

COMMON COUNTRY ANALYSIS

Context analysis 31.10.2019

Executive Summary

Bosnia and Herzegovina (BiH) is an upper-middle-income country in Southeastern Europe that is still grappling with the aftermath of a war that ended in 1995 with the Dayton Peace Accords (DPA). The DPA set up an extremely devolved governance structure with two entities (the Federation of BiH and the Republika Srpska), Brčko district, and ten cantons (which together make up the Federation). The Dayton constitution preserved ethnic wartime divisions and has produced almost permanent policy and development stalemate since around 2005, when the international community stepped back from open intervention in the country's governance. As a result, despite BiH's commitment to the 2030 Agenda, there is no national vision for sustainable development and no strategic national priorities at this moment. However, a localized SDG Framework is expected to be adopted in the near future. BiH's declared intention to join the European Union (EU) has been a driver of numerous sectoral reforms; however, their systemic effects have been limited, and several attempts to amend the constitution – a precondition for opening membership talks – have failed.

BiH has a population of some 3.5 million people, according to the 2013 census (whose results remain in dispute). Hundreds of thousands of people have emigrated from the country since the census, further aggravating a demographic crisis produced by forced wartime migration and low fertility rates. The demographic situation has various implications for the sustainability of social protection systems, education, and health care. BiH does not have a policy for migration management or involving its vast diaspora in strategic development. The country is struggling to systematically and adequately address the challenges associated with the drastic increase of migrants, refugees and asylum seekers in BiH since 2017.

While BiH's social protection system is comparable as a share of GDP to that of neighboring countries, it is insufficiently targeted, deepening inequalities and increasing the risk of people being left behind. Social protection, the education system and health care are all highly fragmented between territorial units, further diminishing access for all. Among the country's most marginalized people are Roma, wartime refugees and IDPs who returned to places where they are currently an ethnic minority, people with disabilities, and recent refugees and migrants, while other, much larger groups such as women, rural populations, youth, and the elderly are also at risk of being left behind. Generalized corruption and weak rule of law (including open disregard for various decisions by the Constitutional Court and the ECtHR) put human rights at risk for everyone.

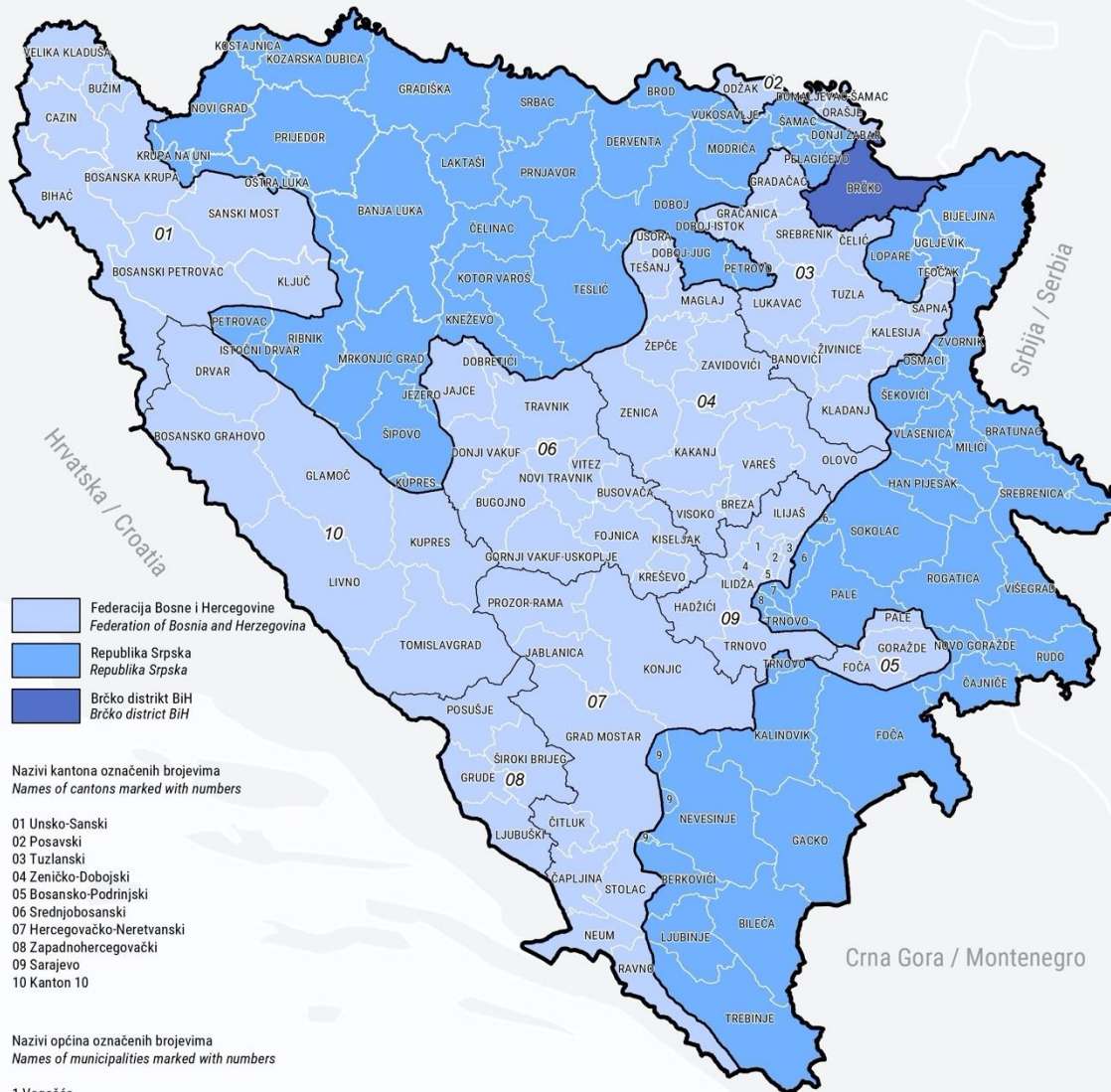
BiH's economy is marked by high carbon and energy intensity, and the country is at significant risk of natural and man-made hazards, with over 20% of its territory prone to flooding and more than 283,000 people exposed to very significant risk of flooding.

Due its ongoing political and development challenges, BiH continues to host a fairly large presence of the international community, atypical for an upper middle-income country, and be dependent on donor funding for its development needs. The ongoing political and development challenges result in the continued, fairly large presence of the international community in BiH. Among the major risks for achieving the 2030 Agenda are a lack of political will; unfavorable economic trends; further social polarization and rise of nationalism; a deepening demographic crisis; and natural hazards and insufficient preparedness.

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ADMINISTRATIVNA KARTA BOSNE I HERCEGOVINE
ADMINISTRATIVE MAP OF BOSNIA AND HERZEGOVINA



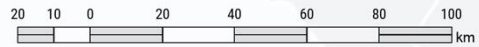
- Federacija Bosne i Hercegovine
Federation of Bosnia and Herzegovina
- Republika Srpska
Republic of Srpska
- Brčko distrikt BiH
Brčko district BiH

Nazivi kantona označenih brojevima
 Names of cantons marked with numbers

- 01 Unsko-Sanski
- 02 Posavski
- 03 Tuzlanski
- 04 Zeničko-Dobojski
- 05 Bosansko-Podrinjski
- 06 Srednjobosanski
- 07 Hercegovačko-Neretvanski
- 08 Zapadnohercegovački
- 09 Sarajevo
- 10 Kanton 10

Nazivi općina označenih brojevima
 Names of municipalities marked with numbers

- 1 Vogošća
- 2 Centar Sarajevo
- 3 Stari Grad Sarajevo
- 4 Novi Grad Sarajevo
- 5 Novo Sarajevo
- 6 Istočni Stari Grad
- 7 Istočno Novo Sarajevo
- 8 Istočna Ilidža
- 9 Istočni Mostar



1.1. Country Context

Bosnia and Herzegovina (BiH) is an **upper middle-income country** with the aspiration to become a member of the European Union (EU). At the same time, 24 years after the end of the 1992-1995 war, it continues to struggle with its **peacebuilding process** and internal efforts to establish a common development vision. As a result, political deadlock is endemic and impedes both its EU accession process and its overall development. Strategic planning and decision-making are a challenge given the country's complex governance structure and ambiguous constitutional provisions, which prevent full national ownership.

BiH's **governing structure** is derived from Annex IV of the Dayton Peace Accords (DPA) signed in 1995, which provides the constitutional set-up of the country. BiH is divided into two entities: the Federation of BiH (FBiH) and Republika Srpska (RS), plus Brčko District (BD). FBiH is further divided into 10 Cantons, a level of governance that is not present in RS. FBiH has 79 municipalities and RS 61. Annex IV of the DPA outlines competencies for each level of governance in BiH, which are further developed in individual constitutions of each entity and of each Canton. A tool for ending the war in 1995, BiH's governing architecture ended up being very complex with 5 presidents, 13 prime ministers and as many governments, more than 180 ministries and over 700 members of parliament in a country of 3.5 million people.¹

Despite these difficulties, over the last several years BiH has managed to advance its EU integration agenda following a period of stalemate on EU-related issues. In May 2019, the European Commission issued its Opinion² on BiH's **EU membership application** which outlines the key challenges for the country on its way toward membership and provides a set of 14 priorities to be addressed before the country can open accession negotiations. The Opinion concluded that BiH was the least prepared country in the Western Balkans (excluding Kosovo³) for EU membership. BiH is in the final phase of accession to the **World Trade Organization**, with technical work continuing on a limited number of issues.⁴

BiH still lacks a **development strategy** that would define country-wide development goals. The BiH Reform Agenda (2015-2018), driven by the international community, represented the first mid-term planning document with a broad consensus among all political parties and levels of government since 2007. It outlined the key priorities for economic and social reforms that were expected to underpin the country's application for EU membership, with very mixed results. At present (autumn 2019), the **new Reform Agenda 2019-2022** is in place⁵ to lead the work of the new authorities in BiH following the October 2018 General Elections. The country is yet to finalize the government formation process.

¹ Census: 30 September 2013 - source; Agency for Statistics of BiH

² Available at: <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-bosnia-and-herzegovina-opinion.pdf>

³ All references to Kosovo are made in the context of UN Security Council Resolution 1244 (1999) and in conformity with UN protocol.

⁴ https://www.wto.org/english/thewto_e/acc_e/nl_e/2019_05_acc_newsletter_e.pdf

⁵ Both entity governments adopted the "Joint Socio-Economic Reforms for 2019-2022" on 10 October 2019. The Council of Ministers of BiH adopted the "Action Plan for the Implementation of Priorities from the European Commission Analytical Report 2019-2020" on 16 October 2019. These comprise the country's mid-term development agenda.

In 2018, with support of the UNCT, BiH initiated the process of rolling out the global **2030 Agenda** and localizing the SDGs priorities in BiH based on a comprehensive consultation process in 2018 and 2019. BiH presented its first National Voluntary Report at the High-Level Political Forum in New York in July 2019, and work on the SDG Framework for BiH 2030 as the main guiding document for national and sub-national development planning processes should be completed by the end of 2019.

Demographic Context

As is generally the case in Europe, the population of BiH is shrinking and ageing, placing a burden on social protection – but in BiH, these demographic challenges amount to a real crisis that is not being politically addressed. Whereas BiH had the same population half a century ago, the ratio of children 0-19 to older persons (65+) was almost 10:1 at the time while today it is only 1.5:1.

The 1992-1995 war prompted **large emigration from BiH**⁶ and a loss of approximately 100,000 lives. While BiH lacks comprehensive population data, UNDESA data indicate that subsequent political and social instability fueled mass emigration, with 250,000 citizens who left BiH since the 2013 census – 93,000 in the last two years alone.⁷ Together with fertility rate (1.26) that is far below the replacement level (2.1) this has caused a continuous drop of the population to currently 3.5 million. One third of the population is currently working or residing abroad⁸—the highest share in the Western Balkans.⁹ A recent study by the European Commission projects a 73% decline in the BiH population in 2015-2060 in the worst-case scenario (based on doubled current-level migratory flows).¹⁰

The scale and speed of **demographic change in BiH has been significant**. Highly skilled people of reproductive age are leaving for better opportunities; a “conflict-plagued political situation and an unsettling atmosphere of insecurity, fear, etc.” induce young people to leave, according to a recent study.¹¹ Average birth rates are falling as a result of a complex set of factors, which could arguably be summarized as lack of confidence in the future, itself the product of political conditions and societal change where employment is no longer guaranteed and social support systems are increasingly under stress. The problem is not that people do not *want* more children but that they often are not *able* to have more. People need support and confidence in their future to be able to realize the family size they desire. This requires better job opportunities, fair and effective public services, flexible work arrangements, generous family support and parental leave for both parents, affordable quality childcare from early years on, and more equal burden-sharing between men and women.

While **rural-urban migration** is difficult to monitor due to a lack of statistical data, it is evident that there is a slow but steady flow from rural areas and small towns towards the capital and bigger cities. Even

⁶ 1.2 million BiH citizens fled the country between 1992-1995. Source:

<http://www.mhrr.gov.ba/izbjeglice/default.aspx?id=1711&langTag=bs-BA>

⁷ BiH Statistics Agency (2018), *Labour Force Workforce Survey*.

⁸ MHRR (2018), *Mapping of the BiH Diaspora*, UNDP-IOM Diaspora project.

⁹ For more information on the methodology underpinning the UNDESA figures, see *Trends in International Migrant Stock: The 2017 Revision* (Documentation).

¹⁰ European Commission (2018), *Demographic and Human Capital Scenarios for the 21st Century*, available at:

<https://publications.europa.eu/en/publication-detail/-/publication/dffa0dc3-cdc8-11e8-9424-01aa75ed71a1/language-en/format-PDF/source-search>

¹¹ Friedrich Ebert Stiftung (2019), *Youth Study Bosnia and Herzegovina 2018/2019*, available at:

<http://library.fes.de/pdf-files/id-moe/15262.pdf>

though the majority of the population lives in rural areas, livelihood opportunities and quality of life are worse there, which increases migration towards cities and ultimately deepens regional inequalities.

The implications of BiH's demographic crisis on the country's social protection, health and education systems and on labor market conditions will be analyzed below.

Political Context

There are numerous "system errors" in BiH's governance resulting from its constitutional set-up, a highly complex multi-tier governance structure, and high politicization. Policy formulation and development capacities are incomplete and weak, producing failure to lift the country's growth potential. Public services are not equally accessible, of poor quality and fail to meet the needs of the people. In turn, citizens' trust in their governments and other public institutions is very low.

These challenges are felt most acutely at the local level. As a result, **local governments** - with political autonomy, own resources and competences over a wide range of local services¹² - tend to be more effective in their work and open to **reforms**. This is due to their proximity to the citizens and greater accountability of their directly elected leaderships. Yet, local governments continue to operate under often severe restrictions in terms of policy and regulatory frameworks, capacities and resources, which undermine the quality of services provided to the public at large.

BiH has been undergoing a long-term, complex and extremely challenging transition **from a post-conflict society toward membership in the EU**. 2020 will mark a quarter of a century since the DPA were signed and the country – in many ways and on many levels – still exhibits key aspects of a post-conflict state. Many of BiH's leaders and public figures still argue about whether they should live in one country; how the country should be governed; and where power should rest – with the state or with the entities. The difficulties of the three main national groups to build some semblance of a common narrative or understanding of what happened in the 1990s are exacerbated by an extremely weak state which is perceived by many as an "empty shell." A number of other factors actively contribute to the challenges associated with building a durable state with a unifying vision for all citizens: They include the ongoing politics of division pursued by powerful political leaders, parties and linked-up media organizations; the lack of unity of purpose by international stakeholders; the revisionist narratives that have emerged around sensitive rulings by the International Criminal Tribunal for the Former Yugoslavia (ICTY); the uneven transitional justice carried out by domestic courts; and the fact that Annex VII of the DPA remains open due to outstanding issues and obstacles preventing durable solutions for the displaced.

