

BOSNIA AND HERZEGOVINA

Report on the preparation
of post-2020 strategy



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Abbreviations

BiH	Bosnia and Herzegovina
DEI	Directorate for European Integration
DEP	Directorate for Economic Planning
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EEA	European Economic Area
EIB	European Investment Bank
FBiH	Federation of Bosnia and Herzegovina
IFI	International financial institution
MAP REA	Multi-annual Action Plan for a Regional Economic Area
MOFTER	BiH Ministry of Foreign Trade and Economic Relations
PAR	Public administration reform
PFM	Public finance management
RCC	Regional Cooperation Council
RS	Republic of Srpska
SDC	Swiss Development Cooperation
SEECp	South East European Cooperation Process
Sida	Swedish International Development Cooperation Agency
UNDP	United Nations Development Programme
UN SDGs	United Nations Sustainable Development Goals
WB	World Bank

Executive summary

The study detailed in this report outlines both domestic and international policy frameworks that may present opportunities for embedding the post-2020 priorities for Bosnia and Herzegovina. Due to the complexities of the economy's constitutional system, the review of relevant domestic instruments includes both national and sub-national structures and documents in an effort to provide an accurate mapping of the relevant policy landscape.

Accordingly, the report considers the existing national-level policies and strategies relevant to the post-2020 process and examines them alongside entity frameworks that often provide a greater level of in-depth information and detail than their state-level counterparts. This section in particular will merit close examination by the future drafters of the post-2020 process as most key planning documents are presently under development and can still be amended to include placing greater emphasis on the regional agenda, as stipulated in the post-2020 framework. This is especially true of the two umbrella entity planning documents that are currently being planned for and developed by the Republika Srpska and the Federation of Bosnia and Herzegovina governments, respectively.

In general, as the study will demonstrate in great detail, strategic planning documents in Bosnia and Herzegovina tend to be short on detail and frequently lack verifiable indicators for success as well as the funding needed to implement their lofty goals. This is something that is expected to impact any plans for embedding the post-2020 priorities in national strategic frameworks.

At the same time, the report takes a closer look at major donor efforts in the economy, focusing on programmes and strategies that may anchor and/or support regional priorities as part of the post-2020 process. This section makes clear that most donors are guided by the EU membership aspirations of Bosnia and Herzegovina and that their work in the economy is geared towards supporting that objective. Special consideration is given to the EU's efforts, considering both the Union's funding envelope as well as its political clout and ultimate ambitions for Bosnia and Herzegovina. TIPA III framework is highlighted here as a key point of entry for the post-2020 process as it is expected to kick off in 2021 and will condition financial assistance on the meeting of criteria that is considered complementary to the RCC's regional integration efforts, as embodied in the SEE 2020 and its anticipated follow-up strategy.

In addition, the report looks at the UN's Sustainable Development Goals as a key source of guidance in designing a set of salient national priorities for the economy – this is especially critical for Bosnia and Herzegovina as there is no general political consensus on most issues at state level due to long-standing internal disagreements over what national competencies actually entail. What this section has identified is a vibrant, dynamic and locally-owned process that is currently ongoing and that, at first reading, appears fully in line with other planning efforts taking place at other levels in the economy. Again, this is highlighted as a major opportunity for exploring synergies and complementarities between the RCC's regional cooperation agenda and the economy's development planning horizon.

Finally, the document provides a set of points of entry looking at both the domestic policy landscape as well as the mapped efforts of the EU in particular and the UN in relation to its Agenda 2030 process.

I. Introduction

I.1. COMPLEX ECONOMY CONTEXT AS THE BACKDROP FOR THE POST-2020 PROCESS

The economy's lack of comprehensive multi-sectoral strategic development plans, with clearly formulated actions, results and indicators, makes attempts at monitoring and evaluation extremely cumbersome and ineffective. This is especially true at state and entity levels, where a multitude of different planning tools cannot compensate for the absence of comprehensive strategy documents.

Implementation responsibilities are routinely ill defined and ambiguous, frequently without an accompanying financial plan to ensure implementation. Furthermore, and according to the results of the UN SDG 2030 Rapid Integrated Assessment, out of all planning documents reviewed in the course of their study, fewer than half had assigned indicators.

Tracking mechanisms tend to be rather vague and without clearly assigned responsibilities for monitoring, evaluation and, critically, reporting. This is especially true at the state level where the dependency on data from the two entities is exacerbated by the absence of an executive mandate to ensure compliance by lower government levels. There is also an excessive reliance on soft implementation mechanisms that do not necessarily possess sufficient executive authority or decision-making power.

These inherent systemic weaknesses are also adversely affecting the economy's ability to absorb IPA funding as the EU's sector approach is dependent on the existence of "harmonised economy wide strategies in key sectors with clear budget allocations and a medium-term expenditure framework."¹ The 2016 adoption of an EU Coordination Mechanism does not seem to have the desired harmonising effect in instances where shared competences exist between levels of government. This is likely to have an adverse effect on any subsequent attempts to monitor the county's compliance with its post-2020 commitments and will need to be planned for. Furthermore, while horizontal coordination at Council of Ministers level happens with minimum fuss, vertical coordination with the entities requires a greater investment in time and effort due to the reluctance of Republika Srpska, in particular, to allow what it views as central level interference in core entity competencies. Ultimately, much of the state-level strategic framework is "copied and pasted" from entity strategies, according to a senior state government official. As an illustration of the inherent complexities in vertical coordination and communication, steadfast opposition from Republika Srpska has led to the removal of the word "strategy" from a number of state-level documents, replacing it with "framework".

It is, however, encouraging that nearly all civil servants and government officials interviewed cite both EU 2020 and the SDG Agenda as key guiding documents for strategic planning of domestic priorities which bodes well for the post-2020 agenda as it establishes some degree of commonality across the relevant planning horizons.

¹ <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180817-revised-indicative-strategy-paper-2014-2020-for-bosnia-and-herzegovina.pdf>

I.2. PURPOSE OF THE STUDY AND THE RESULTING REPORT

The study takes place within the preparatory process for the development of a post-2020 regional strategy, commissioned by the South East European Cooperation Process (SEECP). The SEECP is a forum of senior representatives from 13 regional economies, aimed at the enhancement of political, security and economic cooperation, and enlargement of collaboration in the fields of human dimension, democracy, justice, and combating illegal activities. The mandate for the development of the new planning framework has been given to the Regional Cooperation Council, working in concert with key regional and international partners, the European Commission, national and sub-national administrations and organisations, as well as civil society actors, academic institutions, the media, and the private sector. The new strategic framework will follow on from the Multi-annual Action Plan for a Regional Economic Area, adopted at the Trieste Summit of the Berlin Process in July 2017 and, more broadly, the SEE 2020 Strategy, adopted in 2011 and set to expire this year.

While the SEE 2020 Strategy provides a wide-ranging programmatic umbrella, closely mirroring the EU Strategy 2020 and thus encompassing a large number of thematic areas and priorities, the MAP REA process provides greater focus and sets out a mid-term agenda for regional economic integration, focusing on trade, investment, mobility and digital agendas.

Throughout its implementation, the SEE 2020 Strategy framework has seen encouraging progress; since 2010, the region has recorded an increase in employment by approximately 620,000 jobs, accompanied by growth in foreign direct investment across most economies. Nonetheless, much work remains, especially in those economies lagging behind the regional average, and efforts need to be stepped up across priority areas targeting rule of law, good governance, public administration reform, digitising economies and businesses, and human capital development, among others.

As both the development and implementation of regional objectives need to be considered through the prism of related national priorities, as identified by each of the participating economies, this study will provide an analysis of Bosnia and Herzegovina's strategic landscape post-2020, to include the mapping of all relevant strategic documents whose validity extends beyond 2020. In addition to domestic strategic priorities, the study will also look at complementary international instruments, focusing in particular on the EU's vision for Bosnia and Herzegovina as well as the internalisation of the United Nations Sustainable Development Goals (UN SDGs) by the economy's institutions, with the latter explicitly requested in the SEECP declaration commissioning the preparation of the post-2020 vision.

In addition, the study will examine relevant donor and IFI strategies and how they may be utilised to support the implementation of both domestic and international priorities and commitments. The document will ultimately provide a number of points of entry and opportunities for the embedding of post-2020 priorities in thematic areas where national and regional priorities converge.

This report is the result of a combination of comprehensive desk research and a series of interviews with both domestic and international stakeholders. It is important to note that there were two complicating factors encountered during the preparation of the study: 1) the extremely complex constitutional and political set-up of Bosnia and Herzegovina's institutions that necessitated a much more in-depth examination of sub-national strategies and priorities, and 2) the limited availability of key interlocutors as the timeline of the study coincided with the holiday season that caused significant delays in the preparation of the report.

