entities received the status of social enterprises. The Ministry of Economy and Entrepreneurship will perform an analysis of the organizations that serve a social mission, and are under the jurisdiction of the Ministry of Health and Social Protection and Ministry of Labor, War Veterans and Disabled People Protection. A list of organizations, an overview of the regulations under the jurisdiction of these institutions, and the allowances received by vulnerable groups will be requested. After this, the MEE will consider launching certain initiatives in this area in 2024.
Drafting the new Law on Crafts and Entrepreneurship (MEE RS)	4		The MEE completed a situational analysis of the Chamber of Crafts and Entrepreneurship and their proposals regarding the law and the analysis in the area of old crafts and handicrafts. A significant part of the text of the new Law on Craft and Entrepreneurship has been prepared, and its adoption is planned for the first quarter of 2024.
Key obstacle no. 3 Public finances management	Activity implementation status[1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
	0-5		-
5.1.3.1. Reform measure: Reform of public enterprises			
Activities planned for 2023, by holders			
Strengthening the capacity for the function of supervision and continuation of timely reporting on performance indicators of public enterprises (FBiH Government and General Secretariat)	3		The FBiH Government, on the proposal of the FBiH Ministry of Finance and the General Secretariat, accepted the amendments to the Rulebook on systematization in such a way that the systematized units for monitoring the work of public enterprises are under the jurisdiction of the FBiH Ministry of Finance and the General Secretariat, and the process of staffing is underway to make them operational as soon as possible.
Improve the system of calculating and reporting on key performance indicators for companies with FBiH and cantons' majority share in ownership (FBiH Government and General Secretariat)	3		After staffing the units, technical assistance will be requested from the IMF to develop a tool for monitoring the performance of public enterprises in the FBiH.

Complete ownership restructuring through the conversion of debt into shares, and the purchase of shares of minority shareholders (MTC, MF, Securities Commission)	1		The process of converting debt into capital has not yet been initiated, therefore the issue of minority shareholders has not been resolved. At the request of the MTC, the World Bank chose a legal advisor who drafted the sequence of steps and submitted it for the procedure. In the following period, the Government will familiarize itself with the same and conclude further steps.
To complete activities related to organizational restructuring (Railways RS with the help of the consultant with whom the contract was signed)	5		The preparation has been completed, as a temporary solution RS Railways established a new business structure - a Holding, until the final restructuring (RS Government has reached a conclusion).
Carry out the procurement and implementation of a new information system for the management of business processes and property management in the new company (RS Railways)	4		The approval of the World Bank on the selection of suppliers for business process management is awaited.
Sign multi-year contracts with the RS Government for infrastructure maintenance and operator support through co-financing of passenger traffic (RS Railways, MTC, MF)	2		A proposal for financing infrastructure and public transport has been submitted, and the budget is being prepared, which will set the basis for negotiations.
Register the holding of Railways of Republika Srpska (RS Railways, MTC)	3		Preparations for registration have been completed, but the completion of ownership restructuring is awaited.
Implementation of the Law on Electricity (MEM, Regulatory Commission for Energy of the Republika Srpska, operators holding licenses to perform electricity activities)	4		The Regulatory Commission has adopted by-laws that apply from the beginning of 2023, which are provided for in the Law on Electricity.
Continuation of restructuring and reorganization of MH "Elektroprivreda Republika Srpska" through the reorganization of electricity producers operating within MH "Elektroprivreda Republika Srpska" (MH "Elektroprivreda Republika Srpska" Parent company and subsidiary production companies within the holding)	4		Public procurement procedures for the selection of the most favorable bidder for the development of the Program for the reorganization of electricity producers operating within the MH "Elektroprivreda Republika Srpska" are underway. The project terms of reference have been drawn up, but the public procurement procedures have not yet been completed.

Continuation of activities on the reorganization of the electricity distribution activity with the aim of achieving complete independence of the distribution system operator as a network, full regulation of activities in relation to the market supply (MH "Elektroprivreda Republika Srpska" Parent company and subsidiary electricity distribution companies within the holding)	4		Through regulatory activities, the status regarding the independence of distribution system operators has been improved.
Implementation, in addition to the legal, and functional separation of these activities and the establishment of adequate mechanisms of supervision and control of activities with the aim of separating and preventing discrimination of market participants and distortion of competition (MH "Elektroprivreda Republika Srpska" Parent company and subsidiary electric distribution companies within the holding, Regulatory Commission for Energy of the Republika Srpska as an independent body).	4		All distribution system operators are in the final stages of the process of appointing compliance officers. Also, compliance programs have been adopted by all distribution system operators.
Complete the administrative procedures necessary for the operationalization of the Supervision Coordination Unit (General Secretariat of the RS Government)	4		On November 22, 2022, the General Secretary of the RS Government issued the Rulebook on the internal organization and systematization of workplaces in the General Secretariat of the RS. At its 196th session, held on November 24, 2022, the RS Government adopted the Decision on giving consent to the Rulebook on the internal organization and systematization of workplaces in the General Secretariat of the RS Government. It also established the Department for Coordination of the Supervision of Public Enterprises. In the period from March 1, 2023 until today, four employees were employed in the Department, which made the Department operational, and full staffing is expected by the end of the first quarter of 2024.
Prepare and adopt a comprehensive strategy for the reform of public enterprises (RS Supervisory Unit)	0		The deadline for the implementation of the mentioned activity was extended to 2025 following the priorities defined in the Updated Action Plan for the Reform of Public Enterprises for the period 2022-2026.

Establish a register of public enterprises in the RS (Supervisory Unit)	2	At the end of March 2023, a meeting was held with World Bank consultants, where the Department requested the World Bank to provide technical assistance for drafting amendments to the legislative and legal framework to take over the responsibility for managing the Register of Public Enterprises from the Agency for Mediation, Information and Financial Services. In April 2023, an IT mission was held in which the Department participated in formulating the functional elements of the IT software solution. The mentioned software solution will have three key functional modules and one module that technically supports the operation of the other modules: 1. Module for collecting data on public enterprises: Register of public enterprises and collection of additional data on public enterprises - contains key data on public enterprises from the Register and additionally collected data to derive financial and non-financial indicators, necessary for monitoring the performance of public enterprises; 2. Strategic planning module - enables management of strategic planning documents and implementation; 3. Advanced reporting module - enables the creation of reports based on the data collected through the first two modules; 4. Data exchange module - enables the exchange of data between relevant interested parties: APIF's register of business entities, public enterprises, the RS Institute of Statistics, the Central Register of Securities, the Banja Luka Stock Exchange, the RS Tax Administration and the RS Government, through the GSB, as well as the exchange of documents between entity institutions. The mission resulted in adopted conclusions of importance for the creation of technical specifications and tenders for the public procurement of IT software solutions. In mid-May 2023, the working version of the document: "Request for Bids Information Systems; Design, Supply and Installation" was prepared, and it defined the requirements related to the software solution, and for the purpose of announcing a tender for its public procurement. Currently, the approval of grant funds, which will finance the procurement of IT software solutions, is in the process, and is expected to be completed by the end of September 2023, as well as the finalization of the document "Request for Bids Information Systems; Design, Supply and Installation", after which a tender for the public procurement of IT software solutions will be announced.
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Analyze the legal framework related to the functioning and responsibility in managing public enterprises to improve planning, reporting, management, and consequently the performance of public enterprises. (RS Supervisory Unit)	2		At the end of March 2023, a meeting was held with the consultants of the World Bank in which the Department requested the World Bank to provide technical assistance for: 1) development of regulations to define tasks, key functions, responsibilities and competencies of the Department, as well as mutual relations of all participants in coordination systems (including the Ministry of Finance - the Macroeconomic Analysis and Policy Unit) and public enterprises, 2) Development of regulations to define the methodology: a) collecting data on financial and sectoral indicators, including forms for data collection and b) reporting. The proposal of the decision on the appointment of the working group is prepared, and the working group's task is, in cooperation with representatives of international financial institutions, to prepare an analysis of the legal framework, which is foreseen by measure 1.1.12. of the Updated Action Plan for public enterprise reform for the period 2022-2026, and to submit it to the RS Government for consideration and adoption by the end of October 2023.
Make amendments to legal frameworks for public enterprises (RS Supervisory Unit)	1		The proposal of the decision on the appointment of the working group was prepared, whose task, in cooperation with representatives of international financial institutions, and after the completion of the analysis, is to: • Draft changes to the relevant laws to implement the measure 1.1.13. defined by the Updated Action Plan for the Reform of Public Enterprises for the period 2022-2026., and to deliver it to the RS Government for consideration and adoption by the end of 2023; • Make proposals of relevant bylaws to implement the measure 1.1.14. defined by the Updated Action Plan for the Reform of Public Enterprises for the period 2022-2026, and to deliver it to the RS Government for consideration and adoption by mid-2024.