Each electoral cycle exposes BiH's voters to exclusivist, nationalist agendas and narratives based on the accumulated legacy of war-related pain and trauma, stoking mistrust and fear between communities. Each new EU requirement highlights the inability and/or unwillingness of some leaders to move the country away from this post-conflict equation. It also underscores the **structural dysfunctions** of a peace agreement that was meant only to stop the conflict rather than serve as a permanent governance framework. Very recently, the country's three Presidency members have remained deadlocked around vital governance, electoral and rule of law issues and have been unable or unwilling to find common

¹² In addition to administrative services, local governments are responsible for communal services, including water supply, wastewater management, heating, public transport, solid waste management, street cleaning and management of public surfaces, public lighting, green markets, etc. They own 279 state-owned enterprises, mainly in water supply, wastewater and solid waste management, heating, but also some in communication (radio) and recreation (pools, parks). In 2017, total employment in local state-owned enterprises stood at 11,000.

ground. The EC Opinion on BiH's application for EU membership conveyed a list of conditions and concerns that strike at the heart of the country's structural and functional challenges that prevent it from making a clean break from its conflict past.

For years, the governance system in BiH was seen to be ineffective but stable. However, recent political trends and rhetoric – in the country, in the region, as well as globally – are making BiH **increasingly unstable**. Public displays of civic frustration, anger and resentment have begun to surface since 2014 and the ruling elites are in response seeking to curtail fundamental freedoms and rights while increasing security measures. This is most visible in the RS entity where various legislative proposals aim to limit the freedom of assembly and speech and the work of civil society. Of greatest concern is that fear and hate-based rhetoric, the glorification of war criminals and the denial of facts established by international justice institutions meets no effective response from relevant local and international stakeholders, including the Peace Implementation Council (which oversees the Office of the High Representative, OHR). Separate commemoration events continue to be organized by nationalist leaders and public figures, each stressing their own group's victimhood; at the same time, such leaders, parties, media and other interests continue to promote their own narratives and to manipulate ICTY rulings in order to deepen divisions between communities. This reconciliation deficit is slowly but very steadily poisoning the political and socio-cultural atmosphere with a real, corrosive effect on the peace and security situation in the country and beyond.

Rather than progressing toward a more prosperous and secure future for all its citizens, the results of these dynamics further perpetuate zero-sum politics based on mobilizing national constituencies against each other; further deepen political patronage systems; further entrench legislative, judicial and executive corruption; allow for ubiquitous disregard for the rule of law; and stymie reforms necessary for BiH to progress toward the EU. Binding legal decisions of key institutions are disregarded in an arbitrary manner, including the decisions of the Constitutional Court(s) and the ECtHR, notably in the latter's Sejdić-Finci decision which addresses fundamental rights issues that affect all of BiH's citizens, and has been ignored by the country's authorities for a decade.

The war has left a heritage of divisive narratives, entrenched in identities shaped by religion and ethnic belonging. In some extreme cases, these narratives have led to forms of **ethno-nationalist or religious extremism**. In a context of widespread unemployment, social and political disenfranchisement and frustration, and worrying prospects for the future, some of these tensions have created a fertile ground for the formation of violent extremist groups and ideologies. This generally manifests itself in forms of intolerance, discrimination, and hate speech that undermine progress towards reconciliation and dealing with the past. Furthermore, developments in the international context, especially with the wars in Syria, Iraq, and in Ukraine, contributed to the decision of a limited but significant group of BiH citizens to join one of the warring sides. BiH authorities estimate that 241 adults (179 men, 62 women) and 80 children from the country or the BiH diaspora have travelled to conflict zones in Syria/Iraq between 2012 and 2016, and that an additional 77 children were born with at least one parent from BiH. Around 98 adult BiH citizens (49 men and 49 women) are believed to remain abroad. As of September 2019, 60 adults had returned to BiH, along with 7 children, and more returns are expected.¹³ The rehabilitation and

¹³ Figures provided by BiH Ministry of Security and Regional Coordination Council (2017), *A Waiting Game: Assessing and Responding to the Threat from Returning Foreign Fighters in the Western Balkans*, available at: <https://www.rcc.int/pubs/54/a-waiting-game-assessing-and-responding-to-the-threat-from-returning-foreign-fighters-in-the-western-balkans>. It should be noted that estimates on foreign fighters believed to be BiH nationals differ from source to source.

reintegration of returning foreign fighters and their families is a challenge that will affect the country for some time to come.

At the same time, religious communities and faith-based organizations are implementing a plethora of programs aimed at peace, reconciliation and promotion of trust. However, linkages between these initiatives and the work done on the part of public institutions and the international community is limited at best, missing an opportunity for synergies. An important and visible example of the transformative potential of engagement of faith-based organizations and religious communities with the issues of peace and community cohesion is with conflict-related sexual violence: The Interreligious Council of BiH partnered with the UN in adopting a first ever joint Declaration of religious communities aimed at preventing stigmatization of survivors of war-related pain and trauma.¹⁴ At the same time, the Council also adopted a joint training Manual for members of the clergy on provision of support to survivors of war crimes, and a Regional Plan of Action “Sustaining peace through trust-building and reconciliation.”¹⁵

The latest **public perception** survey conducted by the UN in May/June 2019 reflects long-term feelings that the country is stagnating (77.1% of respondents) and that nothing has substantively changed in the economic and social perspectives for the majority of citizens over the past 3-4 years. When asked about the most critical challenges facing BiH’s society, respondents listed unemployment (41.2%); corruption (38.7%); political instability and politicians (31.1%); and emigration, especially of the country’s youth (28.1%), as the top concerns. Respondents noted that they are less willing to talk about the country’s past with members of different national groups (this number doubled compared to survey results recorded in 2009). This overall picture is confirmed by relevant global indexes, with BiH ranked as:

- (i) “warning” category on the 2019 Fragile States Index and 86th out of 178 countries, in a downward trend since 2016;¹⁶
- (ii) “partly free” on the 2019 Freedom House Index with an average score of 53/100 (looking into political rights and civil liberties);¹⁷
- (iii) 89th out of 180¹⁸ on the 2019 Transparency International Index (with a perception score of 38/100 where 0 indicates highly corrupt);¹⁹ and
- (iv) 63rd out of 180 on the 2019 World Press Freedom Index.²⁰

Overall, hope for social and political change has never been lower in BiH. When thinking about the future of BiH, almost half (47.2%) of the survey respondents believe nothing will change in BiH as long as the Dayton structure remains in place. There is a widespread realization that the system cannot be changed from within and given current geopolitical realities, as a divided international community is exacerbating centrifugal forces in BiH.

14 Available at: http://ba.one.un.org/content/unct/bosnia_and_herzegovina/en/home/presscenter/declaration-on-denouncing-stigmatization-of-survivors-of-conflic.html

15 Available at: <https://ba.unfpa.org/en/news/joint-manual-inter-religious-council-bosnia-and-herzegovina-members-clergy-working-survivors>

16 Available at: <https://fragilestatesindex.org/country-data/>

17 Available at: <https://freedomhouse.org/report/freedom-world/2019/bosnia-and-herzegovina>

18 The female labor force participation rate in BiH is, at 31.4% in 2018, the lowest in the SEE region, according to the ILO.

19 Available at: <https://www.transparency.org/country/BIH>

20 Available at: <https://rsf.org/en/bosnia-herzegovina>

Economic Context

Following a decade of post-conflict progress in which gaps between income levels in BiH and the EU narrowed, IMF data indicate that these gaps widened again in 2008-2015, with **convergence** resuming after 2015. IMF projections for 2018-2024 envision further progress in GDP convergence. Full convergence of the Western Balkan countries with EU living standards may range from 40 years in an optimistic scenario to more than 200 years in a pessimistic scenario.²¹

BiH's economy faces numerous **structural weaknesses**, such as inefficient markets, low labor force participation rate, limited access to finance,²² insufficiently developed business clusters and value chains, unclear property rights and a cumbersome regulatory environment, all of them further exasperated by political instability. The country is not transitioning quickly enough from a socialist mindset toward a market economy; the public sector accounts for more than one-fifth of the economy.

Some 80% of BiH's exports are concentrated in the hands of ten companies, leaving the country vulnerable to enterprise-specific shocks. The shares of GDP devoted to savings and investment remain below what is reported for neighboring countries, depriving BiH of the capital and technologies needed for future competitiveness. Entrepreneurs, skilled workers and young people who can earn six times more abroad than at home are unlikely to stay in BiH.

Close cooperation with the IMF, combined with **fiscal, monetary, and exchange-rate policies** that have minimized macroeconomic policy discretion, have resulted in low inflation rates and relatively benign fiscal trends in BiH. Surpluses in the general government budget are reported or projected for BiH for the 2016-2024 period. This has allowed the general government's gross debt to fall from 46% of GDP in 2014 to a projected 31% by 2022. BiH's macroeconomic policy regime has kept the country's external debt in check; gross foreign debt is projected to drop from 64% of GDP in 2016 to 56% in 2022.

This relatively benign picture conceals various **macroeconomic policy and governance challenges** that need to be addressed in order to accelerate income and employment growth. BiH's low reported public debt figures are made possible in part by growing fiscal arrears—which may represent public service duty bearers' unmet claims on rights holders and the relatively large shares of GDP collected as tax (and other public) revenues and then redistributed through the budgets. These high tax rates contribute to the informality and corruption that bedevils economic governance and growth prospects.

BiH's relatively **large budget expenditures** are in part reflections of high wages and employment in the public sector that crowd out private-sector growth. The energy and transport sectors are dominated by state-owned enterprises that are often loss-making and over-staffed. The business environment remains poor²³ and the post-conflict governance structure is not "fit for purpose" to respond to complex development challenges. FDI, at around 2% of GDP, is one of the lowest in the Western Balkan region. Vulnerability to flooding and other disaster risks further underscore the importance of links between

²¹ EBRD (2017), *The Western Balkans Convergence Challenge: Decades or Centuries?*

²² This is a higher barrier for women. See World Bank (2018), *Access to Finance for Female-Led Micro, Small & Medium-Sized Enterprises in Bosnia and Herzegovina*, available at: <http://documents.worldbank.org/curated/en/890741521459734141/pdf/124394-WP-P144969-PUBLIC-BiHAccesstoFinanceKnowledgeBrief.pdf>

²³ The World Bank Doing Business Report for 2019 ranks BiH 89th out of 190 countries globally; available at: http://www.worldbank.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf

economic growth and sustainable resource management. Public (economic) infrastructure is degraded or missing, which further affects investments and poses challenges for both domestic and cross-border connectivity and economic activity. These hold back economic growth, including of those industries that emerge as fast-growing – e.g., wood & furniture, metal, tourism, ICTs.

The large share of **agriculture** in the structure of GDP, the high level of employment and considerable share in the foreign trade deficit are the three main characteristics of agriculture and its importance for BiH economy. Agriculture and the food industry are important branches of the economy of country, both in terms of their contribution to the economy and overall employment and socio-economic development.

According to the BiH Agency for Statistics (the first results for GDP in 2018), agriculture, forestry and fishery accounted for 5.89% of GDP. The share of agricultural and food products within the foreign trade of Bosnia and Herzegovina is significant and the available data shows that the agriculture sector deficit is going down and that in 2018 the export-to-import ratio was 34%. Although long-term trends indicate a decreasing number of people engaged in agriculture, according to the International Labor Organization (ILO), 15.7% of people are employed in agriculture, of whom 38% are women. Around 1,000 legal entities and around 360,000 rural households are involved in agricultural production, of which one third is registered as agricultural holdings. A pilot census on agriculture conducted in 2010 (by the Agency for Statistics of BiH, the FBiH Institute of Statistics and the RS Institute of Statistics) shows that the average utilization of agricultural land per holding consists of on average of four parcels or 1.97 ha per farm, which is far below the EU-27 average of 14.3 ha (EUROSTAT). The data indicates one of the key problems in BiH, which is the large number of agricultural holdings and the consequent small size of such holdings and their economic and production power. Small average size of these holdings combined with the fragmentation of agricultural land and dual production, can be seen as a strategic priority that requires addressing in the future.

Agriculture and rural areas have significant economic potentials in BiH, however, there are several deficiencies and gaps, which prevent the actors in the sector – including farmers, processors and associations – to increase their competitiveness and eventually contribute to the sustainable growth of rural areas. Small-scale subsistence farmers dominate the agriculture sector, producing far below their potential because of outdated technology, low-intensity production systems, limited capital for farm infrastructure and inputs, and lack of irrigation. The sector lacks the economies of scale and the specialization needed for certain types of commercial agriculture; however, small farmers can still often produce commercially viable, specialized products or high value crops.

Small and medium-sized enterprises (SMEs) are important contributors to job creation and economic growth and make up approximately 99% of all companies, generating approximately 60% of the GDP and employing more than 60% of the total number of employed in the country.²⁴ Yet, the 19 SMEs per 1,000 population registered in 2015 was the lowest figure in the region. SMEs are held back by low level of technological modernization and innovation, limited access to finance, low productivity, insufficient entrepreneurial skills. The educational and vocational training systems are still insufficiently equipped to ensure adequate and market-driven skills for the next generation of employees.

A continued lack of decent work opportunities, insufficient investments and uncompetitive private sector will **slow down achievement of the SDGs**. The current economic development model puts significant pressure on the natural resources and is not sustainable, resilient and inclusive. Economic decline and instability affect not only quality of life for the people, but also political tensions and regional stability, as well as the overall convergence with the EU. Achieving the SDGs will need significant resources that can

²⁴ *SME Policy Index for Western Balkans and Turkey*, 2019.

only be generated by engaging the private sector. At present, private- sector financing for policies – or for the SDGs – is almost non-existent.

BiH's high **unemployment rates** have been falling since 2015; the countrywide rate has been below 20% since 2017²⁵ but the labor market situation remains challenging. Employment and participation rates have registered a slight increase, at 34.3% and 42.1%, respectively (Labor Force Survey - LFS 2018) but remain overall very low. This increase is largely due to a substantial decline in the working-age population 15+ (almost 200,000 fewer compared to 2014) as a result of low fertility rates and outward migration. Gender gaps in employment are also significant. The gender gap in unemployment in 2018 dropped to 3.1% from 4.2% in 2017 and 7.5% in 2016, but compared to other countries in the region, BiH has the lowest percentage of women's participation in the total number of employed. According to the 2018 LFS, women have a lower employment rate than men (25% compared to 44.1%) and a higher unemployment rate (20.3% compared to 17,2%). A gender pay gap exists despite legal provisions prohibiting it, and persists irrespective of qualification, education and age.