2. Current state of play

2.1 MID AND LONG-TERM NATIONAL STRATEGIES AND PRIORITIES

Key strategic planning documents have elapsed in the course of the past year or are expected to do so in 2020. The development of new and/or updated iterations has been pending formation of a new BiH Council of Ministers with a new Economic Reform Programme under construction while work on a new BiH Federation Development Strategy is underway. Encouragingly, both Republika Srpska and Brčko District are expected to soon follow suit. The fact that new umbrella planning documents are currently being drawn up represents an excellent point of entry for the embedding and monitoring of post-2020 regional priorities.

For the purposes of this report, the following state-level planning documents were reviewed:

1. Strategic Framework for BiH (expired);
2. Economic Reform Programme for BiH 2019 – 2021;
3. Midterm Programme for the BiH Council of Ministers 2020-2022;
4. Joint socio-economic reform programme 2019-2022 (aka Reform Agenda 2.0);
5. National Framework Transport Strategy (open ended);
6. Strategic Framework for Public Administration Reform 2018-2022;
7. Environmental Approximation Strategy (open ended);
8. Strategic Plan for Rural Development 2018-2021;
9. National Framework Energy Strategy 2035;
10. Foreign Policy Strategy 2018-2023;
11. Information Society Development Policy 2017-2021;
12. National Science Strategy 2017-2022.

In this regard, there seems to be no common planning template across the strategic documents reviewed and, as noted earlier, a majority lack clear performance indicators, as well as the resourcing needed to ensure their implementation. Looking at the multi-sectorial planning documents, the following strategic priorities and themes emerge:

1. Energy and transport improvements, to include legislative and market reform;
2. Business environment and reduction of informal economy;
3. Agriculture and rural development;
4. Research, development, innovation and information society;
5. Education, skills and labour market reform;
6. Social protection, inclusion and health sector reform.

Nonetheless, the broader strategic priorities listed above have not been adequately translated into practical, measurable activities and indicators raising questions about monitoring and, indeed, viability

of implementation. Furthermore, it is impossible to view state level strategic priorities in isolation to the two entities considering the former's dependence on the latter. Accordingly, and in order to ensure the requisite level of detail when it comes to monitoring data for the implementation of strategic priorities, in addition to a review of the national strategic framework, the report will review the corresponding documents at the level of entities where the bulk of relevant competencies lie and where the information is bound to be drawn from.

2.1.1. State-level planning framework

Due to underlying political and constitutional considerations, there is no umbrella strategic planning document at the state level in Bosnia and Herzegovina. The current relevant legislation, reviewed for the purposes of this study, establishes mid- and short-term as the only two planning horizons. Nominally, Bosnia and Herzegovina has a strategic framework document but only insofar as it informs the development of mid-term planning documents. The strategic framework's most recent iteration (2015) has elapsed in 2018 and work on a new document is presently ongoing. According to the Directorate for Economic Planning (DEP), the new framework will cover the period from 2020 to 2030 and represents an opportunity for the embedding of SEE post-2020 priorities. The previous iteration of the Strategic Framework makes explicit reference to Europe 2020 and SEE 2020 documents as source materials while DEP officers interviewed for the purposes of this study confirmed that the Directorate will indeed be consulting the new iterations of both regional and European strategic documents, as well as the SDG 2030 Agenda, in the course of developing the new framework document.

In general, midterm planning is designed to establish a modicum of strategic thinking in how resources are allocated, priorities pursued and progress measured.

The Programme, updated on an annual basis, informs the preparation of both the economy's budgetary framework as well as the Council of Ministers' Annual Workplan.

The current Midterm Programme, 2020-2022, identifies the following priorities:

- 1. Integrated Growth**, to include ensuring macroeconomic stability, development of a competitive economic environment, mutual investment, and regional trade promotion through non-discriminatory and transparent trade policies;
- 2. Smart Growth**, to include innovation, digitalisation, human resource development, industrial growth and fostering creative industry;
- 3. Sustainable Growth**, to include equitable regional development, better environmental management and infrastructure, improved climate change resilience, development of agriculture and rural development, and improved energy efficiency and increased use of renewables;
- 4. Inclusive Growth**, to include better skills development and employment opportunities, inclusion in education, decrease in poverty and social exclusion, and better healthcare;
- 5. Growth-oriented management and administration**, to include developing the necessary implementation capacities, curbing corruption and mismanagement, fostering rule of law, and delivering services required for economic and social growth.

The document closely mirrors the overarching priorities formulated in the 2015 Strategic Framework.

The Council of Ministers' Annual Workplan, however, does not necessarily follow on from the Midterm Programme and is frequently rather a collation of workplans produced by the individual ministries, often without consideration to the overall strategic umbrella. The Annual Workplan is developed by the Office of the Chairperson of the Council of Ministers, working alongside the Secretariat of the Council. The implementation of the Workplan is monitored, and reported on, quarterly.

2.1.2. Entity-level planning framework

The Entity of the Federation of Bosnia and Herzegovina

The Federation of Bosnia and Herzegovina has recently taken a number of steps to codify its development management system, to include regulating integrated, as well as sectoral, strategic planning.

The Federation Government is, for the first time, working on a draft multi-sectorial planning document that is expected to cover a seven-year planning horizon and is meant to enter into force in 2021. This should ensure vertical coherence of strategic priorities for this BiH entity as all of its ten cantons and the majority of its local governments now have strategic plans in place. The strategy will be implemented across three-year programmes, in concert with the long-term budgetary framework document, an approach also utilised by the State Council of Ministers (but without the overarching strategic plan for the latter). The Federation strategy is expected to have four strategic goals, 20 thematic priorities and some 100 programmatic measures.

The four goals include: 1) smart economic development; 2) smart social development; 3) sustainable infrastructure development; and 4) good inclusive governance. The four objectives are broadly in line with declared state-level priorities as described above.

Thus far, some 12 workshops with a broad range of stakeholders, domestic and international, have been held to consider some of the most pressing issues facing the Federation, as well as to try and anticipate coming challenges. The workshops targeted the following topics: 1) competitiveness and business environment; 2) industrial development, creative industry and smart growth; 3) SME development and entrepreneurship; 4) macroeconomic stability and responsible financial management; 5) education, science and human resource and labour market development; 6) agriculture and food production, rural development and tourism; 7) health and quality of life; 8) demographics and social policies; 9) corruption, good governance and public services; 10) transport and communication infrastructure; 11) energy and energy efficiency; 12) environment, public service infrastructure and natural resource management (water supply, waste, forest management, clean air, etc.).

Federation officials interviewed suggest that there is broad and continuous coordination and communication with their state-level counterparts as well as EU Delegation representatives to ensure harmonisation with relevant planning documents, both domestic and international. In addition, the strategy will also take into account the UN 2030 Agenda to ensure compliance with the Sustainable Development Goal platform. In terms of sectoral strategies at Federation level, there is some mirroring of state priorities (such as through the Transport Strategy 2016-2030) but nothing with the requisite level of detail making the future Federation development strategy the only viable source of monitoring data for the post 2020 period. Overall, it is notable that strategic documents in the Federation presently follow no standardised planning methodology and that they are markedly different in scope, composition and methodology. This is expected to improve with the full implementation of the Law on Development Planning.

The Entity of Republika Srpska

Republika Srpska has repeatedly embarked on the process of drafting an integrated development strategy for the entity but none of the draft documents ever made it to the Assembly for consideration. According to the Secretariat of the Government, Republika Srpska currently has some 40 sectorial strategic documents. A cursory review of a quarter of all strategies reveals that very few possess the requisite level of detail or the indicators needed to monitor their implementation. Only some 4 out of 10 follow a discernible structure, only half have an accompanying action plan and only 3 out of 10 have the necessary financial information.

According to reporting by government officials, the current monitoring and evaluation setup is not effective and does not meet the needs of the entity development management system. At present, there is no standardised reporting template for sectorial strategies with few having the elements necessary to enable proper tracking of results and their evaluation. This is hugely important for the prospective embedding and tracking of national as well as regional priorities.

At present, the Government has established a working group for strategic planning that is tasked with preparing draft legislation that will overhaul the strategic planning and reporting system, to include creating a uniform methodology for development planning as well as monitoring and evaluation of results. This set of regulatory instruments will guide and inform the development of umbrella strategic document for Republika Srpska. The new entity development strategy is expected to come into force in 2021 or 2022 the latest.

2.1.3. Institutional landscape

Currently, the implementation of the strategies that are subject of this study is entrusted to a broad and extremely diverse group of stakeholders at multiple government levels.

At national level, the State Directorate for Economic Planning is primarily tasked with preparing draft national strategic plans and other relevant documents, as well as drafting progress reports on their implementation. Sectoral strategies and reporting against their implementation is entrusted to relevant line ministries with vertical coordination taking place to take in information from the entities.

At the level of the Federation of Bosnia and Herzegovina, the Federation Development Planning Institute is the lead operational agency in preparing general strategic documents and ensuring overall coherence in the Federal development management system with line ministries spearheading the process for sectorial strategies.

In Republika Srpska, the development planning and management function is performed by the Strategic Planning Division in the Secretariat of the Government of Republika Srpska.

