

EU – Bosnia and Herzegovina Stabilisation and Association Agreement

6th Meeting of the Sub-Committee on Economic and Financial Issues and Statistics

14 – 15 November 2022 - Videoconference

EU Recommendations

1. The Commission recommended to the Bosnia and Herzegovina authorities that the drafting of strategies and legislation aimed at aligning with the EU *acquis*/EU standards needs to demonstrate a common vision and countrywide ownership, favour quality over speed, be accompanied by a proper stakeholders' consultation and by the allocation of resources adequate for the implementation of the objectives of the strategy/legislation. Furthermore, the collection of relevant data/statistics should be improved and a monitoring mechanism put in place for the implementation of the strategy/legislation for the whole country.

1. ECONOMIC AND FINANCIAL ISSUES

2. Bosnia and Herzegovina should regularly provide country-wide data on public finances as well as explanations of the underlying factors driving the information presented.
3. Bosnia and Herzegovina should enhance economic governance and fiscal governance, in particular regarding the lack of medium-term planning, low efficiency of spending including in the public health sector and neglect of public investments. The efficiency of public sector spending should be strengthened, in particular through a better targeting of social transfers, addressing payment arrears and improving the governance of public enterprises.
4. Bosnia and Herzegovina should strengthen efforts to aggregate fiscal data on a country-wide level, which is necessary to discuss matters of fiscal policy with the EU. In this respect, the capacities for country-wide data aggregation at the level of the BiH Ministry of Finance and Treasury should be strengthened.
5. The functioning of the labour market should be improved, addressing weaknesses in the education sector which often fails to provide the labour market with the necessary skills. Outdated curricula should be modernised and the capacity of employment agencies for providing active assistance for finding new jobs should be strengthened. The outflow of qualified labour, which could lead to a significant brain drain, should be addressed.
6. The poor business environment needs to be improved, addressing weak rule of law, heavy administrative burden and fragmented markets.

7. Bosnia and Herzegovina should actively participate in and seek to benefit from the Economic and Financial Joint Dialogue with the EU and should implement the 2022 policy guidance of the Joint Dialogue by the end of Q2 2023.
8. Bosnia and Herzegovina should ensure consistent political support, high visibility, country-wide ownership and coherence of the Economic Reform Programme and should strengthen countrywide coordination capacity on economic policy. The over-politicisation of socio-economic reforms in the country, even those of a technical nature, should be reversed. The 9th Economic Reform Programme (2023-2025) should be submitted on time by 31 January 2023.
9. Bosnia and Herzegovina should immediately remove unjustified restrictions, incompatible with the *acquis* as well as with the Stabilisation and Association Agreement, on free movement of capital, including restrictions related to short-term capital transactions and the acquisition of real estate.
10. Bosnia and Herzegovina should prepare a report on contingent liabilities with special emphasis on risks related to the COVID-19 pandemic as well as the Russian aggression against Ukraine by the end of 2022.
11. Bosnia and Herzegovina should appoint the Central Bank governing board as well as the governor by the end of 2022.
12. Bosnia and Herzegovina should convene another meeting of the Standing Committee for Financial Stability by the end of 2022.

2. PUBLIC INTERNAL FINANCIAL CONTROL (PIFC) AND AUDIT

13. The Central Harmonisation Unit's Coordination Board should take on more responsibilities to ensure further development of the financial management and control mechanisms.
14. The Central Harmonisation Units of the State-level and the entities should be helped to develop the skills necessary to move to the next stage of internal control development so that they can provide more practical help to institutions such as advising on appropriate levels of control that balance cost and complexity with risk or the necessary monitoring and feedback mechanisms for different levels of delegation.
15. To improve implementation rates, the Central Harmonisation Units should develop further guidance for internal audit units on the development and wording of recommendations and their follow-up.
16. The Central Harmonisation Units should finalise and implement arrangements for external quality assessment of the work of internal audit units, in accordance with the requirements of the International Professional Practice Framework for Internal Auditing (IPPF). The FBiH Central Harmonisation Unit should finalise plans by the end of January 2023 for a programme of continuing professional development for internal auditors and implement it.

