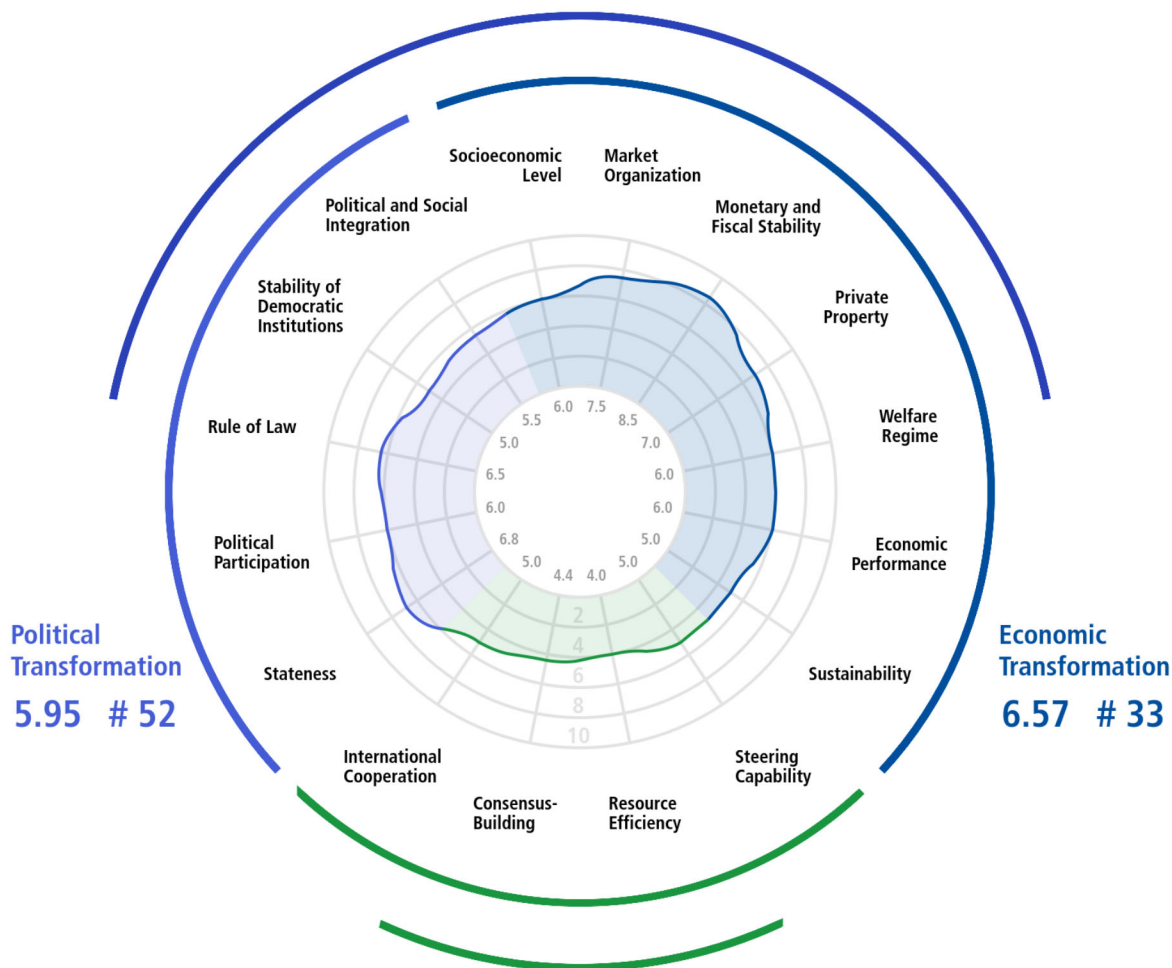


Bosnia and Herzegovina

Status Index

6.26 # 42

on 1-10 scale out of 137



Governance Index

4.03 # 94

on 1-10 scale out of 137

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2026. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	3.2	HDI	0.804	GDP p.c., PPP \$	21971
Pop. growth ¹	% p.a.	-0.7	HDI rank of 193	74	Gini Index	33.0
Life expectancy	years	77.9	UN Education Index	0.731	Poverty ³	0.8
Urban population	%	50.7	Gender inequality ²	0.157	Aid per capita \$	96.6

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Although Bosnia and Herzegovina's political institutions remain shaped by the legacy of the 1990s conflict – three decades after the Bosnian War – society and the economy have largely moved beyond a post-conflict mindset. Ethnic divisions persist, yet political competition has increasingly shifted within rather than between ethnic groups. This shift is driven by strong institutional guarantees of policy autonomy and by tangible economic growth that has eased competition for resources. Still, the underlying tensions that once fueled the war remain present and could again destabilize the country if exploited by malign actors.

During the period under review, Bosnia and Herzegovina (BiH) has seen a mixed record of crisis and progress. In light of the ongoing war in Ukraine and further autocratization in Serbia, the leadership in Republika Srpska (RS), under RS President Milorad Dodik, has continued a performative policy of repeatedly challenging the legitimacy of state institutions and threatening secession. The RS parliament adopted several laws and decrees that threaten to undermine the state-level judicial system. In turn, these have been suspended by the Office of the High Representative in BiH (OHR). This comes against the backdrop of the ongoing prosecution of Dodik by the BiH courts for noncompliance with the decisions of the OHR, and U.S. sanctions against him, his family and associates for corruption and establishing patronage networks for personal enrichment, in addition to actions undermining the Dayton Peace Agreement. Several other high-level politicians have been indicted or sentenced in courts for issues related to corruption and misuse of office, most notably former Federation of Bosnia and Herzegovina (FBiH) Prime Minister Fadil Novalić. The number of high-level politicians under U.S. sanctions has steadily increased, as has the severity of those sanctions, including suspension of domestic bank accounts – turning sanctions into a potent accountability mechanism. However, both OHR interventions and U.S. sanctions highlight the ongoing importance of international attention and action to support BiH.

At the same time, democratic institutions proved sufficiently robust to handle this political stress, especially after the change of government following the October 2022 elections. Coalition governments in BiH and the FBiH were established within a few months, a stark contrast to the delays after the 2018 elections. The BiH parliament passed crucial legislation – such as the Law on the Prevention of Conflict of Interests, and the Law on Anti-Money Laundering and Countering Terrorist Financing – which strengthened the rule of law framework in the country. Overall, progress remained slow and limited. Legislative progress in the FBiH was more substantial, especially compared with the previous review period. Some progress on reforms, including partial fulfillment of the 2019 key priorities, combined with geopolitical concerns following Russia’s 2022 invasion of Ukraine, led EU leaders to open accession talks with BiH in March 2024, signaling progress toward EU integration.

Economic transition is progressing slowly but steadily. High administrative barriers and inconsistent regulations across administrative units remain unaddressed, affecting private companies. Economic growth has remained consistent but modest, with a resilient labor market, despite an inefficient and oversized public sector. The country was impacted by inflation in the wake of the COVID-19 pandemic and the war in Ukraine, but managed to mitigate some risks to socioeconomic development. Notable strengths include strong monetary stability, a robust banking system and liberalized foreign trade.

Any progress, however, remains fragile given deeply entrenched political patronage networks tied to all major parties and their leaders. Political actions that aim to weaken governance to maintain such networks conflate ethnonationalist sentiment with the political survival of individual politicians, even at the expense of stability. Persistent political divides and efforts to balance EU integration demands with internal governance challenges remain a key feature of BiH’s political landscape.

History and Characteristics of Transformation

The transition of Bosnia and Herzegovina (BiH) toward democracy began with the first multiparty elections in 1990, when it was still a republic of Yugoslavia. This transition was interrupted between 1992 and 1995 by the Bosnian War, the most brutal of the Wars of Yugoslav Succession, which popularized the term “ethnic cleansing” and culminated in the first genocide in Europe since World War II. The war resulted in huge population displacement and left deep scars among BiH citizens. It also reshaped the political system of the country, embodied in the BiH constitution, which is included as Annex IV to the Dayton Peace Agreement that ended the war.

Further transition to democracy and to a market-based economy has been significantly affected by both communist legacies and post-conflict circumstances. The constitution established a consociational democracy based on power-sharing between ethnic groups, initially embodied by illiberal ethnonational elites from the wartime period. Power-sharing included formal and informal provisions of mutual ethnic veto, grand executive coalitions in government, proportional

representation in the legislature and significant territorial autonomy for all groups. Its primary purpose was to reconcile the competing visions of state identity, encompassing multi- and monoethnic perspectives, and the roles of the country's three constituent groups: the Bosniaks, Serbs and Croats. It established a highly decentralized and fragmented state, characterized by weak central institutions and two sub-state entities: the predominantly Serb, highly centralized Republika Srpska (RS), and the predominantly Bosniak and Croat Federation of Bosnia and Herzegovina (FBiH), which featured an unstable federal center and cantonal units with significant competences. While it succeeded in bringing the warring elites to agree on a shared state, it did not prioritize institutional functionality. Instead, it relied heavily on decision-making mechanisms based on ethnic consent and ethnic veto. The central elements of the political system remain unchanged to this day and have proven extremely resilient – at times even too static.

Implementation of the Dayton Peace Agreement is supervised by a U.N.-mandated high representative, which assumed a quasi-protectorate role in the initial decade after the war and wielded extensive executive powers. This authority enabled the removal of public officials and policymakers accused of obstructing peace implementation, the imposition of legislation and changes to entity constitutions and the creation of additional state-level institutions. Concurrently, a NATO-led military mission restored security across the country. These efforts ran parallel to initiatives aimed at rebuilding infrastructure, kick-starting economic recovery, facilitating the return of refugees and addressing the social divisions that had emerged in the country. While this international involvement faced criticism for being undemocratic, it laid the groundwork for liberal democracy, fostered political dialogue and compromise, introduced some diversity into the party system and political life, integrated civil society into political processes, established core state functions and the foundations for economic reconstruction and fiscal stability. Between 2003 and 2006, these transformation efforts gradually shifted toward alignment with the European Union.

This approach involved entrusting responsibility to domestic political actors, motivated partly by the belief that domestic political elites were prepared to independently pursue reforms within the EU integration framework, and partly by waning political will among Western governments to sustain the costly postwar engagement. However, the handover did not produce the expected outcomes given the absence of a new constitution that could guarantee functionality, democracy and the rule of law. The past two decades have seen the reification of predatory ethnic power-sharing that serves the interests of all ethnic elites by preserving patronage systems. Since then, BiH politicians have shown an inability or unwillingness to reach consensus on forming multiethnic coalition governments, agreeing on fundamental policies or even adhering to core constitutional principles. Nationalistic rhetoric has surged, particularly in frequent calls for secession by RS leaders, signifying the rise of Milorad Dodik as a dominant figure in RS and BiH as a whole. Dodik established a competitive authoritarian regime in RS, undermining democratic principles, the rule of law and human rights. Meanwhile, BiH Croat political elites have intensified their demands for ethno-territorial autonomy and security of genuine ethnic representation. Bosniak nationalist parties have faced allegations of attempting to centralize national decision-making at a time when their group has achieved demographic majority in BiH. All ethnoliberalist political elites have been implicated in widespread corruption, a problem deeply ingrained in all structures of BiH.

In summary, the actions of political elites have eroded state unity and institutional effectiveness, even as formal processes are maintained. All ethno-political elites have contributed to systematically weakening democratic reforms to serve individual agendas, significantly impeding the country's progress toward EU integration.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

In BiH, the state's monopoly on the use of force applies to the entire territory and population. However, implementation of this principle is limited by the state's decentralized and fragmented structure, the politicization of security services and reliance on external actors.