Develop and adopt ownership policies over public enterprises (RS Supervisory Unit)	1		The working group mentioned in the previous activity has the task of delivering to the RS Government for consideration and adoption the following: • Analysis of the legislative-legal framework, related to the definition of elements and ownership policies, by the end of October 2023; • Proposal to amend legal acts to define elements and ownership policies, by the end of 2023; • Proposal to amend bylaws from the subject matter, by the end of the first half of 2024. The development of the document will be phased, which implies, in the first phase, training of employees in the area of corporate governance, and in the second phase, the development of the document itself. The deadline for the development of the document is prolonged for the first quarter of 2025, following the priorities defined by the Updated Action Plan for Public Enterprises Reform for the period 2022-2026.
Public enterprises will improve the planning process and timely adoption of business plans following three year projections and strategic development documents (public enterprises).	0		The activity of improving the planning and timely adoption of business plans following three-year projections and strategic development documents is conditioned by amendments to the Legislative Framework for Public Enterprises, and establishing functional software. Since these preconditions cannot be completed in 2023, the deadline for the implementation of this activity is prolonged until the end of June 2024, according to the updated Action Plan for the Reform of Public Enterprises for the period 2022-2026.
Further education of the managers of all public sector entities, PIFC coordinators and internal auditors on the importance of management responsibilities and ways to improve the system of internal controls, including local government and self-government units (MR RS)			
5.1.3.2. Reform measure: Increase transparency, performance and control in the collection and consumption of public funds			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation

Updating the applicable regulatory framework in the field of PIFC in FBiH (Financial Management and Control and Internal Audit) (MF FBiH)	4	Strategy for the development of internal financial controls systems in the public sector of the Federation of Bosnia and Herzegovina 2021-2027. (System Development Strategy PIFC), Chapter 32 - "Financial Controls", FBiH Development Strategy 2021-2027.	New methodology on the work of internal audit in the public sector in the Federation of BiH ("Official Gazette of the FBiH", number: 20/23) and the Manual for Financial Management and Control in the Federation of BiH ("Official Gazette of the FBiH", number: 46 /23) are published, and the amendments to the Rulebook on the conditions for performing internal audit activities in the public sector in the Federation of BiH and the Rulebook on the implementation of financial management and control in the public sector in the Federation of BiH are in the final phase.
Improve and computerize risk management in the public sector in FBiH (MF FBiH)	4	Strategy for the development of internal financial controls systems in the public sector of the Federation of Bosnia and Herzegovina 2021-2027. (System Development Strategy PIFC), Chapter 32 - "Financial Controls", FBiH Development Strategy 2021-2027.	Developed PIFC application for public sector organizations, assigned access data and conducted training for using the application. Next is the improvement of practical application.
Improve and computerize the implementation of internal audit in the public sector in FBiH (MF FBiH)	4	Strategy for the development of internal financial controls systems in the public sector of the Federation of Bosnia and Herzegovina 2021-2027. (System Development Strategy PIFC), Chapter 32 - "Financial Controls", FBiH Development Strategy 2021-2027.	Developed PIFC application for public sector organizations, assigned access data and conducted training for using the application. Next is the improvement of practical application.

Develop a methodology for assessing the quality of public internal financial controls in the Federation of Bosnia and Herzegovina (financial management and control and internal audit) (MF FBiH)	2	Strategy for the development of internal financial controls systems in the public sector of the Federation of Bosnia and Herzegovina 2021-2027. (System Development Strategy PIFC), Chapter 32 - "Financial Controls", FBiH Development Strategy 2021-2027.	Activities in progress
Strengthening the staff capacities of the Budget and Public Expenditure Sector of the FBiH Ministry of Finance (MF FBiH)	4	Public Finance Management Reform Strategy 2021-2025.	To better prepare and implement program budgeting, it is necessary to strengthen the capacities of the Sector for Budget and Public Expenditures
Amendments to by-laws for the application of program budgeting in FBiH (MF FBiH)	1	Public Finance Management Reform Strategy 2021-2025	The FBiH Ministry of Finance has begun drafting the Regulation on linking strategic planning and budget programming, the Manual for the Implementation of the Program Budget, and will soon refer the aforementioned acts for adoption and publication. Also, a new Rulebook on the form, content, and method of filling out and submitting the Statement of Fiscal Responsibility, was prepared.
Preparation of a manual for budget users in FBiH (MF FBiH)	1	Public Finance Management Reform Strategy 2021-2025	The FBiH Ministry of Finance has started the preparation of the Manual for the implementation of the Program Budget, and the same is in the procedure.
Training on concepts and methodology of program budgeting in FBiH (MF FBiH)	4	Public Finance Management Reform Strategy 2021-2025	In the period from March 15 until June 28, 2022 in Sarajevo and Mostar, trainings were held for budget users in the form of technical assistance, and each budget user was individually presented with relevant proposals for budget programs and performance indicators for that user.
Procurement of new software for budgeting and training of MF FBiH personnel and FBiH budget users. (MF FBiH)	1	Public Finance Management Reform Strategy 2021-2025	The FBiH Ministry of Finance expects the procurement and installation of a new software application, so that the program budgeting model can be fully realized and applied at the level of the Federation of Bosnia and Herzegovina starting in 2024.
Strengthening of personnel capacities of the Budget and Public Finance Department through training and education of employees (MF RS)			

Preparation of a manual for budget users in the Republika Srpska (MF RS)			
Training on the concepts and methodology of program budgeting in the Republika Srpska (MF RS)			
Procurement of new software for budgeting, and training of personnel of the RS Ministry of Finance and RS budget users (MF RS)			
Adoption of the Law on Amendments to the Law on the Register of Employees of Republika Srpska Budgetary Funds Users (MALSG)			
Adoption of the Law on Civil Servants (MGLSG).			
Update of the current regulatory financial management and control (FMC) and internal audit framework in Republika Srpska (MF RS)			
Improving the introduction of FMC and risk management through the use of the PIFC application (MF RS)			
Performing internal audits through the use of the PIFC application (MF RS)			
Developing a methodology for evaluating and improving the quality of internal audit (MF RS)			
Carrying out the reporting process for FMC and IA through the application (MF RS)			
Training of internal auditors and FMC coordinators regarding the use of the PIFC application for the above-stated purposes (MF RS)			
5.1.3.3. Reform measure: Improvement of property/real estate taxation			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation

Development of a property taxation model in FBIH (MF FBiH)	1	Public Finance Management Strategy 2021 – 2025, Activity: II.1.2 Harmonize the regulations on taxation of property ownership and transfer of property in FBiH: Work Program of the Government of FBIH for the period 2023 – 2026	Model development is in progress. The process is slowed down by the lack of human capacity.
Consultations with lower levels of government, cantons, and local self-government units (MF FBiH)	0	Public Finance Management Strategy 2021 – 2025, Activity: II.1.2 Harmonize the regulations on taxation of property ownership and transfer of property in FBiH: Work Program of the Government of FBIH for the period 2023 – 2026	The process has not even started, because the Property Taxation Model that can be offered to lower levels of government has not been completed.
Expanding the scope of taxpayers and real estate - intensifying activities within the Project (MF RS, MALSG)	5		In the previous period, MGLSG did not undertake any activities. The Ministry of Finance analyzed budget revenues and concluded that the real estate tax revenues were significantly underreported and deviated from the forecast because a large number of real estate in the Republika Srpska were not recorded in the Real Estate Fiscal Register. In this regard, the Tax Administration is not able to issue a fiscal invoice to the real estate owner or user, who, under the Law on Real Estate Tax, is liable for the same.
Adoption of the Law on Amendments to the Law on Real Estate Tax (MF RS)	0		Since the Working Group, formed by the Decision of the Minister of Finance, proposed a model that can improve the current situation in terms of expanding the coverage of real estate taxpayers, no amendments to the Law on Real Estate Tax have been made until the impact and contribution of the proposed model have been assessed.

Harmonization of by-laws with the provisions of the amended Law on Real Estate Tax (MF RS)	0		Since no amendments were made to the existing Law on Real Estate Tax, there is no basis for amending the existing or adopting new by-laws.
Specifying the responsibilities and obligations of all institutions involved in the process of collecting and analyzing the data needed to determine the real estate tax base (MF RS, MALSG)	0		In the previous period, MALSG did not undertake any activities.
Detailed regulation of the methodology for determining the initial values of real estate in local self-government units (MF RS, MALSG)	0		In the previous period, MALSG did not undertake any activities.
Analyze change in real estate tax rates in terms of the introduction of a differentiated rate that would be determined concerning the real estate value or the number of real estate properties that belong to the same taxpayer (MF RS, MALSG)	0		In the previous period, MALSG did not undertake any activities.
Amendment of penalty provisions (MF RS, MALSG)	0		In the previous period, no amendments were made to the existing Law on Real Estate Tax, and the penalty provisions remained unchanged.
Analysis of the normative-legal framework in the Republika Srpska related to its improvement, with the aim of more efficient management of real estate in LSGs and the development of the main recommendation for improving the current situation (MALSG, MF, MSPCE, RS AGP, Prosecutor's Office).			
5.1.3.4. Reform measure: Strengthening analytical capacities in the ministries of finance and tax administration			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
Adoption of the Restructuring Program for the period 2023-2025 and the Action Plan in FBiH (MF FBiH)	3	Public Finance Management Strategy 2021 - 2025, Activity: II.1.4 Improve regulations on tax administration.	A restructuring program has been developed by FBiH Ministry of Finance and is ready to be submitted to the Tax Administration for consultation.