Even though BiH does not produce adequate estimates, it is assumed that at least **one-third of total employment is informal**. Young people are also at a disadvantage with indicators that point to a prolonged transition from school-to-work and a high risk that large cohorts of young people are left behind. Youth employment remains extremely low (at 19.7% in 2018); one out of four youth (15-24) is neither in education, employment, nor training. There is a gap between marginalized Roma and neighboring non-Roma in terms of human capabilities and material wellbeing. The gap is almost triple for young people – only 14% of Roma aged 18-24 are in employment, education or training, compared to 41% of non-Roma, and the gender gap remains significant – while women in both groups are less likely to be employed, marginalized Roma women have one of the lowest employment rates in the Western Balkans region: only 4% were employed in 2017 (versus 19% marginalized Roma men).²⁶

The **root causes of poor labor market** outcomes include insufficient investments and job creation in the private sector, poor quality of the current job offer (low wages, precariousness, limited occupational safety and health, high incidence of informality), low quality of education and skills development, as well as a prevalence of skills mismatches. Technical and Vocational Education and Training (TVET) systems are not aligned with labor market needs and the requirements of the economy. This results in a general lack of qualified workers in key occupations, while emigration continues and undermines the overall development efforts. Professional skills are important for individual well-being and income security. In addition, a skilled workforce makes an important contribution to increasing productivity, competitiveness, innovation potential and economic growth, which ultimately translates into the creation of more jobs. This includes professional skills development for young people, as well as continuing training for the adult population (whether unemployed, employed or self-employed). Lifelong career guidance and the recognition of prior learning (RPL) help adults along their life cycle to construct their careers and stay employable. Overall, there is a need for systematic skills needs anticipation at local, regional or national level and their translation into professional training curricula and standards.

Structural weaknesses of the country's economy, and actions driven by fragmented policy frameworks, make it difficult for policymakers to come out with solid diagnostics and reforms of education, skills development, labor market, and social policies. To provide a credible and relevant reform of employment

²⁵ Methodological changes introduced in 2018 complicate time series analyses of labor-market trends in BiH. Figures in this paragraph from Agency for Statistics of Bosnia and Herzegovina (2018), *Labor Force Survey 2018*, available at: http://www.bhas.ba/tematskibilteni/LAB_00_2018_Y1_0_HR.pdf

²⁶ UNDP (2017), *Regional Roma Survey 2017: Country fact sheets*, p. 1.

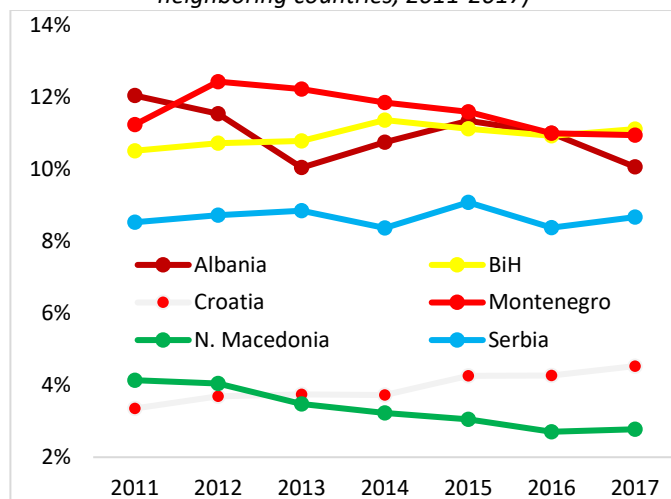
policy, a countrywide strategy is required, as well as an effective institutional coordination of implementation and monitoring of the strategy. Social dialogue and involvement of the social partners in developing economic reforms remain weak and scattered across different administrative levels.

There is a visible **mismatch between the supply and demand** on the labor market, resulting from inadequate policy coordination between the economic planning and education and skills development system, a lack of coordination between employers and (vocational) education and training institutes, and the failure of the Public Employment System to match the needs of employers and job-seekers and to provide career guidance.

BiH's demographic crisis (outlined above) poses a number of socio-economic challenges. The two thirds of the country's potential workers who are **not in formal employment** in BiH do not contribute to state pension and health insurance systems.

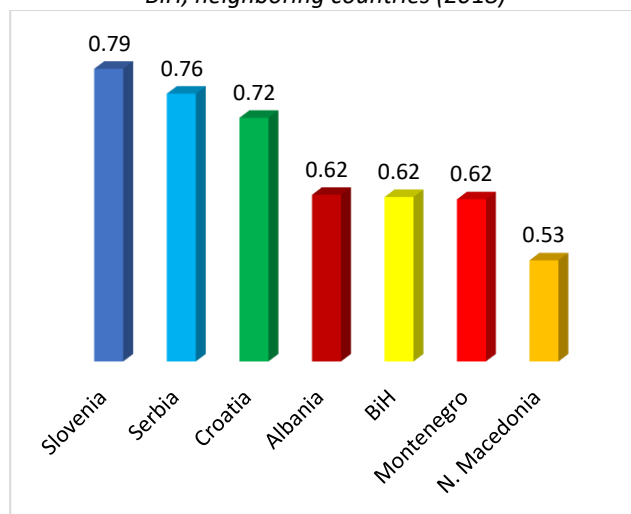
Potential development opportunities from emigration are apparent in the large **remittance inflows** to BiH – typically in excess of 10% of GDP. However, remittances are mostly used for consumption rather than for socio-economic development, and there is little evidence of benefits from emigration in terms of sharing skills and ideas or advancing democratic processes.

Figure 1—Ratios of remittance inflows to GDP (BiH, neighboring countries, 2011-2017)



World Bank data.

Figure 2—The World Bank's "human capital index" for BiH, neighboring countries (2018)



At the same time, it is important to emphasize that it is not population size that matters in contemporary societies but their human capital – education, skills development and health, productivity, and innovation potential. The World Bank's 2018 **human capital index** ranked BiH 58th out of the 157 countries surveyed—roughly comparable to Albania and Montenegro, and slightly behind Slovenia, Serbia, and Croatia.²⁷ ILO metrics indicate that 81% of BiH's labor force consists of "skilled labor," which puts BiH 32nd

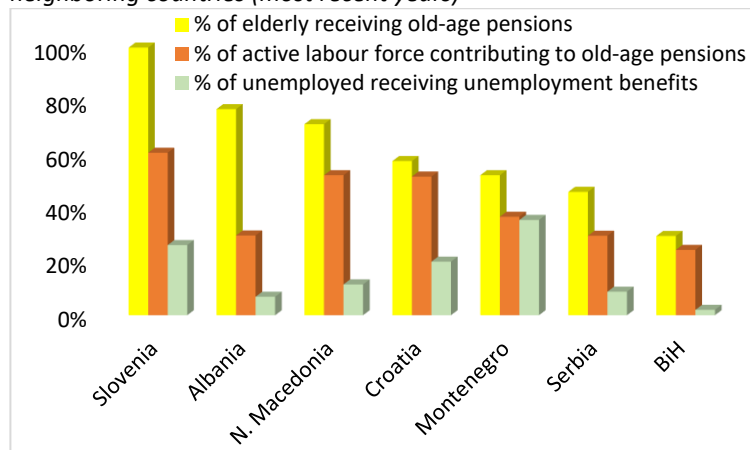
²⁷ Available at: <https://openknowledge.worldbank.org/handle/10986/30498>

out of 141 countries surveyed.²⁸ On the other hand, a *Lancet* human capital study ranked BiH 64th (out of 168 countries) in 2016, down from 58th in 1990, well below the 2016 rankings of Croatia (32nd), Serbia (46th), Montenegro (48th), and North Macedonia (51st).²⁹ Young people in BiH are spending less time in structured learning environments than is the case in neighboring countries, which may limit the quantity and quality of the human capital they accumulate.

Social Context

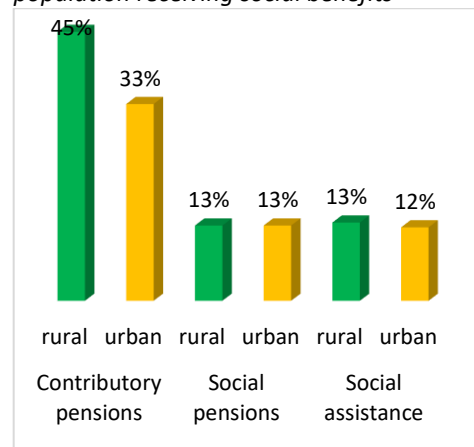
Even though BiH devotes approximately the same share of GDP to social protection as Slovenia and Croatia, its coverage is far lower: fewer than 30% of BiH citizens of retirement age receive old-age pensions, and only 2% of the unemployed receive unemployment benefits (Figure 3).¹⁵ Because large part of unemployed do not register with employment service, or unemployment, spell is long term that outlives the unemployment benefits. Old-age dependency ratios calculated in terms of actually employed workers contributing to social insurance funds indicate that in 2017, there were only 1.45 formally employed workers to support one pensioner. World Bank data (Figure 4) indicate that most households in the poorest 20% of the population do not receive contributory social protection benefits (e.g., old age or disability pensions), while only about one in eight individuals in this income category receives social assistance (i.e., cash transfers). The social protection system is distorted, inefficient and non-transparent. While around 4% of GDP is allocated to social assistance, only about 1% goes to the poor or socially excluded, while about 3% is allocated to war-related benefits (especially veterans).

Figure 3—Social protection coverage in BiH, neighboring countries (most recent years)



UNDP calculations, based on data (for most recent year available) from the ILO World Social Protection Report 2017-2019.

Figure 4—Shares of poorest 20% of BiH population receiving social benefits



Source: World Bank ASPIRE data base (2015 data).

These figures, which reflect extensive labor-market informality, very low employment rates, and governance lacunae, highlight the important risks of being left behind in BiH. Furthermore, negative

²⁸ “Percentage of the labour force ages 15 and older with intermediate or advanced education, as classified by the International Standard Classification of Education.” However, BiH’s large cohort of inactive workers—most of whom have only primary education and rudimentary labor-market skills—are excluded from this calculation.

²⁹ Available at: [https://www.thelancet.com/action/showPdf?pii=S0140-6736\(18\)31941-X](https://www.thelancet.com/action/showPdf?pii=S0140-6736(18)31941-X)

population trends are both threatening the fiscal sustainability of BiH's social protection systems and placing growing numbers of people outside of their reach.

Absolute income poverty (measured at the PPP\$5.50/day threshold recommended by the World Bank for upper middle-income countries) was reported at below 10% of the population during 2001-2011. Relative poverty (measured as the share of the population living below 60% of median income, as per Eurostat practice) was reported at below 20% during 2001-2011, with a declining trend noted.

BiH's Human Development Index value (HDI) for 2017 is 0.768, which puts the country in the high **human development category**, positioning it at 77 out of 189 countries and territories. Between 2000 and 2017, its HDI increased from 0.672 to 0.768, an increase of 14.4%. However, HDI measures average levels of income, health and education for the whole population and does not give any indication of how many people fare markedly worse than the population mean; it is thus not an indicator of social inclusion. BiH's Gender Development Index (GDI) for 2017 is 0.924, positioning the country at 77 out of 189 countries and territories.³⁰

The most obvious **source of exclusion** in BiH is belonging to an ethnic group different from the majority in any given administrative area, while disability and sexual identities may also cause exclusion. The most serious issue of social exclusion is unemployment, of both young people and adults, particularly women, followed by those who left school without qualifications, often to face a lifetime of economic inactivity or unemployment. A fast-changing economic environment and digital transformation could increase social exclusion since it will widen unemployment due to insufficient qualifications. Next come elderly households and people, almost 30% of whom report one or more disabilities. The unemployed, the uneducated and the older persons are highly excluded, while Roma represent the smallest excluded group but experience by far the highest degree of exclusion (especially women and youth).³¹

Despite rural out-migration, BiH remains one of the **most rural countries in Europe** (per OECD categorization), with around 60% of its population living in rural areas featuring fewer job opportunities, weak physical infrastructure and public services, as well as limited access to markets, business development and financial services. Unemployment rates in rural areas can be 40% higher than in the urban centers and GDP per capita is less than half the level reported in urban environments. 19% of the rural population lives in poverty (compared to poverty rates of 9% in urban areas). Agricultural producers are a rapidly aging population: a very small number of young people choose agriculture as their business, which calls into question the sector's viability in the long run.³²

Young people in BiH can be considered a vulnerable group. Their health, well-being and capacity to influence their own and the country's future are all adversely affected by limited access to social rights, political and social disenfranchisement, violence and rising nationalism, ill-health and lifestyle risks (including alcohol and drug abuse, gambling, smoking, STIs, early pregnancy, etc.), as well as by an education system that is of poor quality, outdated, marred by corruption and complex governance, and that does not adequately prepare them with life skills. Nevertheless, a large share of BiH youth attain a

³⁰ UNDP (2018), *Human Development Indicators 2018*. Custom data acquired via website: <http://hdr.undp.org/en/countries/profiles/BIH#> [Retrieved on 6 September 2019].

³¹ UNPP (2017): *Regional Roma Survey 2017: Country fact sheets*, p. 1.

³² *Strategic Plan for Rural Development of Bosnia And Herzegovina (2018-2021)*, available at: http://www.mvteo.gov.ba/data/Home/Dokumenti/Poljoprivreda/Strategic_Plan_for_Rural_Development_of_BiH_Eng.pdf

decent general education – but their skills are mismatched to the needs of a modern labor market, as will be further analyzed below. 60% of young people are unemployed, while one in every five of those persons looking for a job has been searching in vain for more than five years.³³ Young people in BiH are labeled as risk-averse, and only a few engage in entrepreneurship. Yet, this can also be explained by the fact that there are few support mechanisms for young people wishing to set up their own business, hardly any young person has access to sufficient start-up capital, and many lack the capacity to navigate the complex and discouraging legal/administrative environment. Young people are socialized into a culture of petty corruption and perpetuate it: cheating in school, paying bribes to pass university exams, relying on family connections to get employment, and so on.

The situation is even more difficult for young people who belong to particular minority groups (e.g., Roma, ethnic minorities), young women, LGBTQI youth, young people without parents, in state care or transitioning out of it, young people in conflict with the law and young people living with disabilities or ill-health (physical and mental); they face poverty, exclusion, marginalization, gender-based violence, sexism and discrimination to a higher degree than other young people. Inter-ethnic distance and distrust between young people is growing, and young people are increasingly vulnerable to radicalization and extremism across the entire political and religious spectrum.

One result of the difficult situation of young people in BiH is emigration, especially but not only of the highest qualified youth. Current levels of emigration pose an existential threat to BiH's development.

The education system in BiH is highly decentralized, with responsibilities for education devolved to the entities, cantons, district and one municipality. Each of these administrative units has its own education policy, legislation, and budget, while the FBiH Ministry of Education and the BiH Ministry of Civil Affairs have a coordinating role. The structure of the education system constitutes, in practice, a serious obstacle to the right to education by all children in BiH and has a major impact on availability, accessibility, acceptability and adaptability. BiH has a relatively high total spending on education (estimated at 4.2% of GDP in 2017), but this is mainly due to fragmentation and high administrative costs, with insufficient funding for school infrastructure and uneven teacher salaries which are not tied to performance. Efforts to develop common standard frameworks (such as common core curricula or learning outcomes) take many years, with uncertain results due to fragmented policy-making.

There is no recent evidence on the status of learning of BiH students. The 2007 Trends in International Mathematics and Science Study show that students in BiH are far below the international average in achievements. Current methods of teaching, assessment and evaluation do not address demands of contemporary society and do not develop life skills and competencies needed for a knowledge society. The results of the first **PISA testing** will be available in 2019 and will provide insights on the country's comparative position in regard to functional literacy of children. Education and the labor market are not harmonized due to several factors, including quality of formal education, inadequate or absent career orientation system and professional development, and lack of practical classes.

The **preschool enrolment** rate for children aged 3-6 is the lowest in Europe with 17%, with a big gap between urban and rural areas and between employed and unemployed parents: children from urban areas with two working parents represent 76% of the total of children in preschool institutions, while two-thirds of children in BiH live in rural areas.