Key findings:

The **strategic framework at economy level has many gaps** due to both political considerations and the overall quality of planning documents and processes they resulted from. **At entity level**, where most

competencies lie at present due to the decentralised nature of the BiH's constitutional structure, **efforts are ongoing to design and draft, for the first time, comprehensive and integrated strategy documents that can potentially anchor many of the priorities of the post-2020 process.** Considering the early stage of planning for the new strategy documents **inputs can be provided by the RCC through the offices of the national SEE 2020 coordinators.**

2.2. REVIEW OF POST-2020 INITIATIVES AND PROJECTS BEYOND GOVERNMENT SPHERE

In addition to the EU, as the economy's main international donor, substantial funding is provided by the United States, Sweden, United Kingdom, the Netherlands, Switzerland, Norway and the United Nations, among others. A number of bilateral donors provide targeted support to selected sectors, as illustrated by Sweden's comprehensive assistance in managing and mitigating environmental risks associated with climate change, and the UK's active involvement with the economy's transport sector.

International financial institutions (IFIs), such as the European Bank for Reconstruction and Development, the European Investment Bank, the International Monetary Fund and the World Development (EBRD) provide development loans that are often augmented by grant funding, frequently provided through the European Commission.

The responsibility for donor coordination in Bosnia and Herzegovina is shared between the Directorate for European Integration for EU donors and the Ministry of Finance for other donors and IFIs. The latter is exercised via the Donor Coordination Forum with periodic reports providing an update on donor activities by sector.

In terms of donor strategies post-2020, in the absence of umbrella national strategy documents, bilateral donors tend to either rely on overarching strategic priorities of their home economies' development assistance or directly support the implementation of BiH's EU accession or, alternatively, SDG 2030 commitments. This section will provide a breakdown of available information on the largest donor organisations and their post-2020 programmes collected through both desk research and in-person interviews with key informants.

2.2.1. The World Bank

As with many domestic planning instruments, the World Bank's Economy Partnership Framework is due to expire in the course of 2020. Presently, the World Bank is working on a Systematic Country Diagnostic Report that will feed the Bank's new five-year strategy document.

It is expected that the report will be completed in February 2020, to be followed by consultations with governmental and non-governmental partners as well as with the international community represented in BiH. The next Country Partnership Framework is expected to be adopted in September 2020.

The present World Bank strategy for Bosnia and Herzegovina has three focus areas: (1) increasing public sector efficiency and effectiveness, (2) creating conditions for accelerated private sector growth, and (3)

building resilience to natural shocks with a cross-cutting theme of inclusion to ensure that reforms are socially sustainable, and that vulnerable groups are not left behind as new opportunities open.

With a clear absence of progress across a number of relevant performance indicators, it is likely that the new World Bank strategy document will contain many of the same priorities with a stated and clear link to the newly adopted Joint socio-economic reform programme (Reform Agenda 2.0).

2.2.2. EBRD

Since 1996, EBRD has disbursed some €2.8 billion across some 160 projects in Bosnia and Herzegovina. Last year alone, some €200 million were invested with 2020 expected to show further growth in disbursement (estimated level €350 million).

Together with the EIB, EBRD manages the European Western Balkans Joint Fund, a multi-donor initiative under the auspices of the Western Balkans Investment Framework. The fund has secured the necessary resources for a number of critical infrastructure projects, to include transport, water and wastewater management, social housing, flood protection and healthcare.

As for its current BiH programme, it is governed by a 5-year strategy (2017-2022), with the following thematic areas: i) infrastructure (mainly transport); ii) private sector development (directly or via commercial banking partners) and support to socially-owned enterprises; iii) energy efficiency, renewables and energy connectivity (cross-border). In addition, EBRD supports improvements to the business enabling environment and regulatory alignment across the region.

As for sources of its work in the economy, EBRD cites own assessments, stakeholder discussions involving the government (mainly state and some entity line ministries), the economy's reform agenda as well as the EU strategy for Bosnia and Herzegovina. There is also a public consultation process in place that takes in comments and suggestions over a 60-day period. EBRD has its own methodology that complements the UN SDGs called the Six Qualities of Sustainable Market Economies. The methodology entails six key qualities inherent in successful economies: competitiveness, good governance, green growth, inclusiveness, resiliency and integration.

As for future expectations, Bank representatives expect few changes, if any, considering the slow pace of implementation of its current strategy.

2.2.3. EIB

EIB has lent over EUR 2.4 billion to support projects in Bosnia and Herzegovina since 2000. Of this total, EUR 725 million has been used for credit lines to develop small and medium enterprises.

A further EUR 582 million has been used to develop the economy's transport infrastructure, both regional projects and Trans European Transport Networks, which are another priority for the EIB. In addition, the Bank has contributed EUR 163 million to rebuild and improve the reliability of Bosnia and Herzegovina's energy transmission networks over the past decade. As for its future work, the Bank is basing its plans on the Western Balkans Enlargement Strategy and the European Green Deal. The Enlargement Strategy is expected to expire in 2020 but the thematic areas of interest are likely to be extended beyond the current timeframe with rule of law, migration, transport and energy connectivity, reconciliation and good

neighbourly relations still very much on the agenda. Some 50% of the current EIB portfolio is committed to the VC transport corridor.

2.2.4. Sweden

Sweden's development work in Bosnia and Herzegovina is guided by its BiH strategy, set to expire in 2021. The strategy is harmonised with the IPA programme as well as the Sida Development Strategy for Western Balkans and Turkey. The development of a new strategy document for Bosnia and Herzegovina has already begun with stakeholder consultations ongoing – more than 20 development partners, both domestic and international have been consulted.

The new strategy is expected to encompass four primary thematic areas: 1) Inclusive Economic Development; 2) Human Rights, Rule of Law and Democracy; 3) the Environment; and 4) Peaceful Society/ Reconciliation. The Swedish development agenda, both in Bosnia and Herzegovina and globally, is firmly fixed to the UN SDG agenda with mainstreaming the development goals being one of Sida's priorities.

Coordination happens on two parallel tracks, with domestic institutions through the Donor Coordination Forum and international partners through a range of bilateral and multilateral settings. The overarching policy objective for Sweden in Bosnia and Herzegovina is EU integration.

2.2.5. Norway

Norway's development policy is primarily based on the UN SDG platform, strongly informing the economy's development priorities in Bosnia and Herzegovina.

Thematically, five areas are prioritised in Norway's development strategy:

- Education;
- Health;
- Climate change, the environment and the oceans;
- Private sector development, agriculture and renewable energy;
- Humanitarian aid.

Human rights, gender equality, climate change and the environment, and anti-corruption are considered cross-cutting issues.

In terms of Norway's current activities in Bosnia and Herzegovina, the Embassy is presently supporting projects in the realm of modernising education, justice sector reform, anti-corruption and transparency, freedom of media and reconciliation, among others.

2.2.6. United Kingdom

UK development assistance to Bosnia and Herzegovina is presently being recalibrated to support the implementation of the New Reform Agenda (Joint socio-economic reform programme 2019-2022). The document has been endorsed by the Council of Ministers and is expected to be adopted by the entity governments as well. The funding envelope is roughly 10 million pounds a year with resourcing

secured through two global funding facilities, CSSF (Conflict Security and Stability Fund) and GGF (Good Governance Fund). UK currently has some 15 active projects in the economy.

Projects implemented under both CSSF and GGF umbrella focus on anti-corruption; improving the business environment; judicial reform; key sector reforms (e.g. banking and energy); strengthening the rule of law; and supporting an independent media.

2.2.7. United States

The US Embassy, working primarily through its Agency for International Development (USAID) has four thematic targets for its BiH programme: 1) effective government institutions and civil society that encourage and enable active citizen involvement; 2) effective, transparent and accountable state-level institutions and processes, namely in the justice and security sector, which uphold the law equally for all citizens; 3) greater economic growth through investment and enactment of EU standards; and 4) a vibrant society that values tolerance and diversity, and where women and minorities flourish.

Its work in BiH is governed by the Country Development Cooperation Strategy 2012-2020, expected to elapse this year. The economy priority identification process is based on an assessment exercise undertaken by USAID periodically in order to establish areas of special relevance to the future development of the economy.

Key findings:

The broad array of international actors present in BiH as part of the donor landscape reflects an equally **diverse set of interests and driving principles**. While the IFI sector largely allocates funding based on long-term disbursement patterns and **sectors of strategic interest, such as transport and energy**, for which there is insufficient funding available domestically, **bilateral donors tend to champion areas in which there is overriding national interest from their capitols, or support an international or regional agenda, such as EU accession or Agenda 2030**. Due to the overall quality and reliability of domestic strategic documents **very few donors explicitly list domestic policy priorities as their guiding principles** in how they disburse available grant funding. **There is, however, interest by most donors in supporting regional integration**, to include involving other SEE embassies in relevant activities. This is a window of opportunity that can be seized at present considering most donor programmes are undergoing an overhaul with the expiring decade.