Introducing a new e-service in the RS Tax Administration (RS TA)			
Initiate activities on the optimization of administrative procedures related to enabling other bodies and institutions to access data on the status of reported and paid obligations (RS TA)			
Full implementation of the new Law on Fiscalization in RS (RS TA)			
Continuation of the initiated activities to strengthen inspection controls in the RS Tax Administration (RS TA)			
Evaluation of implemented processes through the Integrated Information System in the RS Tax Administration (RS TA)			
Introduction of ISO standard 22301 business continuity management (RS TA)			
5.2.2. GREEN TRANSITION	Activity implementation status [1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
	0-5		-
5.2.2.1. Reform measure: Climate change mitigation and energy efficiency			
Activities planned for 2023, by holders			

Preparation of the Integrated Energy and Climate Plan of Bosnia and Herzegovina 2030 (MF TER BiH, MEMI FBiH, MEM RS, MSPCE RS, MSTDHE RS)	3	BiH is actively working on the implementation of activities related to the Sofia Declaration and is actively involved in the implementation of the EU4Green project, which supports WB6 countries in the implementation of the Green Agenda. In this aspect, BiH has already set future energy and climate goals until 2030 in accordance with the framework of the Energy Community and EU acquis, as well as drafted Integrated Energy and Climate Plans with clear measures to reduce greenhouse gas emissions.	The first draft of the NECP BiH was submitted to the Secretariat of the Energy Community following the defined deadlines in June 2023. It prescribes in detail the reform of the energy sector in accordance with the climate goals, until 2030, with projections until 2050.
Amendments to the Law on Energy Efficiency in the FBiH with the aim of establishing an Obligation Scheme/Alternative Sources of Financing for EE measures in accordance with the conclusions of the Parliament of the Federation of BiH (FBiH Parliament)	2	Energy Community Treaty, FBiH Development Strategy 2021-2027.	Activities in progress
Adoption of the remaining by-laws and acts under the Law on Energy Efficiency in the FBiH (MEMI FBiH)	5	Energy Community Treaty, FBiH Development Strategy 2021-2027.	Two rulebooks were adopted (Rulebook on energy audit of heating and air conditioning systems and Rulebook on labeling of electrical products in accordance with the Law on EE in FBiH)
Adoption of ECP/NECP (the part related to energy efficiency in FBiH)	3	In accordance with the Green Agenda for the Western Balkans, Energy Community Treaty, FBiH	

		Development Strategy 2021-2027.	
Adoption of the Law on Use of Operator for renewable energy sources and efficient cogeneration in FBiH	4	Energy Community Treaty, FBiH Development Strategy 2021-2027.	The proposal of the Law was adopted by both houses of the Parliament of the Federation of Bosnia and Herzegovina, it remains to harmonize the adopted text of the Proposal of the Law and publish it in the Official Gazette of the Federation of Bosnia and Herzegovina.
Passing by-laws and acts according to the Law on Use of Operator for renewable energy sources and efficient cogeneration in FBiH	1	Energy Community Treaty, Law on Use of Operator for renewable energy sources and efficient cogeneration in FBiH	After the publication of the Law.
Adoption of the NECP/EPC (part relating to renewable energy sources) FBiH	3	In accordance with the Green Agenda for the Western Balkans, Energy Community Treaty, FBiH Development Strategy 2021-2027.	
Revival of the revolving fund for energy efficiency in FBiH		FBiH Development Strategy, Measure 4.2.4. Ensure prerequisites for greater absorption of EU funds	
Establishing a mechanism for subsidizing successful energy efficiency projects that are financed from the revolving fund in FBiH			
Develop a model for subsidizing energy efficiency measures for individuals (households) in FBiH			
Launch of software/module for climate change monitoring in FBiH (MET FBiH)	3	Climate change adaptation plan of Bosnia and Herzegovina	Activities are undertaken by the FBiH Environmental Protection Fund
Conducting trainings to build the capacity of institutions for calculating climate change indicators and managing GHG inventories in FBiH (MET FBiH)	1	FBiH Environmental Protection Strategy 2022-2032	Activities are undertaken by the FBiH Environmental Protection Fund

Adoption of the Law on the Fund for Environmental Protection and Energy Efficiency of the Federation of Bosnia and Herzegovina (MET FBIH)	2		The law sent to the parliamentary procedure in the previous period was not adopted. Restarted activities for preparing the Draft Law on the Fund for Environmental Protection and Energy Efficiency of the Federation of BiH.
Encouraging electromobility and establishing a network of charging stations for electric vehicles in FBiH (MEMI FBIH)			The establishment of charger networks for electric vehicles is not legislatively in the area of the environment but in the transport sector.
Adoption of the Energy and Climate Plan of the RS (MEM, MSPCE, RS Government)			
Beginning of realization of capital investments "Elektroprivreda RS" (the company MH "ERS") and private investments in new energy facilities.			
Adoption of the Strategy for the long-term promotion of the building renovation in RS			
5.2.2.2. Reform measure: Transition to a green and circular economy and the establishment of economic instruments in the field of the environment			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
Adopt the Environmental Protection Strategy in the FBiH. (Parliament of the Federation of BiH)		Law on Environmental Protection	FBiH Environmental Protection Strategy sent to the Parliamentary procedure
Adopt and implement a circular economy strategy for the Federation of Bosnia and Herzegovina, taking into account the entire product life cycle. The strategy should contain clearly identified goals and specific measures and deadlines for achieving those goals. Special goals should be defined for special categories of waste for which payment of fees is prescribed (tires, vehicles, oils, accumulators and batteries, packaging and electronic waste). (MET FBIH)	2	FBiH Development Strategy 2021-2027- Resource efficient and sustainable development/Priority 3.1/3.1.7. Improve integral waste management and circular economy system FBiH Environmental Protection Strategy 2022–2032. (Strategic objective 2: Reduce the amount of waste	The Environmental Protection Strategy has not yet gone through the parliamentary procedure, but regulations have been adopted for special categories of waste (packaging waste, electrical and electronic waste, waste tires, vehicles, oils, batteries and accumulators and plastic suspender bags). These regulations determine the method of distribution and investment of fees collected for special categories of waste and the conditions for the allocation of funds for reuse, processing and recovery of components from waste (recycling).

		and increase the amount of reused materials); Priority 2.5.: Improve the management system for special categories of waste	
Define the fiscal policy that stimulates the circular economy in FBiH. (MET FBiH)	3	FBiH Environmental Protection Strategy 2022–2032.-Measure 2.3.1. Revision of existing and introduction of additional economic and financial instruments and mechanisms in the field of waste management; Regulated by the decree for special categories of waste, which determines the method of distribution and investment of fees collected for special categories of waste and conditions for the allocation of funds for reuse, processing and return of components from waste (recycling).	Fees paid for special categories of waste are directed to infrastructure projects, and recycling based on the principles of the circular economy, in accordance with the adopted regulations.

Prepare plans for the development of the secondary raw materials market in FBiH (MET FBiH)	1	FBiH Environmental Protection Strategy 2022–2032. Measure 2.5.2. Strengthening the waste market intended for recycling (This measure envisages three areas of action: starting a waste exchange, providing financial support to the recycling industry and including informal collectors in the recycling system.)	Budget funds approved for 2023 are insufficient for this Program
Renovate existing and build new systems for separate collection, disposal, recycling, and reuse of waste in the entire FBiH (build green islands, transfer stations, and recycling yards) (MET FBiH)	2	FBiH Environmental Protection Strategy 2022–2032.-Measure 2.4.2. Procurement of equipment and construction of infrastructure for municipal waste management; Three-year work plan of MET FBiH	The budget funds approved for the year 2023 are insufficient for this Program, they are extremely expensive projects that cannot be fully realized with budget funds and without the help of international financial institutions. A recycling yard was built and put into function, in Sarajevo.
Support for the construction and improvement of infrastructure at existing regional landfills for waste management in FBiH (expanded sanitary areas for waste disposal, solving the issue of leachate and building purifiers where necessary), plants for mechanical biological treatment of MBO, municipal waste incinerators and power plants. (MET FBiH)		FBiH Environmental Protection Strategy 2022–2032.-Measure 2.4.2. Procurement of equipment and construction of infrastructure for municipal waste management; Three-year work plan of MET FBiH	The budget funds approved for the year 2023 are insufficient for this Program, they are extremely expensive projects that cannot be fully realized with budget funds and without the help of international financial institutions.