³³ Friedrich-Ebert-Stiftung (2019), *Youth Study Bosnia and Herzegovina 2018/2019*, available at: <http://library.fes.de/pdf-files/id-moe/15262.pdf>

Efficient implementation of the existing action plans and legislation is further constrained by the lack of reliable **official statistics** on the number of marginalized children in BiH. There are no reported or documented mechanisms for identifying children who are out of school. While some opportunities for inclusive sport and recreation exist, there are no systemic mechanisms to address sport, leisure, cultural development or participatory non-formal learning. Opportunities for non-formal education are also very limited: only one out of four young people stated that they were included in a non-formal education programme, most often in the form of language or computer courses.

The **BiH Framework Law on Primary and Secondary Education** regulates the principles of preschool, elementary and secondary education and enshrines the obligations of education authorities, including those of both entities and the District of Brčko, to ensure educational services under equal conditions for all students. According to the Law, the purpose of education is to contribute to the creation of a society based on the rule of law and respect of human rights through the optimum intellectual, physical and social development of the individual, according to each one's potential and abilities. However, in practice, pupils and teachers continue to experience ethnic and religious segregation, intolerance and division. In fact, the most blatant evidence of ethnic divisions and the segregation of children are ethnically homogenous schools throughout the country, as well as the **"two schools under one roof"** where children are segregated based on their ethnicity. It is also the case that asylum-seeking children are not included in primary education in several jurisdictions. Furthermore, every third Roma child or child with disability had experienced some form of discrimination during their education. Roma children and children with disabilities are also at greater risk of dropping out of secondary school.³⁴ The concept of inclusive education has started to take hold and there is increased awareness of its significance. Yet, progress in inclusive education is measured by 'access' to school and not by 'participation' in education, hence inclusive education is still understood in the most restrictive sense. Tackling the segregated schooling of students of different ethnicities while providing acceptable and culturally relevant education for all students in all parts of BiH is one of the biggest challenges for the country.

The education system needs to be developed from a **lifecycle perspective**, to provide people at all stages of their life with educational orientation and career guidance and to help them construct their livelihoods, develop resilience and adapt to change. Currently the skills development system and technical vocational education and training (TVET) fail to meet this challenge. TVET schools are often underfunded and lack access to technology. Many TVET curricula and standards tend to be outdated. Teachers need investment in their technical and methodological skills. In addition, TVET schools need to know how to align to the local industry. The concept of adult professional development and **lifelong learning** is not yet sufficiently understood. Adults, whether unemployed, employed or self-employed, need access to further learning opportunities, to stay employable.

Health care responsibility lies with the entities, which means that there are three separate health systems in BiH (FBiH, RS, and Brčko District) and a state-level ministry (for civil affairs) in a coordinating and reporting role. In terms of the organizational structure and management, there are 13 different health systems in BiH, at the level of entities, Brčko District and cantons, which complicates the way services are provided, increases management and coordination costs, and adversely affects the rationality of management of health care institutions. The very low level of integration between the entity health care systems constitutes an obstacle to free movement and leads to differences in equity and access to health

³⁴ UNICEF (2017), Analysis of trends and recommendations for action, Strategic Moment of Reflection.

services. This results in a structural difference in the exercise of the right to health care for all, including children, depending on their place of residence.³⁵

The importance of striving towards **Universal Health Coverage (UHC)**, or ensuring that all people and communities have access to quality health services where and when they need them, without suffering financial hardship, is fully embedded in SDGs and reinforced at the UN High-Level Meeting on UHC in September 2019. On the **access to essential health services**, BiH has achieved UHC service coverage index of 57 (the second lowest in the Western Balkans region). The situation is similar with regards to **financial protection of population**: with 1.3% population with household expenditures on health exceeding 25% of total household expenditure or income, the BiH percentage is the second highest in the Western Balkans region and significantly higher than in the EU member states.³⁶ During the period 2016-2018, significant progress has been made towards achieving UHC, as the access to standardized cardio-vascular risk assessment and management services in primary health care/family medicine has been provided to approximately 68% of the BiH population (2.4 million people), with a clear determination of the health authorities to extend it towards 100% by 2021.

Another challenge for effective health care is the pronounced territorial, gender and age imbalance of health workers in BiH, underlining the need for a strategic approach to the development of human resources in the health sector. The **ongoing emigration of health workers** puts a further strain on the health system, especially when it comes to specialist care.

Noncommunicable diseases (NCDs) are the biggest public health problem in BiH, accounting for over 80% of all deaths, with cardiovascular diseases (CVDs), such as heart attack and stroke, accounting for approximately half of all deaths in 2016³⁷. High blood pressure, tobacco smoking, dietary risks, together with a metabolic syndrome (high sugar and cholesterol), are the biggest **risk factors for health** which drive the most death and disability combined in BiH³⁸. The activities specified in two action plans for prevention and control of NCDs endorsed by authorities in RS and FBiH in 2018-2019³⁹ in a mid-term focus on improving governance for health through inter-sectoral action to address the burden of ill-health and social determinants of health in BiH, which include the most relevant risks for health, such as tobacco smoking, inadequate diet and lack of physical activity, in order to further reduce the consequences in deaths and disability in the population.

³⁵ For example, children suffering from diabetes in some cantons are not entitled to insulin pumps in the framework of the regular health care services, while children with developmental delays do not always have access to dental care services.

³⁶ World Health Organization. The Global Health Observatory. Universal Health Coverage. [online]. Geneva: WHO [Accessed 1 October 2019]. Available at: <http://apps.who.int/gho/portal/uhc-overview.jsp>.

³⁷ Health Status of the Population of the Republika Srpska 2016 (Banja Luka: RS Public Health Institute) and Health Status of the Population and Health Care in the Federation of BiH 2016 (Sarajevo: FBiH Public Health Institute).

³⁸ Results of Global Burden of Disease 2016 study, available from: Institute for Health Metrics and Evaluation (IHME). Seattle, WA: IHME, University of Washington, 2017 [Accessed 12 October 2018]. Available from: <http://www.healthdata.org/results/country-profiles>

³⁹ Action Plan for the Prevention and Control of Chronic Non-Communicable Diseases of the Federation of Bosnia and Herzegovina 2019-2025 (endorsed by the Ministry of Health of FBiH January 2019), and Action Plan for the Prevention and Control of Non-Communicable Diseases of the Republika Srpska 2019 – 2026 (adopted by the Government of RS in December 2018).

BiH is among the countries with the **lowest immunization coverage** in the region and one of the three countries in the region certified as high-risk for polio by the RCC2018 risk assessment.⁴⁰ include weak and insufficiently funded programme management and health promotion, strong anti-vaccine movements in the region, lack of demand and the lack of targeted interventions for Roma.

BiH has the **lowest HIV prevalence rate in Europe** (less than 1 %) and sustained reduction of tuberculosis levels by more than 50%. According to the latest WHO estimates, Tuberculosis incidence in BiH in 2018 was 25/100,000 with total 669 TB-infected people (further reduced compared to 42/100,000 and 1,112 infected people in 2015).

Early childhood development services, including early intervention, are yet not fully available to all children across the country.

Access to **sexual and reproductive health** services for all women is not guaranteed, especially when it comes to pregnancy and prenatal and postnatal care. Services for pregnant women are not provided equally throughout the country and very much differ in their quality. Although a Policy on Sexual and Reproductive Health and Reproductive Rights in BiH was adopted at the state level (2012) and both entity level strategies provide excellent bases for the development of relevant activities in this area, their implementation is slow and hampered by the lack of strong commitments, including sustainable financing. *In vitro* fertilization (IVF) is regulated differently in both entities and Brčko District. The number of financed attempts is limited, depending on age, availability of funds and health insurance. The procedures of IVF are not available to unmarried women, which discriminates against single heterosexual women and LGBT women. Available data show a low rate of STIs, experts agree that this is a result of underreporting. Cervical cancer plays a significant role in women's cancer, although it is preventable with immunization or vaccine. Also, available data show that only 12% of women in BiH use modern contraception. Differences in mortality between sexes suggest the need for provision of preventive health care services (including cancer-screening programmes) and significant change in population lifestyle for prevention of non-communicable diseases. Comprehensive sexuality education is not part of school curricula (with the exception of Bosnian-Podrinje Canton), and education on health generally is limited.

⁴⁰ The coverage for certain vaccines such as MMR is continuously decreasing (MCV1 in 2013 was 92% while in in 2017 fell to 69%). 1/3 of districts in the country report coverage of DTP3 vaccine at less than 80% which is far from the required 95% coverage.

Environmental Context

BiH is highly exposed to **natural and man-made hazards**, especially floods,⁴¹ with more than 20% of its territory prone to flooding⁴² and more than 283,000 people exposed to very significant risk of flooding.⁴³ On average, floods impact annually about 100,000 people and about US\$600 million in GDP. Risks related to climate variability were highlighted by the 2014 floods, which led to more than 20 deaths, 90,000 people displaced and billions of dollars in damages (an estimated 15% of GDP). Landslides are also a complex and ever-increasing challenge for communities and businesses, with more than 260,000 people living in areas at very significant risk. **Climate change** is contributing to pronounced rainfall variability and increasing temperatures, which are causing more frequent and intense droughts (36,3% of economic losses between 1990 and 2014 44) and increasing the likelihood of storms, floods and landslides. BiH has a risk index of 3.70 (out of 10), which is the highest among western Balkans countries.⁴⁵ The gradual degradation of water, air, forests, and agricultural land, as well as the accelerate pace of **biodiversity loss** further increases the risk of catastrophic shocks, in addition to putting sustainable economic growth at risk. These risks seem commensurate with environmental policy failure and the results of climate inaction are becoming more visible. The legal and policy framework 46^[66] BiH's professed aspiration to EU membership is the main driver for improving and completing the strategic and legal environmental framework in the country, including climate and disaster risk reduction related data collection and management.

BiH's energy balance is made up of coal, oil, gas, firewood, hydroelectric power and other renewable energy sources. The main energy sources are coal (61.2%), oil (36.5%) and hydro (10.2%), whereas natural gas only accounts for 3.9%. Domestic production is 71% of the total gross inland consumption and the energy sector accounts for 6% of the GDP.⁴⁷ Accessibility to electricity is 100%. The country's electricity interconnections with neighboring countries are sufficient, with no serious congestion. As for gas, the sole network interconnection with Serbia is in a poor state of repair and the country's inland gas network is often overloaded in winter months. BiH is highly energy inefficient: it consumes about 20% of its GDP on energy, which is three times higher than in EU countries. 55% of the energy is consumed within the public and residential building sectors. At the same time, BiH has significant energy conservation potential and could base its mid-term economic development and generation of new employment on energy efficiency improvement measures in the residential and public sectors. BiH reached a 25.33% share of energy from **renewable sources** in 2016.

In addition to acting as a drag on economic growth and modernization, energy inefficiency and carbon intensity contribute to the highest **air pollution in Europe** which far exceeds WHO and EU standards and causes one of the highest average mortality rates by air pollution in the world. According to the WHO, BiH is losing 21.5% of its GDP (US\$ 7,228 million) annually due to air pollution. Reliance on lignite for electricity and heat generation, old technologies in energy production and distribution (particularly in terms of inefficient thermal power plants and soft coal mines), extensive subsidies to fossil-fuel production and consumption (*inter alia* in electricity and district heating prices, especially for households), and inadequate

⁴¹ The 2019 Inform Global Risk Index.

⁴² World Bank, *Global Facility for Disaster Reduction and Recovery*, available at: <https://www.gfdrr.org/bosnia-and-herzegovina>

⁴³ UNDP BiH (2017), *Flood and Landslide Housing Risk Assessment*.

⁴⁴ Source: EM-DAT

⁴⁵ INFORM Global Risk index, available at <https://drmkc.jrc.ec.europa.eu/inform-index/>.

⁴⁶ UNDP BiH (2019), *In-depth climate change vulnerability assessment*.

⁴⁷ Framework Energy Strategy of Bosnia and Herzegovina until 2035.

support for investments in energy and water-use efficiency all contribute to this. There is neither a national or countrywide strategy or programme for air quality improvement and monitoring nor a functioning air monitoring network.

BiH is one of the richest countries in Europe in terms of **biodiversity**. However, alignment with the EU acquis on nature protection is very limited. The list of potential Natura 2000 sites and secondary legislation needs to be adopted. The major threats to biodiversity include unsustainable use of land and forests, habitat conversion, vegetation succession and invasive alien species, overexploitation of natural resources, waste mismanagement, inadequate fire protection, illegal hunting and fishing, and climate change. Biodiversity can contribute to the local population's livelihood in rural and underdeveloped areas, as well as rural development of certain, mostly protected, areas.

Production intensification required significant changes in land and water-management practices, which led, inter alia, to concentration on an ever-smaller number of economically profitable higher-yielding species, varieties and breeds. Narrowing of the genetic resource base continues to affect the conservation and the use of genetic resources for food and agriculture, even if the trend towards the use of only a limited number of livestock breeds and crop varieties seems to have levelled off in recent years. As a result of the intensification the overuse of pesticides and fertilizers also became a threat to biodiversity, mainly because of the absence of agro-environmental policies and legislation. Therefore, the need arises to integrate agro-environmental approaches into rural development planning processes.

Although a 2015-2020 Strategy and Action Plan for Protection of Biological Diversity⁴⁸ is in place, the list of Natura 2000 sites and secondary legislation needs to be adopted. There is no system in place for collecting information on biodiversity and systematic monitoring of the biodiversity. Also, implementation structures need to be established and the necessary human and financial resources secured for the implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).⁴⁹

With regard to **water supply and wastewater**, it is estimated that 58 % of the population in BiH is covered by public water supply, while less than 40 % is connected to public wastewater system. Water losses amount to more than 50 %, leading to system failures including shortages, overexploitation of water sources and high distribution costs. Water tariff levels are often too low to cover operation and maintenance costs, let alone enable capital investments. There is a need for further "commercialization" of water utilities. As for **solid waste management**, approximately 60 % of the population is covered by organized waste collection, with a lack of proper garbage collection and disposal frequently recorded in rural areas and poorer areas. Illegal dumping has become rampant, while waste is often thrown in rivers or on the roadsides. Nearly a quarter of **municipal waste** does not undergo any significant treatment or remediation, and virtually none of this waste is recycled.

Human Rights and Humanitarian Context

The war in BiH left behind chronically fragile institutions. Their capacity has been under strain due to the fragmentation, lack of coordination, inaccessibility and disempowerment linked to corruption and human rights violations that remain without prosecution. Advancing BiH's ability to secure **human rights** is an important dimension of sustaining the fragile peace.

⁴⁸ <https://www.cbd.int/doc/world/ba/ba-nbsap-v2-en.pdf>

⁴⁹ European Commission (2019), *Commission Staff Working Document. Analytical Report*, p.157.

The DPA created a complex ethno-political and party-aligned/ethnicized administrative system with **discriminatory provisions** against minorities and the non-constituent citizens of BiH. Their political marginalization is de facto entrenched in the Constitution which leaves them with limited decision-making power. The constitutional and institutional order of the state blocks progress in various areas where it is urgently required and contributes to the violation of human rights, especially of members of minority or other vulnerable groups. Implementation of ratified human rights treaties is constrained by **limited accountability mechanisms**, making it a challenge to identify the proper duty-bearer for a particular provision. BiH's deficient rule of law and lack of good governance poses a major threat to social and economic development and has hindered progress in attaining the SDGs.

The war in BiH **displaced** 2.2 million BiH citizens - over half of the pre-war population. To date, some 1.06 million returns have been recorded, almost half of them to locations where they represent ethnic minorities. According to UNHCR data, there are around 47,000 **vulnerable minority returnees**. Currently, out of 96,421 people still holding the formal status of an internally displaced person (IDP) in BiH, one third are believed to be vulnerable.

