

2018 Commission report on Bosnia and Herzegovina

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PURPOSE: to present a Commission staff working document on the Bosnia and Herzegovina 2018 report in the context of EU enlargement.

BACKGROUND: in February 2016, the country applied for EU membership and in September 2016 the European Council invited the European Commission to submit its Opinion on the merits of Bosnia and Herzegovina's application. In December 2016, the Commissioner for European Neighbourhood Policy and Enlargement Negotiations handed over a comprehensive Questionnaire covering all EU accession criteria. The country's consolidated answers were finalised in February 2018. The Commission has started the work on its Opinion, which will be prepared on the basis of the country's answers to the Questionnaire and follow up inquiries, dedicated peer reviews as well as Commission's consultations with international organisations and civil society.

Pending finalisation of the Opinion preparation process, this interim report on Bosnia and Herzegovina provides an update on the situation in the country as well as on key developments on 'fundamentals' first areas: the rule of law and fundamental rights, public administration reform and economic development. The full analysis of Bosnia and Herzegovina's situation in relation to the EU accession criteria will be carried out as part of the Commission's future Opinion and its accompanying analytical report.

Bosnia and Herzegovina continued to implement the Stabilisation and Association Agreement.

CONTENT: the EU continued to provide guidance to the country's authorities on reform priorities on the country's EU membership path.

A summary of the main chapters of the report is as follows:

Political and economic dialogue: political and economic dialogue took place between the EU and Bosnia and Herzegovina in the framework of the SAA structures which continued to operate smoothly. Regarding the political criteria, the electoral framework remains to be urgently amended with a view to ensuring the proper organisation of the October 2018 elections and the smooth implementation of the results. Bosnia and Herzegovina's constitution remains in breach of the European Convention on Human Rights, as per the *Sejdi-Finci* and related cases. The functioning of the Presidency of Bosnia and Herzegovina was affected by the expression of divergent positions by its individual members on a number of issues under its competence over foreign policy. The coordination mechanism on EU matters has started to function as of June 2017 with the preparation of country's answers to the Commission's Opinion Questionnaire.

Concerning the **economic development and competitiveness**, Bosnia and Herzegovina has made some progress, but is still at an early stage of establishing a functioning market economy. Some improvements of the business environment have been achieved and the financial sector has been strengthened. Key remaining issues are a weak rule of law, a still poor business environment, a fragmented and inefficient public administration and major labour market imbalances, related to a poor education system, weak institutional capacities, and an unsupportive investment climate. Moreover, the informal economy remains significant. Bosnia and Herzegovina has made some progress and remained at an early stage in achieving the capacity to cope with competitive pressure and market forces within the Union. The overall level of education and spending on research and development has remained low. Transport and energy infrastructure is insufficiently developed.

Judicial system: Bosnia and Herzegovina has some level of preparation regarding its judicial system. Some progress was made regarding the judiciary, but overall, reforms progress at a slow pace.

Corruption and organised crime: there is some level of preparation regarding the fight against corruption. However, corruption is widespread and remains an issue of concern. Bosnia and Herzegovina has some level of preparation on the fight against organised crime. Some progress was made, notably by adopting a new strategy on fighting organised crime and fulfilling the action plan on anti-money laundering and financing of terrorism as a result of which Bosnia and Herzegovina will no longer be subject to Financial Action task Force Monitoring. However, significant efforts are needed regarding financial investigations and improving capacities for countering terrorism as well as enhancing cooperation with neighbouring countries on border management issues.

CFSP and CSDP: the EU continued to deploy considerable resources in Bosnia and Herzegovina under the common foreign and security policy and the common security and defence policy. However, Bosnia and Herzegovina's alignment with EU common foreign and security policy has yet to be improved. The EUFOR Althea military operation remained deployed in the country and EUFOR retained deterrence capacity to support a safe and secure environment. Bosnia and Herzegovina did not align itself with Council decisions introducing EU restrictive measures in the context of Russia's illegal annexation of Crimea and events in eastern Ukraine.

Fundamental rights and freedom of expression: some progress was achieved on human rights and minorities' issues. However, the strategic, legal, institutional and policy frameworks for the observance of human rights are in need of substantial improvement. This includes freedom of expression where political pressure and intimidation of journalists continued, including physical and verbal attacks. Gender-based and domestic violence remains a concern. A more comprehensive and integrated approach towards the Roma population is required to foster their social inclusion.