Remove illegal landfills and rehabilitate existing areas under inadequately disposed waste in FBiH (hazardous and non-hazardous waste, rehabilitated and removed wild landfills - at least two per year) ((MET FBiH))	4	FBiH Environmental Protection Strategy 2022–2032.-Priority 2.6.: Rehabilitate areas under inadequately disposed waste- Measure 2.6.1. Remove and rehabilitate abandoned landfills; Three-year work plan of MET FBiH	The FBiH Budget for 2023, dedicated BAM 2 million for the co-financing of the rehabilitation project and the removal of hazardous waste from the industrial zone in Tuzla.
Prepare a study on the identification of locations contaminated with hazardous waste in the FBiH (MET FBiH)		FBiH Environmental Protection Strategy 2022–2032. Priority 2.6: Rehabilitate areas under inadequately disposed waste; Measure 2.6.1. Remove and rehabilitate abandoned landfills; Three-year work plan of MET FBiH	Budget funds approved for 2023 are insufficient for this Program

Improvement of the waste management information system (WMIS) in FBiH (MET FBiH)	4	FBiH Environmental Protection Strategy 2022–2032. Priority 2.2.: Improve the system of recording and reporting on waste; Measure 2.2.1. Strengthening the system of recording and reporting on waste; Regulation on the waste management information system, which determines the bearers of activities for the establishment of the WMIS, the organization, structure and way of managing the information system, the stages and deadlines of planning and establishment of the information system, the roles and obligations of all users/entities of the information system, the availability of data of the information system.	The waste management information system in the FBiH has been established and is managed by the FBiH Environmental Protection Fund.
Revival of the Revolving Fund (RF) for waste recycling that was established in the Environmental Protection Fund in FBiH. (RF is intended primarily for the recycling economy in the form of an interest-free loan with subsidies for projects that produce the best outcomes, as an incentive to establish a circular economy). (MET FBiH)	5	Environmental Protection Strategy 2022-2032 Priority: 2.5. Improve the management system for special categories of waste; Measure 2.5.1. Creation of conditions for adequate collection	The Revolving Fund (RF) for waste recycling was established in the Fund for Environmental Protection in FBiH.

		and disposal of special categories of waste	
Achieving a joint agreement on green circular business value chains in the Western Balkans through the Memorandum of Understanding "Support provided to the identification and construction of green and circular regional value chains for the exploitation of unused economic potential aimed at support related to the implementation of circular economy projects" (Action plan for joint regional market of the Western Balkans CRM AP 2021-2024) (MET FBiH)	0	Action plan for the common regional market of the Western Balkans CRM AP 2021-2024; Three-year plan of MET FBiH	Budget funds have not been approved for this Program in 2023.
Initiate activities on the analysis of the current state of waste management in the FBiH as a basis for the preparation of the new Law on Waste Management (MET FBiH)	5	Regular activity during the drafting of the Law	The document "Analysis of the Municipal Solid Waste Management Sector: Strategic Directions and Investment Planning 2025" was prepared, which was financed by the World Bank.
Adopt the list of environmental indicators, which must also include indicators related to waste management (MET FBiH)	5	FBiH Environmental Protection Strategy 2022–2032.; 2. Reduce the amount of waste and increase the amount of reused materials	Indicators for waste management are defined as part of the Environmental Protection Strategy
Implementation of the measures established by the Environmental Protection Strategy of Republika Srpska			
Financial support for the industry projects implementation aimed at reducing the impact on the environment (MEE, MSPCE, FEPEE)			
Financial support for energy efficiency projects and the use of renewable energy sources in industry, as well as projects aimed at improving quality and protection of the environment (FEPEE)			

Promotion of the production and use of products with a reduced impact on the environment, and raising awareness of the importance of environmental protection (MSPCE RS, MEE)			
Development and improvement of the system of separate collection and recycling of special categories of waste, as well as further improvement of the information system (MSPCE, FEPEE, and business entities)			
Maintaining and updating the database on waste management (MSPCE, FEPEE, and business entities)			
5.2.2.3. Reform measure: Implementation of the energy transition in Bosnia and Herzegovina			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
Propose a management structure for managing the energy transition in coal regions (MFTER BiH, MEMI FBiH, MEM RS)			A draft version of the Roadmap for a Just Transition in Coal-Rich Regions was prepared and submitted to the relevant institutions for comments. A final draft was prepared including the comments of the relevant institutions, and resubmitted to the competent entity institutions for comments. The next step that is planned is to adopt the Road Map for the Just Transition of Coal-Rich Regions by the Council of Ministers of Bosnia and Herzegovina, following the prescribed procedure with the positive opinions of the entities.
Stakeholder Mapping for the Energy Transition in Coal Regions (MFTER BiH, MEMI FBiH, MEM RS)			
Timely planning and overcoming limitations in the transition of the electricity sector and heating system (MFTER BiH, MEMI FBiH, MEM RS)			
5.2.3 DIGITAL TRANSFORMATION	Activity implementation status[1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation

	0-5		-
5.2.3.1. Reform measure: Improving the sector of communications and information society while aligning the regulatory framework with EU standards (MCT BiH)			
Activities planned for 2023, by holders			Short comment/explanation
Drafting and adoption: Strategy for the development of eGovernment in the Institutions of Bosnia and Herzegovina / MCT BiH and GS CoM BiH		EC recommendations from regular meetings of EU-BiH joint bodies, Subcommittee for Innovation, Information Society and Social Policy	Currently, activities related to the preparation of the Strategy for the development of e-government in the institutions of Bosnia and Herzegovina for the period 2024-2028 are being implemented, which should include all aspects of the digital society towards the improvement of electronic administration, starting with the establishment of an institutional framework, coordination, an interoperable and secure platform for data exchange, electronic services, and the application of electronic signatures.
Drafting and adoption: Broadband access strategies / MCT BiH, MSDHE RS, MTC FBiH			The opinion of the newly established Agency for ICT of the Republika Srpska, which is the legal successor of the MSDHE RS for this area, is awaited.
5.2.3.2. Reform measure: Electronic administration - the path to a digital society			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
Preparation and adoption of legal acts (Law on e-governance and Law on information security), which will improve the field of electronic administration and information security in the Republika Srpska (MSDHE RS)	3		Preliminary drafts of legal acts have been prepared.
Application and maintenance of information systems for management of e-government development projects and supervision in the field of information security (MSDHE RS)	4		The information system for the management of e-government development projects has been completed and is in the test phase. Automated monitoring by SIEM solutions was established over the information and communication structure of the RS Government in the DATA center.
Improving the capacity of the MSDHE RS and the e-government to manage the process of digital transformation of public administration, digital identities and information security of the Republika Srpska (MSDHE RS)	4		Through the Information System for monitoring ICT projects, a basic model of cost and benefit analysis of digitization was established for some institutional segments. A catalog of e-services was created as part of the digitization of key registers. As part of the Cyber Academy project, a program (software) was acquired and training in the field of information security is being carried out by experts.

5.2.3.3. Reform measure: Digital transformation of industry, small and medium-sized enterprises (SMEs)			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
Realization of the project "Strengthening the competitiveness of SMEs" (MDEC FBiH)	5	Harmonized with the three-year work plan of the FBiH Government and the FBiH Ministry of Development, Entrepreneurship and Crafts	
Establishment of digital Hubs (MDEC FBiH)	5	Harmonized with the three-year work plan of the FBiH Government and the FBiH Ministry of Development, Entrepreneurship and Crafts	
Promote the implementation of digitization in the industry (RS Chamber of Commerce, MEE, MSDHE RS)	3		RS Chamber of Commerce through the activities of the Center for Digital Transformation works to raise awareness of the importance of digital transformation of the economy and adaptation to new trends, and by providing consulting support, information and advisory services in the field of digital transformation, as well as connecting domestic ICT solutions with other sectors of the economy.
Education and consulting of companies on the application of digital solutions in industry (RS Chamber of Commerce, MEE, MSDHE RS)	5		In order to raise awareness of the importance of the digital transformation of the economy and adaptation to new trends, as well as the application of innovative solutions in production processes, the RS Center for Digital Transformation organized 13 educational events in 2022 (seminars, trainings, info days, etc.), where there were about 450 participants from more than 200 companies.

Stimulate digitization in industrial enterprises (MEE RS)	4		As part of the incentives for SMEs, incentives for digitization are also planned, which should be implemented by the end of 2023. In 2023, the Regulation on Amendments and Supplements to the Regulation on the Procedure for Awarding Incentives for Small and Medium Enterprises was adopted, with the aim of improving certain provisions and better implementation of the awarding procedure. Decisions on the plan for the use of funds have been prepared in order to initiate activities related to the implementation of the public call. A working version of the public call has been prepared, which is scheduled to be announced in the coming period.
5.2.4. RESEARCH, DEVELOPMENT AND INNOVATION	Activity implementation status [1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
	0-5		-
5.2.4.1. Reform measure: Strengthening scientific research and innovation potential			
Activities planned for 2023, by holders			
Qualitative analysis that will be the basis for the proposal of priority areas of smart specialization. Deadline: June 2023; Activity leader: Directorate for Economic Planning of BiH (DEP BiH), external experts and Working Group for S3 BiH; Result: Report on qualitative analysis.			
Continuation of activities on the development of the Smart Specialization Strategy of the Republika Srpska (MSDHE RS, in cooperation with all relevant institutions)	3		MSDHE started the process of developing the Smart Specialization Strategy and held a meeting with representatives of the business, scientific research and public sector, with the aim of identifying key areas. A quantitative analysis of the economy of the Republika Srpska was done and the method of qualitative analysis was defined.
Development of the Center for Science and Scientometrics, in cooperation with the National and University Library of the Republika Srpska (NUL RS, MSDHE RS)	1		Activities on the establishment of the Center for Science and Scientometrics, in cooperation with NUL RS, have been started.