2.3. LINKAGES OF MAPPED STRATEGIES AND PRIORITIES WITH EUROPEAN COMMISSION PRIORITIES

The EC's Revised Indicative Strategy Paper (Aug 2018) is set to elapse in 2020 but its next iteration is unlikely to suffer dramatic change. The Strategy Paper sets out the priorities for EU financial assistance for the period from 2014 to 2020 to support Bosnia and Herzegovina on its path to EU integration. The paper

transforms political priorities established by the enlargement policy framework into priority areas where financial assistance is most likely to contribute to the meeting of accession requirements. Importantly, priorities laid out in the Strategy Paper have also been aligned with the 2030 Agenda and the Sustainable Development Goals (SDGs).

The current Strategy Paper focuses on the following seven thematic areas:

1. Democracy and Governance;
2. Rule of Law and Fundamental Rights;
3. Environment, Climate Change and Energy;
4. Transport;
5. Competitiveness, innovation, agriculture and rural development;
6. Education, employment and social policies;
7. Regional cooperation and territorial cooperation.

The IPA III framework will cover the period from 2021 to 2027 with the document expected to be adopted in the second half of 2020. Officials from the Directorate for European Integration expect the sectorial strategies to be overhauled in order to harmonise them with the IPA III framework which will lead to some reordering of priorities at all levels of government.

IPA III envisions five programming windows, each in the service of individual chapters.

1. Rule of Law, Fundamental Rights and Democracy

This thematic area is expected to advance preparations for accession, enhance national capacities for EU acquis and standards implementation, support reforms in rule of law, fundamental rights and democracy, ensure proper management of migration, enhance security (law enforcement, judicial and police cooperation, fight against organised crime and terrorism).

2. Good Governance, Acquis Alignment, Strategic Communication and Good Neighbourly Relations

This thematic area includes promotion of good governance (PAR, PFM and economic governance), compliance and alignment with the acquis and the Union's values, rules, standards and practices; peace and stability across the region; people to people contacts; regional cooperation, reconciliation and good neighbourly relations, and strategic communication.

3. Green agenda and sustainable connectivity

This thematic area includes environmental protection, mitigation of and resilience to climate change, a shift towards a low-carbon economy, digital economy and society, and transport and connectivity of the IPA III beneficiaries to the EU and the wider global market.

4. Competitiveness and inclusive growth

This thematic area includes economic and social development, focus on education, social inclusion and employment policies, support to private sector development and agriculture and rural development.

5. Territorial and cross-border cooperation

This thematic area includes promoting reconciliation and confidence-building among the local communities of border regions, capacity building of local, regional and beneficiaries' institutions to manage EU programmes in view of the management of future structural funds, and economic, social and territorial development of border areas. This window is clustered across five priority areas of cooperation:

- Improved employment opportunities and social rights;
- Greener and improved resource efficiency;
- Improved public infrastructures/connectivity (transport, digital, energy, waste and water);
- Improved business environment and competitiveness;
- Improved capacity of local and regional authorities to tackle local challenges.

In addition, there will be five cross-cutting themes that will be mainstreamed across all of the programming windows: climate change, civil society, gender, a rights-based approach and public administration reform (linked with the fight against corruption).

Once the IPA III framework has been formalised, eligible economies, to include Bosnia and Herzegovina, are expected to provide a strategic response to the programmatic priorities listed, outlining how their relevant strategies and plans can contribute to the achievement of IPA III targets. This will include the first tentative project list, translating programmatic priorities into actionable project ideas - this is expected to happen in the second half of 2020

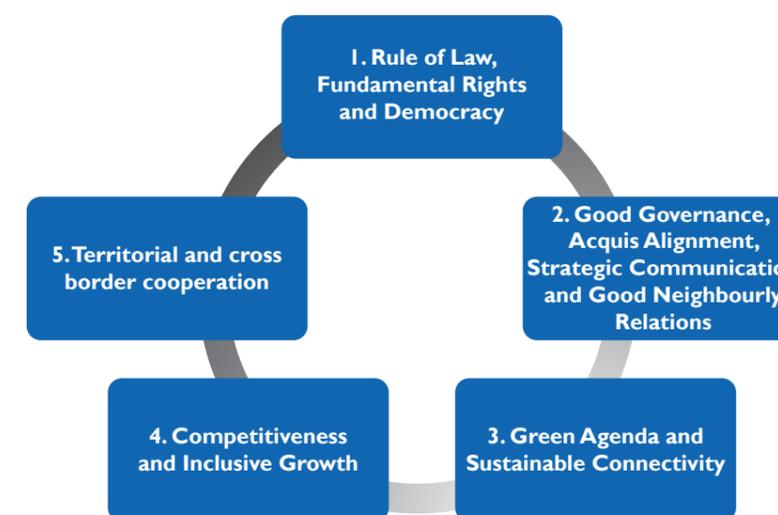


Illustration 1. The five programmatic windows of IPA III

Key findings:

The **EU represents the most significant source of foreign input into the domestic policy making** agenda, wielding much domestic influence across a number of crucial sectors. This is especially pertinent now with the **new IPA programming window expected to open in 2021, potentially unlocking a number of new actions that are complementary to the RCC's regional agenda.** The increased **conditionality that is a feature of the IPA III process lends itself well to possible attempts to integrate regional interventions with BiH policy,** under the EU umbrella.

2.4. LINKAGES OF MAPPED STRATEGIES AND PRIORITIES WITH UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

EU accession, Agenda 2030 and the SDGs are perceived as mutually reinforcing and complementary processes, with domestic authorities increasingly internalising the requirements of both processes through legislation as well as the supporting strategic documents.

Bosnia and Herzegovina has been working on internalising the UN's SDG agenda since 2016. Following the administration of the Voluntary National Review in 2019, the economy's institutions have now committed to developing an SDG Framework for the economy, currently being crafted through an extensive consultative process with public institutions, private sector, civil society and the academia, among others. Much like the larger EU accession process, this document is expected to inform strategic documents at institutions of all levels in Bosnia and Herzegovina.

During an exhaustive consultative process on SDG internalisation that took place in the course of 2018, four critical development pathways were identified. The four thematic areas reflect the development priorities of the economy, as set against the Agenda, and display a high level of inter-connectedness.

Good governance and public sector management, to build responsible, transparent, efficient and effective public sector institutions that can safeguard the rule of law. Specific priorities under this development pathway include better policy development and coordination, delivering improved public services to both citizens and the business community, improving public financial management, delivering public enterprise reform, curbing corruption and ensuring a functional judiciary.

Smart growth, to support the transformation of innovative ideas into products and services that can yield highly paid jobs and boost growth while safeguarding available resources and addressing inequality. This thematic area also entails entrepreneurship development, incentivising fast-growing companies, and fostering an innovative spirit as the necessary preconditions for prosperity generated through highly paid jobs. Inclusive entrepreneurship, improved framework conditions for doing business, better access to finance for innovation, research and development, as well as knowledge and skills upgrades for advanced industries will ensure that the economy closes the gap with high-income economies.

Investing in the new social contract, to ensure that no one is left behind. In addition to administrative reform, as well as growing employment and income, this entails closing the gap in the economy's welfare system in order to protect those most at risk from poverty and exclusion (like the elderly, people with disabilities, rural households, migrants, minorities and certain groups of women and children) and improving social cohesion as well as restoring the confidence in the economy's institutions.

Human capital for the 21st century, focusing in particular on quality education, life-long learning and active labour market measures in order to better prepare for the digital economy of the future as well as to effectively address the growing gap between labour supply and demand and to attract human capital from the diaspora. Quality education entails preparing youth for a rapidly changing

workplace, to include personalised learning environments and building literacy, mathematics and problem-solving skills. Active labour market policies are, among others, aimed at decreasing the high rate of inactivity with the economy's labour force by providing job seekers with the necessary information and skills to secure gainful employment. Lifelong learning targets the need for continuous development, helping individuals acquire the skills needed to succeed in the ever-changing conditions of the labour market.

These four thematic areas are presently being developed into a coherent framework document that will have the many hallmarks of a strategy and this follows on the heels of a Rapid Impact Assessment carried out to assess the level of compliance of domestic strategic documents with the requirements of the 2030 Agenda. So far, some 48 out of a total of 169 priorities available under the SDG umbrella have been identified.

Another round of stakeholder consultation is pending with the draft framework to be discussed by the Working Group in February when the document is expected to be forwarded to the decision makers for consideration.

Key findings:

With the **economy's SDG goals under development, this represents another excellent opportunity to integrate regional strategic objectives** and provide further impetus to the post-2020 process. The UN is open towards **building and reinforcing partnerships that would support and facilitate the accomplishment of the economy's goals, to include integrating the SEE post-2020 agenda**. Furthermore, **there is a great deal of convergence between core priority areas as stipulated in the parallel planning processes for the domestic development strategies currently under construction, the EU's strategic plans for the region and the ongoing SDG identification process**.

2.5. CONSULTATIONS WITH KEY STAKEHOLDERS

In addition to comprehensive desk research and email communication with a number of both governmental and non-governmental organisations and institutions, a series of in-person interviews was conducted with key informants both within government as well as from the international donor community.