Serious shortcomings remain as regards the **effectiveness and impartiality of the judiciary**. Out of the estimated 1,502 war crimes cases dating back from 2008, as of end-2018 the backlog of the most complex cases was reduced by 409 out of 693 (-59%) and the number of less-complex cases was reduced by 602 out of 809 (-74.5%).⁵⁰ BiH intends to process all unresolved war crime cases by the end of 2023. Services, such as **support to victims and witnesses**, and provision of **free legal aid**, remain limited in availability and quality.

BiH is currently managing approximately 12,500 tonnes of **ammunition stockpiles**. Considering that the Armed Forces of BiH require 7,500 tonnes of ammunition to be fully operational, there is some 5,000 tonnes of surplus ammunition – including unsafe - over 35 years old that is subject to disposal. This requires an immediate action aimed at the reduction of ammunition stockpiles, which in turn will minimize the danger of uncontrolled explosions of munition sites that could cause potential loss of life, contamination at the local level. Mines still contaminate 2.1 %t (1,018 km²) of the country territory, affecting 545,603 residents in 1,398 communities (15% of the total population). Prevention of **illicit arms trafficking** at the border crossing points in BiH remains inefficient, which shows disparity compared to the higher number of firearms seizures inside the country.

Traffic accidents in the BiH cause significant human and economic losses amounting to 5.8% of GDP in FBiH and 2.1% in RS. There were 277 deaths from road traffic accidents in 2018. Sustained effort in improving road safety in BiH is needed and will be addressed through the BiH Framework Road Safety Strategy expected at the beginning of 2020.

The latest data show that 48% of **women**, since the age of 15, experienced some form of **abuse**, including intimate partner violence, non-partner violence and stalking and sexual harassment, which are the most pervasive violations of human rights. Specialized services for survivors of violence (shelters, SOS lines and free legal aid) are overwhelmingly provided by NGOs and are focused on domestic violence, while other forms of violence listed in the Istanbul Convention are not adequately addressed and lack relevant support services.

⁵⁰ European Commission (May 2019), *Analytical Report accompanying the European Commission Opinion on Bosnia and Herzegovina's application for membership of the European Union*.

The effective implementation of legislation and protection measures is limited by perceptions and attitudes towards domestic violence and violence against women that often reflect deeply entrenched patriarchal norms. Recent surveys on perceptions towards gender roles have shown that over 40% of respondents believe that a good wife never contradicts her husband, and 28% of respondents do not consider non-consensual sex to be rape if a woman does not physically fight back. Prevention work needs to focus on transforming gender stereotypes and attitudes that condone gender-based violence.⁵¹

January 2018 marked the onset of mixed-migration flows in BiH. The number of detected arrivals of **migrants and asylum-seekers** increased from 755 in 2017 to over 24,000 in 2018. In 2019, by 13 October there were already 23,892 detected arrivals. Of the 7,500-8,000 migrants and asylum seekers currently estimated to be in BiH (mostly in Una-Sana Canton, Sarajevo, and Tuzla), the majority need humanitarian assistance⁵². In response, in 2018, accommodation capacities were stepped-up: at the time of drafting, over 4,100 beds were available in the country in facilities also offering food, non-food items, medical, legal and psychological support, including tailored services for children and women. However, reception capacities are well below the number of persons in need, and in the winter months this will pose a serious challenge: migrants and asylum seekers outside of reception centres have limited access to limited outreach services only. Expansion of accommodation capacity is also needed to provide more privacy and protection to specific groups, such as foreign unaccompanied and separated children (UASC). In addition, provision of this assistance is almost totally dependent on donor funding and the work of international and non-governmental organizations. Although State authorities have taken some steps in managing the refugee and migrant situation response, lack of clear and strategic decision-making coordinated among all interested levels of government (state, cantonal, and municipal), has been a major setback from the onset and continue to pose a challenge to a rapid and efficient humanitarian response. Lack of participation of RS authorities in the joint humanitarian response contributes to this problem.

Gaps remain in the humanitarian response: in 2018, guardians were appointed for less than 25% of **UASC** identified by the UN; only they are able to access their rights and receive assistance. **Women, girls, boys and young men**, and LGBTQI, including those accommodated in reception centers, are exposed to high risks of SGBV; the institutional response is limited and protection-sensitive accommodation is lacking. Identification and referral of asylum-seekers are hindered by the limited capacities of asylum and migration authorities. Refugees and other persons under international protection face great difficulties to integrate and in particular to access employment and housing. There is no comprehensive programme led by the BiH authorities to support their integration and naturalization.

Further to that, a significant number of **push-backs** from Croatia to BiH have been documented (some of them claimed to be violent). Refugees and migrants wishing to proceed towards Western Europe increasingly turn to smugglers, disregarding risks. In 2019, at least 20 refugees and migrants lost their lives in BiH, many suffered physical injuries or developed mental health issues due to the hardship of the

⁵¹ See UN Women (2018), *Infosheet: Public perceptions of Gender Equality and Violence against Women*, available at: <https://www2.unwomen.org/-/media/field%20office%20eca/attachments/publications/2019/2018%20public%20perceptions%20of%20gender%20equality%20and%20vaw/bosnia%20and%20herzegovina.pdf?la=en&vs=4248>

⁵² See UNCT Monthly Updates, available at: http://ba.one.un.org/content/unct/bosnia_and_herzegovina/en/home/publications/unct---monthly-operational-updates-on-refugee-migrant-situation.html

journey, and several have been victim of thefts, physical and mental violence, including kidnappings. There are indications that human trafficking and other forms of exploitation are severely under-detected.⁵³

1.2. National vision for sustainable development

In general, the **development agenda** has not received adequate attention from the BiH authorities. The last country-wide strategic national planning process was concluded in 2007. While several sector-based national strategies have been adopted, BiH is yet to adopt a country-wide vision on its future development path, including the 2030 Agenda. The last attempt to prepare a mid-term strategic development framework failed in 2009, when the process became politicized and the framework was blocked before it could be endorsed by the BiH Council of Ministers. As a result, the country has lingered without a country-wide consultation process on needs and priorities.

The primary reason for this situation rests in negative political trends in BiH, and the inability of political representatives to overcome their political and ethnic divisions and establish a common vision for the country. Post-conflict residual issues, inter-ethnic tensions, and disagreement over constitutional competencies continue to dominate political discourse. As part of a larger political agenda, the competencies of the state-level authorities have been increasingly challenged by the RS authorities on the premise that the state-level authorities, with support of the international community (primarily the OHR), have exceeded their constitutional authorities. Any initiative to strategize BiH's needs and priorities is met with strong resistance and blockage by the RS authorities.

When defining BiH's vision for sustainable development, the process of European integration has to be considered. The **EU agenda** is arguably the only common denominator across the divided political structure of BiH, and the only strategic objective on which all the political structures in the country officially agree. Officials and politicians across the spectrum use the requirements of the EU accession process as a point of reference for their actions and decisions.

Despite the prominence of the EU agenda, BiH remains the last country in the Western Balkans to receive candidate status (with the exception of Kosovo under UNSCR 1244). Political crises and institutional deadlock impeded the EU accession process for years. A breakthrough was achieved with the formal agreement on the internal EU coordination mechanism and application for EU membership in 2016 followed by the complex and politicized process of addressing the 3,242 questions of the EC Questionnaire as part of the application's assessment. In May 2019, the European Commission issued its Opinion⁵⁴ on BiH's **EU membership application** which outlines the key challenges for the country on its way toward membership, but equally important, provides a set of priorities to be addressed before the country can open membership negotiations. The **EC Opinion's recommendations** include priority areas such as functional democracy, rule of law, efficient and impartial judiciary, promotion and protection of human rights, peacebuilding and public administration reform that will all have to be taken into consideration when defining the national sustainable development interlinking them with the 2030 Agenda and highlighting the complementarity of both agendas.

The EC recommendations have already been translated into a mid-term set of priorities and measures, widely known as the **Reform Agenda 2.0**. (2019-2022), which has just been endorsed by the two entity

⁵³ IOM (2018), *Enhancing Counter Trafficking in Crisis in the Western Balkans*, Analytical Report, available at: <https://bih.iom.int/sites/default/files/TRAFIC/Analytical%20Report%20.pdf>

⁵⁴ Available at: <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-bosnia-and-herzegovina-opinion.pdf>

governments. As a response to the pressing EU-related reforms, the Reform Agenda 2.0. is to focus primarily on accelerating economic growth, increasing the economic competitiveness and improving the business environment in the country. Furthermore, the Reform Agenda 2.0. aims to depoliticize and increase the sustainability and efficiency of state-owned Enterprises. The focus is also on reforming and improving the quality of the health care systems in the country and to systematically provide opportunities for youth, women, and other vulnerable groups.

The 2030 Agenda has proven to be a valuable framework, which, on the basis of its universality and globality, provided an impartial external platform for initiating discussions on sustainable development in BiH, especially in conjunction with the development dimensions of the EU accession process. After substantial efforts on promoting the 2030 Agenda, including technical and financial support, invested by the UN in BiH, the authorities finally launched the process of the SDGs roll-out in 2018 with the confirmed commitment to formulate and adopt **the SDG Framework in BiH** as the overarching 2030 Vision for BiH, including key priority areas, accelerators for development and basic framework against which it is to report progress. The SDG Framework is also intended to serve as the baseline for the various state-level and sub-national planning processes that have been initiated or are about to be initiated. The first draft was produced at the end of May 2019 and continues to be refined through an extensive and reiterative consultative process with various government institutions, international partners, CSOs, the private sector, academia, etc.

The SDG Framework will translate the global goals and Agenda 2030 into specific country-wide objectives while addressing marginalized groups through the 'leave no one behind' principle. Buy-in from key institutional partners from all levels has been secured and all are involved in its elaboration; their commitment to integrating the SDG Framework in their respective strategic planning processes is spelled out in the first SDG VNR document presented at the HLPF in July 2019. For further detail, please refer to Section 1.3, below.

The four Development Pathways emerging from this framework are:

- transformational (smart) growth;
- human capital for the 21st century;
- new social contract; and
- good governance and public sector management.

1.3. Country progress towards the 2030 Agenda

BiH is yet to formally define its 2030 Vision, including its priorities, targets and indicators, which will guide the SDG implementation and allow progress to be monitored. Therefore, at this stage, the progress made concerns the localization and prioritization of the SDGs in BiH rather than progress in achieving the SDGs in the country. The SDG localization and prioritization process in BiH was launched following the investment of substantial efforts by the UNCT in promoting and advocating the 2030 Agenda and its significance for BiH's political and developmental context.

In early 2018, the **institutional set-up for the SDGs implementation** was established as a prerequisite for proper national ownership and leadership of the SDGs agenda in BiH. An Inter-governmental SDGs Working Group was established in February 2018, composed of the relevant BiH authorities

(statistics/planning/ministries) from various levels of governance.⁵⁵ The Working Group developed its Terms of Reference as well as the SDG Rollout Roadmap in BiH document which outlined the process of prioritization and localization of the SDGs in BiH. Members of the SDGs Working Group are responsible for communicating, informing, coordinating and engaging over 169 ministries and numerous specialized institutions across various governance levels in BiH, including 141 local governance units.

In line with this Roadmap, the SDGs Working Group agreed to work on two key strategic documents: The SDG Framework in BiH and the first BiH **SDGs Voluntary Report**.⁵⁶ The first National Voluntary Report was presented at the High-Level Political Forum in New York in July 2019, and the work on the SDG Framework for BiH as the overarching guiding document for national and sub-national planning processes, is expected to be completed in the second half of 2019 following a series of comprehensive consultation processes that started in May 2018. BiH also started implementation of its national database on disaster losses, which will allow reporting against disaster risk reduction related indicators of the SDGs (i.e., goals 9, 11, and 13). While requiring further support from partners, this process is supposed to be concluded by end of June 2020 for the BiH state level.

Basic awareness-raising has been undertaken to ensure smooth and sustainable **localizing of the SDGs**, which will entail transferring the national SDG targets into development strategies at sub-national government levels, as well as reinforcing targeted implementation of SDGs at the local level through dedicated financial support. Coupled with capacity development and advocacy at the grassroots level, BiH is preparing the ground for future implementation of the SDGs, with an active role for and contributions from cantonal and local governments, collaborating with their communities, private sector, academia and civil society.

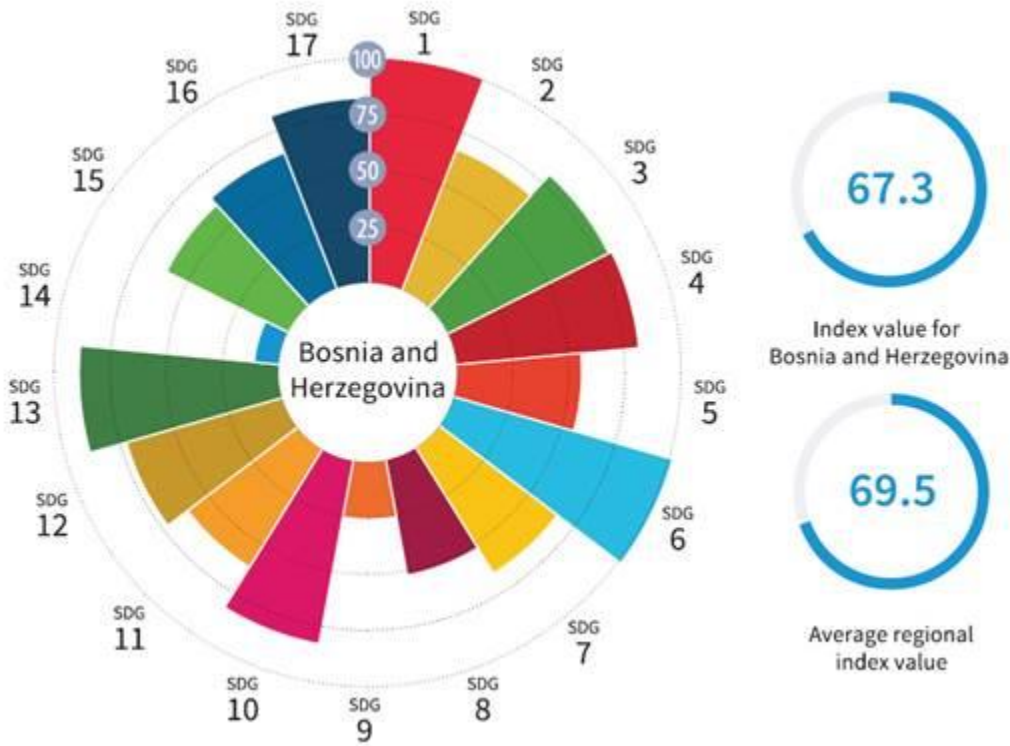
According to the **2018 SDG Index and Dashboards Report** produced by the Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung, BiH ranks 71st out of 156 countries reviewed, with a total score of 67.3.⁵⁷

⁵⁵ BiH/State level is represented by: Ministry of Foreign Affairs (Co-chair), Directorate for Economic Planning and Agency for Statistics of Bosnia and Herzegovina. Republika Srpska is represented by: Ministry of European Integration and International Cooperation, Statistical Institute and Unit for Strategic Planning of the General Secretariat of the RS Government. Federation of Bosnia and Herzegovina is represented by Institute for Development Planning, Institute for Statistics and the Office of the Prime Minister of Federation of Bosnia and Herzegovina. Members of the SDG WG are also Brčko District and UN Country Team in BiH (Co-chair).