Revision of study programs at HEIs (MSDHE RS)	2		By the decision of the Government of Republika Srpska, the Commission for revision of study programs was appointed. Activities are underway, which include the joint work of the MSDHE RS with representatives of relevant institutions (Higher Education Institutions, Agency for Higher Education, business sector).
Introduction of new study programs/short study programs (MSDHE RS)	5		The Law on Higher Education of the Republika Srpska and by-laws give the possibility to HEIs to organize short study cycles and studies in a foreign language.
Adoption of the Law on the Science and Innovation Fund of the Republika Srpska (MSDHE RS)	1		A prerequisite for the establishment of the Fund for Science and Innovation is the adoption of the Law on Innovation Activities. Drafting of the Law on Innovation Activities is under preparation.
Preparation of the conceptual and main project of the construction of the science and technological park (MSDHE RS)	4		The concept project for the science and technology park has been completed. The main project is under construction.
Applying for loans for the construction of a science and technology park (MSDHE RS)	3		Negotiations are being conducted with potential creditors and donors, the concretization of which is expected after the completion of the Main Project.
5.2.4.2. Reform measure: Strengthening the quality infrastructure and development of the legal and planning framework in the sector of free movement of goods according to the EU model			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
Adoption of a legal act on the procedure for reporting regulations in preparation, standards and conformity assessment bodies, managing a contact point for products and regulations and a notification point about RS regulations in preparation (MEE, MEIIC, KT IKV)	1		According to the Work Program of the National Assembly of RS for 2023, the adoption of the Law on Amendments and Supplements to the Law on Technical Regulations of the Republika Srpska was planned, but this was not realized. MEIIC and RS Institute for Standardization and Metrology (ISM) have analyzed the new EU regulations in this area, the experiences of EU countries and prepared a working version of the regulation, in accordance with the requirements of the acquis in this area, which will go into the procedure of defining the proposal and adoption by the RS Government once the law is adopted.

According to EU requirements, the establishment and management of the Register of Regulations of the RS, information and notification points about products and regulations, in the implementation of the Action Plan for harmonization of regulations with the requirements of Art. 34, 35 and 36 of the UFEU (MEHC)	3		Following the Law on Technical Regulations of the Republika Srpska, ISM and MEHC regularly monitor and update the Database of the valid legal framework of the Republika Srpska in the area of Chapter 1. Free movement of goods (on a monthly basis), and during 2023, an improved table of records of data on the valid regulations was used. The List of valid regulations defining technical and other requirements for products and services has been updated and the regulations are publicly available on the RS ISM website: http://rzsm.org/tehprop and the MEIMS website: http://www.vladars.net/sr-SP-Cyrl/Government/Ministerstva/meoi/vazecipropisi/Pages/default.aspx. As of August 31, 2023, there were a total of 1,231 valid regulations in the regulations database, which are available for review on the RS ISM website. Also, in order to facilitate the application of valid technical regulations in practice, updated lists are available on the RS ISM website: List of JUS standards with mandatory application that are no longer mandatory for application in the RS“ and "List of JUS standards with mandatory application for which corresponding BAS standards have been adopted".
Analysis and determination of new strategic goals and measures for the development of quality infrastructure in RS (MEHC, KT IKV).	2		"Strategy of infrastructure quality of products and services of the Republika Srpska for the period 2019-2023" and the accompanying "Action plan for incorporating EU regulations in the area of free movement of goods in the legal system of the Republika Srpska" were adopted in 2019, for the period until the end of 2023. At the beginning of 2023, MEHC collected data on the implementation of planned activities for the period January 1 - December 31, 2022, and the RS Government considered the implementation of this action plan and planned goals, measures and activities at the 12th session of March 16, 2023. and adopted Conclusion number: 04/1-012-2-947/23. As every year, an overall overview of the planned activities implementation in 2022 was given. A working analysis of the realization of established strategic goals, planned measures and activities for the four years of strategy implementation (realization in 2019 40%, 2020 41%, 2021 42% and 2022 40%) was performed, and the final analysis will be completed after the review of the implementation in 2023. After that, the new strategic goals for the development of quality infrastructure in the Republika Srpska will be determined, whose realization will be continued in the coming period with the new set of measures and activities.

5.2.5. ENERGY MARKET REFORMS	Activity implementation status [1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
	0-5		-
5.2.5.1. Reform measure: Establish an organized electricity market			
Activities planned for 2023, by holders			
Establish an organized electricity market based on the results of the study (MFTER BIH, MEMI FBIH, MEM RS)	2	Energy Community Treaty	
The study on the establishment of an organized day-ahead market in Bosnia and Herzegovina was discussed at the Working Group, but the final decision on whether to establish its own electricity exchange or to join one of the existing ones should be made by the competent institutions. (MFTER BIH, MEMI FBIH, MEM RS)	2	Energy Community Treaty	
Adopt the Law on Electricity and Natural Gas Regulator, Transmission and Electricity Market in Bosnia and Herzegovina aligned with the Third Energy Package (MFTER BIH, MEMI FBIH, MEM RS)	3	Energy Community Treaty	
Law on Transmission System Operator in Bosnia and Herzegovina (MFTER BIH, MEMI FBIH, MEM RS)	2	Energy Community Treaty	A prerequisite for the adoption of the Law on Transmission System Operator in BiH is the Law on Electricity and Natural Gas Regulator, Transmission and Electricity Market in BiH. A consultant hired by the Energy Community prepared the Draft Law. The draft was made in accordance with good practices from the region. During the drafting process, the consultant held meetings with all key actors, and based on that he made a detailed analysis of the situation in BiH and drafted the Law on Transmission System Operator in BiH.

Decision on the quality of liquid petroleum fuels (MFTR BiH, MEMI FBiH, MEM RS)	3	Energy Community Treaty	The General Secretariat of the BiH Council of Ministers on November 8, 2022, issued an Opinion on the procedural aspects of a comprehensive assessment of the impact of regulations on the Proposal for a Decision on the Quality of Liquid Petroleum Fuels. With the aforementioned Opinion, the conditions have been met for the Council of Ministers of Bosnia and Herzegovina to include the material on the agenda, and the comprehensive assessment procedure has been completed. The proposed decision on the quality of liquid petroleum fuels has been included in the agenda of the Council of Ministers, but has not yet been considered.
Due to the overall situation caused by the emergence of COVID 19, the deadlines for all the mentioned activities have been extended. (MFTR BiH, MEMI FBiH, MEM RS)			
Development of the Energy Strategy of the Federation of Bosnia and Herzegovina for the period 2022-2035 with a projection to 2050. (FBiH Parliament)	2	Framework Energy Strategy of BiH, FBiH Development Strategy 2021-2027.	
Adoption of the Law on Electricity in the Federation of Bosnia and Herzegovina aligned with the state law, i.e. the Third Energy Package (FBiH Parliament)	5	Energy Community Treaty, FBiH Development Strategy 2021-2027.	
Adoption of the Law on Energy and Regulation of Energy Activities in the Federation of Bosnia and Herzegovina (FBiH Parliament)	5	Energy Community Treaty, FBiH Development Strategy 2021-2027	
Adoption of the Law on Gas in the Federation of Bosnia and Herzegovina harmonized with the state law, i.e the Third Energy Package (FBiH Parliament)	1	Energy Community Treaty, FBiH Development Strategy 2021-2027	
Adoption of the Law on the Gas Pipeline Southern Interconnection Bosnia and Herzegovina and the Republic of Croatia (FBiH Parliament)	4	Energy Community Treaty, Constitution of the Federation of Bosnia and Herzegovina, FBiH Development Strategy 2021-2027	

Drafting of the Integrated Energy and Climate Plan of Bosnia and Herzegovina/Federation of Bosnia and Herzegovina (NECP/ECP) (FBiH Government and BiH CoM)	3	In accordance with the Green Agenda for the Western Balkans and the Energy Community Treaty	NECP BiH was not adopted
Implementation of the Energy Production and Supply Project. (MEMI FBIH)	4	FBiH Development Strategy 2021-202	
5.2.6. TRANSPORTATION MARKET REFORMS	Activity implementation status [1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
	0-5		-
5.2.6.1. Reform measure: Market development and safety in the field of transport			
Activities planned for 2023, by holders			
Law on Roads of the Federation of Bosnia and Herzegovina (FBiH Government)	1	Transport strategy of the FBiH for the period 2016 - 2030	MTC FBIH requested comments, suggestions, and proposals on the existing Law on Roads of FBiH from public companies, FBIH AIA, Cantons, Alliance of Municipalities and Cities in FBiH, which will be used as the basis for drafting the Law on Roads of FBiH.
5.2.7. AGRICULTURE INDUSTRY AND SERVICES	Activity implementation status [1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
	0-5		-
5.2.7.1. Reform measure: Improving the competitiveness of agriculture, forestry and water management			
Activities planned for 2023, by holders			
Implementation of the new Agriculture and Rural Development Strategy 2021-2027 (MAWMF FBIH)	0	FBiH Development Strategy 2021-2027 and Medium-term Strategy for the Development of the Agricultural Sector in the FBiH for 2015-2019	Agriculture and Rural Development Strategy 2021-2027 - completed and currently in the parliamentary procedure

Law on financial support in agriculture and rural development in FBiH or amendment of the current one (MAWMF FBiH)	4	FBiH Development Strategy 2021-2027 envisages the drafting of a new Law on Agriculture and the Law on Financial Support	In the procedure of amendments to the current Law on Financial Support in Agriculture and Rural Development. In parallel, following the operational plan for the implementation of the Agriculture and Rural Development Strategy 2021-2027, the working group is drafting the new law.
Upgrade the Register of Agricultural Farms (RPG), the register of domestic animals and establish a system for collecting and analyzing agricultural accounting data (FADN) and maintaining the Agricultural Market Information System (PTIS). (MAWMF FBiH)	3	Medium-term Strategy for the Development of the Agricultural Sector in the FBiH for 2015-2019 and IPA	As for RPG, it is continuously updated according to needs, while FADN and PTIS are registers that need to be established at the level of BiH, for which the competent Ministry of Foreign Trade and Economic Relations shows no interest.
Participate in the implementation of the agricultural census. (MAWMF FBiH)	3	Regulation (EU) 2018/2019 of the European Parliament and of the Council, on integrated statistics at the level of agricultural holdings. Decision of the Council of Ministers on the formation of an interdepartmental working group for the development of an action plan for the preparation, implementation and dissemination of the results of the agricultural census in BiH in the period 2023-2026.	An interdepartmental working group was formed that works on the preparation, implementation and dissemination of the results of the agricultural census in BiH 2023-2026.
Adoption of the new Law on Agriculture (MAFWM)	2	The Agriculture and Rural Development Strategy 2021-2027 foresees the drafting of a new Law on Agriculture and the	In accordance with the operational plan for the implementation of the Agriculture and Rural Development Strategy 2021-2027, a new law is being prepared by a working group.