The BiH armed forces were established in 2006 by unifying three separate ethnic-based armed forces, a move supported by international state-building efforts. The BiH armed forces have a national presence. The police forces in BiH face significant fragmentation and growing politicization. State-level police agencies have a narrow mandate and struggle with poor coordination with security sector agencies at lower levels of government. These are the Border Police of BiH, the Directorate for Coordination of Police Bodies of BiH, and the State Investigation and Protection Agency. At the subnational level in RS, the police are highly centralized and strongly influenced by the ruling parties. In the FBiH, police competencies are divided between the federal and cantonal levels, with incomplete institutionalization of cooperation among these agencies. There has been a continued effort by the ruling elites to exert greater political control, with the aim of subverting the autonomy of police agencies.

Since 2004, the European Union Force Althea (EUFOR Althea) has been tasked with ensuring peace in BiH. In the event of a serious threat to national security, it has the capacity to call in reserve forces from an out-of-country Intermediate Reserve Force, located in Europe, although this may involve some delay. Notably, in 2022, troop levels were increased to 1,100 due to the political crisis in the country and the broader geopolitical context involving the war in Ukraine. In April 2024, NATO supreme allied commander Europe and commander of U.S. European Command, General Christopher Cavoli, announced NATO's decision to increase reserve forces within the EUFOR Althea mission in BiH. General Cavoli cited rising ethnic tensions that he said could destabilize the region. NATO also retains a reserve security mandate.

Question
Score

Monopoly on the
use of force

8

'06 '26 10



1

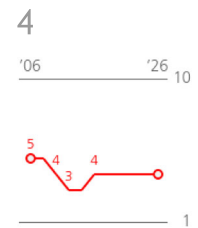
The constitution of BiH, which is an annex to the Dayton Peace Agreement, does not establish a unified state identity. Instead, it incorporates mutually exclusive state concepts, encompassing both multiethnic and mono-ethnic perspectives. This arrangement significantly affects the functioning of state institutions and equal political representation for all citizens. Since the international community shifted from actively promoting state-building in 2006, nationalist political elites have renewed their efforts to weaken state institutions. They do so by exploiting fears of other ethnic groups and solidifying their own political positions. Specifically, the leadership of RS frequently challenges BiH's existence, insisting on an unconstitutional right to secession and the return of competencies transferred to the state during the first postwar decade. This includes the celebration of Republika Srpska Day on January 9, which was declared unconstitutional by the BiH Constitutional Court in 2015. Croat parties, such as HDZ-BiH, use policy tools to indirectly challenge the state, and push for further federalization and the creation of a Croat ethno-territorial entity. Bosniak parties rarely embrace the prospect of a multinational and federalized BiH, instead advocating for majoritarian democratic principles.

Furthermore, individuals who do not identify as members of one of the “constituent peoples” (Bosniak, Croat and Serb) are excluded from running for certain key state offices, such as the BiH Presidency and the House of Peoples. Additionally, the Serb member of the Presidency is chosen solely from candidates from RS, elected by voters residing in the entity alone, with a similar process applying to the election of Bosniak and Croat members from the FBiH. Discriminatory practices also extend to indirect elections of the three ethnic caucuses of the House of Peoples of the BiH parliament. While several rulings by the European Court of Human Rights (ECHR) and the Constitutional Court of BiH since 2009 have recognized these provisions as discriminatory based on ethnicity, authorities have failed to implement necessary changes.

There is no structural discrimination in citizenship rights based on group affiliation or residency. Citizens of BiH are automatically citizens of the FBiH or RS and vice versa.

Surveys indicate that top-down nationalism affects Serb and Croat populations, which explicitly support federalization and autonomy. The Bosniak population remains committed to a unified, albeit centralized, state where they would be the absolute majority. These views on state identity are clearly at odds with one another. However, all citizens prioritize practical issues – such as the economy, corruption and social justice – over questions related to ethnicity and national status.

State identity



Formally, the state and religion are completely separate in BiH. However, in practice, religious communities exert notable influence on public and political affairs, and this influence has had both positive and negative impacts on post-conflict reconciliation. During the disintegration of Yugoslavia, leaders of the Islamic community, the Roman Catholic Church and the Serbian Orthodox Church emerged as key figures within influential informal elite networks. They aligned themselves with the growing ethnonationalist movements and lent legitimacy to policies that involved ethnic cleansing.

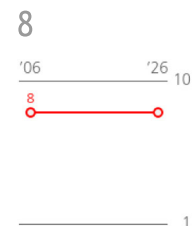
Even today, religious communities in BiH maintain direct ties with political elites – as demonstrated by the Islamic community’s public defense of former FBiH Prime Minister Novalić following his 2024 conviction for abuse of power. This case highlights how religious institutions openly align with specific political parties, leverage religious sentiment to legitimize specific political figures or parties and potentially influence state decision-making. One example of this influence is the merging of the RS National Day with an Orthodox Christian holiday. The BiH Constitutional Court has declared this merger discriminatory against the non-Serb, non-Orthodox population in RS. This manner of involvement by religious leaders led to an almost complete fusion of ethnic and religious identities. In the 2013 census, 50.7% of BiH citizens identified as Muslims, 30.7% as Orthodox Christians and 15.2% as Catholic Christians. This distribution closely mirrored the country’s ethnic breakdown between Bosniaks, Serbs and Croats, respectively.

Basic administrative structures are in place, enabling the provision of essential services. About 96% of the population has access to basic sanitation facilities and water. However, the administration in BiH is unusually fragmented across six levels of government – municipal, city (often overlapping with municipal), cantonal, entity, Brčko District and central state levels.

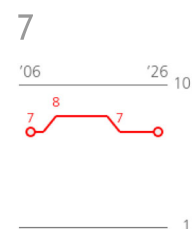
The governments of the two entities, namely the FBiH and Republika Srpska (RS), are primarily responsible for delivering most public services. Meanwhile, state-level authorities handle foreign policy, trade, defense, customs policy, monetary policy, immigration, refugee and asylum policy, international and inter-entity law enforcement, communications, air traffic control and international financial obligations. Additionally, the central state has taken on responsibilities – such as indirect taxation and regulation of police, intelligence, judicial and prosecutorial bodies – following transfers of responsibility from the two entities.

Efforts to enhance the management of public services at the municipal level were strengthened through local self-governance reforms in 2004/05, including fiscal decentralization. However, the RS leadership’s ideological resistance to transferring competencies to the central level – coupled with a reluctance to coordinate or harmonize entity-level policies – significantly hampers the delivery of basic services to citizens. While the quality of public health care, social protection and education in the country is improving, there is very little coordination in delivery among different administrations. Infrastructure such as railways and highways is being upgraded, but the pace of development still lags behind neighboring countries.

No interference of religious dogmas



Basic administration



2 | Political Participation

National, entity, canton and local elections are held every four years. Universal suffrage and a secret ballot are guaranteed. However, the constitution contains provisions that discriminate based on a combination of ethnicity and place of residence, limiting the right to run for office. Specifically, only certain categories of citizens are allowed to run for the BiH Presidency and the Houses/Chamber of Peoples at the state and entity levels. The European Court of Human Rights has ruled that BiH must amend its constitution and election law. The European Commission has made this a key requirement for EU membership. However, the ruling parties and leaders have not reached an agreement on moving forward.

The OSCE Office for Democratic Institutions and Human Rights has made numerous recommendations for electoral reform in BiH, some of which have been implemented in the past two years, while others remain unimplemented. The unimplemented recommendations address the accuracy of voter registries, measures to prevent the misuse of state resources during campaigns, regulations for campaign financing and political pressure on the election administration.

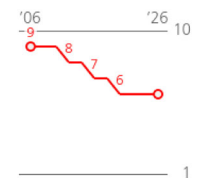
Amendments to the Electoral Law in 2022 introduced new voting technologies as part of a pilot project for the 2024 local elections. These included biometric voter identification and optical scanners for automated ballot counting at selected polling stations, with full implementation planned for the 2026 general elections. Voter turnout for the 2024 local elections was about 46%, roughly four percentage points lower than in the 2020 local elections, which may have been affected by outdated voter rolls. The Central Election Commission issued 135 sanctions for campaign violations totaling BAM 740,000. Due to catastrophic flooding just a few days before election day, elections were postponed by one month in the most affected municipalities, according to the law, and proceeded without significant irregularities.

The most powerful veto points in BiH are not external but are built into the decision-making process itself. The power-sharing system was initially designed to ensure equitable ethnic representation within the central state and FBiH institutions. However – due to the absence of a shared vision among ethnonational elites – the procedures for government formation and voting in the central state parliament and presidency grant veto authority to representatives from each entity and the “constituent peoples.” This allows them to obstruct collective decision-making. Similar ethnic veto mechanisms are also in place in the FBiH, albeit to a lesser extent in RS. As external intervention and mediation decrease, these power-sharing systems increasingly fail to foster any meaningful form of shared governance, which can affect government formation and effective governance.

Following the October 2018 general elections, the victorious parties used de facto veto power to block government formation at the state level and in the FBiH. The BiH Council of Ministers took 14 months to form. In the FBiH, the inability to establish a government left a caretaker government in office for the entire four-year

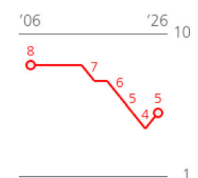
Free and fair elections

6



Effective power to govern

5



mandate. After the electoral reforms imposed in 2022, the process was significantly streamlined. Government formation at the state level was completed in less than four months and the FBiH government was formed a little more than half a year after the elections.

The constitution guarantees freedom of association and assembly and the BiH Law on Associations and Foundations outlines the regulations governing these rights. While there is no clear evidence of political interference in granting permission for associations, the registration process is lengthy and burdensome. The consolidation of the country's 18 separate NGO registers was completed in 2018, but the process lacks transparency. NGOs registered at the state level face burdensome employment obligations as they are subject to the state's labor law, essentially equating NGOs with state institutions.

Independent groups, especially in RS, have faced political intimidation and criticism in government-affiliated media. Since 2014, the RS Law on Public Peace and Order has included the internet in its definition of "public space," which hampers freedom of assembly. Despite domestic and international criticism, the law remains in effect. In 2023, LGBTQ+ activists were physically assaulted and barred from public gatherings after requesting police protection guaranteed by constitutional rights. The attack followed a disinformation campaign by RS officials and police failures to ensure the activists' freedom of assembly.

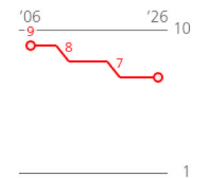
In May 2024, the National Assembly of RS (NSRS) adopted a draft law on foreign agents, very similar to the one passed in Russia in 2012, effectively limiting the work of civil society organizations, particularly political opponents. The draft law proposes establishing a register of civil society organizations, specifically focusing on those receiving foreign funding. It would ban political activities and impose additional registration requirements. Even though the high representative withdrew the law from formal consideration, its support in the NSRS points to a tightening of the space for civil society engagement.

Freedom of expression is constitutionally guaranteed in BiH and defamation was fully decriminalized nationally in 2002. Freedom of information legislation is in place. Broadcast media are regulated by an independent Communication Regulatory Agency (CRA) with executive enforcement powers, while print media self-regulates through the BiH Press Council. However, the European Commission noted in its 2020 BiH country report that the CRA "lacks full political and financial independence."

Politicians frequently attempt to undermine media and editorial independence, and the 2024 Alternative Report on BiH's progress on EU membership noted growing political pressure on journalists from politicians and public officials. The same report also noted an increase in strategic lawsuits against public participation (SLAPPs), particularly against environmental activists. Fragile economic conditions for journalists and media outlets, significant government funding for private media, and civil libel suits against media and journalists all contribute to these challenges.

Association / assembly rights

7



Freedom of expression

6



An initiative to include journalists as persons serving the public interest in criminal law was adopted by the BiH parliament in 2022. The efficacy of the judicial system in resolving cases related to attacks and threats against journalists decreased to 25.4% in 2022. According to Reporters Without Borders, because of re-criminalized defamation in RS and the varying quality of journalism across the country, BiH dropped 17 positions to 81st.