⁵⁶ Available at: https://sustainabledevelopment.un.org/content/documents/23345VNR_BiH_ENG_Final.pdf

⁵⁷ The SDG Index score indicates a country's position between the worst (0) and the best (100) for target outcomes. According to this index, the highest-ranking country is Sweden with an overall index score of 85 (the country is on average 85% of the way toward achieving the best possible outcome across all 17 SDGs).

Figure 5—SDG Index for BiH



Source: BiH 2019 SDG Voluntary Report, pp.34-35.

The establishment of meaningful platforms and bodies for multi-stakeholder engagement, as well as establishment of monitoring, reporting and evaluation mechanisms and better integration of the SDGs and EU accession processes, will be the focus in the forthcoming period. The Intergovernmental SDG Working Group is of a temporary nature, linked to the SDG Rollout project. Given BiH's complex administrative set-up there is no appetite for new mechanisms, bodies or institutions; however, given the complexity of the SDGs and the need to work across sectors with multiple stakeholders, with interwoven

social/economic/environmental paradigms, this needs to be revisited. One option might be the establishment of a Sustainable Development Council.

Since formal baselines, targets and indicators are yet to be adopted by the BiH authorities, progress is difficult to measure. For example, overall progress in relation to SDG 3 on Good Health and Well-Being cannot be tracked in the absence of an SDG Monitoring Framework as there have been no relevant statistical surveys organized beyond the latest MICS Round 4, from 2011. The country in general has insufficiently developed statistical systems that are underfunded and largely depend on international support for organization of censuses and other surveys. Another problem occurred with the use of outdated master sample framework (developed in 2009) that could not be updated with census data due to differences in methodology used for census data analysis by the entities. However, a process is under way for the development of a new sample framework that should enable implementation of many pending surveys in the country (including continuous LFS, SILC, etc.).

1.4. Leave no one behind

The concept of 'leave no one behind' is aimed at eliminating the multidimensional causes of poverty, inequality and discrimination and reducing the intersecting and multiple vulnerabilities of the most people who are most at risk. In BiH, these include marginalized women, children, older persons, persons with disabilities, Roma, LGBTQI, internally displaced persons and returnees, refugees, asylum-seekers and migrants.

Significant gaps in the policy framework dealing with high levels of **poverty and social exclusion** in BiH include (i) the very low level of public expenditure on traditional social assistance to meet the needs of those in poverty or social exclusion and provide a minimum level of income needed to support a normal life, (ii) the need for further training of social workers in Centers for Social Work and the reduction in their caseload so that they can deal more effectively with clients, (iii) the critically high level of unemployment and especially youth unemployment, well above that in most European countries.

Targeting social assistance towards the most vulnerable in BiH is at a very low level. Major bottlenecks include a highly fragmented configuration comprising fourteen largely independent systems resulting in disparities in availability, accessibility and budgetary allocations; status-based cash benefits allocation (war veterans' benefits); and lack of competencies and resources of the Centers for Social Work. Eligibility for social assistance is frequently based on criteria that lead to discrimination against some disadvantaged groups, and vulnerable people receive different benefits based on their location.

Furthermore, the performance of social service providers at the local level is affected by significant challenges in terms of human, financial and technical capacities. Services, particularly for vulnerable children (those coming from a minority, rural areas, and children with a disability) are scarce, and where they exist, they are often provided with limited time and resources, affecting the quality and overall accessibility.

Marginalized women

Traditional gender roles are still widespread in BiH and are reflected in indicators ranging from labor-force participation to the composition of the BiH parliament. The likelihood for gender-based social exclusion thus exists at many different levels, but the following have been identified as key groups at risk of being left behind:

- women living in remote and rural areas;

- older women;
- women with disabilities;
- women with diverse sexual orientation and gender identities; and
- women returnees in remote areas, stateless women, and women asylum seekers and refugees.

The most significant challenges these groups are facing pertain to economic gender inequalities (especially in terms of employment and access to economic resources, family planning, unpaid work, family care, property ownership, pay gap, limiting elements for the development of women entrepreneurship, etc.), and gender-specific patterns of upbringing practices, traditional and patriarchal values. Other barriers include inefficient mechanisms and response to violence against women, as well as low participation of women in decision-making positions in public life. The area of healthcare is particularly challenging for women with disabilities, as health professionals are rarely educated on how to provide care to them. With regards to Roma women and girls, it is evident that patriarchal values and gender roles are deeply entrenched according to several indicators, such as access to education, early child marriage and attitudes towards domestic violence. Paternalistic social norms and behaviors limit the space for participation of adolescents in decisions affecting their lives, particularly of girls.

Issues of gender equality are intertwined with challenges in the agricultural and rural development sector. Rural women are more involved in performing agricultural tasks which are poorly paid or not paid at all while male labor works outside the holding and regularly generates monetary remuneration and other benefits (health and pension insurance). Also, women traditionally do housework which consumes substantial time during the day.⁵⁸ Significant gender disparities exist in land ownership (men own more than 88 percent of households, land and farms in rural areas) and in access to other productive resources such as finance, agricultural inputs, and knowledge and innovation. Compared to urban women and rural men, rural women are largely excluded from decision-making and from communication channels with the administration, which limits their capacities to raise their voice and express their needs. Rural women and Roma women have limited access to social protection benefits and to health insurance compared to urban women and men.

One of the greatest challenges pertain to lack of specific, relevant and gender-disaggregated data on marginalized women and consequently to lack of understanding how intersectionality influences their quality of life, access to rights, services and institutions. They face legal, institutional and socio-economic barriers making them more vulnerable and exposed to domestic violence, health risk factors and poverty.

Services for protection from domestic violence are not equally accessible for all people, in particular minority disadvantaged groups or socially excluded persons, and providers do not have the human or financial capacity to include specialized services for survivors of violence in the majority group, let alone for survivors from minority groups. Research on access to services has shown that most first responders in cases of domestic violence – 67% of police and 82% of centers for social work – do not use any special approach or procedure when it comes to provision of services to women from marginalized groups. For example, most service providers cannot offer support in Romani language or sign language or provide adapted information about their services for persons with intellectual disabilities. Furthermore, shelter

⁵⁸ *Strategic Plan for Rural Development of Bosnia And Herzegovina (2018-2021)*, available at: http://www.mvteo.gov.ba/data/Home/Dokumenti/Poljoprivreda/Strategic_Plan_for_Rural_Development_of_BiH_Eng.pdf

services are inaccessible to marginalized groups of women, and there is no adequate shelter space as outlined in the Istanbul Convention.⁵⁹

Nevertheless, the needs of these marginalized women are recognized to an extent in key strategic documents on gender equality (such as GAP BiH), and continuous efforts have been made towards the advancement of human rights and raising awareness of their rights.

Children, adolescents and youth

Children are consistently found to be the most vulnerable group in BiH, with their absolute poverty rate at 30.5 % in 2011. The social exclusion of families from rural areas, Roma families, and families with children with disabilities is multidimensional. While the latest Household Budget Survey indicates that every sixth household in the country is poor, the poorest households are those of families with children (23.1 %).⁶⁰ Between 0.24 and 0.35% of the child population live without parental care.⁶¹

A child born in BiH today will reach only 62% of their productive potential when they grow up as compared to a child born in countries with the best education and health care, according to the World Bank's Human Capital Index. When assessing education in BiH, the report shows that on average children can expect to complete 11.7 years of schooling by age 18. However, this is only equivalent to 8.6 years of effective learning.

Adolescents in BiH are less likely to benefit from social protection benefits due to age limits. There are significant gaps in the provision of child cash benefits, either based on geographical criteria or age limits. In general, cash benefits for school-age children and adolescents above the age of 15 are conditioned on regular school attendance. The lack of social protection is known to contribute to child labor and exposes adolescents in street situations to violence, abuse and exploitation. Mechanisms to prevent, identify and address violence are often weak.

Health, education, social protection and justice services for children continue to suffer from a lack of human, financial and technical capacities as well as the limited outreach and coverage, particularly for marginalized and vulnerable children, such as Roma children, children from rural areas, children with disabilities, and refugees/migrant children.

Physical and sexual violence against children is worryingly high, the highest in the Western Balkans. According to the 2011-12 Multiple Indicator Cluster Survey (MICS), 55% of children aged 2-14 had experienced a violent method of discipline, with 40% subjected to physical punishment and 42% to psychological aggression. There is a need to ensure updated data is collected and trends are closely monitored regarding prevalence, attitudes, knowledge and practice around all forms of violence against children. Children in institutional care represent over 50% of all children in alternative care. This needs close monitoring to ensure the number of foster care and kinship care placements increase as a share of care placements; the number of children in institutional care declines; and the number of children at risk who receive support in their families increases.

⁵⁹ UN Women (2019), *Essential services: Analysis of the access to support services (health, police and justice and social services) for women belonging to marginalized groups who have experienced violence*.

⁶⁰ BiH Agency for Statistics (2018), *Household Budget Survey in Bosnia and Herzegovina 2015*.

⁶¹ UNICEF (2016), *Situation Analysis on children without parental care in BiH*. Government statistics from the end of 2017 showed that there are 1,313 children in alternative care across the country, of which 56% are in care homes and 44% in foster care.

Youth constitute the highest number among the unemployed and this trend is increasing. A mismatch between education and the labor market combined with the overall quality of formal secondary education and the lack of a holistic approach to the education system has resulted in the highest youth unemployment rate in Europe. In 2016, estimates placed unemployed youth at 82.5% compared to 73.7% in 2011-12.⁵⁰ In addition to unemployment, youth in BiH continues to face numerous challenges in terms of education, social protection, civic engagement, and standard of living.

The results of the Global survey of smoking amongst youth in FBiH conducted in 2013, and covering students age 13-15, showed that 14% of boys and 13% of girls smoke on a daily basis.⁶²

In parallel, a recent Youth study (2018-2019)⁶³ shows that “populism remains an issue, as support for a strong party and leader representing the common folk in general is high.” Young people in BiH score an aggregate average of 76.4 on a 0-to-100 scale of authoritarianism. When coupled with ethno-nationalist politicians’ insistence on divisive and toxic narratives (including glorification of accumulated, war-related pain and trauma), this creates a fertile ground for radicalization of youth and represents a risk to sustaining peace in the country.

Older persons

Ageing is perceived as a major demographic, economic and social concern in BiH as health problems of older persons tend to increase, physical and mental capacities decline, and people become more dependent on others. These changes bring multiple risks of social exclusion, with particular risk factors including low retirement income, living alone without family support, poor health, and physical distance from services. With the emigration of the young population, large numbers of old people are left alone without the traditional family network to fill the gaps in the social protection system. Widespread poverty further worsens their situation. With a declining ratio of working-age population to those 65 years and older, concerns arise to the sustainability of social welfare systems, including the pension systems. A further concern is the prevalence of illiteracy in this age group, especially among older women: In the age group 60-70, 15.03% of women are illiterate while in the age group over 70, 49.1% of women are illiterate.⁶⁴

Older generations play an important role in the provision of care to their children and grandchildren, as well as their partners, older relatives, and relatives with disabilities. The long-term viability of such intergenerational support systems is debatable, as family size declines and women increasingly participate in the labor force into older ages. The region’s societies increasingly rely on informal care when confronted with population ageing and growing needs for long-term care. Middle-aged women are likely to be the first responders to informal care needs, often bearing a triple burden as they care for the younger and older generations while remaining engaged in the labor force, with implications for their own health and wellbeing.

Future policies related to demographic ageing require the promotion of healthy lifestyles and behavioral changes in dietary intake, alcohol consumption and smoking across generations, and the eradication of

⁶² The Federation of BiH Public Health Institute (2016), *Population health status and health services provision in the Federation of BiH in 2015*, available at: <http://www.zzjzfbih.ba/wp-content/uploads/2014/04/13-07-zdravstveno-hrv-jez-1.compressed.pdf>

⁶³ FES Study: <http://library.fes.de/pdf-files/id-moe/15262.pdf>

⁶⁴ Sixth Bosnia and Herzegovina Periodic Report on Implementing the Convention on Elimination of all Forms of Discrimination Against Women 2013-2016 (2017), p. 27.

inequalities and disparities in access to services that may serve as risk factors. Initiatives related to life-long learning and intergenerational support, as well as inclusion of older persons in community development through voluntarism, also need further support.

Persons with disabilities

Persons with disabilities, including children, are the most marginalized of all excluded groups as many of them rarely leave the house because they cannot, dare not, do not want to, or because their families try to keep them hidden. The rights of persons with disabilities, including children, are only partially realized in BiH. This is due to multiple factors including stigma and a lack of access to quality services in early childhood and later in life, due to the inappropriate public funding allocations and a lack of public system sensitivity to this issue. This is evident in the structural gaps from the level of defining disability to service provision.

There is a lack of common definition of disability in BiH, which makes assessments of disability status difficult and not aligned with the CRPD, despite BiH's commitment to CRPD, and a lack of coordination on issues relating to persons with disabilities. Gaps still exist in relation to making persons with disabilities, including children, more visible in state, cantonal, municipal and local-level action plans. There is a lack of harmonization of laws at the state, entity, cantonal, municipal and local level with international treaties and standards. While there are indications that the stigma related to the disability is lowering, persons with disabilities are often multiply socially excluded through education, health, social protection, construction, traffic and other sectors and they often suffer the most in the cases of natural disasters or human made emergencies. A child's disability often impacts the family dynamics, including economic status and mental health, and at times results in separation and even children being placed in alternative care.

According to data from the 2013 census, 4.5% of women in BiH live with some form of disability, but the Disability Policy of BiH estimates the number to be at least twice as high; every second family has a member with a disability. Adequate social support is therefore crucial to provide equal opportunity to people with disabilities, including women. One step was made through the Strategy for the Improvement of the Rights and Position of Persons with Disabilities (2016-2021), which includes a measure on the strengthening employment, self-employment and entrepreneurship for women with disabilities. But the predominant way the state relates to people with disabilities is a charitable act based on a medical approach. This approach dehumanizes people with disabilities, women included, as it further perpetuates the idea that they are helpless members of society who cannot contribute to its development, or one's own.

Roma

The latest official estimates put the number of Roma in BiH at 25,000-50,000. They are acknowledged to be BiH's **most numerous, most disadvantaged and most vulnerable minority** and the current situation of most Roma families in BiH is one of chronic multi-dimensional poverty and exclusion based on statelessness or the risk of statelessness.

The gap between Roma and the majority populations in terms of access to housing, employment, education and health care is significant and Roma children and women are particularly disadvantaged. Roma children are three times more likely to be living in poverty than their neighbors; they are five times more likely to be underweight and twice as prone to stunting; their primary school attendance rate is one

third lower;⁶⁵ and their immunization rate is almost non-existent since active immunization campaigns are not designed to address the specific needs of the Roma population. Roma girls are more at risk of early marriage than other children in BiH.⁶⁶

The education system in BiH is far from being inclusive. There is a significant gap in the quality of education provided in urban and rural areas. According to a recent report on primary education, although several policies for inclusion of disadvantaged children in primary education have been adopted by entity and cantonal Ministries of Education, implementation has been weak leading to the exclusion of children with disabilities and Roma children.⁶⁷ Economic difficulties, poverty, lack of access to schools and low awareness of the importance of education are the main reasons why young Roma drop out of school.⁶⁸

Roma are also at much higher risk of statelessness; the majority of people at risk of statelessness are Roma living below the poverty line, in informal settlements and in difficult conditions. Being legally 'invisible' and without birth registration and documentation, they are denied access to basic rights. The result is often that the risk of statelessness is perpetuated inter-generationally.