		Law on Financial Support	
The beginning of the implementation of the Project of resilience and competitiveness of the agricultural sector, which will include activities on the creation of information systems, the construction of value chains and the resilience of the agricultural sector to climate change (MAFWM)	2	Agriculture and Rural Development Strategy 2021-2027 Program of Irrigation and Consolidation of Agricultural Land	The World Bank has just submitted a notice on the availability of funds for the implementation of activities from this project. The project can start implementation in full capacity.
Improvement of information systems for more efficient use of resources and more efficient application of funds, including digitalization systems of land parcels (MAWMF FBiH)	3	Agriculture and Rural Development Strategy 2021-2027 Program of Irrigation and Consolidation of Agricultural Land	The FBiH Cadastre Administration submitted information that 72% of the territory of the Federation of Bosnia and Herzegovina has been digitized, and the remaining part is undergoing work related to the digitization of the cadastre. Work is also being done on linking the land register and the cadastre, and the data is being reviewed on a daily basis.
Improvement of the market infrastructure for the purchase of domestic agricultural products and support for the contracting of agricultural production and the connection of domestic primary agricultural production with the domestic food industry (MAWMF)	3	Financial support program - Model of other support types	In the previous three years, support was awarded to agricultural associations and companies that unify the offer of family farms and crafts by contracting and purchasing agricultural products according to the principle of producer groups in the EU.
Implementation of new strategic measures to improve competitiveness, productivity and sustainable development, including measures for the introduction of digital technologies, as well as support for circular economy models in the agriculture and food industry sectors (MAFWM)	2	Project of resilience and competitiveness in agriculture	The project foresees the digitization of registers, the establishment of the website of the Agricultural Advisory Service, support for the procurement of the necessary hardware (servers, computer equipment and software) for the needs of MAFWM.
The beginning of the implementation of the Economic Development Project (Unit for the Coordination of Agricultural Projects and the Ministry of Agriculture, Forestry and Water Management of RS)	1	Agriculture and Rural Development Strategy 2021-2027 - completed and currently in the parliamentary procedure	Secured funds from the Adaptation Fund, the project is in the preparation phase
Realization of the action plan of the Forestry Development Strategy of the Republika Srpska 2022–2032.	2		The strategy is in the form of a draft and its adoption is expected in 2023. The working group needed additional time to harmonize the Strategy with the new legal framework on strategic planning.

TOURISM	Activity implementation status [1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
	0-5		
5.2.7.2. Reform measure: Support the development of entrepreneurship in the tourism and hospitality sector in the Federation of Bosnia and Herzegovina - Support for the development of tourism			
Activities planned for 2023, by holders			
Decision of the FBiH Government to form a structured working group for formulating policies - Coalition for the Competitiveness of Tourism (MET FBiH)	0	FBiH Development Strategy 2021-2027, within Strategic Goal 1. Accelerated Economic Development, Priority 1.3. Support the development of the business private sector, Measure 1.3.4. Support the development of entrepreneurship in the tourism sector	Planned activity, pending adoption of FBiH Tourism Development Strategy, 2022-2027. which is in the parliamentary procedure.
Decision of the FBiH Government for the Support Program aimed at accommodation facilities that promote ecological standards and are energy self-sustainable, and enabling the application of renewable energy source technologies (MET FBiH)	0	FBiH Development Strategy 2021-2027, within Strategic Goal 1. Accelerated Economic Development, Priority 1.3. Support the development of the business private sector, Measure 1.3.4. Support the development of entrepreneurship in the tourism sector	Budget funds approved for 2023 are insufficient for this Program

Law on Tourism of the Federation of Bosnia and Herzegovina (MET FBiH)	2	FBiH Development Strategy 2021-2027, within Strategic Goal 1. Accelerated Economic Development, Priority 1.3. Support the development of the business private sector, Measure 1.3.4. Support the development of entrepreneurship in the tourism sector	The law was withdrawn from the Parliamentary procedure, by the Conclusion of the Government of FBiH.
Law on residence tax of the Federation of Bosnia and Herzegovina	2	FBiH Development Strategy 2021-2027, within Strategic Goal 1. Accelerated Economic Development, Priority 1.3. Support the development of the business private sector, Measure 1.3.4. Support the development of entrepreneurship in the tourism sector	The law was withdrawn from the Parliamentary procedure, by the Conclusion of the Government of FBiH.
The Law on Hospitality in the Federation of Bosnia and Herzegovina, as well as the Tourism Development Strategy in the Federation of Bosnia and Herzegovina 2022-2027 (MET FBiH)	2	FBiH Development Strategy 2021-2027, within Strategic Goal 1. Accelerated Economic Development, Priority 1.3. Support the development of the business private sector, Measure 1.3.4. Support the development of entrepreneurship in the tourism sector	The Government of the Federation of BiH sent back the Law on Hospitality in FBiH for harmonization with the Law on the Limited Use of Tobacco and Tobacco Products; the Tourism Development Strategy adopted by the Government of the Federation of BiH and sent to the Parliamentary procedure.

Health tourism development plan in the field of rehabilitation, dentistry and aesthetic surgery with application and strengthening of international quality standards of medical services (MET FBIH)	1	FBiH Development Strategy 2021-2027, within Strategic Goal 1. Accelerated Economic Development, Priority 1.3. Support the development of the business private sector, Measure 1.3.4. Support the development of entrepreneurship in the tourism sector	FBiH Ministry of Environment and Tourism started the activity with technical and organizational assistance from the USAID-Tourism Project.
Program of revitalization of mountains as well as old traditional houses in abandoned villages for tourist purposes and program of tourist services in rural areas to increase income from tourism activities (MET FBIH)	1	FBiH Development Strategy 2021-2027, within Strategic Goal 1. Accelerated Economic Development, Priority 1.3. Support the development of the business private sector, Measure 1.3.4. Support the development of entrepreneurship in the tourism sector	FBiH Ministry of Environment and Tourism started the activity with technical and organizational assistance from the USAID-Tourism Project.
5.2.7.3. Reform measure: Support for the manufacturing industry			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation

Support for direct investment projects, monitoring of implementation and their effects (MEE RS)	5		In 2023, monitoring and control activities of the implementation of the supported investment projects from 2022 are being carried out regularly. In parallel with the mentioned activities, activities are being carried out on the allocation of incentive funds to support investment projects in 2023. Namely, in 2023, the Regulation on the procedure for awarding incentives for direct investments was amended to improve the procedure. A public call for incentives was announced and closed on September 18, 2023. The applications evaluation procedure is underway.
Support to investors of particular importance (MEE RS)	3		Amendments to the Regulation on the procedure for awarding subsidies for direct investments of special importance were adopted. Several activities (meetings, direct marketing, etc.) were carried out to attract investments with a higher degree of efficiency, and discussions are being held with several potential investors of special importance.
Allocating subsidies to increase the wages of workers in the real sector (MEE RS)	5		In accordance with the Law on Subsidies for the Economy in the Republika Srpska and the Rulebook on the Procedure for Awarding Subsidies for Increasing the Wage of Workers in 2023, the MEE, in cooperation with the RS TA, conducted the procedure for processing requests and calculating subsidies for the accounting period from July 1 to 31 December 2022, and the minister issued decisions on the approval of subsidies for 814 economic entities in the total amount of 7,889,438.71 BAM. At the end of August, the deadline for submitting requests for subsidies to increase workers' wages for the accounting period January 1 - June 30, 2023, expired. 887 requests were successfully submitted electronically and the process of recording and processing requests is ongoing.
Improvement of the e-subsidies application (MEE RS)	5		The e-subsidies application has been improved and the necessary corrections have been made for the calculation of subsidies for increasing workers' wages following the new legal solutions.
Mapping the needs and opportunities of the economy for the own product development (MEE RS)	4		MEE conducts continuous activities with the business community to resolve the identified limitations for doing business. However, in the previous period, due to negative business conditions caused by the crisis in Ukraine, business entities were not able to express long-term development plans, and therefore activities on mapping the needs and opportunities of business entities for the development of their products were postponed for the next period.