Public broadcasters in both entities, and at the national level, have been susceptible to political influence, with operations significantly affected by conflicting political agendas. In RS, the public broadcaster's steering board remains politically affiliated and is described by the European Commission as "under the firm political control of the ruling party." In 2019, RS began collecting its own radio and television tax, diverting it from the state's account and depriving the national broadcaster of 50% of its funds. In the FBiH, the appointment of the public broadcaster's governing board was the subject of ongoing debate throughout 2024, yet remains unresolved and contested.

The public broadcasters remain heavily indebted, which keeps them subservient to political interests. For example, the FBiH broadcaster was kept on air by an ad hoc decision of the FBiH parliament in April 2022. This insecurity and political instrumentalization have effectively halted the digitalization of public broadcasters.

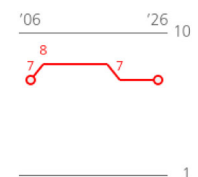
3 | Rule of Law

BiH has a uniquely complex constitutional structure. The state constitution, along with the constitutions of the two highly autonomous entities (the FBiH and RS), establishes a formal separation of powers among different branches of government. Both the state and the entities function as semi-presidential systems. The three-member Presidency of BiH and the president of RS are directly elected by the people, while the president and two vice presidents of the FBiH are appointed by the FBiH parliament. The judiciary maintains formal independence and is appointed and regulated by an independent High Judicial and Prosecutorial Council. However, it remains significantly fragmented at both the state and entity levels and is susceptible to undue political interference. Traditional checks and balances are in place, including parliament's authority to pass a vote of no confidence in the government and the government's right to dissolve parliament.

In practice, dominant ethnic parties wield effective and efficient control through extensive power-sharing mechanisms. Political interference in judicial oversight remains, and many court decisions go unimplemented. Non-compliance with Constitutional Court rulings has gone unpunished. There are positive examples of independent judicial procedures in 2024. For example, the Constitutional Court of BiH issued two similar rulings on the use of state-owned property in the FBiH and RS. The decision regarding state land in Vareš was implemented by the FBiH government, despite initial resistance from local officials. However, the RS government did not comply with the ruling on the Jahorina property, with the decision remaining unenforced.

Separation of powers

7



1

BiH has a formal legal framework to safeguard the independence of the judiciary and prosecutors. This framework is overseen by the High Judicial and Prosecutorial Council (HJPC), which is responsible for appointing judges and prosecutors nationwide. The HJPC also serves as a disciplinary body, ensures professional standards, provides training and offers opinions on draft legislation, regulations and other matters related to the judiciary.

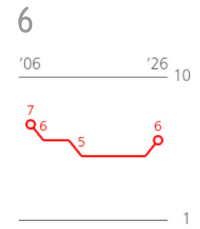
However, the judicial system in BiH remains fragmented, with four separate legal systems operating at the state, entity and Brčko District levels. At the state level, the Prosecutor's Office and the Court of BiH have jurisdiction over cases involving war crimes, high-level corruption and organized crime, as well as matters related to state-level institutions.

In recent decades, political elites have persistently attacked the independence of the judiciary. In particular, RS authorities have consistently challenged and undermined the authority and competence of the three state-level bodies. However, 2024 also saw positive developments, such as the adoption of two rounds of amendments to the Law on HJPC to meet EU accession requirements, the FBiH government's provision of all material conditions to establish the Office for the Suppression of Corruption and Organized Crime in the FBiH, and the completion or initiation of several court cases against high-profile politicians – the completed cases involved the former prime minister of the FBiH and the former BiH minister of security, and the initiated cases included charges against RS President Milorad Dodik and the current BiH minister of security.

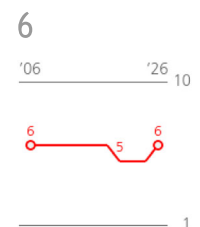
In 2019, the European Union prioritized the rule of law as a key requirement for BiH's accession, making membership contingent on substantial structural reforms within the judiciary. However, the European Union says BiH authorities have made only limited progress implementing reforms to strengthen judicial independence and accountability.

Corruption is systemic within the public administration and governmental structures – frequently reported in the media and exposed by investigative journalists. Despite the presence of a comprehensive legal framework, the actual number of officials subjected to investigation, indictment and subsequent conviction remains low, although there have been noticeable improvements. According to the European Union, submissions of mandatory financial reports remain very low in RS, while the FBiH faces difficulties enforcing conflict of interest rules. However, the European Commission notes positive and tangible improvements in Brčko District, Sarajevo Canton and Tuzla Canton when it comes to initiating proceedings on conflict of interest and verifying asset declarations. The Parliamentary Assembly of BiH adopted the Law on Conflict of Interest in March 2024, one of the key laws necessary for opening negotiations within the EU accession process.

Independent judiciary



Prosecution of office abuse



In 2024, both the former prime minister and the former finance minister of the FBiH were convicted of abuse of power and corruption related to the procurement of respirators from China in 2020, during the COVID-19 pandemic, while they were in office. The former minister of security was also convicted and sentenced to three years in prison for abuse of power, while the acting minister of security was indicted on corruption charges in late 2024.

Civil rights are codified in law, and mechanisms and institutions to prosecute, punish and redress violations are in place, but they are not consistently effective. Prosecution of war crimes continues in domestic courts, albeit with limited progress.

Occasional reports of the ill-treatment of suspects in police stations and of inmates in prisons or detention remain insufficiently addressed by authorities. The fragmentation, instrumentalization and inefficiency of the judicial system severely undermine equal access to justice and point to an overly inert system that, while nominally equal, is tedious and slow.

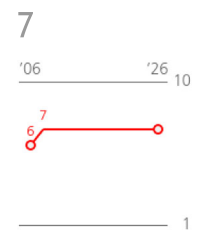
The country's criminal code includes provisions against hate crimes. However, implementation is clearly lacking for particularly vulnerable groups. Over the last couple of years, incidents of domestic and gender-based violence have been on the rise, prompting widespread public outrage and calls for changes in criminal law. Institutions have shown sensitivity to public demands, with draft amendments to the Law on the Prevention of Domestic Violence and Violence against Women already in parliamentary procedure in 2024.

LGBTQ+ individuals remain highly vulnerable, as evidenced by the attack on LGBTQ+ activists in Banja Luka in March 2023. Although there have been improvements in the legislative framework, hate speech and discrimination remain pervasive. A gay pride event has been held annually since 2019.

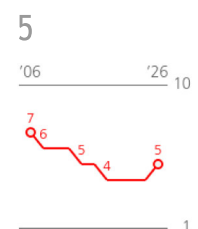
4 | Stability of Democratic Institutions

Different levels of government in BiH greatly overlap and suffer from poor coordination. Vertically, relations in the asymmetrical governance system are inefficient and ill-defined. Horizontal power-sharing mechanisms – requiring the presence and voting quotas of all three constituent peoples in government – cause occasional friction but are not insurmountable. In the mostly ethnically homogeneous, authoritarian-ruled RS, power-sharing functions smoothly as the influence of the multiethnic RS Council of Peoples has been deliberately reduced. The “vital national interest” claims often put forward by Bosniaks and Croats within the entity, intended to safeguard specific group-related policy areas, are frequently rejected by the RS Constitutional Court. Frictions in RS appear where municipalities are ruled by opposition parties. However, at the central state level and in the FBiH, policymaking is complicated by coalitions of ethnonational parties with sharply diverging interests and agendas, as reflected in poor governance efficiency. At the municipal level, and particularly in the FBiH, democratic institutions tend to be efficient and responsive to citizen needs and interests.

Civil rights



Performance of democratic institutions



The performance of governments and parliaments at the state and FBiH levels has continued to be generally ineffective. While the vital interest veto hinders governing efficiency, those veto powers were constitutionally granted along ethnic lines. Furthermore, political fragmentation often exacerbates the existing lack of clear legislative competencies. In extreme circumstances, such as between 2018 and 2022, this led to the inability to form a government. This was corrected in 2023 through changes to the constitution of the FBiH imposed by the Office of the High Representative, which sped up government formation and reduced the number of institutional veto players that could block the process.

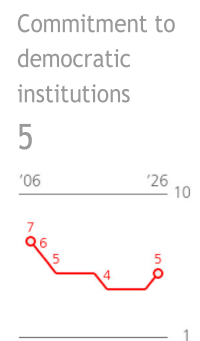
Democratic institutions in BiH today rely on coalition building that is broadly similar to processes in other countries but place greater emphasis on ethnopolitical party interests.

While democratic institutions continue to be challenged in political rhetoric and, occasionally, in implementation, their existence and processes are accepted by most relevant political actors. The institutional structure of BiH relies on formal and informal power-sharing mechanisms, including institutionalized ethnic vetoes, to ensure inclusion of individual group interests in decision-making. Procedural vetoes, such as parliamentary and government ethnic quorum requirements, are often used and challenge institutional legitimacy.

BiH institutions are often challenged by politicians, particularly from RS ruling parties and Croat nationalist parties, while Bosniak politicians question the legitimacy of RS. However, all political actors routinely engage with BiH, RS and FBiH institutions, effectively legitimizing them. Challenges are rarely followed by action to curtail or dismantle institutions or their competencies. Challenges can, therefore, be seen as a form of performative politics spearheaded by individuals to boost their public standing. Despite constant challenges, the institutional structure of BiH has been extremely stable over the past three decades.

The RS leadership continues to opportunistically advocate secession or de facto independence within BiH when under public pressure, despite having no constitutional right to do so. In parallel, they contest the legitimacy and authority of some state-level institutions – mostly judicial institutions such as the BiH Court and the BiH Prosecutor’s Office – which deal with high-level corruption and have an active and ongoing case against RS President Dodik. In 2021, RS began a unilateral process of attempting to “return” these competencies, which was swiftly halted by the high representative, or was not acted upon by RS public officials. For example, the draft law on the creation of an RS High Judicial and Prosecutorial Council was debated in 2021, but was never adopted by the RS parliament following strong criticism.

The largest Croat party, the Croat Democratic Union (HDZ-BiH), regularly uses procedural provisions to boycott or delay decision-making in the FBiH, usually as a negotiating strategy to ensure overrepresentation of ethnic interests relative to



population size. Often these actions are interpreted as an effort to establish some kind of Croat entity in part of the FBiH. Bosniak parties occasionally try to circumvent institutionalized power-sharing and push through decisions by majority with coalitions of convenience that include Serb and Croat opposition, attempting to sideline major Serb and Croat ethnic parties.

Problems persist in implementing certain verdicts and decisions. For example, in 2024, RS authorities continued to ignore Constitutional Court rulings that declared the RS National Day unconstitutional. In contrast, when facing convictions before the Court of BiH, RS President Dodik follows due process consistent with his legal rights, thereby conferring legitimacy on the judicial proceedings against him. Both ruling and opposition parties in RS questioned the legitimacy of the 2018 RS presidential elections and of the Central Election Commission (CEC). However, all RS parties have paid fines and complied with sanctions issued by the CEC.

5 | Political and Social Integration

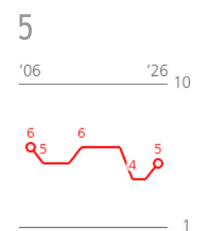
The BiH party system is fragmented and divided along ethnic lines. BiH has an unusually large number of political parties for its population size, primarily due to the low electoral threshold of 3% and an electoral system that favors smaller parties. However, each ethnic group is typically dominated by two or three parties that tend to alternate in government, have the largest party infrastructure and often have long traditions that make them deeply rooted in society.