As noted, the timing of the study adversely affected access to several key informants that were unavailable due to the holiday season.

The interview questions were designed separately for domestic informants and international counterparts.

Domestic informants were, in addition to area-specific inquiries, all asked the following questions:

1. What is the key policy or strategic document that governs your work?
2. What are the documents that make up the policy framework for your institution?

3. Do you feel that there is ample vertical and horizontal sectorial communication, i.e. is there a mechanism for information exchange between different institutions working in your area?
4. Do you feel there is adequate harmonisation of your institution's goals and priorities to those of the EU?
5. Are you familiar with the SEE 2020 Strategy Framework? If yes, does it inform your work?
6. Are you aware of the UN's SDG Agenda? If yes, does it inform your work?

International donors were all asked the following questions:

1. What do you feel are the key strategic priorities for BiH?
2. Does your organisation have a strategic plan for its work in BiH?
3. If yes, what are your key strategic priorities and what are its sources?
4. When planning your activities in BiH, do you consult the domestic strategic documents and if yes, which ones?
5. Do you consult donor strategies? If so, which ones?
6. Do you ensure alignment with SEE 2020 and UN SDGs in particular?
7. Do you feel there is sufficient donor coordination in BiH? If not, where would you like to see more?

Key findings:

The overwhelming sentiment of nearly all informants interviewed has been **that domestic strategies are seldom designed in a way that makes them actionable**, i.e., they rarely contain responsible agents or budgetary allocations that would enable their implementation. At economy level, this is watered down even further due to political opposition to BiH-level priorities so strategies are often merely a formality required in order to unlock potentially available EU funding.

As far as linkages with international instruments, **most local informants were aware of the SEE 2020 process as well as the UN SDGs**. Furthermore, there seems to be **ample support for both a comprehensive regional cooperation template as well as Agenda 2030**, regardless of political opposition from some corners.

All informants expressed interest in being involved in the post-2020 process which represents an excellent opportunity for the RCC to further consolidate its footprint in the BiH institutional landscape.

Name of informant	Job title	Institution/organisation
Hamdo Tinjak	Permanent Secretary	BiH Ministry of Foreign Trade and Economic Relations
Samra Bajramović	Program Officer	World Bank
Emil Vannheden	Second Secretary	Embassy of Sweden
Emma Bergenholtz	Second Secretary	Embassy of Sweden
Nedim Bukvić	Program Officer	Sida
Aida Laković-Hošo	Programme Manager	UNDP
Emir Adžović	Project Manager	UN SDG Project

Aris Seferović	Coordination Analyst	UN Resident Coordinator Office in BiH
Midhat Džemić	Head of Unit	Directorate for European Integration
Filip Krešić	Programme Officer	Directorate for European Integration
Nijaz Avdukić	Head of Section/Asst. Director	Federal Development Institute
Zdenko Milinović	Assistant Director	Directorate for Economic Planning
Ševala Korajčević	Head of Unit	BiH Statistics Agency
Franc Kljajić	Director of EU Integration Office, Canton Posavina	Government of Canton Posavina
Sandrine Friscia	Representative for BiH and Montenegro	EIB
Damir Šaljić	Political Advisor	UK Embassy to BiH
Manuela Naessl	Head of Operations	EBRD
Patrick Egli	Deputy Head of Cooperation	SDC
Hanna Bodenmann	Attaché	Embassy of Switzerland to Bosnia and Herzegovina
Ognjen Grujić	Programme Manager	Embassy of Norway to Bosnia and Herzegovina

Table 1 List of persons interviewed

2.6. REVIEW OF DONOR COORDINATION MECHANISMS

With a multitude of donors present in BiH for several decades now, there have been a number of attempts to establish coherent and structured government-led donor coordination. Following the endorsement of the Paris Declaration on Aid Effectiveness in 2005 at the Paris High-Level Forum on Aid Effectiveness, organised by the Organisation for Economic Cooperation and Development (OECD), 17 leading donor organisations and international financial institutions established the Donor Coordination Forum (DCF) in BiH.

Since its establishment and until the end of 2008, UNDP and the Office of UN Resident Coordinator in BiH served as the DCF Secretariat with the BiH Ministry of Finance taking over the role in 2009. Since its inception, the Forum conducted several donor mapping exercises in order to improve the management of assistance information and to improve harmonisation of donor activities. The mapping exercise has two components: an online database with detailed information on activities of 20 leading donors, and an

analytical report detailing donor activities in support of key structural reforms. The information, however, has not been updated over a period of years. The DCF played a key role in coordinating donor assistance following the 2014 floods, but was assisted by the EU with the UN performing the coordination role.

In addition to the DCF, the Directorate for European Integration is charged specifically for coordinating EU donor assistance.

Sectoral donor coordination takes place over a number of thematic areas, with UNDP, for instance, chairing a Local Government and Development Coordination Group where some 15 donors come together to discuss their efforts aimed at working with local authorities and the communities they serve. Sectoral donor coordination is more sporadic, however, and happens in bursts with varying degrees of engagement by the actors.

Key findings:

There are **ample opportunities to coordinate activities and interests within the donor community**, with **local institutions assuming a key role** in coordinating the work of their international partners. **Central-level coordination, however, tends to revolve largely around financial reporting** of sums invested by individual donors and very little around substantive work. Thematic coordination tends to take place at sectoral level and is largely driven by individual donors with a long-standing interest in the area.

Overall, **there is donor interest in coordinating activities** with other actors but there is some **coordination fatigue** with various actors initiating coordination at different times at sector level.

Interviewed donors all expressed support for regional cooperation and voiced interest in harmonising their efforts with overarching frameworks, whether they be at SEE level or via the Agenda 2030 mechanism.

3. Conclusions

This section will examine the points of entry for embedding the monitoring tools for post-2020 process into relevant strategic frameworks of Bosnia and Herzegovina, its entities, as well as its international partners across the four thematic areas, as envisioned by the MAP REA process:

1. Promotion of further trade integration;
2. Introduction of a dynamic regional investment space;
3. Facilitation of regional mobility;
4. Creation of a digital integration agenda.

In addition, where information is available, responsible institutional actors will also be identified.

3.1. STATE AND ENTITY SECTORIAL AND OTHER STRATEGIES

3.1.1. Trade integration and Regional investment

The **Council of Ministers' Midterm Programme 2020-2022** prioritises integrated growth as one of five key thematic areas, aimed at “promoting regional trade and mutual investment as well as the development of non-discriminatory and transparent trade policies.”

In particular, insofar as this thematic area regulates trade development and investment, the following three midterm objectives have been formulated:

- “1.2 Further development of foreign trade policies and increase in foreign investment”, with implementation responsibilities assigned to the Ministry of Foreign Trade and Economic Relations and the State Foreign Investment Promotion Agency; and,
- “2.1. Enhance the quality infrastructure system in line with EU legislation and best practices and ensure effective market regulation in order to enable the free flow of goods and services under fair and competitive market conditions”, with implementation responsibilities assigned to the Ministry of Foreign Trade and Economic Relations; State Public Procurement Agency; State Market Surveillance Agency; State Insurance Agency; State Standardisation Institute; State Metrology Institute; State Accreditation Institute; State Intellectual Property Institute and the State Competition Council.
- “4.1. Improve industrial competitiveness of small and medium enterprises”, with the implementation responsibilities assigned to Ministry of Foreign Trade and Economic Relations.

Under the Midterm Programme Objective 1.2, two indicators have been identified that may be utilised to assess progress against the post-2020 agenda in terms of investment promotion:

- a) Promotion of BiH as an attractive investment destination for foreign capital and further support to existing as well as prospective foreign investors;

b) Increase in volume of exports and foreign investment.

The objective entails the following relevant programmes:

- 1.2.2 Activities to support national foreign trade policy, foreign investment and export promotion;
- 1.2.3 Approximation of relevant EU strategies and policies from MOFTER portfolio;
- 1.2.4 Advancement of bilateral, regional, EU and multilateral trade relations;
- 1.2.5. Development of comprehensive customs and tariff policies;
- 1.2.6 Promotion and support to foreign direct investment.

Under Objective 2.1, thematically relevant indicators include the following:

- a) Number and type of relevant laws and policies drafted and developed by MOFTER;
- b) Number of unsafe/unregulated products identified on BiH market;
- c) Approximation of domestic legislation with relevant EU and international laws and policies.

This objective entails the following relevant programmes:

- 2.1.1 Develop strategic framework for quality infrastructure;
- 2.1.2 Adoption of sectoral EU policies and directives;
- 2.1.3 Harmonise horizontal legislation with the requirements of the quality infrastructure system;
- 2.1.4 Signing of agreement with the European Commission on mutual acceptance.

Under 4.1, thematically relevant indicators include:

- a) Smart Specialisation Strategy developed.