Preparation of a study on the possibility of producing one's own product (MEE RS)	0		The implementation of the measure is in progress. Namely, due to the lack of budget funds for the preparation of the study, the activities of the MEE in the previous period were focused on finding donor funds. Negotiations with the World Bank have been completed, the willingness of the World Bank to finance the mentioned project has been expressed, and a consultant has been selected. Activities on the implementation of the measure are postponed until 2024.
Analyzing data on materials and products imported into the Republika Srpska (MEE RS)	4		A tabular overview of the products imported and exported from Republika Srpska is available on the MEE website, which is updated annually. Also, on the website of RS Chamber of Commerce, there is a platform with a register of business entities and exchange of goods and services where business entities can publish their offer or demand for goods, products or services to other business entities.
Amendments to the Law on Technical Regulations, the Law on the Production and Transport of Weapons and Military Equipment, and harmonization of technical regulations with the EU (MEE RS)	4		The following were adopted: the Law on Amendments to the Law on Business Entities, the Law on Standardization, the Law on Metrology, the Training Program for mediators in the process of consensual out-of-court financial restructuring, the Rulebook on Amendments to the Rulebook on Limiting the Use of Certain Harmful Substances in Electrical and Electronic Equipment, Rulebook on Amendments to the Rulebook on Machine Safety, Publicly valid training program for auto-tinsmiths, for electricians-electrical installers, for construction carpentry carpenters. A draft of the Law on Amendments to the Law on Technical Regulations was prepared.
5.2.11. EDUCATION AND SKILLS	Activity implementation status [1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
	0-5		-
5.2.11.1 Reform measure: Improve the connection between education and the labor market			
Activities carried over from an earlier period:			
Introduction of key competences in curricula with a focus on digital competences (Activities are carried out at the level of competent educational authorities)			

Developing a methodology for the evaluation of non-formal and informal learning to ensure sufficient passability and recognition of qualifications, and remove obstacles in the efficient monitoring of the labor market. (Activities are carried out at the level of competent educational authorities)			
Developing a quality assurance system in secondary vocational and higher education, as well as developing the links between the education and training and employment. (Activities are carried out at the level of competent educational authorities)	5	The program is included in the Annual Work Plan of the FBiH Ministry of Education and Science.	
Development of guidelines for the adult education in BiH in the context of lifelong learning according to EU standards (Activities are carried out at the level of competent educational authorities)			
Activities planned for 2023, by holders	0-5	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
Development of a document for career guidance in the process of lifelong learning (Activities are carried out at the level of competent educational authorities)		Activity planned for 2024 by the MCA Work Program	A draft document was prepared through the project "Education for employment".
Evaluation of the Platform for the Development of Preschool Education in Bosnia and Herzegovina (Activities are carried out at the level of competent educational authorities)		The MCA BiH work program for 2023 stipulates that during 2023, after the expiration of the Platform 2022, an evaluation of the Platform for the Development of Preschool Education in BiH for the period 2017-2022 will be done.	The platform for the development of preschool education in Bosnia and Herzegovina for the period 2017-2022 expired in 2022. During 2023, UNICEF in BiH hired an expert who, in cooperation with appointed representatives of the competent educational authorities, and representatives of other relevant institutions and in cooperation with the Ministry of Civil Affairs of BiH, will prepare Information on the evaluation of the implementation of the Platform. After the evaluation, it will be necessary to undertake revision activities, i.e. the creation of a new platform document for the development of preschool upbringing and education in BiH, as a basis for a systemic intersectoral approach to preschool upbringing and education in BiH.

Further development of occupational standards and qualification standards for vocational and higher education (Activities are carried out at the level of competent educational authorities)		Activity planned for 2024 and 2025 by the MCA Work Program	
Development of new study programs for initial teacher education based on learning outcomes and key competencies, and in accordance with occupational standards and qualification standards (Activities are carried out at the level of competent educational authorities)		IPA 2019	The Manual for the implementation of occupational/qualification standards in study programs in Bosnia and Herzegovina was developed and adopted by the Project Management Board, which will primarily serve higher education institutions to improve the processes and documentation that are a prerequisite for the revision (amendment) procedure of study programs, curriculum elements, study programs, the ratio between mandatory and elective courses, the relationship between the learning outcomes matrix and the elements of the curriculum (syllabus), from which the goals and learning outcomes at the course level are distinguished, the allocation of ECTS points at the courses level, and the evaluation methods and methodology for calculating the final grades. As a result of the project, draft curricula for 108 study programs for teaching at 8 public higher education institutions were created.
Strengthening of human capacities in the educational sector with a focus on continuous professional development (Activities are carried out at the level of competent educational authorities)		IPA 2019	The EU delegation signed a contract with the consortium for the implementation of the project in September 2023.
Support for programs to develop functional knowledge and skills of preschool children and students of public elementary and public secondary schools (Activities are carried out at the level of competent educational authorities)	3	The program is included in the Annual Work Plan of the FBiH Ministry of Education and Science.	The approved amount of funds for this program in the FBiH MES Fund Spending Program is EUR 120,000.00. Invitations to the cantonal ministries of education for project nominations are in the process.
Support for training programs and professional development of adults with a focus on women for easier integration into the labor market (Activities are carried out at the level of competent educational authorities)	3	The program is included in the Annual Work Plan of the FBiH Ministry of Education and Science.	The approved amount of funds for this program in the FBiH MES Fund Spending Program is EUR 35,000.00. The public call for the implementation of the mentioned program has been completed, the results will be published soon and contracts will be signed with the supported users.
Support to public higher education institutions for projects on connecting study programs (I and II cycle) with the needs of the labor market (Activities are carried out at the level of competent educational authorities)	5	The program is included in the Annual Work Plan of the FBiH Ministry of Education and Science.	The approved amount of funds in the Fund Spending Program is 52,151.00 Euros. Public universities apply for projects.

Preparation of an enrollment policy in accordance with the real needs of the labor market and the development policies of the Republika Srpska, based on assessments of needs in the labor markets of local communities, Harmonization of curricula and programs in secondary education with current trends and needs (MEC RS)			
Defining the minimum standards of knowledge that each student must achieve (MEC RS)			
Creating catalogs of knowledge by course programs (MEC RS)			
Creation of flexible program content (MEC RS)			
Development of new curricula or revision of existing ones in accordance with the needs of the labor market (MEC RS)			
5.2.12. SOCIAL PROTECTION AND INCLUSION	Activity implementation status [1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
	0-5		-
5.2.12.1. Reform measure: Improve the system of social and child protection			
Activities planned for 2023, by holders			
Law on Social Services in the Federation of Bosnia and Herzegovina (MLSP FBiH)	3	Drafting of the Law on Social Services in the Federation of Bosnia and Herzegovina is in the Ministry's Work Plan for 2024	
Law on Amendments to the Law on Foster Care in the Federation of Bosnia and Herzegovina (MLSP FBiH)	4	Drafting of the Law on Amendments to the Law on Foster Care in the Federation of Bosnia and Herzegovina is in the Ministry's Work Plan	

		for 2024	
Law on Social Work Activities in the Federation of Bosnia and Herzegovina (MLSP FBiH)	1	Drafting of the Law on the Basics of Professional Work in the Social and Child Protection System in the Federation of Bosnia and Herzegovina is in the Ministry's Work Plan for 2024.	During the preparation of the Law on Social Work Activities in the Federation of Bosnia and Herzegovina, the title was changed to the Law on Basics of Professional Work in the Social and Child Protection System in the Federation of Bosnia and Herzegovina
Ensuring the legal framework and resources for medical expertise in the second-degree procedure (Law on the basics of social protection, protection of war civil victims and protection of families with children and Rulebook on unique criteria and procedure for assessment of medical expertise of health status and the list of disabilities) (MLSP FBiH)	5	Three-year plan and Annual work plan of MLSP FBiH	The legal framework for medical expert examination of the state of health exists, and funds for these purposes are regularly planned in the budget.
Drafting of the Law on the Protection of War Civil Victims in FBiH (MLSP FBiH)	5	Three-year plan and Annual work plan of MLSP FBiH	On July 31, 2023, the Parliament of the Federation of Bosnia and Herzegovina adopted the Law on the Protection of Civilian Victims of War in the Federation of Bosnia and Herzegovina ("Official Gazette of the Federation of Bosnia and Herzegovina", number: 60/23). This law entered into force on the eighth day from the day of publication, and due to adequate budget planning, it will be applied from January 1, 2024.
Establishing a register of representative organizations of persons with disabilities (OOSI) and war civil victims (OCŽR) (MLSP FBiH)	5	Three-year plan and Annual work plan of MLSP FBiH	The Rulebook on the Establishment, Content and Management of the Register of Organizations and Representative Organizations of Persons with Disabilities and Civil War Victims ("Official Gazette of the Federation of Bosnia and Herzegovina" No. 62/23) was adopted, and a software solution for the Register of Organizations and Representative Organizations of Persons with Disabilities and war civil victims was created within the SOTAC database, which created the conditions for the start of the establishment of the Register of OOSI/OCŽR and representative OOSI/OCŽR, i.e. registration of OOSI/OCŽR and data entry into the Register.
Drafting of the Law on uniform principles and framework of material support for organizations of persons with disabilities in FBiH (MLSP FBiH)	4	Three-year plan and Annual work plan of MLSP FBiH	The public hearing has ended, activities are underway to prepare the final text of the Draft Law, after which it will be submitted to the Government of the Federation of Bosnia and Herzegovina for consideration and adoption procedure.

