

## **EU – Bosnia and Herzegovina Stabilisation and Association Agreement**

### **7<sup>th</sup> Meeting of the Sub-Committee on Economic and Financial Issues and Statistics**

**23 May 2024, Sarajevo**

#### **EU Recommendations**

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

### **1. ECONOMIC AND FINANCIAL ISSUES**

2. Bosnia and Herzegovina should enhance economic 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.
3. Bosnia and Herzegovina should consolidate, aggregate and regularly publish 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.
4. 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 Outdated curricula should be modernised and the capacity of employment agencies for providing active assistance for finding new jobs should be strengthened.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.
5. The poor business environment needs to be improved, addressing weak rule of law, heavy administrative burden and fragmented markets.
6. Bosnia and Herzegovina should implement the 2024 policy guidance of the Joint Economic and Financial Dialogue.
7. Bosnia and Herzegovina should ensure consistent political support, high visibility, country-wide ownership and coherence of the Economic Reform Programme. It should furthermore strengthen its 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 Economic Reform Programme (2025-2027) should be submitted on time.

8. Bosnia and Herzegovina should reduce the extensive administrative requirements for short-term capital transactions and amend the legislation to comply with SAA commitments on the acquisition of real estate by EU citizens.
9. Bosnia and Herzegovina should present a report on contingent liabilities with special emphasis on risks related to the COVID-19 pandemic as well as the economic impact of Russia's aggression against Ukraine by the end of 2024.

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## **2. PUBLIC INTERNAL FINANCIAL CONTROL AND (PIFC) AUDIT**

10. Central harmonisation units at the state and entity levels should receive support in building the skills necessary to move on to the next stage of internal control development so that they can provide better assistance to institutions. The assistance includes providing guidance on appropriate levels of control to strike a balance between cost, complexity, and risk or on the essential monitoring and feedback mechanisms for various levels of delegation.
11. To increase the implementation rate particularly at entities, the CHUs should create additional guidance for the internal audit units on the creation and formulation of recommendations and their follow-up.
12. The Central Harmonisation Units should 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).
13. Bosnia and Herzegovina should improve the relevant public finance management legislation at all levels of government to better implement managerial accountability across public entities.
14. Bosnia and Herzegovina should improve the quality of the monitoring on public companies, by using the public internal financial control IT application.
15. The SAIs should implement 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.

16. 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) (4Q 2025) and inform the Commission of the progress and subsequently the corresponding AFCOS network [4Q 2025].
17. Bosnia and Herzegovina should continue to develop a solid track record on cooperation with the OLAF on investigations.

### **3. STATISTICAL COOPERATION**

18. 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.
19. 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 HICP. 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 [Q2 2025].
20. Bosnia and Herzegovina should adopt the action plan and approve the timing and funding for the Agriculture Census and organise a full-scale Agricultural Census [Q4 2025].
21. Bosnia and Herzegovina should ensure adequate human resources for BHAS, appropriately qualified and selected on the basis of merit. The same recommendation is valid for the Central Bank and the Entities' institutes.
22. Bosnia and Herzegovina should finalise the Master Plan for National Accounts [Q2 2026].
23. Bosnia and Herzegovina should agree on and implement the classification of institutional units into the sub-sectors of S.13 - General government sector list. [Q4 2024].
24. Bosnia and Herzegovina should agree [Q4 2025] and adopt [Q4 2025] a new law on statistics of Bosnia and Herzegovina, aligned with the principles of the European Statistics Code of Practice.
25. Bosnia and Herzegovina should increase data production and improve Administrative Registers so they can be used by statistical producers. Bosnia and Herzegovina should also improve the completeness of the mandatory variables in the statistical business register (NSBR).
26. Bosnia and Herzegovina should adopt a roadmap for the preparation of the next population census [Q3 2025].

27. Bosnia and Herzegovina should implement a full and consistent system of national accounts and to 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 2026], as well as simultaneous efforts to fill in and transmit other tables of the ESA 2020 Transmission Programme [Q3 2026].
28. Bosnia and Herzegovina should develop classification of statistical regions at NUTS III level, for the whole country [Q4 2025].
29. Bosnia and Herzegovina should create a GFS Working Group which should involve all the stakeholders in GFS/EDP compilation, including responsible institutions from Entities, and should be co-chaired by BHAS and CBBH [Q4 2024].
30. Bosnia and Herzegovina should compile and send the data to Eurostat for job vacancy statistics, labour cost index and monthly unemployment data.