This entails the following relevant programme:

- 4.1.3 Smart Specialisation Strategy development

3.1.2. Facilitation of regional mobility

The Midterm Programme 2020-2022 also calls for a series of measures aimed at enhancing the quality of education and developing the economy's research capacities, in line with its regional and international obligations. Objective 3.1, in particular, calls for "the enhancement of education and implementation of international commitments in the area of education, as well as the introduction of requisite quality assurance measures". Implementation responsibilities for the programmes under this objective have been assigned to the Ministry of Civil Affairs, Agency for pre-school, elementary and high school education, Higher education development agency and Centre for information and recognition of qualifications in higher education.

In addition, Objective 4.2 "Development of policies governing science and research" envisions an overhaul of the relevant national policy framework.

Under Objective 3.1, thematically relevant indicators include the following:

- a) Harmonisation of relevant domestic policies and procedures with the provisions of the Lisbon Convention;

b) Consistent application of external quality assurance measures by the responsible agencies.

This objective entails the following relevant programmes:

- 3.1.1 Development and implementation of national-level regulations and strategic documents in the areas of education and youth;
- 3.1.2. Taking over and implementation of international commitments in the areas of youth and education;
- 3.1.3 Recognition of qualifications in higher education and student mobility;
- 3.1.4 Implementation of thematic assessments as part of the quality assurance process in education.

Under 4.2, thematically relevant indicators include:

- a) Report on policy instruments developed,
- b) Number of science projects supported.

This objective entails the following programme:

- 4.2.1 Implementation of science projects

In addition to the Midterm Programme, the Council of Ministers has adopted a National Science Strategy, covering the period from 2017 to 2022.

The Strategy entails the following core principles of relevance to the post-2020 process:

1. Further development of international science cooperation; and,
2. Integration into the European Research Area.

In particular, the Strategy prioritises the following themes:

- 1. Enable mobility**, to systematically address any and all obstacles to the mobility of researchers, to include their access to training as well as research opportunities abroad.
- 2. Ensure optimal circulation** of scientific research results, to include measures undertaken via digitalisation process for the European Research Area.
- 3. Ensure optimal conditions for transitional cooperation** as well as competition.
- 4. Develop more efficient national research systems** in order to enable access to European research funds, to include Horizon 2020.
- 5. Invest in improvements in research infrastructure.**

The implementation framework, however, lacks an action plan as well as the financial resourcing envelope or a clear delineation of responsibilities to meet individual priorities and achieve objectives. The overall implementation responsibility for the strategy document rests with the Ministry of Civil Affairs.

In addition, at entity level, Republika Srpska has adopted the Strategy for Scientific and Technological Development for the period from 2017 to 2021 - "Knowledge for Development" – which sets out a number of relevant objectives but provides limited detail and little in the way of monitoring. Its Federation counterpart, Strategy for the development of science and research in FBiH 2016-2026 was never adopted and is, according to available information, still in draft form.

Finally, in the absence of a national strategy, the Council of Europe, working in concert with partner domestic institutions, created a document titled Higher Education Development Priorities in Bosnia and Herzegovina for the period from 2016 to 2026 which sets out a number of relevant objectives for higher learning, to include internationalisation.

3.1.3 Creation of a digital integration agenda

The Midterm Programme 2020-2022, under Objective 4.3, also calls for the “enhancement of the communication, sector, and development of an information society and approximation of domestic legislation with the EU” with primary implementation responsibility assigned to the Ministry of Communication and Transport.

Under 4.3, the relevant thematic indicators include:

- a) The level of harmonisation of domestic legislation with relevant EU and international standards.

The corresponding programme under Objective 4.3 reads:

4.3.1 Communication, Information Society and Postal Services

In addition, this area is also governed by the Council of Ministers’ Information Society Policy 2017-2021 with the document calling for the development of a broadband strategy, better consumer protection mechanisms, investment in ICT infrastructure, cyber security, EU approximation and improvements in regulatory performance. Regrettably, the policy offers little in terms of detail, timeline or responsibility, while also providing no financial estimate for costs of implementation.

A Draft Broadband Access Strategy is currently undergoing a public consultation process with no estimated date of adoption by the Council of Ministers.

The economy’s Economic Reform Programme makes explicit mention of the inadequacies in the current regulatory and legislative framework governing ICT with the Strategy for information society development and the Law on Electronic Communications and Electronic Media yet to be adopted.

In terms of digital skills, there is no specialised strategy document at national level with Bosnia and Herzegovina yet to integrate the EU New Skills Agenda for Europe and the EU Digital Skills and Jobs Coalition initiative into its strategic framework. This is largely the result of education being primarily an entity and cantonal competence where there is currently little in the way of strategic direction, especially in the realm of developing digital skills. The new Federation and RS development strategies are expected to address this area in more detail.

Nonetheless, the importance of digital skills is explicitly recognised in the Economic Reform Programme where “insufficiently developed entrepreneurial-innovative and digital competences” are listed as a key barrier to growth and competitiveness. Accordingly, “Introducing key competences in curricula, with a focus on entrepreneurial and digital competence” is stated as one of the programmatic priorities.

3.2. THE EU AND THE UN

3.2.1. Utilising the economy’s EU agenda

The EU’s Agenda 2019-2024 identifies the following priorities to steer the EU’s work: protection of citizens and freedoms; development of economic base as the European model for the future; greener, fairer and more inclusive future; and the promotion of Europe’s interest and values in the world. These measures are complementary to some of the policies already in place in the EU Strategy for the Western Balkans (i.e. strengthening the rule of law, engagement in security, support for socio-economic development and digital agenda), also internalised in the MAP REA and transposed, to an extent, in the strategic documents of the Western Balkans.

In more concrete terms and in relation to the post-2020 process, the upcoming IPA III package represents an excellent opportunity to highlight and drive some of the region’s priorities, as articulated through the MAP REA process, integrating them into the economy’s strategic response to the IPA process.

Three of the five IPA programming windows have some potential to provide both a strong impetus and an excellent monitoring opportunity for the post-2020 process. Once more details become available it will be possible to make clear linkages between actions under each of the programmatic windows and MAP REA deliverables.

1. Good Governance, Acquis Alignment, Strategic Communication and Good Neighbourly Relations

This thematic area promotes freedom of movement and mobility across the region, focusing on good neighbourly relations and highlighting the need for better regional cooperation, with trade and investment highlighted.

2. Green agenda and sustainable connectivity

This thematic area includes the further development of a digital economy and society, which is of significant potential benefit to the implementation of the regional digital integration agenda.

3. Competitiveness and inclusive growth

This thematic area calls for improvements in education and further investment in research and development as drivers of economic growth.

3.2.2. Internalisation of UN SDGs

Looking at ongoing efforts to build an SDG framework for Bosnia and Herzegovina, there are ample opportunities for the emerging sustainable development platform to anchor and help propel a number of regional priorities, looking in particular at two of the four thematic areas: 1) smart growth and 2) human capital for the 21st century.

Smart growth is poised to help transform innovation into growth, both in terms of value and high paid jobs. Of particular relevance under this heading are research and development, access to finance for innovation and knowledge and skills upgrade for fast-growing industries.

Human capital for the 21st century focuses on quality education, life-long learning and active labour market measures in order to better prepare for the digital economy of the future as well as to effectively address the growing gap between labour supply and demand and to attract human capital from the diaspora. Quality education entails preparing youth for a rapidly changing workplace, to include personalised learning environments and building literacy, mathematics and problem-solving skills.

At present, with the SDG framework under construction, there is little detail available about individual programmes and performance indicators that can at a later stage be used to drive the post-2020 agenda and help gauge its progress in Bosnia and Herzegovina.

Annex I. Review of current and planned strategies

Economic Reform Program 2019-2021

In addition to the analysis of the macroeconomic and fiscal frameworks, the document, produced in cooperation with the European Commission, lays out the overall vision for the necessary structural reforms, by sector.

In this iteration of the Reform Program, the following reform priorities are identified and discussed in more detail:

1. Energy and transport market reform;
2. Agriculture development;
3. Business environment and reduction in the informal economy;
4. Research, development and innovation, and the digital economy;
5. Education and skills;
6. Employment and labour markets;
7. Social protection and inclusion.

Under the aforementioned seven headings, the following priority measures are foreseen by the Program:

- Improving the quality of public finances;
- Reducing the fiscal burden on labour;
- Improving the efficiency of public administration and local self-government;
- Tackling the issues of the lack of single economic space by harmonizing and coordinating industrial policies and policies for SMEs;
- Additional building of communication infrastructure;
- Improving the transport infrastructure;
- Improving links between the real sector and the scientific and research community, and addressing the mismatch between study programmes, enrolment policies and the real sector needs;
- Enhancing the level and quality of scientific productivity;
- Regulating prudential requirements of the banking operations and unregulated bank resolution process;
- Increasing the competitiveness of BiH by further promotion, improvement and development of tourism;
- Enhancing the technological level and productivity of agricultural production and enabling the use of grants from the EU pre-accession funds;
- Improving policies in the area of preschool education, secondary vocational education and lifelong learning;
- Improving the educational structure of the labour force;
- Improving links between the education system and the labour market;
- Ensuring quality, harmonised and timely official statistics for all users;
- Adopting the missing strategic documents in sectors of transport, energy and environmental protection;
- Providing additional sources of financing in the health sector; and,
- Improving the systems of pension and disability insurance and social protection.