The dominant Serb parties are the Alliance of Independent Social Democrats (SNSD) and the Serb Democratic Party. The Croatian Democratic Union of BiH (HDZ-BiH) has dominated Croat-majority areas since the 1990s. In Bosniak-majority areas, the Party of Democratic Action's (SDA) dominance is challenged by multi- and non-ethnic parties such as the Social Democratic Party (SDP) and Democratic Front (DF). The latter gained traction in 2018, and the former made significant gains in the 2022 elections. SDA's dominance among Bosniaks has also been eroded by the emergence of a series of smaller breakaway parties, such as Stranka za BiH, and more recently the People and Justice party (NiP).

Only a few parties operate across ethnic and entity boundaries, such as the SDP, DF and Nasa Stranka. Although these parties identify as multiethnic or non-ethnic and maintain multiethnic leadership, most of their political leaders come from the FBiH. The main FBiH-based parties, the SDA and SDP, field candidates in RS elections, often in coalitions. Some RS-based parties field candidates in the FBiH, especially in areas populated mainly by Serbs.

Long-standing governing parties – such as the SDA, SNSD and HDZ – rule over deeply entrenched patronage systems that rely on access to administrative resources, particularly employment in state-owned enterprises. Party membership and activism are often driven by material interests, with party programs playing a secondary role in motivating political involvement.

Party system



The number of active interest groups is relatively small. Trade unions are established at the entity level, with a weak nationwide trade union confederation. They remain fairly closed off and dependent on political elites, and lack innovation. Trade unions are primarily influential in the public sector, but there are active trade unions in private sectors such as retail. On the other hand, employers' associations actively advocate for their interests, occasionally holding decision-making hostage by threatening mass layoffs, and through connections between individual employers and political parties.

Powerful war veterans' associations are influential and have lobbied for a disproportionate share of public civil society funding for themselves. They also secure social benefits for their members – who make up a significant segment of the population. These benefits are often provided independently of genuine social needs, at the expense of other socioeconomically vulnerable groups that lack political clout.

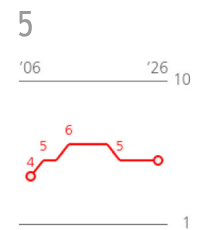
In 2023/24, multiple environmental activist groups emerged after projects were announced, such as new mini-hydropower plants and mineral mining throughout the country. Some of these groups are organized into formal associations, while others operate more like social movements. Regardless, they operate across the entire territory and across ethnic lines, with clear demands and structured actions.

The ethnically divided territory and governance system have given rise to ethno-territorial interest groups and civil society organizations. However, cooperation among similar groups across these divisions is rare, largely because they have different or opposing agendas.

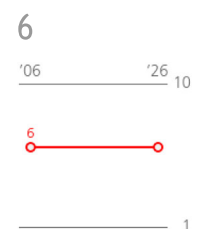
Democratic norms and procedures are generally approved by citizens, and BiH is considered a democracy, albeit flawed. The postwar transformation and privatization – combined with the country's consociational power-sharing institutions, the primacy of ethnonational identity and a lack of inclusivity for minority groups – paved the way for ethnonational elites to maintain significant political and financial influence. Reliance on ethnic elites, widespread perceptions of corruption, and political disillusionment and apathy among the population result in lower engagement with democratic institutions. In the 2024 RCC Balkan Barometer, citizens across the country ranked the national government (21%) and parliament (20%) as the least popular institutions. No institution, including the judiciary and law enforcement, has the trust of more than 44% of the population.

General support for democracy exists among the population, while nondemocratic forms of governance are considered more efficient by some or favorable under certain circumstances – indicating that approval of democracy is not fully rooted in society. According to Democratic Mood data (Claassen), in 2020, about 62% of people in BiH supported democracy, reflecting a moderate endorsement. Young people's attitudes are more nuanced. In a 2024 survey by the Friedrich Ebert Stiftung, 43.9% of young people consider democracy a good form of governance, while 42.1%

Interest groups



Approval of democracy

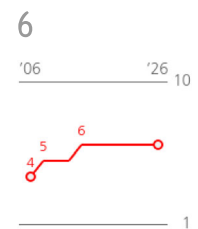


consider it preferable to any other form of governance under any circumstances. Authoritarianism is supported by 21.9% of young people, with an equal percentage considering dictatorship favorable to democracy under certain circumstances. In a recent 2024 survey by the International Republican Institute, 53% of citizens described the status of democracy as very good or somewhat good, compared to 44% who described it as bad or somewhat bad – consistent with the regional average across Western Balkan countries.

Levels of trust in BiH are similar to those in neighboring countries and considerably lower than those in the European Union and other Western societies. According to World Values Survey data from 2017 to 2022, a striking 89.4% of respondents in BiH expressed caution in dealing with people, indicating a prevalent sense of social distrust. However, the same data show a relatively even split – 51% who trust people of another nationality completely or somewhat and 47% who do not trust them very much or at all – indicating that while general societal distrust does exist, it is not necessarily driven exclusively by national differences. The values are also fairly consistent when it comes to trust in people of other religions – 51% of respondents trust completely or somewhat, compared with 47.5% who do not. This aligns with observable instances of general and spontaneous solidarity among citizens – most recently the catastrophic flooding in October 2024, when people across the country donated almost €1 million within 36 hours. Citizens also self-organized into volunteer groups to aid affected areas.

Additionally, a 2016 representative opinion survey conducted for the European Bank for Reconstruction and Development found that about 21% of respondents were actively involved in at least one civil society organization.

Social capital

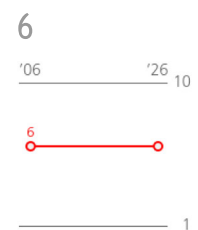


II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty and inequality in BiH are limited and only weakly structurally ingrained. BiH has a high level of human development, ranking 80th out of 193 countries in the 2022 Human Development Index (HDI). Its score of 0.78 was slightly below the regional average for Europe and Central Asia.

In 2022, inequality contributed to a total HDI loss of 14.4%. Ethnic minorities face heightened vulnerability to exclusion, while internally displaced persons are at high risk of poverty. Other groups at elevated risk of poverty and social exclusion include the elderly, young people, individuals with disabilities and the Roma community. Women also bear a disproportionate burden of social exclusion and poverty. In the UNDP's 2022 Gender Inequality Index, BiH ranked 40th out of 193 countries. For the period from 2010 to 2022, the Gini coefficient for BiH stands at 33.

Question
ScoreSocioeconomic
barriers

The challenges of poverty and inequality were further exacerbated during the pandemic – notably uneven access to health care and essential services. The number of people living in poverty rose from an estimated 600,000 to 700,000 before the pandemic, reaching approximately 800,000 in 2021.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	23672.7	24534.7	27592.4	28343.4
GDP growth	%	7.4	4.2	2.0	2.5
Inflation (CPI)	%	2.0	14.0	6.1	1.7
Unemployment	%	14.9	12.7	10.7	10.7
Foreign direct investment	% of GDP	3.2	3.8	4.1	3.5
Export growth	%	26.1	12.0	-1.2	-3.1
Import growth	%	20.6	6.2	-1.3	2.8
Current account balance	\$ M	-348.6	-1077.3	-589.1	-1027.7
Public debt	% of GDP	35.8	31.2	29.0	29.5
External debt	\$ M	13825.6	13385.6	14010.2	-
Total debt service	\$ M	1492.1	1009.0	1676.6	-
Net lending/borrowing	% of GDP	-1.2	0.1	-1.0	-
Tax revenue	% of GDP	19.1	19.1	19.1	-
Government consumption	% of GDP	19.4	18.7	19.1	-
Public education spending	% of GDP	4.1	3.0	3.2	-
Public health spending	% of GDP	6.5	5.7	-	-
R&D expenditure	% of GDP	0.2	0.2	0.2	-
Military expenditure	% of GDP	0.7	0.7	0.8	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

According to the European Commission’s 2024 country report, BiH remains in the early stages of establishing a functional market economy and has made limited progress. Economic growth slowed in 2023, mainly because of the international environment. The labor market has been resilient – the public sector remains inefficient and oversized. Significant structural reforms are required for the country to effectively navigate competitive pressures and market dynamics.

While BiH has made some progress in modernizing labor laws, addressing vulnerabilities in the banking sector and enhancing the business environment, these advancements have been limited in scope. Consequently, substantial administrative barriers to the development of the private sector persist. The public sector accounted for 42% of GDP in 2021, which hinders the functioning of market mechanisms. Additionally, the investment climate is deemed risky for large foreign investments, despite the absence of legal discrimination against foreign investors compared to BiH citizens and entities. BiH lacks a unified economic space due to the fragmented nature of the state. This requires companies to register in both entities to operate nationwide. Weak rule of law, inconsistent tax rules and parafiscal charges are major obstacles to business activity.

Network industries have yet to be liberalized, and the state maintains influence over the economy through state-owned monopolies and opaque public procurement processes. According to the European Commission, there was some progress in adopting the public procurement strategy in 2024 and in amending the Law on Public Procurement on Legal Protection. However, the process remains subject to irregularities and is deemed vulnerable to corruption.

The informal sector – estimated by various economists to contribute about 30% of GDP and to account for 19.7% of total employment (ILO, 2023) – distorts both market-based competition and official unemployment statistics.

The Law on Competition and its bylaws have been harmonized with EU regulations. The Competition Council and the Market Surveillance Agency are both operational throughout the country. The Market Surveillance Agency has inspection bodies at the entity level and is responsible for coordinating and conducting proactive and reactive surveillance activities. All Competition Council decisions are publicly available on the Competition Council website as session reports. Despite facing challenges such as limited administrative resources, the Competition Council – a member of the International Competition Network – functions efficiently, as noted by the European Commission. For example, in late 2024, it imposed fines of more than €200,000 on the country’s largest retailer for illicit contracts. However, the Competition Council’s political independence is compromised by a cumbersome nomination procedure for the chairperson and the ethnicity-based veto rights held by its members.

Market organization

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Competition policy

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The recorded levels of state aid were relatively low, accounting for 1.3% of GDP in 2019. Although there is a State Aid Law, its alignment with EU regulations is only partial, with inconsistent enforcement of state aid rules. The State Aid Council – which should ensure consistent application of the law – has limited competencies and administrative capacities.

Foreign trade in BiH is liberalized, characterized by uniform and low tariffs, and minimal state intervention in trade in accordance with the Stabilization and Association Agreement (SAA), and an earlier interim agreement established in 2008. As of 2023, the average most-favored-nation tariff rate stood at 6.2%.

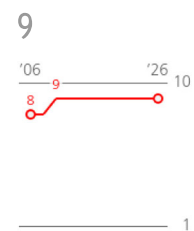
The European Union reinstated trade benefits for certain BiH agricultural products in 2016, resulting in a significant increase in exports to the European Union in subsequent years. From €3.4 billion in 2016, exports to the European Union surged to €8.78 billion by 2023. The European Union remains the most vital trading partner for BiH: approximately 73% of exports and 59% of imports were with the European Union in 2023, and Germany, Italy, Slovenia and Croatia alone accounted for 48.1% of exports. However, non-tariff barriers, such as sanitary standards, continue to pose challenges for BiH exports to the European Union, particularly in the agriculture sector.

BiH has established preferential trade agreements with members of the Central European Free Trade Agreement. Although BiH is not yet a member of the World Trade Organization (WTO), accession negotiations have been in the final stages for an extended period, and the country has fallen behind its self-imposed target of completing accession by 2016. Bilateral negotiations for market access with three WTO members (Brazil, Russia and Ukraine) were initiated but not concluded as planned during the review period, and discussions continued.

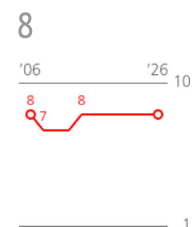
In 2017, a special arrangement for the export of BiH products led to a substantial but short-term increase in exports to Türkiye, up 10%, and to Russia, up 33%. However, these figures fluctuated, and declined notably between 2018 and 2023. In 2023, exports to Türkiye and Russia amounted to 1.6% and 0.6% of total exports, respectively.