Roma women still have a lower level of education in relation to Roma men and women in general. The attendance rate for elementary school Roma is approximately equal (70.9% for boys and 67.8% for girls), and secondary education rate has risen to 18% for girls and 26.6% for boys.⁶⁹ Despite the rise of percentages, a significant gender gap remains among marginalized Roma: only 37% of young marginalized Roma women aged 18-21 had completed compulsory education compared to 50% of young marginalized Roma men.⁷⁰ This contrasts with their non-Roma neighbors, among which the gender gap is neither statistically significant nor significant in magnitude.

LGBTQI persons

In BiH the lesbian, gay, bisexual, transgender, queer and intersex (LGBTQI) community continues to be a marginalized and nearly invisible group. Prejudice exists in both the private and public spheres. Discrimination and violence in schools and universities, job loss, eviction, and social ostracism are just some of the risks that LGBTQI persons encounter when their sexual orientation is revealed. Recent years have seen a number of homophobic incidents, including hostile remarks about LGBTQI people by public figures, and acts of violence as well. Fear prevents LGBTQI citizens from reporting discrimination and hate crimes to the police. Incidents of violence are rarely reported in the local media. Despite many reports of hate crimes against the LGBTQI population, there is a small number of effective investigations and prosecutions. LGBTQI activists are especially vulnerable and exposed to threats and violence, and at least eight cases of violence against activists were recorded in 2017 by the leading LGBTQI organization in BiH.⁷¹

⁶⁵ MICS 4, 2011.

⁶⁶ Twenty-seven percent of marginalized Roma women aged 20-49 reported to have been married before they were 18 years old, compared to 11% of neighboring non-Roma women. See UNDP, *Regional Roma Survey 2017: Country fact sheets*, p. 1.

⁶⁷ UNICEF (2013), *Gap analysis in the area of social protection and inclusion policies in BiH and roadmaps for progress*.

⁶⁸ Snazniji glas za djecu/Nasa Djeca (2016), *Report on the Situation of the Rights of Children in Bosnia and Herzegovina*.

⁶⁹ Sixth Bosnia and Herzegovina Periodic Report on Implementing the Convention on Elimination of all Forms of Discrimination Against Women 2013-2016 (2017), p.18.

⁷⁰ UNDP, *Regional Roma Survey 2017: Country fact sheets*, p. 2.

⁷¹ See Sarajevo Open Center (2018), *Pink Report 2018*, p.24.

The same organization documented 83 cases of hate speech and incitement to hatred and violence in 2017, as well as 31 cases of criminal offences and incidents motivated by prejudice on the ground of sexual orientation and/or gender identity.

The first-ever LGBTQI Pride March took place in September 2019 in peaceful conditions, promoting rights of the LGBTQI community in BiH for the first time in such a public way – a small but significant step towards putting LGBTQI rights on the public agenda.

Internally displaced persons and returnees

BiH has achieved significant progress towards the implementation of the Revised Strategy for the Implementation of Annex VII of the DPA, but obstacles continue to prevent displaced persons from exercising their basic rights to adequate housing, employment, health care, education and social protection. These obstacles (and their root causes) are often those experienced by other, non-displaced citizens of BiH (poverty, lack of infrastructure, deficiencies of educational and health systems, poor employment opportunities, etc.), but in the case of this particular group, they tend to acquire an additional, political dimension that makes them even more of a challenge. Of the 96,830 officially registered IDPs, it is estimated that one third is vulnerable and in need of assistance to achieve a durable solution, especially those residing in collective centers or alternative accommodation. In addition, some 47,000 vulnerable returnees in BiH still require assistance and support. National and international actors have started contemplating the formal closure of Annex VII, considering it largely implemented. However, there is a risk that these most vulnerable displaced categories will be left behind unless they are enabled to access rights and integrate into functioning social protection networks.

Refugees, asylum-seekers and migrants

BiH reception capacities were shown to be insufficient to respond even to the basic needs of refugees, asylum-seekers and migrants, and especially the most vulnerable among them. To ensure no one is left behind, the country needs to strengthen both asylum and migration systems⁷² and improve reception conditions. Fragmentation and deficiencies of the BiH social and international protection systems create life-threatening situations for specific categories, such as LGBTQI refugees, asylum-seekers and migrants, those with serious health and mental health conditions, persecuted minorities, and those with substance abuse issues. Undocumented migrants as well as the newborn children of persons seeking asylum who have not been formally registered are increasingly at risk of statelessness.

The lack of sustainable health care for refugees, asylum-seekers and migrants represents a serious gap and a risk. Recognized refugees are entitled to health care under the same conditions as BiH citizens while asylum-seekers are entitled to primary health care. There is no formal provision of health care to migrants at any level, although some is being provided on an ad hoc basis in selected locations, with EU funding.

⁷² The necessary actions were recommended to BiH at the 96th session of the Committee on the Elimination of Racial Discrimination. See: Concluding observations on the combined twelfth and thirteenth periodic reports of Bosnia and Herzegovina, adopted by the Committee at its ninety-sixth session (6-30 August 2018), CERD/C/BIH/CO/12-13, available at:

https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/Download.aspx?symbolno=CERD%2fC%2fBIH%2fCO%2f12-13&Lang=en

Many refugee, asylum-seeking and migrant women, girls, young men and boys have been exposed to various forms of gender-based violence, either in their country of origin, during the journey to Europe, or upon arrival. With assistance from UNCT, Women and Girls Centers have been established in Una Sana Canton in three temporary reception to provide individual and group psycho-social support, particularly as it relates to gender-based violence, empowerment programmes as well as sexual and reproductive health consultations and services. Standard Operating Procedures for GBV cases in emergencies were developed with UN's technical assistance and endorsed by Una Sana Canton Government in May 2019. There is a danger, however, that due to a lack of financing, these services may be discontinued as of January 2020. Furthermore, protection-sensitive accommodation (safe housing) is not available for foreign SGB victims in BiH.

Other Factors of Vulnerability

Rurality and remoteness can raise the risk of exclusion in many ways, from the challenge of finding a decent job to the difficulties of travelling for education, health care or administrative procedures. According to the 2013 NHDR on rural development, the 71% of BiH's population who lived outside of the six main cities experienced 60% higher unemployment and had a 20% lower average wage.

Exclusion by poverty and labor status: There is a strong interaction between poverty and most of the other potential causes of exclusion listed above. For example, most elderly people can no longer earn an income, while someone who is excluded from employment because of their gender, ethnicity or disability is at higher risk of poverty. In BiH there is a large category of vulnerable workers, namely those involved or at risk of being involved in precarious or informal employment relationships. The vast majority are temporary, low-skilled young, old, women or migrant workers, working for micro and small enterprises in the private sector. They usually have lower job security, lower wages, and lower income and non-wage welfare benefits; lower or no social security protection; and low or no labor law protection.

1.5. Commitments under international norms and standards

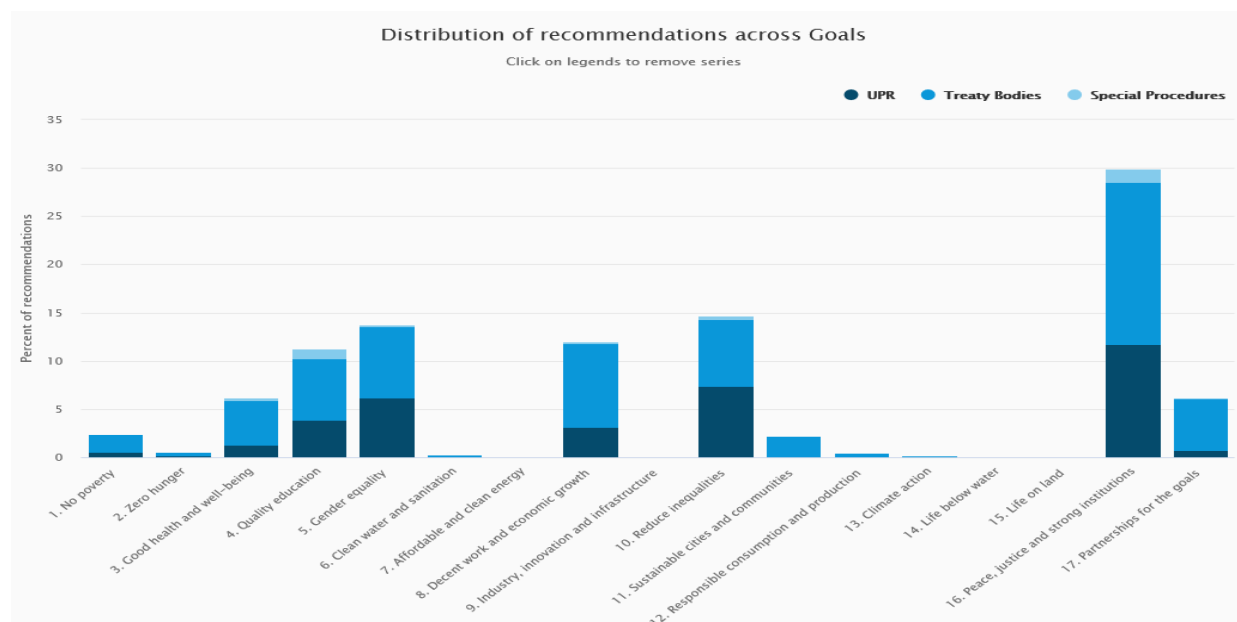
BiH is party to all nine core international human rights treaties and their additional protocols,⁷³ and ratified international human rights instruments can be directly applied in the courts of BiH. However, the level of implementation and enforcement of these provisions stands in stark contrast to the rather comprehensive *de iure* human rights situation. Critical human rights concerns have been well documented by the UN and regional human rights mechanisms.⁷⁴ Figure 6 shows all UN human rights recommendations linked to the Goals and targets of the 2030 Agenda in BiH.⁷⁵

⁷³ Status of Ratifications Interactive Dashboard, available at: <https://indicators.ohchr.org/>

⁷⁴ Universal Human Rights Index (UHRI) at: <https://uhri.ohchr.org/en/Summary/Country>

⁷⁵ Interactive tool at: <https://sdgdata.humanrights.dk/en/country/bosnia-and-herzegovina>

Figure 6—UN human rights recommendations



Implementation of human rights and gender equality commitments

Discrimination goes to the heart of social exclusion and ultimately leads to instability and conflict. Therefore, dismantling the many forms of discrimination in law or practice that contribute to the persistent marginalization of particular groups remains a priority in BiH. This is also reflected in the targets in SDGs 5, 10 and 16 to eliminate discrimination in laws, policies and social practices

Of special concern are the **discriminatory provisions** enshrined in the BiH Constitution and Election Law which divide BiH on ethnic lines and exclude citizens who do not belong to one of the “constituent peoples” (Bosniaks, Croats and Serbs) from being elected to the House of Peoples of the Parliamentary Assembly and to the tripartite Presidency of BiH. This focus on ethnic group rights remains at the core of BiH’s post-war political and governing structures, undermining respect for and protection of individual rights; it excludes entire groups of the population from enjoying their political rights on the basis of their ethnic or territorial belonging. The constitutional category of “others” who are excluded from participation in certain elections and political representation consists of 17 national minorities,⁷⁶ the largest of which are the estimated 20,000 Roma.⁷⁷ Of particular concern for the judiciary and other public institutions at all levels is the underrepresentation of ethnic minorities in their ranks, which substantially limits the confidence of minority groups in the legal and political system.

Notwithstanding repeated recommendations by UN human rights mechanisms on legal reform with a view to adopting an electoral system that guarantees equal enjoyment of the rights under article 25 of the International Covenant on Civil and Political Rights to all citizens, irrespective of ethnicity (arts. 2, 25 and

⁷⁶ Further information from BiH on the implementation of the concluding observations of the Human Rights Committee (CCPR/C/BIH/CO/1)

⁷⁷

26),⁷⁸ and judgments of the European Court of Human Rights,⁷⁹ efforts to amend BiH's electoral framework continue to stall. Lack of progress on providing legal guarantees for equal political rights to all citizens is **one of the main obstacles in BiH to achieving the 2030 Agenda**. The principle of participation in economic, social and political decision-making is reflected across all the SDGs. This is why inclusive development requires securing civil and political rights as well as economic, social and cultural rights.

Inclusion is also bound up with non-discrimination. The BiH Constitution provides broad guarantees for non-discrimination on any ground such as sex, race, color, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth or other status. In addition, BiH has a dedicated Law on the Prohibition of Discrimination and a Law on Gender Equality, which provides protection against **gender-based discrimination**. The legal provisions for women's rights and gender equality and the institutional framework are largely in place,⁸⁰ and BiH has made significant efforts to harmonize its legislative framework with international standards and commitments.⁸¹ However, this has not been accompanied by substantial change on the ground. Domestic violence remains persistent and underreported, with effective protection measures not yet in place. Women's political participation remains low and women are not equal in decision-making processes in public and private life. Women also continue to face unequal access to the labor market.

Other groups, especially persons with disabilities, returnees, refugees, migrants and those belonging to LGBTQI or ethnic minorities, are facing **discrimination** preventing them from obtaining legal protection and access to services for the enjoyment of economic, social and cultural rights. Criminal codes include hate crimes on grounds of sexual orientation and gender identity, and by adopting amendments to its Anti-Discrimination Law in 2016, BiH improved its legal framework, with sexual orientation and gender identity becoming prohibited grounds for discrimination. However, violent attacks on LGBTQI persons have not led to indictments. In many areas related to the rights of persons with disabilities, human rights-based reforms have not yet begun in earnest. A matter of ongoing concern are the numerous disparities that exist in terms of benefits and the enjoyment of rights related to the place of residence and socioeconomic status of individual members of groups at high risk of discriminatory practices; a reiterated recommendation calls for the harmonization of legislation related to the regulation of social and health protection and assistance. The unresolved issue of segregation in education is a constant focus of international recommendations as it perpetuates discrimination. (For specifics on groups at risk to be left behind, please see Section 1.4.) Considerable attention, through recommendations, is given to the issue of training: All professionals working with vulnerable and marginalized groups exposed to a high risk of human rights violations require adequate and systematic training.

At the same time, addressing the country's reconciliation deficit remains a major strategic priority. Tackling hate speech and ensuring freedom of expression is crucial in order to prevent conflict and **promote peaceful, inclusive and just societies** as envisaged by the 2030 Agenda. It is urgent to address

⁷⁸ Most recent Concluding observations by the Human Rights Committee (2017) CCPR/C/BIH/CO/3

⁷⁹ *Sejdić and Finci v. Bosnia and Herzegovina* (27996/06 and 34836/06)

⁸⁰ The Constitution of BiH includes the Convention on the elimination of all forms of discrimination against women (CEDAW), and the country has ratified the Council of Europe Convention on preventing and combating violence against women and domestic violence (the Istanbul Convention).

⁸¹ The CEDAW commitments and recommendations of the Committee for the Elimination of Discrimination Against Women, as well as other UN recommendations on women's human rights and gender equality, are included in the priorities of the third Gender Action Plan 2018-2022. In 2015, BiH adopted a Framework Strategy for the implementation of Istanbul Convention for the period 2015-2018. BiH is regularly reporting on its progress towards international bodies for gender equality and advancement of women's human rights; civil society is closely following all reporting and is submitting alternative reports accordingly.

incitement to hatred commonly used by BiH leaders and to eliminate political pressure on journalists and the media. The public broadcasters and other media in BiH are divided on ethno-territorial lines, reflecting divisions in the body politic; attempts to operate a multi-ethnic, state-wide public broadcaster have been undermined by political obstruction. Politics in BiH today exploit the public media in order to shape nationalist public opinion and create fear against other ethnic groups. Over the past few years **freedom of expression** has been seriously jeopardized in BiH, including through new legal restrictions.