Midterm Program of the BiH Council of Ministers

The vision for Bosnia and Herzegovina, as set out in the Midterm Program, sees the economy as “institutionally developed, more competitive and more dynamic with greater capacity to grow and with more and better jobs, a stronger sense of social cohesion, and being home to a more competitive business environment with the appropriate skills for the future.”

The vision is then broken down into general development principles and strategic goals and objectives with a stated link to the Europa 2020 Strategy and the SEE 2020 process. This bond is reflected in the development principles for the document:

1. Integrated growth, to include regional trade, mutual investment and the development of non-discriminatory and transparent trade policies;
2. Smart growth, to include innovation, digitalization and youth mobility, and the commitment to become competitive based on quality rather than the price of labour;
3. Sustainable growth, focused on addressing disparities in regional development, improved efficiency in managing natural resources, support to a self-sustainable economy and creating better conditions for local growth and employment;
4. Inclusive growth, to include boosting employment, upskilling, inclusiveness in the labour market, inclusive and quality healthcare and poverty reduction;
5. Development-focused public sector management, to include building public administration capacities with principles of good governance enshrined at all levels, stronger rule of law, countering corruption to enable a better business environment, and the provision of public services necessary for economic and social development.

The strategic goals, developed from the foundations provided by the development principles include the following:

1. Ensure macroeconomic stability;
2. Develop competitive business environment;
3. Develop human resources;
4. Improve industrial competitiveness;
5. Promote culture and creative sectors;
6. Ensure equitable regional development;
7. Improve environmental management, to include climate change resilience and adaptation;
8. Foster agriculture and rural development;
9. Develop energy sources and renewables in particular;
10. Increase employment opportunities;
11. Improve inclusiveness in education;
12. Reduce poverty and social exclusion;
13. Improve healthcare;
14. Expedite the process of capacity building.

Each strategic objective, with the exception of number 11, has been assigned a mid-term goal with the responsible agency given implementation responsibility.

National Framework Transport Strategy 2016-2013

The strategic planning of the transport sector can be defined as a tool at the service of major economic and social policy objectives. For each transport mode, the Framework Transport Strategy aims at defining the actions to be implemented to achieve the general and specific objectives in the short (2016-2020), medium (2021-2025) and long term (2026- 2030).

The following are the most important elements of the Framework Transport Strategy:

1. Meet social and economic demands;
2. Satisfy the needs in terms of maintenance, improvement and development of transport infrastructure;
3. Be financially sustainable;
4. Comply with EU standards and regulations;
5. Satisfy safety and information requirements;
6. Have a minimal permissible environmental impact.

Actions stemming from the Framework have been allocated to different time periods on the basis of their maturity, budget restriction, etc. The following development categories can be defined:

- actions to be implemented primarily (in the short term);
- action to be implemented after proper preparation (in the medium term); and,
- actions with low level of maturity and/or constrains (in the long term).

For each action, the Framework Transport Strategy defines: the stakeholders responsible to implement the action (e.g. Ministry, Infrastructure manager, etc.) and the instruments to be used to implement the action (e.g. financial instruments, legislative changes, etc.).

Strategic Framework for Public Administration Reform 2018-2022

This Framework for Public Administration Reform (PAR) aims at reforming the Public Administration of Bosnia and Herzegovina (BiH), to substantially improve BiH's administration over a period of five years. The reform is a precondition for the integration of BiH into the European Union (EU), which considers sufficient administrative capacity, and the ability to adopt and implement the core of EU law (the *acquis*), a key requirement for EU membership. This Strategy aligns with key strategic documents and commitments of BiH.

The Framework is grounded in a firm vision to develop a public administration that is more effective, efficient, and accountable; that will serve the citizens better for less money; and that will operate with transparent and open procedures, while meeting all conditions set by European Integration, and thereby truly become a facilitator for continuous and sustainable social and economic development. To achieve the vision, the Framework focuses on improving general administrative capacity, through the reform of core horizontal systems and structures of governance. The Framework also provides concrete directions for creating more coherent administrative structures within and between various levels of administration, and for managing change toward the desired goals of each sector.

The Framework will work across four thematic sectors:

1. Strengthening public administration capacities through the implementation of the principles of the European Administrative Area;
2. Establishment of a client-oriented and transparent public administration;
3. Development of a merit-based, professional and apolitical civil service;
4. Establishment of a cost-effective, coherent, effective, efficient and responsible public administration at all government levels.

Environmental Approximation Strategy (EAS) (open-ended);

The main objective of the BiH EAS is to ensure strategic planning of the approximation process implementation of which would provide conditions for improving of environmental protection with the aim of sustainable development. The environmental approximation process in fact consists of the transposition of environmental legislation of European Union (EU) into the legislation in BiH and implementation of such environmental legislation in BiH. Implementation will require the development of sub-strategies and plans that identify what resources are needed and how they can be mobilised to complete the implementation of the acquis. Coordination of activities of different administrative authorities in BiH competent for the alignment of environmental legislation in BiH with the EU environmental acquis and its gradual implementation in accordance the Stabilisation and Association Agreement (SAA) is a vital dimension of such commitment. EAS can be seen as a strategic framework planning document, which should provide necessary conditions for fulfilling of international obligations accepted by BiH economy-wide, in all constitutional parts of BiH, where competence for environmental issues is shared between its political units, i.e. FBiH, RS and BD of BiH. At a more technical level, this means that EAS shall also provide a reliable basic framework for the development and adoption of the strategic documents of two entities (FBiH, RS) and Brčko District of BiH aimed at full transposition of the EU environmental acquis into their respective political systems. Implementation and enforcement of the FBiH, RS and BD of BiH legislation fully harmonized with the EU environmental legislation (acquis) are permanent activities of environmental authorities. Through such activities, two BiH entities and BD of BiH shall fulfil its constitutional duty of providing necessary support to the State of BiH in fulfilling its international obligations in the field of environment, originating primarily from SAA.

Strategic Plan for Rural Development 2018-2021;

The vision of agriculture and rural areas for the period between 2018 and 2021 indicates certain developments that will take place in the two sectors, namely: i) Improved competitiveness of agri-food products and quality of life in rural areas for all social groups, especially young people, whilst ii) ensuring adequate environmental protection through more efficient use of available resources, improved product quality and increased level of investments in order to encourage restructuring, modernization, application of innovations and promoting diversification of economy in rural areas. This vision has been developed based upon the identified analysis of the strengths, weaknesses, opportunities and threats to the development of agriculture and rural areas and the ways in which agricultural and rural policy in BiH can address these main challenges and at the same time gradually align its structures, systems policies and programs with the EU Common Agricultural Policy.

The six main strategic goals for development of agriculture & rural areas in BiH for 2018-2021 are:

1. To ensure income stability and harmonize business conditions with the region;
2. Strengthening competitiveness of agriculture, forestry and rural areas through increasing the level of investments and improving the transfer of knowledge and promotion of innovation;
3. Improving marketability of agri-food products by increasing value-added activities, improving quality and safety standards and strengthening linkages within the value chains;
4. Sustainable management of natural resources and climate change adaptation;
5. Improving the quality of life in rural areas through new income generating sources and improvement of physical infrastructure, social inclusion and accessibility of public services;
6. Improving institutional systems and capacities and harmonization of the legal framework in agriculture and rural development, at all governmental levels with the aim of gradual approximation to the EU CAP.

These goals provide the broad framework for the development of agriculture and rural areas (strengthening competitiveness, improving marketability, sustainable management of natural resources, improving the quality of life and improving institutional and legislative capacities) and at the same time aim to take into account entity and Brčko District priorities.

These six strategic objectives will be achieved through the implementation of 11 broad strategic measures, with specific implementation being achieved through corresponding sub-measures.

National Framework Energy Strategy 2035

A long-term energy-related vision of Bosnia and Herzegovina is the creation of a competitive and long-term sustainable energy system taking into consideration security of supply. The vision needs to be realised within the scope of available capacities, resources and adequate dynamics. A stable energy system is required for stability and the establishment of other branches of economy and for keeping competitiveness of economy in general.

In order to achieve this vision, five key priorities and related focus areas have been defined;

1. Efficient use of resources – coal is currently dominant natural resource in the generation of electricity and as such it is one of the key bases of the energy sector. Although a long-term development of the energy sector of Bosnia and Herzegovina implies reduction of harmful emissions and generation of electricity from fossil fuels, it is still extremely important that the future coal exploitation and production activities are implemented in a more efficient manner, by applying an adequate technology and methods of operation. Natural potentials in the oil and gas segment are nowadays completely unexploited, therefore, continuation of exploration towards proving the existence of commercial reserves and potential exploitation would certainly contribute to the current balance.