The banking system in BiH is dominated by foreign-owned banks – which account for 90% of its assets – and is generally in line with international standards. The sector maintains a reasonable level of liquidity and is adequately capitalized. In September 2024, the capital adequacy ratio stood at 19.5%, while the percentage of non-performing loans decreased from 15% in 2013 to 5.2% at the beginning of 2022. However, there are areas of vulnerability, particularly among domestically owned banks, which face challenges related to low liquidity and a relatively high proportion of non-performing loans.

Liberalization of foreign trade



Banking system



The supervision of the banking sector is carried out by several entities, including the Central Bank of BiH (CBBH), the Deposit Insurance Agency and entity-level banking agencies. Its effectiveness is hindered by institutional fragmentation – including opposition by RS leadership to strengthening state-level institutions – and limited cooperation among regulators. For instance, RS officials have long opposed the establishment of a nationwide registry for banking accounts.

Under the reform agenda (2015 – 2018), efforts were made to strengthen regulation of the banking sector. These initiatives included conducting stress tests for all banks in BiH, asset quality reviews in RS and modernizing banking laws and laws related to banking agencies.

During the coronavirus pandemic, the banking sector maintained liquidity and sufficient capitalization, partly because of loan moratoriums introduced in April 2020. After a stalemate in 2021/22 due to political blockades, a new board of directors for the CBBH – which includes the governor – was appointed.

8 | Monetary and fiscal stability

In the context of the pandemic, and particularly the war in Ukraine, inflation surged to 2% in 2021, followed by a significant jump to 14.1% in 2022. Given the stabilization of international monetary conditions, the inflation rate fell to 6.11% in 2023 and is expected to be 3.7% in 2024.

The responsibility for monetary policy in BiH falls exclusively under the purview of the central bank. The country's currency, BAM, is pegged to the euro through a currency board arrangement. An assessment by the European Commission underscores that this currency board arrangement enjoys a high level of confidence and credibility. The central bank's independence is legally protected. In 2016, as part of the IMF reform program, BiH authorities reaffirmed their commitment to maintaining the central bank's independence and refrained from using its foreign reserves for budgetary or public investment purposes. Since 2020, despite pressure from ruling political elites, the central bank has staunchly resisted calls to tap into international reserves for fiscal purposes, prioritizing the preservation of financial and overall macroeconomic stability.

A persistent threat to macroeconomic and social stability in BiH is weak fiscal control over public spending. Despite fiscal consolidation efforts, external shocks and inflationary pressures have continued to influence macroeconomic stability in the post-pandemic period. Since 2006, government spending has increased significantly, driven by extensive public sector employment and non-needs-based social transfer payments. Measures undertaken as part of the reform agenda (2015 – 2018), supported by the IMF, effectively brought public expenditures under control and strengthened revenue generation. By 2019, the previous general government deficit

Monetary stability

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Fiscal stability

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had turned into a surplus of 1.9%. The current account deficit rose significantly in 2022 to 4.39% of GDP, but was reduced to 2.32% of GDP in 2023, partially due to a decrease in total government expenditures to 42.85% of GDP in 2023. The central government debt steadily decreased from 47.0% in 2021 to 40.42% of GDP in 2023.

9 | Private Property

BiH has a legal framework that adequately safeguards property rights. Generally, property rights are protected under the constitution, with laws regulating the acquisition, benefits, use and sale of property. BiH's property law system recognizes the right of ownership in its full capacity, allowing owners to benefit from their property, and making its use subject to zoning laws and regulations that dictate permissible activities. The sale of private property requires a formal contract and registration to ensure legal transfer of ownership, and the process functions efficiently.

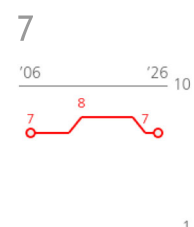
However, the legal framework is complex, and varies by entity and in the Brčko District. Enforcement of these rights can be slow and cumbersome. Property can be acquired through purchase, inheritance or other legal means, and registration in the land registry is essential for legal recognition. Efforts to modernize and digitize the antiquated and non-harmonized land registry and cadaster systems have been initiated and continued during the review period. Improvements include the adoption of the draft law on the land survey and cadaster, and adoption of the spatial data infrastructure strategy – both at the level of the FBiH.

The Office of the Ombudsperson in BiH is responsible for protecting private property rights, including cases involving unlawful expropriation and discrimination.

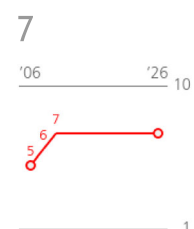
BiH has enacted laws to protect intellectual property rights in accordance with EU and international standards. A state-level Institute for Intellectual Property is in operation – albeit constrained by limited administrative and financial resources. The management of copyright and related rights is fragmented across six organizations, resulting in a lack of a unified system for data collection, analysis and exchange. The existing intellectual property strategy has not been effectively implemented during the review period.

The legal framework for a functioning private sector is generally in place. However, both domestic and foreign companies still face significant challenges, such as high administrative barriers and inconsistent regulations prone to political interference and corruption. In 2024, the FBiH government recognized this outdated approach and began digitalizing the process. A new online registration system for businesses in the FBiH is being developed, allowing entrepreneurs to register from home. The digital transformation includes an integrated platform linking courts, the tax authority and the statistical office, improving business registration efficiency. In 2024, municipal

Property rights



Private enterprise



courts in Sarajevo and Travnik started using the integrated online system for business registration. Despite these modest improvements, a nationwide strategic framework to encourage foreign direct investment is still lacking. While both entities adopted small and medium-sized enterprise (SME) development strategies for the period from 2021 to 2027, a country-wide harmonized strategy is needed.

In BiH, the private sector plays a significant role in the economy, accounting for approximately 60% to 70% of the country's GDP. It is primarily driven by SMEs in sectors such as retail, manufacturing, services and agriculture. However, despite this substantial contribution, the economy still faces challenges related to a large state-owned sector, particularly in industries such as energy, transportation and telecommunications, where state-owned enterprises continue to dominate.

Privatization remains a complex and politically charged issue, given the large, inefficient and reportedly loss-making state sector. In May 2024, the Privatization Monitoring Commission (PMC) transferred oversight of privatization to the International Advisory Group on Privatization (IAGP) to provide technical guidance to advance privatization efforts. These efforts are seen as important to future economic development.

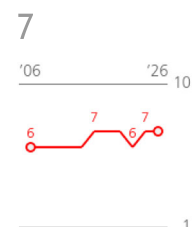
10 | Welfare Regime

Social protection in BiH is somewhat fragmented. It is regulated at the entity level in RS, while competencies are shared between the entity and canton governments in the FBiH. The system includes both contributory (retirement and health care insurance) and non-contributory schemes in both entities. Social security in BiH covers a wide range of areas, including social insurance, social assistance, family and child assistance and support for war veterans. Within the social insurance scheme, there are components such as pension and disability insurance, health insurance, health protection and unemployment insurance.

International financial organizations note that social contributions in BiH are relatively high while the benefits provided are comparatively low. Previous reforms in both entities aimed to stabilize pension systems by linking contributions and benefits, reducing early retirement and disability pensions and ensuring budgetary funding to cover deficits. However, due to BiH's overall demographics, a significant portion of beneficiaries (60%) receive minimum pensions.

The health care system in BiH – fragmented – is even less efficient. Despite being mandatory, 13% of citizens in the FBiH and 26% in RS lacked health insurance coverage in 2020. Public spending on health care reached more than 8% of GDP in 2022, one of the highest in the region. Nevertheless, the quality of health care services remains considerably below EU standards, and citizens bear almost 30% of health costs out of pocket.

Social safety nets



Social assistance programs for the most vulnerable groups are inadequate. Almost 50% of social protection expenditures in BiH go to the Pension Insurance Scheme and about 33% to the Health Insurance Scheme. Other schemes account for a smaller share of total social protection expenditures. This inadequacy can be attributed to a persistent lack of effective targeting and needs-based orientation in these programs. The high level of support provided to war veterans, including privileged pensions and non-insurance transfer payments, has been a significant obstacle to reform efforts. War veterans' associations exert substantial influence.

During the 2022 election year, the RS government made four one-time payments to veterans and one to pensioners. In the FBiH, similar one-time payments were made to pensioners, veterans, the disabled and the unemployed. Moreover, pensions in the FBiH were increased by a total of 15% during this period.

Equality of opportunity remains only partially realized in BiH. While a general legal framework safeguards against discrimination and ensures equal opportunities, discriminatory behavior persists. Women, and ethnic, religious and other minorities face significant barriers to education, public office and employment. The persistence of nepotism and clientelism within BiH institutions perpetuates this exclusion and violates many citizens' basic human rights.

A legal framework promoting gender equality is in place, but implementation remains challenging. Gender quotas are established for party lists in elections, but women continue to be under-represented in high-ranking positions in both the private and public sectors. Women make up about 26% of elected members of parliaments (BiH Agency for Statistics, 2022). In 2021, about 24% of persons in managerial positions were women, a decrease of about three percentage points from 2020. In 2023, women constituted 41.4% of the labor force, and the gender pay gap was estimated to range between 15% and 25%. As regards education, 82.7% of women have attained at least some secondary education, in contrast to 94.0% of men.

The Roma population in BiH is estimated to range from 13,000 (according to the 2013 census) to 100,000 (according to Roma associations), and faces significant discrimination and marginalization. They struggle with unemployment, limited access to education and health care, and inadequate living conditions, often residing in illegal settlements without basic infrastructure. Efforts to improve their situation, including cultural preservation, employment and housing, are hindered by insufficient funding and a lack of political will.

The youth unemployment rate in 2023 stood at 27.3% (World Bank), an improvement that reflects positive labor market trends. However, the transition from education to employment remains difficult, with many young people taking temporary or informal jobs or emigrating in search of better opportunities.

Equal opportunity

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People with disabilities still face numerous challenges, including discrimination, physical barriers and inadequate health care. Although the legal framework encourages the employment of people with disabilities, many employers opt to pay fines rather than hire them. As a result, many people with disabilities work for NGOs or start their own businesses, as broader societal inclusion remains limited.

11 | Economic Performance

BiH has experienced modest yet consistent economic growth since the mid-2010s, with only a brief disruption due to the pandemic in 2020. In 2023, GDP growth slowed to 2.4% compared to the strong rebound in 2021 (8.9%), reflecting ongoing external pressures such as the war in Ukraine and domestic structural challenges. Per capita GDP (PPP, constant 2021) has increased steadily from \$17,269 in 2019 to \$20,126 in 2023, driven by domestic demand – particularly resilient private consumption – and increased industrial production, partly due to growing external demand. Foreign direct investment rose to 1.9% in 2019, dropped to 1.7% in 2020 but then increased again to 3.8% in 2023.

Inflation has fluctuated significantly following global trends. Throughout 2023 and 2024, the FBiH government introduced economic measures aimed at preserving citizens' purchasing power, such as freezing prices for basic goods, tax-free salary supplements and one-time payments to workers. The unemployment rate decreased significantly from 27.7% in 2015 to 14.9% in 2021 and further to 10.7% in 2023, partly due to demographic factors and a substantial increase in emigration to the European Union.

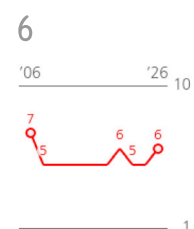
BiH's economy relies on export sectors such as wood processing, metal, chemicals and weapons production. Industrial production experienced steady growth – with a 3.1% increase in 2017, a slight decrease in 2019 and 2020, and a substantial rise of 10.7% in 2021.