17. Bosnia and Herzegovina should improve the relevant public finance management legislation at all levels of government to better implement managerial accountability across public entities.
18. Bosnia and Herzegovina should improve the quality of the monitoring on public companies, by using the public internal financial control IT application.
19. The Supreme Audit Institutions (SAIs) should systematically record audit recommendations made, accepted and implemented and subsequently analyse the reasons for non-acceptance and non-implementation of the recommendations. The SAIs should adopt the audit guidance that reflects developments in the International Organisation of Supreme Audit Institutions (INTOSAI) Framework of Professional Pronouncements and ensure that procedures are developed for its implementation. The SAIs should reconsider their quality-management arrangements and strive to organise themselves to meet international standards, taking into account the limited resources available for these activities.
20. As regards the protection of the EU's financial interests, Bosnia and Herzegovina should take the necessary steps in view of setting up an anti-fraud coordination service (AFCOS) and inform the Commission of progress by Q2 2023.
21. Bosnia and Herzegovina should continue to develop a solid track record on cooperation with the OLAF on investigations.

3. STATISTICAL COOPERATION

22. To better support policy analysis and in line with Eurostat recommendations, Bosnia and Herzegovina should improve the provision of timely, exhaustive and country-wide statistics on national accounts, government finance statistics and labour market statistics.
23. Entity statistical institutions should submit to the Agency for Statistics of Bosnia and Herzegovina (BHAS) the required data disaggregated at the necessary level to allow BHAS to compile a credible harmonised index of consumer prices. To this end, BHAS should decide on the data-sharing principles and cooperation with the entities in order to ensure that detailed data are transmitted to BHAS. BHAS should draft, finalise and sign an agreement with entities to guarantee detailed data transmission to BHAS. [Q4 2022]
24. Bosnia and Herzegovina should finalise the Terms of Reference for the National IPA 2019 projects: Technical Assistance for administrative data sources Project and the Twinning Project [Q4 2022]
25. Bosnia and Herzegovina should adopt the action plan and approve the timing and funding for the Agriculture Census [Q4 2022] and organise a full-scale Agricultural Census [Q4 2023].

26. Bosnia and Herzegovina should ensure adequate human resources for BHAS, appropriately qualified and selected on the basis of merit.
27. Bosnia and Herzegovina should finalise the Master Plan for National Accounts [Q1 2023]
28. Bosnia and Herzegovina should publish the updated S.13 - General government sector list [Q4 2022]
29. Bosnia and Herzegovina should agree (Q4 2022) and adopt (Q1 2023) a new law on statistics of Bosnia and Herzegovina, aligned with the principles of the European Statistics Code of Practice.
30. Bosnia and Herzegovina should increase data production and improve Administrative Registers so they can be used by statistical producers.
31. Bosnia and Herzegovina should transmit the data from the first full standard living conditions survey according to the deadline for data delivery to Eurostat (31 December 2022). Bosnia and Herzegovina should also continue implementing the standard living conditions survey with the following deadlines: 2023 wave field work in Q2-Q3 2023 and checking and tabulation in Q4 2023.
32. Bosnia and Herzegovina should adopt a roadmap for the preparation of the next population census [Q1 2023].
33. Bosnia and Herzegovina should implement a full and consistent system of national accounts and apply the European System of National and Regional Accounts (ESA) 2010, methodology, in particular regarding government finance statistics. A first priority is to completely fill in table 1 of the ESA 2010 transmission programme [Q3 2023], as well as simultaneous efforts to fill in and transmit other tables of the ESA 2020 Transmission Programme.
34. Bosnia and Herzegovina should develop classification of statistical regions at NUTS III level, for the whole country [Q4 2022].