2. Secure and affordable energy – are the two extremely important components of the energy trilemma in the context of the economic situation and geopolitical position of Bosnia and Herzegovina. In terms of energy security, it is important to understand that, at present times, Bosnia and Herzegovina cannot achieve the energy security in all segments on its own, primarily because of non-existence of its own oil and gas production. With this regard, it is primarily important to actively manage the physical

market integration with the neighboring economies, understand and implement the options of supply routes diversification develop partnership with business entities which supply the domestic market. In the oil and petroleum derivatives segment, an emergency stocks system should be established.

3. Energy efficiency - the key elements of the energy efficiency strategy are proposed in line with the long-term vision of the EU member states, in a manner that they primarily respond to the actual potential interests of Bosnia and Herzegovina and meet the requirements of the Directive 2012/27/EU. There are three strategic levers to achieve the energy efficiency goals, i.e. savings in the interval 45,15 – 56,02 PJ (1,08 - 1,34 Mtoe), depending on the scenario, until 2035. The levers pertain to savings in final consumption, savings in the electricity, gas and heat transformation, transmission and distribution process, creation of conditions for highly efficient cogeneration as well as promotion and expansion of efficient district heating systems.

4. Energy transition and environmental responsibility – goals towards clean energy and reduction of negative impacts on the environment are highly positioned on the agenda of Bosnia and Herzegovina that has adopted and implemented certain initiatives which are directly and indirectly related to the environment protection. Specifically, Bosnia and Herzegovina has committed itself, until 2028, to reduce SO₂ by 95%, NO_x by 67% and dust by 88% relative to 2014, with regard to large combustion plants. As for the RES share in the gross final energy consumption until 2020, the set goal implies the 40% target. With regard to consumption, energy efficiency measures are being defined. The foregoing initiatives require robust investment undertakings which, along with the strategic goal related to export of electricity, increase the transition sector complexity. A successful energy transition requires a systematic and consistent implementation of the environmental protection measures and more rational exploitation of resources.

5. Development and harmonization of regulatory and institutional framework – Harmonisation of legislation with the EU acquis is a complex task, considering that it implies the comprehensive and essential changes and overall reform of the energy sector. The basic strategic goal includes accelerated harmonisation of legislation with acquis, that is, transposition and implementation of the obligations assumed under the Treaty establishing the Energy Community. Bosnia and Herzegovina aims at harmonising the energy sector with the Third Energy Package and future EU Directives. Adequate market regulation within the mid-term and long-term period shall stimulate further efficiency and competitiveness, of which most benefits will be acquired by end users. A modern energy sector requires that all of its stakeholders actively contribute to its development – public services by setting a transparent and efficient legal framework and by monitoring its implementation, regulators by transparent implementation of stimulating regulatory mechanisms which shall, through an adequate economy, stimulate the regulated business subjects to promote their businesses.

Foreign Policy Strategy 2018-2023

With a very complex domestic political landscape, BiH's foreign policy tends to revolve around the lowest common denominator. Accordingly, the strategy document is very general and extremely vague on details, as well as responsibilities.

In a nutshell, the BiH foreign policy rests on four general pillars:

- a) Security and stability,
- b) Economic prosperity,
- c) Protection of the interest of Bosnia and Herzegovina's nationals abroad, and international legal cooperation,
- d) Promotion of Bosnia and Herzegovina in the world.

No specific details are provided on actual measures and/or actions.

Information Society Development Policy 2017-2021

The main objective of the Information Society Development Policy of Bosnia and Herzegovina is to plan activities that will maximize the social and economic potential of ICT, especially the Internet, as a significant means of economic and social activity.

Vision of the information society development

“Bosnia and Herzegovina - a digital economy that has recognized the social and economic potential of ICT and broadband” is a vision for the development of the information society in Bosnia and Herzegovina in the coming period. To realize the vision for the beginning, seven pillars of development have been identified, accompanied by programs with individual goals and objectives. The information society development strategy will define a finite number of pillars and programs.

The basic goals that the Information Society Development Policy in BiH wants to achieve are:

- defining directions for further and accelerated development of the ICT sector and broadband, and realization of preconditions for their realization;
- securing investment and increasing interest in the ICT sector and broadband;
- fostering competition in the electronic communications market;
- ensuring availability for broadband Internet access;
- encouraging end users, citizens and businesses to use the available ICT tools and services in daily life and business;
- ensuring the implementation of state-of-the-art technological solutions;
- promoting green ICT that protects the human environment;
- capacity building of the BiH software industry.

The basic tasks of the state are to provide significant support to the development of the ICT sector through creation of conditions, creation of environment, as well as financial support for realization of projects and quality initiatives.

Building on the European path that Bosnia and Herzegovina has opted for, the Information Society Development Policy is aligned with the seven strategic pillars of ICT development under the Digital Agenda for Europe. The following pillars should ensure the outlined vision of ICT development in Bosnia and Herzegovina through the direct realization of the assumed tasks and objectives:

1. Establishing a Digital Single Market
2. Establish an interoperability framework and standards

3. Fostering trust and security
4. Establishing fast and ultra-fast Internet access
5. Encouraging the development of the software industry, as well as investment in research and innovation
6. Enhancing digital literacy, knowledge and eInclusion
7. Implementation of ICT in addressing the key challenges of BH society

Based on the Information Society Development Policy in Bosnia and Herzegovina for the period 2017-2021, it is necessary to develop an Information Society Development Strategy in Bosnia and Herzegovina, which will elaborate in detail the activities by programs / pillars of the Policy and represent a key strategic document - a guide for further directions of ICT development in Bosnia and Herzegovina, as follows:

- Establishing a digital single market;
- Establishment of an interoperability framework and standards;
- Fostering trust and security;
- Establishing fast and ultra-fast Internet access;
- Encouraging investment in research and innovation;
- Strengthening digital literacy, knowledge and eInclusion;
- Implementation of ICT in addressing the key challenges of the society of Bosnia and Herzegovina.

National Science Strategy 2017-2022

The objectives of the Strategy are:

1. Ensuring the leading role of science and technology as a factor in the long-term development of the economy through the consensus of all decision makers in the sense that the development of science is of general interest;
2. Increasing financial allocations of the public and private sectors in BiH for science and technology based on short-term and long-term priorities and plans, as well as ensuring continued support for innovation, technology transfer, commercialization and application of scientific achievements;
3. Monitoring the development of science and technology and its impact on other segments of society based on internationally recognized statistical standards;
4. Increased participation of BiH researchers and institutions in the European Research Network and European Research Area (ERA);
5. Inclusion of the scientific diaspora in the research space of BiH;
6. Improvement of the higher education system and its training for competent scientific research work with the aim of securing the next generation of scientists and improving the existing scientific research staff;
7. Structural changes in scientific research systems, with an emphasis on cooperative and joint research by universities, scientific research institutes and industry, that is, ensuring a stronger link between science and industry in order to achieve development goals;

8. Ensuring access to electronic scientific databases, linking the library system, supporting the strengthening of domestic scientific journals, establishing a database of scientists and scientific institutions;
9. Development of research infrastructure according to international standards;
10. Reinvestment in industrial research in a number of sectors.

The goals of the Science Development Strategy in BiH are to build and develop Bosnia and Herzegovina as a new, modern society, known as the “knowledge society”, in which knowledge is the main creative force in personal, economic, social, social, cultural and material progress.

General priorities

The general priority is the establishment of legal regulation of scientific research, research and technological development.

1. Establishment of legal regulation of scientific research, research and development and technological activities
2. Strengthening human resources and reaching a critical mass of quality researchers for research and development through the training of a new generation of scientists at our universities or abroad and the qualification of existing scientists for new techniques and challenges, with the systematic involvement of the scientific diaspora in this process.
3. Development of a system of evaluation and monitoring of the quality of work in the field of scientific research and research and development activity
4. Defining and harmonizing the criteria for election to scientific-research and scientific-teaching titles
5. Establishment of a scientific and technological database - statistical parameters (indicators): human resources in science and technology, research institutions, capital research equipment, literature and publishing; projects with relevant indicators, patent information; statistical indicators in accordance with European and world standards and OECD / UNESCO standards respectively.
6. Strengthening research infrastructure (experimental equipment IT equipment, Libraries, publishing)
7. Construction and maintenance of academic-research information-communication infrastructure and network
8. Stimulating and raising the level of integration of science at universities, institutes and research centers in the economy
9. Rational use of scientific potential

10. Intensifying activities of integration into European science and technology flows through participation in research and development projects and intensification of participation of BiH science in the system of international knowledge exchange - international cooperation.

11. Engaging in world science trends

12. Creation of the technological base of society (innovation, technology transfer, protection of intellectual property, commercialization and application of scientific achievements).

13. Creation of the technological base of society (innovation, technology transfer, protection of intellectual property, commercialization and application of scientific achievements).

14. Improvement of the material basis of science, sources of funding and allocation of funds

15. Promoting scientific research and development activities and enhancing public awareness and confidence in science and technology

The stated goal of this Strategy is to raise the level of allocation for these purpose to 1% of gross domestic product over the next five years.



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