12 | Sustainability

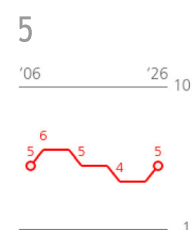
BiH faces severe environmental challenges, mainly because it relies heavily on coal and wood for heating and on coal for about half of its electricity generation. Sarajevo, the capital, experiences some of the world's worst air pollution during winter. The country has the fifth-highest mortality rate globally, with an estimated 3,300 premature deaths annually – accounting for 9% of all deaths.

In 2023 and 2024, there were modest improvements. The government of the FBiH adopted three laws on energy, including one prohibiting new mini-hydropower plants, following strong resistance – most notably from the civil initiative Women of Kruščica and campaigns led by other NGOs. The construction of a new thermal block at Tuzla's coal power plant was halted and the contract with the Chinese construction

Output strength



Environmental policy



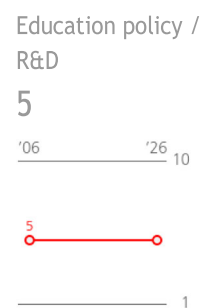
company was terminated. One of the thermal blocks at the same power plant is being renovated to operate on biomass instead of coal, while several coal mines across the country are closing. In Gračanica, the site of a former open pit mine is being repurposed for the construction of a solar power plant. Renewable energy accounted for 37.7% of BiH's total energy consumption in 2020, marking an increase of 2.4 percentage points compared with 2019.

The country lacks a carbon pricing system. Environmentally sustainable growth in BiH has gained attention mainly in the context of EU integration and the 2020 EU Green Agenda for the Western Balkans, which aims to align the region with the European Union's climate neutrality target by 2050. However, progress has been slow because of the country's fragmented nature and weak administrative capacity in the environmental sector. BiH has yet to adopt a state-level environmental law that would establish a nationwide framework for coordinated environmental protection. Moreover, no state-level environmental agency has been created to oversee compliance, and environmental inspections are conducted at the entity and cantonal levels without coordination.

EU donors collaborate with BiH authorities at the state and entity levels, and in Brčko District to develop integrated environmental strategies and action plans. The FBiH government adopted its entity-specific documents in August 2022. Sarajevo, East Sarajevo and the Canton of Sarajevo are in the final stages of creating a cross-entity, multilevel Net Zero City Contract for the Sarajevo Functional Urban Area to ensure climate neutrality and reduce pollution by 2030.

BiH's education system remains fragmented, as it is operated by 14 ministries across four levels of governance. Consequently, there is a dearth of reliable data on the education system. In 2019, total public spending on education amounted to 4.0% of GDP, a figure comparable to most other Western Balkan countries but below the EU average of 5.3%. The literacy rate was 98.5%. In 2023, the gross enrollment ratio was 87.24% for primary schools, 84.29% for secondary schools and 44.98% for tertiary education. Preschool enrollment increased from 27,698 (2020/21) to 41,214 (2023/24), according to the BiH Agency of Statistics. Meanwhile, higher education enrollment decreased from 82,744 to 75,016, and basic and secondary education saw a slight decline during the same period. These trends suggest a growing emphasis on early childhood education, while declining enrollment at other levels may indicate demographic shifts, migration patterns or changing educational preferences.

According to the 2022 Human Development Index, the population had an average of 10.5 years of education and an expected 13.8 years of schooling in 2021. In the UNDP's Education Index, BiH scored 0.711 in 2019. BiH did not participate in the 2022 PISA study because RS's demand that its results be presented separately was unsuccessful. According to the 2018 PISA results, 15-year-olds are lagging about three years behind their EU peers. These findings have not been analyzed nor have necessary educational reforms been implemented.



Efforts have been made in recent decades to reduce ethnic segregation in schools and enhance ethnically based curricula. There has been a lack of political will to implement the 2014 ruling of the FBiH Supreme Court, which found that segregating pupils by ethnicity within schools is discriminatory. While framework laws on primary, secondary and higher education are in place, the absence of enforcement mechanisms at the state level hinders cooperation and coordination across government levels. Moreover, the harmonization of educational standards remains inadequate. In the FBiH, cantons with a Croat majority continue to dispute the authority of the FBiH Ministry of Education. Problems between educational and governmental institutions persist. The University of Sarajevo struggles with politicized decision-making, which escalated into a conflict with the Ministry of Science, Higher Education and Youth of Sarajevo Canton in 2024, when the ministry supported annulling the appointment of a new rector. The court case over these decisions has affected the financial and legal functioning of the university. The issue was temporarily resolved by mutual agreement in early 2025.

Research and development expenditures are very low – accounting for only 0.19% of GDP in 2021 – significantly below the OECD/EU average of 2% and other countries in the region. While BiH is associated with the European Union’s Horizon 2020 program, its participation remains limited due to constrained research capacities.

Governance

I. Level of Difficulty

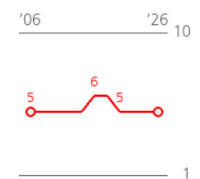
BiH has navigated a complex, multi-front transition in recent decades. The political transition to democracy, the economic transition toward a market economy, the national and social transition toward an independent state and cohesive society, and the security transition to peace have not progressed at the same pace. The legacy of the 1990s war and transgenerational trauma significantly complicates BiH's transition compared with neighboring countries. Prioritizing the security transition, with significant support from the international community, has left the national and social transition behind.

The constitution drafted as part of the peace agreement that ended the war has not been changed in 30 years despite significant shortcomings. The consociational safeguards it institutionalized have often been misused by ethnic parties of all groups to constrain effective and efficient governance. This does not allow the multilevel governance structure in BiH to address structural challenges inherited from communism, the war or the postwar period. These include an incomplete shift from a socialist economy dominated by heavy industries, a workforce not adequately prepared for a 21st-century economy, significant emigration of working-age citizens to the European Union (with an estimated 50,000 people leaving annually over the past five years), infrastructure, high levels of long-term and youth unemployment, inadequate transportation and communication and an ethnically divided education system that does not align with the labor market demands.

The COVID-19 pandemic, the war in Ukraine and the subsequent surge in inflation globally introduced additional constraints, albeit limited ones. GDP initially contracted 3.1% but has since rebounded 7.5% in 2022 and 2.3% in 2023. The trend of fiscal stabilization observed over the past decade persisted, warranting a generally stable outlook.

Structural
constraints

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Organized civil society – as an integral part of democratic processes – does not have a strong tradition in BiH. Civil society traditions have existed since the early 20th century, but have been weaker than in many other republics of the former Yugoslavia. Although anti-war civil society organizations emerged before 1992 to voice opposition to nationalist mobilization, they were easily marginalized by nationalist political parties.

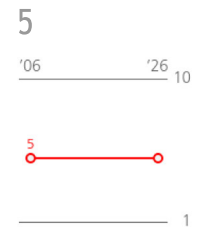
Since 1995, the most vocal liberal civil society organizations have relied heavily on international funding and political support. A select few prominent NGOs have consistently exposed government inefficiencies and other wrongdoing. However, these activities are not representative of the sector as a whole. The civil society landscape in BiH is primarily composed of organizations that provide services to citizens, such as humanitarian or educational organizations – often stepping in to fill gaps left by the dysfunctional state, particularly in the social sector. Concurrently, there are illiberal and anti-reform elements within civil society – particularly cultural and war veterans’ associations – that are funded by government sources and often operate with limited transparency.

Overall, civil society organizations in BiH face challenges such as low organizational capacity and limited financial sustainability, largely due to heavy reliance on foreign or government funding. Registration requirements vary between the central state and entity levels, leading to different legal regulations. By the start of 2023, an incomplete BiH-wide registry counted 27,400 active organizations. Limited improvements in relations between civil society and the government occurred with the BiH Council of Ministers’ signing of a memorandum on civil society-government cooperation in 2017 and the establishment of an advisory body for cooperation with the non-governmental sector in 2020.

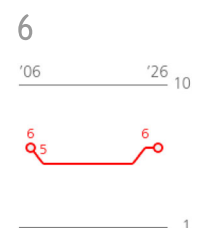
Citizen protests and grassroots groups usually operate independently of formal CSOs, but they occasionally grow into CSOs or develop strong relationships. For example, environmental movements cooperated with organizations such as Foundation ACT to prevent mini-hydropower plants. Popular trust in CSOs is generally low. According to the 2024 Balkan Barometer, only about one-third of citizens trust CSOs. CSOs are sometimes self-critical of their working environment because much of their work is donor driven rather than driven by needs.

Political elites in BiH remain deeply divided along ethnic lines and often use that polarization to further their political and personal interests. Many citizens in BiH strongly identify with their ethnic group, and there is a varying degree of identification with the broader BiH state. The lack of a strong common BiH identity, coupled with wartime trauma, is often used in contemporary discourse by political elites to reinforce social and political cleavages. This often leads to fear-mongering and inflammatory language that rarely reflects the actual level of social cohesion in society. The system of interethnic power-sharing in BiH is marked by non-accommodating elites and a confrontational style of politics, where the level of nationalist rhetoric inversely correlates with international involvement in BiH politics.

Civil society traditions



Conflict intensity



The country's patronage systems have previously led to violent social protests against its own elites. For example, government buildings were set on fire in Tuzla and Sarajevo in 2014 during a wave of popular frustration. Stark social divisions and polarization within ethnic groups remain, and frustrations could again escalate into violent social unrest, but not between ethnic groups. However, over the past several years, mass emigration, driven by a strong Western demand for cheap labor, has somewhat reduced the potential for conflict by alleviating socioeconomic pressure and lowering unemployment.

Nationalist political elites continue to exploit ethnic divisions and openly try to mobilize segments of society along ethnic lines. During the review period, political leaders from various sides engaged in provocations, often directed toward the political ideals of another group. Tensions have been highest between Bosniak and Serb leaders, but they are largely personal or reflect defensive responses to the judicial prosecution of political leaders. These actions include media statements, provocations, and demands for the dismissal of state-level ministers from Dodik's SNSD party, BiH Minister of Foreign Affairs Elmedin Konaković and the Bosniak member of the presidency, Denis Bećirović.

II. Governance Performance

14 | Steering Capability

Politics in BiH is characterized by interethnic mistrust and patronage, particularly toward and among ruling political elites. Within this context, institutions are perceived as structurally dysfunctional and lacking clear strategic priorities, rather than the product of deliberate weakening by corrupt elites. The institutionalized consociational power-sharing at the state level and in the FBiH fosters informal decision-making and backroom deals. This allows party leaders and ethnonational elites to disproportionately influence policy agendas, rather than governments transparently defining strategic priorities.

That said, some governments are interested in setting strategic development goals, largely at the subnational level though also within state institutions. All relevant political actors have formally declared a commitment to democracy, a market economy and EU integration. While policy strategies exist, they do not reflect a genuine commitment to strategic policy development. Moreover, these strategies are hindered by a lack of coordination within BiH's multilevel governance system. The more unitary RS is a partial exception.

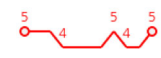
Policy planning is still short- to medium-term. However, between 2023 and 2024, there were several notable developments in the FBiH in terms of strategic policy planning. The announcement of fiscal reforms as well as measures aimed at

Question
Score

Prioritization

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mitigating low wages indicates the start of a gradual, more strategic approach. In 2024, the adoption of over 50 laws in the FBiH, several strategic laws at the state level and the opening of negotiations with the European Union signaled a definitive shift away from the status quo that had characterized the period from 2018 to 2023 under the caretaker FBiH government.

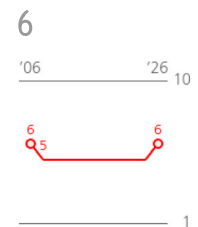
The complexity of horizontal and vertical divisions of competence in BiH significantly impacts governments' ability to implement policies effectively. Ruling ethnic elites tend to act as staunch defenders of the existing system – particularly by slowing the implementation of policies that could jeopardize their power. However, there were periods that changed this traditional pattern. For example, some progress was made in implementing the reform agenda between 2015 and 2016, and on the rule of law and good governance between 2023 and 2024 – both under moderate external pressure from the European Union and the United States.