Amendment of the Law on Professional Rehabilitation, Training and Employment of persons with disabilities in FBiH (MLSP FBiH)	1	Three-year plan and Annual work plan of MLSP FBiH	By decision of the FBiH Ministry of Labor and Social Policy number: 07-45-2308/23 AG dated August 3, 2023, a working group of internal and external experts was appointed to draft the Law on Amendments to the Law on Professional Rehabilitation, Training and Employment of Persons with Disabilities, following the Work Program of the FBiH MLSP and the Government of FBiH for 2023. The task of the Working Group is to no later than October 15, 2023, draft the Law on Amendments to the Law on Professional Rehabilitation, Training and Employment of Persons with Disabilities, and submit it to the FBiH Ministry of Labor and Social Policy. Amendments to the aforementioned law should include issues related to: - employment conditions of persons with disabilities to stimulate the employment of persons with disabilities under general conditions, - questions related to the conditions and procedure for recognizing the status of companies for the employment of persons with disabilities and addressing the issue of protective workshops, - control of the collection of special contribution fees for the employment of persons with disabilities, - conditions for the selection and appointment of the director, management and supervisory board of the Fund for Professional Rehabilitation and Employment of Persons with Disabilities, - supervision of the legality of the work of the Fund for Professional Rehabilitation and Employment of Persons with Disabilities, - and other issues of importance with the improvement of conditions for professional rehabilitation, training and employment of persons with disabilities.
Drafting of the Strategy for Improving the Rights and Position of PWDs in the FBiH for the period 2023-2027 (MLSP FBiH)	2	Three-year plan and Annual work plan of MLSP FBiH	A public call was announced for the selection of an organization/association that will provide technical support in the development, printing and promotion of the Strategy. The competent institutions and organizations of the PWD have been requested to nominate members of the Working Group for the preparation of the Strategy. Immediately after the collected nominations, to the FBiH Government will be sent a proposal for the Decision on the development of the Strategy and the appointment of the Working Group.
Amendment of the Law on the Unified Register of Cash Benefit Beneficiaries, that are not subject of contributions payments (MLSP FBiH)	0	Amendments to this Law should be done in parallel with the new Law on Social Map in FBiH, which is planned in the MLSP	Given that the Social Map should be a new e-system that will retrieve data, among others, from the e-system of the Unified Register, in order to achieve complementarity between these two databases, the preparation of amendments to the Law on the Unified Register should be done in parallel with the new Law on Social Map of FBiH.

		Work Program for 2024.	
Strategy for the development of social protection in the Republika Srpska - adopted Strategy and developed action plans (MHSP RS)			
Institute for Social Protection - the beginning of the work of the Institute, monitoring and coordination of work, and establishing a body for the assessment of children with developmental disabilities and persons with disabilities within the Institute (MHSP RS)			
Center for the education of children and youth - elaboration of the study on the justification of establishing the institution (MHSP RS)			
Law on Social Protection - analysis of the situation regarding the exercise of rights (MHSP RS)			
Draft law on the social map - the technical prerequisites for establishing the register have been met, the law has been adopted (MHSP RS, MLWVDP RS)			
Law on humanitarian activities (MHSP RS)			
The law shall regulate the licensing of social protection institutions and professional workers in social protection (MHSP RS)			
Acquisition/construction of an facility for the realization of activities for the implementation of the right to meet the developmental needs of children (MHSP RS)			
5.2.13. HEALTH CARE SYSTEMS	Activity implementation status [1]	Link to valid public policy document (strategy, plan, regulation, IPA, etc.)	Short comment/explanation
	0-5		-
5.2.13.1. Reform measure: Reform of the health system and strengthening of governance and financial sustainability			
Activities planned for 2023, by holders			

Ensure the continuity of the work of the Commission for the Implementation of International Health Regulations (IHR 2005) in Bosnia and Herzegovina. (MCA BiH, MHSP RS, MH FBiH)		The Council of Ministers of Bosnia and Herzegovina adopted the Decision on the establishment of the Commission for the Implementation of International Health Regulations (2005) of the World Health Organization ("Official Gazette of Bosnia and Herzegovina", number 64/13, 23/20). The Commission for the Implementation of International Health Regulations (2005) of the World Health Organization in Bosnia and Herzegovina submits the Annual Report on its work to the Council of Ministers for adoption.	The commission worked actively and continuously during the COVID-19 pandemic, and will continue to carry out its activities in the future.
Ensure the participation of health professionals from Bosnia and Herzegovina in professional education/training/simulation exercises on the topic of preparedness and response to emergency situations in the field of health (MCA BiH, MHSP RS, MH FBiH)		The Council of Ministers of Bosnia and Herzegovina adopted the Decision on the establishment of the Commission for the Implementation of International Health Regulations (2005) of the World Health Organization ("Official Gazette of Bosnia and Herzegovina", number 64/13, 23/20). Agreement between Bosnia and	Representatives of the MCA BiH and members of the Commission for the Implementation of International Health Regulations of the WHO actively participate in educations/exercises/trainings of the World Health Organization and activities within the joint action "SHARP".

		Herzegovina and the EU on the participation of Bosnia and Herzegovina in the Third Program for the Union's action in the field of health (2014 - 2020). Two-year cooperation agreement between Bosnia and Herzegovina and the Regional Office of the World Health Organization for Europe 2022-2023.	
Realization of the Program of Financial Consolidation and Restructuring of Individual Health Institutions in the amount of 75 million BAM provided for by the Law on Financial Consolidation and/or Restructuring of Public Health Institutions in the FBiH, from the Budget of the FBiH (MH FBiH)	4	FBiH Development Strategy 2021-2027, point 2.2.5. Strengthening the financial sustainability of the health system and improving equity in health care financing.	The Law on Financial Consolidation and Restructuring of Public Health Institutions in FBiH foresees the allocation of 75 million per year (2022-2024). Implementation began in 2022 and continued in 2023. The implementation is taking place according to the planned dynamics.
Support to the management of health institutions, Federal and Cantonal Health Insurance Institutes and Ministries of Health to strengthen internal needs for analysis, reform planning, pilot testing and evaluation of reforms; strengthening of skills in the preparation of plans for restructuring and financial consolidation of health institutions (MH FBiH)	3	FBiH Development Strategy 2021-2027, point 2.2.5. Strengthening the financial sustainability of the health system and improving equity in health care financing.	By-laws necessary for the implementation of the Law on Financial Consolidation and Restructuring of Public Health Institutions in the Federation of Bosnia and Herzegovina have been adopted. One of these is the Rulebook on the methodology of preparation and content of financial consolidation and/or restructuring programs for public health institutions in the Federation of Bosnia and Herzegovina. Further support to the management of health institutions will be provided within the implementation of activities financed through the Multi Donor Trust Fund of the World Bank in the coming period.
Conduct a situational analysis of information and communication technologies (ICT) in the Federation of BiH (MH FBiH)	2	FBiH Development Strategy 2021-2027, point 2.2.3. Strengthen computerization and digitization of the health care system	The activities are carried out within the project "EU support for health sector reform in Bosnia and Herzegovina - realization of the potential of health system reform based on primary health care reform in Bosnia and Herzegovina", which is financed by the EU through the WHO. The activities started in the September, 2023.

Implementation of the COVID-19 Project, with the aim of improving work in the health sector in response to the pandemic (MHSP)	5		The project was successfully implemented on June 30, 2023. The project procured medical vehicles, modern medical, laboratory, protective and IT equipment for health institutions, significantly improved the quality and availability of health care in the Republika Srpska, and paid over 6.3 million BAM in financial assistance to beneficiaries of social protection rights.
In cooperation with the Ministry of Finance, defining the plan for settling tax obligations of health centers, models and sources of financing (MHSP RS, MF RS)	2		An overview of health centers planned for inclusion in the treasury system was prepared, an overview of the state of debt of the respective institutions on a certain date, procedural guidelines for the inclusion of health institutions in the treasury system, and an external debt procedure was initiated for the purpose of settling the obligations of the respective HCs and introducing them into the treasury system of the Republika Srpska.
Development of human resources plans for a period of five years by public health institutions (PHI RS i MHSP RS) ,	2		Activities on the development of the human resources plan have been initiated, a questionnaire for health institutions has been prepared, it has been sent to the health institutions, data is currently being collected that will be systematized and processed and will be used in the development of the Plan for Human Resources in Health Sector in the Republika Srpska.
Adoption of the new Law on healthcare activities (MHSP RS)	2		A working group was appointed for the drafting of the new Law on Healthcare Activities, a preliminary draft of the new Law on Healthcare Activities was prepared.
Realization of the Project for the construction and equipping of a new hospital in Doboj (Hospital Doboj, MHSP)	4		Implementation of the Project in an advanced stage. The final construction works and the phase for the procurement and installation of equipment are in progress.
Realization of the Project for the construction and equipping of a new facility for stationary traffic of PHI UCC RS (UCC RS, MHSP RS) .	4		Implementation of the Project in an advanced stage. The procedure of annexation of the construction contract is underway, which requires an increase in the initially agreed value and deadline due to the influence of force majeure (pandemic covid 19, global inflation and disruptions in the supply of goods and services).

[1] Activity implementation status: 0=no implementation; 1=implementation in preparation; 2=initial steps have been taken; 3=ongoing implementation with some initial results; 4= implementation is advanced; 5=full implementation