In 2020/21, short-term government measures aimed at mitigating the impact of the COVID-19 pandemic and its economic repercussions were implemented relatively efficiently. Following the change of government after the 2022 elections and revived EU interest in enlargement, there was stronger support for political elites interested in reform and Euro-Atlantic integration. As a result, 2024 saw the adoption of several key pieces of legislation, including the Law on Conflict of Interest at the state level and over 50 laws in the FBiH entity, with implementation starting immediately thereafter. Some ministries – such as the Ministry of Energy, Ministry of Justice and Ministry of Finance – showed progress in setting up strategies and proposing legislation within their respective fields.

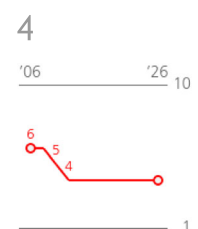
There is little evidence of either institutionalized or ad hoc policy learning in BiH, despite individual positive examples. Assessment mechanisms are rarely used and poor communication across multiple layers of government reduces opportunities for policy learning. Moreover, mechanisms to monitor policy implementation and enforce decisions at both the state and lower levels of government are lacking. External consultancies are infrequently used for this purpose and data from external monitoring organizations seldom inform policymaking. Institutional learning occurs rarely – horizontally or vertically – and is largely limited to policy correction within a single administrative or executive unit.

The implementation of the reform agenda – a comprehensive set of reforms for strengthening governance and advancing EU integration – facilitated some exchange and the sharing of best practices between the entities. However, this was confined to a small circle of prime ministerial advisers and did not extend beyond the agenda's conclusion in 2018. However, since receiving candidate status in 2023, BiH has demonstrated a capacity for policy learning through implementing priority reforms such as the Anti-Corruption Strategy. The strategy was developed through an inclusive process involving government agencies, civil society and international organizations, as reported by UNODC.

Implementation



Policy learning



In 2024, the World Bank called on BiH to invest \$6.8 billion over the next decade to mitigate the impacts of climate change, particularly flooding. In response, the country began formulating strategies to phase out coal-fired power plants, and expand solar and wind energy capacity, demonstrating an adaptive approach to environmental challenges.

In October 2024, BiH faced severe flooding and landslides that highlighted the need for policy learning in disaster preparedness and response. The recurrence of such a tragedy – reminiscent of the 2014 floods – underscored the importance of evaluating and improving policies to mitigate future risks. Consequently, the FBiH government called for amendments to the Law on Protection and Rescue of People and Property from Natural Disaster to improve the effectiveness of disaster response at all levels of government.

15 | Resource Efficiency

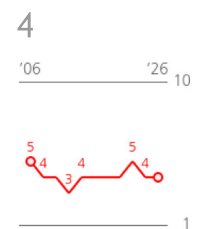
The multiple levels of government in BiH are both costly and inefficient, as they make effective use of only some available human, financial and organizational resources. Attempts to streamline governance have been stymied by a lack of political will. Control of public resources and nepotism remain key factors of electoral success. These include public procurement and employment in state-controlled enterprises, which still rely on party membership rather than a merit-based system.

According to the November 2023 Public Expenditure and Financial Accountability Assessment report, BiH has made progress in public financial management, such as expenditure management, budget preparation and debt management. Despite improvements in budget regulation, BiH's budgets still mainly reflect legal commitments rather than strategic priorities and there is limited use of performance data to drive funding decisions.

BiH's public sector wage bill has been notably high compared to other Central and Eastern European countries, leaving minimal room for capital investments. The health care and pension systems consume a significant portion of entity budgets – the largest in the multilevel system. A disproportionately high share of nonmedical staff makes the health care system one of the costliest in Europe despite comparatively poor outcomes. Conversely, a lack of comprehensive strategic planning has diminished the state's ability to cover expenses from state jurisdictions. For example, border police are understaffed by 50% because low public service salaries result in few applicants.

Public administration reform (PAR) efforts have seen little progress. A European Commission report in 2024 noted the lack of systematic implementation of the PAR action plan, despite the introduction of new public finance management strategies and a call for a new PAR framework for the period from 2023 to 2027. The report

Efficient use of assets



also highlighted the need for civil service law reforms and better internal control systems, especially in public procurement and in monitoring public companies. These ongoing deficiencies in reform directly impact the efficient use of administrative assets, including human resources, budget resources and overall governance.

The uniquely complex and multilevel governance structure of BiH leads to duplication and inefficiencies, compounded by a lack of coordination and cooperation between government levels – both in policy formulation and implementation. Even basic information sharing often falls short between government tiers.

The FBiH has an additional level of governance compared with RS and more problems with policy coordination. Coordination between the FBiH and its 10 cantons, and between individual cantons is explicitly lacking and influenced by ethnic politics. Over the past decade, unresolved disagreements about the division of competences between levels of government have repeatedly led to obstructions and delays. Serb and Croat parties have demanded more say for entities and cantons, which Bosniak and multiethnic parties vehemently oppose.

Apart from ethnic divisions, a lack of coordination stems from weak institutions that political parties can more easily control. This is most evident in relationships between local self-governance units, cities and municipalities, and cantonal governments in the FBiH. If local and cantonal governments come from different political parties, cooperation is even lower. This hampers progress at the local level, as it depends on funding from higher levels of government.

Due to the governance crisis, the coordination mechanism for EU integration was suspended between 2021 and 2022. This mechanism mirrors the veto powers of entities and cantons in the BiH governance system. In 2024, the Initiative for Monitoring the EU Integration reported the existence of numerous strategic documents at lower levels of governance that need to be aligned with state-level strategic documents stipulated by the accession process. Therefore, re-establishing the coordination mechanism is both a strategic priority and a mandatory step in the accession process. Recent positive developments include progress in managing migration. In 2023, the Ministry of Security, with EU support, began transferring migration response responsibilities to state authorities, demonstrating improved interagency coordination.

Anti-corruption efforts in BiH suffer from poor implementation due to a lack of political will, driven by the entrenched patronage interests of the ruling political elite. The state-level Agency for Prevention of Corruption and Coordination of the Fight against Corruption commenced operations in 2014, and played a role in coordinating the adoption of a state anti-corruption strategy (2015 – 2019). According to the European Commission's 2024 BiH report, some progress was achieved during the review period, namely the adoption of the state-level Law on the Prevention of Conflicts of Interest in March 2024. However, the law is not fully aligned with

Policy coordination

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Anti-corruption policy

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European standards. In addition, while BiH adopted an anti-corruption strategy and action plan in 2024, legislation across the country remains unharmonized. Implementation is selective and opaque, and the record on fighting corruption – including high-level corruption – remains weak.

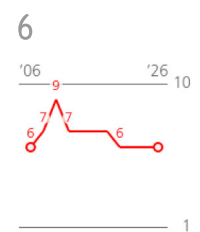
In 2024, the number of investigations into high-level corruption and convictions of political leaders increased. This included the final conviction of former FBiH Prime Minister Novalić and others for procuring faulty respirators from China during the COVID-19 pandemic.

Corruption continues to have a significant impact on public procurement. Instead of a new public procurement law in line with international standards, BiH adopted the public procurement strategy (2024 – 2028) and amendments to the Law on Public Procurement. Public auditor reports have not led to improvements in public spending practices. Recommendations from the Office for Democratic Institutions and Human Rights (ODIHR) regarding the regulation of party and campaign financing have remained unaddressed for years. A 2014 FBiH law – aimed at establishing special departments within FBiH-level courts and prosecutorial bodies to combat corruption and organized crime – remained unimplemented during the review period. However, in 2024, the FBiH government ensured that all material conditions existed for establishing these bodies. In RS, the work of the special prosecutorial body on corruption, established in June 2016, has yielded limited results. Furthermore, the RS National Assembly reduced the penalties for disciplinary violations through an amendment to the Law on Civil Servants, passed in June 2016. Notable progress in the fight against corruption has been observed in the Sarajevo canton, with the Office for Fighting Corruption gaining experience and skill.

16 | Consensus-Building

All major political actors in BiH formally express their commitment to the country’s integration into the European Union, which involves intensifying democratic and market economy reforms. In practice, however, politicians from across the political spectrum seem more interested in solidifying their personal and party power at the subnational level. They display little willingness to undertake challenging structural reforms at the state level beyond a minimal consensus. Reform-minded politicians face constraints on their democratization agendas, both within national coalitions of convenience and ethno-territorial governance. To illustrate this lack of commitment to democratization and the complexity of governance, it took BiH authorities 14 months to respond to the European Commission’s 3,242 questions regarding EU enlargement – compared with two to five months for neighboring countries. Ethnic Serb politicians disagree on joining NATO, and in 2022 they did not agree to fully align BiH’s foreign policy with the European Union on sanctions against Russia regarding the war in Ukraine.

Consensus on goals

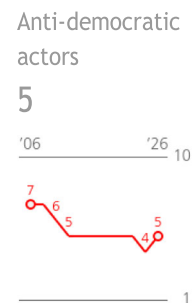


BiH's transition to a market economy remains incomplete and political actors tend to implement challenging socioeconomic reforms primarily when international macro-financial assistance requires it. Consensus-building among various government entities in BiH improved during the initial 2015/16 phase of the reform agenda, focusing on structural economic reforms. This consensus was made possible by a strong new EU initiative and a policy of imposing strict financial conditions by international financial institutions. A limited, short-lived consensus emerged among state and entity elites regarding the management of the fiscal and economic impact of the COVID-19 pandemic in 2020/21, and again in 2024 with the adoption of three laws proposed by the European Union as a condition for opening negotiations with BiH.

Due to consociational grand coalitions, reform-minded politicians in BiH often find themselves marginalized, with limited room to maneuver when in government. Some influential anti-democratic actors hold significant veto positions in the power-sharing framework through which they can block reforms. At the same time, reformers block and constrain them, limiting their ability to undermine democracy and institutions. Anti-democratic actors are often limited in their actions by the fragmented nature of the system. Most notably, RS President Dodik, who is one of the strongest anti-democratic actors, has been on trial at the state level since 2024, despite his party's strong influence over the judiciary in RS.

Much political practice is performative – for example, temporary boycotts of power-sharing institutions – yet these institutions have endured for several decades. This endurance is partly due to international oversight of the most blatant anti-democratic forces by the Office of the High Representative (OHR). For example, the OHR has suspended unilateral actions by RS political leaders who challenged verdicts of the BiH Constitutional Court on state property and other matters.

The most considerable difference in anti-democratic influence can be observed at the subnational level between RS and the FBiH. The former is more unitary with an authoritarian political elite, while the latter is politically fragmented but more pluralized. In RS, the large “Justice for David” citizen protests in 2018 were suppressed and there was an attempt to pass a foreign agents law – actions that highlight a political desire for top-down control of democratic engagement.



Ethnonational cleavages in BiH are substantial and translate directly into the party system. Politicians often exploit interethnic mistrust to gain electoral advantage. Such heightened rhetoric is notably prevalent during electoral campaigning. In the 2024 local elections, the opposition Bosniak SDA party framed support for the appointment of a Croat judge to the BiH Constitutional Court as treachery by other Bosniak parties.

The leadership of the largest Croat party, HDZ-BiH, has consistently portrayed Croats as discriminated against and excluded from FBiH and BiH institutions. Their discretionary support of key institutions has been – and continues to be – focused on achieving concrete policies such as changing the electoral law in their favor and vague agendas such as establishing a Croat entity in the territory of the FBiH.

Throughout the review period, RS leadership has continued to express support for secession from BiH through performative actions such as holding an “All-Serb Assembly” in June 2024 in Belgrade – together with the autocratic political leadership of the Republic of Serbia. RS President Dodik regularly uses highly inflammatory language to challenge the state’s legitimacy and to question whether continued harmonious coexistence among BiH’s diverse ethnic groups is possible. His statements against the state often follow allegations, investigations and prosecutions related to corruption and the mismanagement of public funds. Dodik, while positioning himself as the defender of Serb interests, effectively aims to undermine the capacity of the state to hold him accountable.

Sound legal provisions for public consultation and participatory mechanisms exist in BiH at state, entity and cantonal levels. They require public consultations for laws, regulations and policies, set a minimum consultation period and oblige institutions to publish draft laws and invite stakeholder feedback. However, implementation is often lacking and interactions between the political system and CSOs remain weak in practice. Civil society is not directly consulted during agenda-setting or policy formulation and has little power to change draft legislation. However, strong CSO lobbying can initiate robust public consultations, such as recent environmental legislation and a smoking ban in the FBiH. Positive examples include local-level legislation to regulate participatory mechanisms for local self-governance units in Gradiška, Teslić, Brod and Stari Grad Sarajevo.

During the review period, there were both positive and negative examples of public consultations. For example, recommendations from CSOs were not included before the adoption of the anti-corruption strategy and action plan. Conversely, amendments to the FBiH criminal law involved extensive cooperation with CSOs throughout 2024, at the initiative of the FBiH Ministry of Justice.

International organizations and donor projects in BiH play a significant role in facilitating and supporting cooperation between CSOs and the government, but rarely ensure that civil society positions are integrated into final policies. Consequently,

Cleavage /
conflict
management

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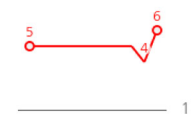
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Public
consultation

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CSOs are more involved in monitoring government activities and reporting on government performance. General apathy in society, low expectations of politics and politicians, and the complex, multilayered system of government exacerbate this situation.

BiH is a regional frontrunner in democratic innovations, especially deliberative citizens' assemblies. Cities such as Mostar, Banja Luka and Sarajevo have pioneered such approaches since 2021, and have adopted policies based on citizens' recommendations. Several more citizens' assemblies are being planned, some with the support of international organizations.

Politicians in BiH have generally absolved themselves of any moral or practical obligation to promote post-conflict reconciliation in a war-torn society.

In-group discourse – from politicians' speeches to school textbooks – present sharply different versions of wartime events, often instrumentalizing war crimes and victims as a means of identity building.

With some exceptions, many moderate politicians shy away from addressing wartime events.

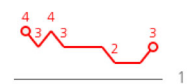
The initially internationally led prosecution of war crimes has not been accompanied by a formal reconciliation process. In RS, Dodik and many other politicians continue to downplay war crimes and the genocide in Srebrenica. Across the country, convicted war criminals continue to enjoy financial support provided by local and entity governments, and are regularly invited to public events. Minor improvements include ongoing processes against individuals suspected of committing war crimes in BiH, including a December 2024 indictment filed by the BiH Prosecutor's Office against 10 people for war crimes against the civilian population and prisoners of war in the Hrasnica, near Sarajevo. In 2024, the BiH Prosecutor's Office continued this work through the Special Department for War Crimes.

No substantive reconciliation efforts were undertaken by political actors. The 2021 decision by former High Representative Valentin Inzko to criminalize genocide and war crimes denial has significantly reduced public genocide denial and led to several indictments, but did not stop it entirely. The U.N. General Assembly resolution from May 2024 designating July 11 as the International Day of Reflection and Commemoration of the 1995 genocide in Srebrenica spurred negative reactions from RS but support from Bosniak, Croat and other politicians.

Reconciliation

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17 | International Cooperation

Governments annually submit economic reform programs to the European Commission through the BiH Directorate for Economic Planning. This is often seen as an administrative exercise with little commitment to implementation. Following the 2022 general elections, BiH renewed its commitment to the EU reform process. Limited progress resulted in the opening of negotiations, while some opportunities – such as accessing funds through the EU Growth Plan – were missed.

BiH has repeatedly lost access to significant funding from the European Union through the Instrument for Pre-Accession Assistance for Rural Development (IPARD) funds for the agriculture sector. In September 2024, BiH failed to submit an acceptable reform agenda to the European Commission, a requirement to receive EU Growth Plan funds. The first deadline was missed because of political inertia and a lack of policy consensus in the FBiH at the cantonal level. The document BiH finally submitted in September 2024 fell short of addressing the European Commission’s reform recommendations. These funds came with obligations to strengthen the rule of law, promote democracy, advance institutional reforms and combat corruption.

As of December 2024, BiH’s outstanding purchases and loans with the International Monetary Fund (IMF) amounted to XDR 124.43 million. Regarding the Extended Fund Facility (EFF), the country’s financial obligations include scheduled repurchases; however, no publicly available information indicates the initiation of a new EFF arrangement or any updates to existing arrangements since 2023. The current financial commitments of BiH to the IMF suggest a pattern of historically cautious engagement – managing existing obligations without significant expansion of IMF-supported programs. This is most likely due to previous arrangements experiencing delays or limited implementation.

However, BiH achieved advances in international cooperation across several sectors. Since 2023, BiH has participated in the Global Alliance against Migrant Smuggling and, in 2024, signed an agreement with the European Commission to join the EU4Health program to enhance the country’s health care system with EU funding. Participation in the Horizon Europe program secured BiH €3.2 million in 2023, more than double compared with 2022. BiH also subscribed to the IMF’s Special Data Dissemination Standard to facilitate macroeconomic policymaking, and data compilation and dissemination. Finally, despite justified criticism for failing to show actual progress, BiH opened accession negotiations with the European Union in March 2024 – the most notable advancement in over a decade.

Effective use of support

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The international community has long regarded the BiH authorities as lacking credibility and commitment to reform, despite aspirations to join the European Union. Over the past decade and a half, BiH has failed to implement several European Court of Human Rights rulings on constitutional amendments to ensure alignment of political institutions with European human rights standards. The non-implementation affects perceptions of BiH's commitment to the EU integration process, especially given that the verdicts were issued in 2009.

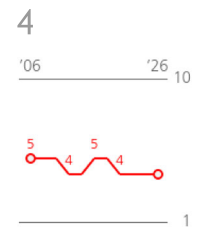
In 2019, the European Commission outlined 14 reform priorities, while BiH's credibility eroded due to partial implementation of the 2015 to 2018 reform agenda. In December 2022, BiH was granted EU candidate status, largely due to the geopolitical context of the Ukraine war. After receiving candidate status and forming a new state-level government in January 2023, BiH adopted several key legislative reforms – including changes to governance, transparency and the judicial sector – from the 14 European Commission priorities. Although not all priorities were fulfilled, in 2024, the European Council opened negotiations with BiH, signifying notable progress in EU integration. However, since negotiations began, no further steps have been taken to adopt additional legislation within the European Commission priorities for BiH.

In 2018, NATO initiated the Membership Action Plan (MAP) for BiH. Previously, a major requirement for activating MAP was the adoption of a defense property law to regulate ownership and control. However, NATO dropped this condition in 2018, acknowledging the political situation in BiH made it difficult to adopt the law. The activation of MAP was immediately questioned by RS authorities, who oppose NATO membership and advocate military neutrality. Since 2019, BiH has not regularly submitted annual reform programs under MAP. The annual program for 2023 was adopted only in December 2024, affecting perceptions of BiH's commitment to membership.

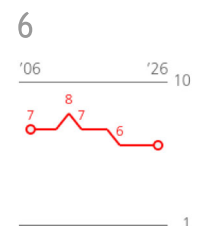
Relations between BiH and neighboring countries' institutions have generally improved over the past decade, driven by increased trade under the Central European Free Trade Agreement and the launch of the Berlin Process in 2014. BiH participates in various regional projects, such as the European Union's Connectivity Agenda and the Regional Youth Cooperation Office. Regional dialogue mainly takes place through the Regional Cooperation Council (RCC) based in BiH. As part of the Berlin Process, BiH signed three agreements on regional cooperation in October 2022, but their ratification has been blocked by RS leadership.

Despite declarations of support for BiH's sovereignty and bilateral relations, leaders in Croatia and Serbia continue to intermittently interfere in BiH's domestic affairs. For example, Serbian President Aleksandar Vučić hosted an "All-Serb Assembly" in 2024, which was attended by RS leaders. Since 2018, the HDZ-led government in Zagreb has repeatedly lobbied for reforms to the BiH electoral law in support of the main BiH Croat party, HDZ-BiH.

Credibility



Regional cooperation



Serb and Croat parties and their leaders in BiH are often torn between allegiance to voters and the state of BiH, and support for neighboring countries' policies. This produces bilateral disputes and highlights the absence of a unified regional cooperation policy. The refusal of Serb parties to recognize Kosovo limits bilateral cooperation, including the Berlin Process agreement from October 2022 on visa-free travel between the countries. In 2024 Kosovo unilaterally granted visa-free travel to BiH citizens, but reciprocity will require consent from the RS political leadership.

BiH made significant progress in its EU accession process by adopting key reforms in early 2024, leading the European Council to approve the start of negotiations in March 2024 – conditioned on compliance with membership criteria. However, no further progress was made, and negotiations had not started as of January 2025.

Strategic Outlook

The coming year, 2026, will mark a significant milestone in shaping the future of Bosnia and Herzegovina (BiH), as the country navigates the opening of negotiations with the European Union, heightened interest from international partners, and an increasingly challenging regional and global environment. To advance democratic and economic reforms, BiH must accelerate institutional reform, including continued strengthening and implementation of the rule of law. Nevertheless, several key challenges lie ahead.

Constitutional reform continues to be a key priority. However, agreement between political parties on this contentious issue remains unlikely. Both domestic and international actors should, therefore, aim to broaden the group of stakeholders involved and include citizens in the dialogue. Democratic innovations tested at the local level in BiH can provide an avenue to achieve this. Electoral system reform is equally relevant and tied to the performance of the constitution. Discrimination against citizens within the electoral law needs to be removed, possibly through a similar process or concurrently with constitutional reform.

Political challenges to the legitimacy and authority of state institutions will likely persist, largely driven by the agendas of individual politicians. Domestic and international actors must ensure these challenges do not undermine recent gains in implementing the rule of law. Courts in BiH must continue to pursue judicial proceedings in cases involving corruption and misuse of power, and international actors should support these efforts through targeted individual sanctions and firm commitments.

In Republika Srpska (RS), the government has escalated pressure on civil society and free media. The situation is likely to deteriorate further, creating more challenging conditions for free speech. The European Union and United States, together with the Office of the High Representative, need to exert direct pressure against restrictions on free speech in RS.

Regarding economic development, the post-COVID-19 recovery that began in 2021/22 is projected to continue. Economic reforms initiated within subnational entities need to continue. Additionally, harmonization of legislation between entities, especially concerning labor laws, must become a high priority. Infrastructure development that is likely to continue must be accelerated to catch up with neighboring countries. A potential risk to economic development is the high level of emigration, especially among young and educated individuals, which is expected to continue.

Accession negotiations with the European Union should be an absolute priority at all levels of government. This includes the revitalization and streamlining of the 2016 coordination mechanism to ensure inclusion of all relevant stakeholders. The accession of a multilevel, asymmetric federation to the European Union is unprecedented, and it will require effort and commitment from both domestic and international actors. Along with this, extensive compassion and respect for

BiH's constitutional framework are needed, including innovative solutions to comply with EU legislation. Fulfillment of the 14 key priorities should remain a cornerstone guiding accession talks, but should not stand in the way of opening any chapters of the acquis.

Finally, 2026 will also be a year of general elections in BiH. Publicly noticeable progress prior to the elections is essential to avert a nationalist electoral campaign and a potential political crisis, as witnessed after the 2018 elections. International actors should explore possibilities to bar candidates who are under sanctions or under investigation for high-level corruption from running in elections.