The nationalist political culture and compromised freedom of expression in BiH continue to nurture instability and leave little or no room for public debate of much needed social or economic reforms. The lack of substantive public debate on development is also linked to weak **civic participation in decision-making and monitoring processes to allow for checks on power**. Weaknesses in civil society in BiH are usually attributed to low capacity and weak coordination inside civil society. However, most importantly, BiH lacks institutionalized participatory mechanisms, particularly by women and members of groups facing discrimination. An approach to development that is grounded in human rights treats everyone as agents of their own development. This principle of working with and not just for the people is reflected across all the SDGs and provides an entry point for expanding civil society participation in decision-making and monitoring processes in BiH.

Since 2005-06, the UN treaty bodies have called for the resolution of certain issues relevant to **transitional justice** in BiH. The first issue relates to the need to ensure all necessary preconditions for domestic trials of war crimes, including a fully functional witness protection system. Treaty bodies have also for many years pointed to the unregulated and disadvantaged position of civilian victims compared to war veterans. Of special concern are their right to compensation and rehabilitation, the recognition of sexual violence as a war crime, and issues related to missing persons and forced migration: there are persistent challenges in BiH's efforts to provide full reparation (including compensation), care, support, and justice to **survivors of wartime rape and sexual violence**.⁸² The competent authorities have yet to adopt the draft Transitional Justice Strategy for BiH; in its absence, reconciliation processes have heavily relied on criminal justice, in the expectation that eventual war crimes court rulings would have a transformational effect that would sustain and strengthen peace. Unfortunately, this overreliance resulted in less attention being paid to dealing with the collective legacy of accumulated pain and trauma. It should be noted that the accumulated pain and trauma borne by survivors of conflict-related sexual violence is being transferred across generations, serving as a new focal point for narratives of victimhood and collective grievances in the future. As such, they represent a systemic threat to social cohesion and sustainable peace.

Concerns over the **inconsistent application of laws** and the unequal availability of free legal aid throughout BiH have been expressed repeatedly, as have concerns about conditions in the **state prison system** and **mental health institutions**, including the rights of prisoners. The situation regarding this specific dimension of the rule of law remains highly problematic.

UN human rights mechanisms are concerned with **human trafficking, violence against women and children, and protection against landmines**. The major concerns in relation to trafficking in human beings have since 2006 been implementation of the existing law, fair and adequate provision of compensation

⁸² Amnesty International (November 2018), *Bosnia and Herzegovina: Impunity for War Crimes and Rights of Refugees and Migrants*. Submission for the Universal Periodic Review, 34th Session of the UPR Working Group. In a recent development, the UN Committee Against Torture has ruled that Bosnia and Herzegovina must pay compensation to a victim of conflict related sexual violence and provide her with appropriate and free medical and psychological help as soon as possible. See TRIAL International (29 August 2019), *Press release: BiH fails to implement obligations from the UN Convention against Torture*, available at: <https://trial.ba/wp-content/uploads/2019/08/TRIAL-International-Prva-odluka-protiv-BiH-pred-UN-komitetom-OBJAVA-290819-1.pdf>

for victims, victim assistance, witness protection and combating the exploitation of children as well as the provision of training for officials that deal with these issues. The problem of the low number of prosecutions related to different forms of trafficking persists, as do concerns about the lack of effective victim identification procedures and the reliance of most shelters providing services for victims of trafficking on external funding. In relation to violence against women and children, UN bodies have called for effective implementation of legislation to combat domestic violence and the provision of support for intensive education and training for judges, prosecutors and law enforcement officers.

Implementation challenges with other commitments

A number of other international commitments have also experienced implementation challenges. This section provides an overview of select cases.

Labor rights have featured in UN recommendations since 2006 through issues such as workers on waiting lists, respect for contractual obligations, support for labor inspection units, gender equality, labor rights of minorities (in particular Roma), trade unions and unemployment. BiH has ratified 83 **ILO Conventions**, including all fundamental Conventions (8) and all ILO Governance Conventions (4), and provides regular reports on their application. Nevertheless, there are still significant challenges in application and compliance.

BiH is a party to the **1951 Convention relating to the Status of Refugees** and its **1967 Protocol**. The BiH Law on Asylum is generally in line with international and EU standards, although there are certain shortcomings, including the definition of an asylum-seeker and refugee, and in the exclusion and cessation clauses. Persons under subsidiary protection lack the right to family reunification and travel documents. The Law on Foreigners also does not allow for their stay in BiH to be counted for permanent residence. Therefore, people under subsidiary protection cannot naturalize regardless of the number of years they spend in BiH, which regretfully impedes their integration.

BiH is signatory to the **1954 Convention relating to the Status of Stateless Persons** and **1961 Convention on the Reduction of Statelessness**, which are enshrined to an extent in the national legal framework. BiH authorities need to develop a sustainable system of identification and prevention of recurrence of cases. Changes need to be introduced to include undocumented individuals as beneficiaries of free legal aid services. At the State and entity levels, regulations and practice on birth and citizenship registration with simplified procedures need to be harmonized to ensure all children are registered immediately at birth, in line with the adopted Action Plan⁸³ and commitments taken.⁸⁴

There is a general absence of information provided by the **environmental** authorities to the public on the status of BiH's participation in multilateral environmental agreements (MEAs) and on their implementation, including the UN Framework Convention on Climate Change (UNFCCC), to which BiH submitted the Initial, Second and Third National Communication (INC). BiH has also submitted reports

⁸³ See:

http://www.mhrr.gov.ba/PDF/LjudskaPrava/4%20%20Akcioni%20plan%20BiH%20za%20rjesavanje%20problema%20Roma%202017-2020_ENG.pdf

⁸⁴ See: <https://www.statelessness.eu/blog/commitments-achievements-zagreb-declaration-access-civil-documentation-and-registration-south>; see also: <https://www.unhcr.org/ibelong/high-level-segment-statelessness/>

under the UN Convention on Biological Diversity (UNCBD) and the UN Convention to Combat Desertification (UNCCD). Generally, there is a strong need for ensuring coordination among all administration levels regarding implementation and enforcement of MEAs,⁸⁵ sharing knowledge and information on the integration of environmental requirements into sectoral policies and legislation and its further enforcement.

BiH is a signatory to the **Sendai Framework for Disaster Risk Reduction 2015-2030**. However, in-country monitoring and reporting mechanisms that will inform DRR strategic planning and better targeting of DRR investments need to be established. Numerous DRR interventions undertaken by government and international actors lack country-wide coordination and coherence, in the absence of any strategic document and coordination mechanism.

BiH, a signatory to the **UN Convention against Corruption**, is experiencing pervasive corruption. In accordance with EU policies, it will be necessary to improve coordination among various anti-corruption bodies and communication with civil society. The Agency for Prevention of Corruption (APIK) is the primary anti-corruption body and the main authority responsible for the coordination and monitoring of the implementation of the Anti-Corruption Strategy, but it has no investigation and prosecution mandate. Several measures from the anti-corruption Action Plan have remained unimplemented. The fight against **corruption in the judiciary** is critical since it is a threat to citizens' right to equal treatment before the law. It is equally important to ensure that the judiciary is protected from interference, and that judges and prosecutors bear the responsibility in the cases of corruption. The HJPC plays an essential part in fighting corruption in the judiciary but has been plagued with corruption allegations. No significant corruption cases have been processed by the BiH judiciary. Prosecutor's offices have displayed inadequate capacities in terms of opening new investigations and issuing indictments against current or former senior political figures or officials. Of concern is also the low number of verdicts involving the seizure of criminal assets.⁸⁶ The implementation of various pieces of anti-corruption legislation also presents a mixed picture.

BiH and its lower-level administrative units will have to observe the rules and obligations BiH negotiates with the WTO and respect the provisions of special **WTO agreements** including Agriculture Agreement, Agreement on Sanitary and Phytosanitary Measures (SPS agreement) and Agreement on Trade-related Aspects of Intellectual Property Rights which is important for the protection of geographic origin of agricultural products.⁸⁷ Codex Alimentarius and the International Plant Protection Convention (IPPC) are the official standard-setting bodies on food safety and plant health recognized by the WTO's SPS agreement. BiH is member of both organizations and has also strategic measures within its Strategic Plan for Rural Development on **food safety, plant health as well as veterinary fields** – identified by the May 2019 EC Opinion as areas where significant efforts are needed by the BiH authorities⁸⁸ and related Action Plan for the Implementation of Priorities from the EC Analytical Report.

⁸⁵ UNECE (November 2018), *3rd Environmental Performance Review of Bosnia and Herzegovina*, available at: <https://www.unece.org/index.php?id=49746>

⁸⁶ Transparency International BiH (2017), *Monitoring Report on Confiscation of Unlawfully Acquired Property in Bosnia and Herzegovina*, available at: <https://ti-bih.org/wp-content/uploads/2017/03/Monitoring-Report-on-confiscation-of-Unlawfully-Acquired-Property-in-BIH.pdf>

⁸⁷ *Strategic Plan for Rural Development of Bosnia And Herzegovina (2018-2021)*, available at: http://www.mvteo.gov.ba/data/Home/Dokumenti/Poljoprivreda/Strategic_Plan_for_Rural_Development_of_BiH_Eng.pdf

⁸⁸ Available at: <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-bosnia-and-herzegovina-opinion.pdf>

1.6. Cross-boundary, regional and subregional perspectives

The UN is concerned that the lack of progress around confidence- and trust-building, constructive dialogue and reconciliation in BiH and the Western Balkans poses a key risk to stability in the region and beyond. The state of affairs between BiH and its neighbors is marked by a **reconciliation deficit** that perpetuates lack of trust among citizens, communities and leaders. Entrenched nationalist agendas and the resulting inter-communal tensions allow identity politics – one of the root causes of the conflicts in the Western Balkans – to continue dominating and shaping the discourse between the region’s leaders. When there is little or no trust in the institutions and processes that should guarantee constructive leadership and policies, adherence to the rule of law, and sound strategic development, citizens lose the ability and hope to make their voices heard and to demand positive change. Findings of the most relevant regional perception survey – the Regional Cooperation Council’s 2019 Balkan Barometer – show that:

- (i) Unemployment and the overall economic situation remain the region’s chief concerns, with a lack of adequate work and nepotism again listed as the two main obstacles to employment;
- (ii) “Brain drain” is increasingly recognized as an existential problem across the region, with willingness to work abroad surging markedly in the course of each passing year;
- (iii) Authorities continue to be graded poorly throughout the region with deep-seated feelings reflecting that laws are applied neither effectively nor equally and an overwhelming lack of confidence in the rule of law. Citizens’ relationships with public institutions continue to be characterized by a high degree of distrust that extends to all branches of government.⁸⁹

The scale and speed of demographic change in South-East Europe has been significant. Countries/territories in the region face what is often perceived as a population crisis. The fear is that ageing populations, outmigration and below-replacement fertility rates will lead to smaller, older and weaker nations. While it is true that demographic changes in the region will have significant implications for growth, living standards and fiscal sustainability, experience has shown that it is not population size that matters in contemporary societies but the human capital of a population – its education and health, productivity, and innovative potential. There are promising opportunities for the countries/territories of South-East Europe to manage the implications of demographic change not as a liability, but as a potential for society.

Some 24 years after the signing of the DPA, rather than jointly working to heal the wounds of communities divided by the 1990s conflicts, many influential public figures and media in BiH and in neighboring countries continue to generate fear and tensions and peddle their own version of the past, present, and future. This continues to be superimposed onto communities that have not yet been given the space to come to terms with the events of a still recent past in a constructive manner. Meanwhile, the international community spent two decades largely emphasizing processes (i.e., elections, technical progress and reforms in the development and governance sectors), with insufficient attention given to the much more complex and long-term efforts needed to rebuild trust, confidence and constructive relations between communities and countries.

This equation continues to generate negative political, social and cultural dynamics across the region: When relations deteriorate between Croatia and Serbia, they negatively affect the respective communities in BiH. When relations between the latter deteriorate inside BiH, they place the neighboring

⁸⁹ RCC (2019), *Balkan Barometer*, available at: https://www.rcc.int/seeds/files/RCC_BalkanBarometer_PublicOpinion_2019.pdf

countries in challenging diplomatic situations. A number of long-unaddressed issues compound this problem: A host of border and property disagreements between BiH and Croatia and Serbia are stuck with no formal process set up to resolve them.

During his briefing to the General Assembly on 16 January 2019, SG Guterres laid out 12 key areas of concern for member states; the Western Balkans are included in that list. The European Commission's Opinion on BiH underscores that despite the investments made through the most expensive peacebuilding operation in history, the country continues to face significant, even critical structural challenges. The Opinion states that BiH does not yet satisfy the economic and political conditions for assuming the obligations of EU membership. The country, therefore, remains a potential candidate, lagging behind all its neighbors. In spite of EU efforts to revitalize the accession process through the adoption of the 2018 Strategy for the Western Balkans, BiH continues to demonstrate a fatigue and lack of common vision towards EU membership. Widespread skepticism even among EU member states about core policies of the EU, including enlargement, is not helping the situation.

The 2015-16 **refugee and migration crisis** in the Western Balkans showed the relevance of the cross-border dimension of migration movements and the importance of regional and international cooperation in managing it. BiH is part of a number of regional cooperation and partnership processes, the most important being the Prague and Budapest processes, aiming at developing comprehensive and sustainable systems for orderly migration. Additionally, through the Migration, Asylum, Refugees Regional Initiative (MARRI), BiH is cooperating with countries in the region to establish common migration governance tools. In spite of these efforts, there is still space for improvement of bilateral and regional cooperation on migration and border management.

Furthermore, migration flows are heavily affected by changes in the politics and policies of countries of origin, transit, and destination. Developments in EU and Turkey migration and asylum policies are particularly important when it comes to the potential impact on Western Balkan countries. The immigration policies of the EU and of EU member states can also significantly affect labor emigration trends in BiH, with a major impact on the country's demographics and social welfare.

In the context of the UN's emphasis on conflict prevention and sustaining peace, the Organization finalized a system-wide action plan for BiH and the Western Balkans as a whole. A priority focus of the UN will be on the above-mentioned reconciliation deficit: to rebuild trust and to encourage constructive dialogue. Without these intangible, non-technical aspects of the transition process, the region will continue to fail to make a clean break from the past. The Plan consists of a number of elements including engagement with local leaders to strongly advocate that they actively deconflict tensions and divisions between communities and states. The second item is increasingly strong messages from the UN's Senior Leadership. Another element of the UN Action Plan will focus on seeking out effective agents of change and further empowering them.

In essence, the UN is already trying to do this through the SG's multi-year peacebuilding initiative Dialogue for the Future, which compels BiH's Presidency to listen to, and address, the priorities of all its citizens who themselves must work across group lines in order to generate those priorities. If done correctly, the process could serve to break down barriers between groups and their leaders. The UN System will also examine other deep-rooted, structural challenges in BiH in order to see where gaps remain and where the Organization can possibly make a qualitative difference in a crowded international community field.

Given that the leaders of BiH and its neighbors signed on to the 2030 Agenda for Sustainable Development, they are now accountable to their citizens for delivering these goals. The SDGs provide a strategic opportunity to help (i) change the public discourse in BiH – from a rhetoric of division toward dialogue around common needs and aspirations of all its citizens; and (ii) to help the latter play a more

active part in determining what kind of future they want for their communities. The SDGs are the ultimate prevention agenda as they address the drivers and root causes of instability and conflict. In this regard, the UN will work tirelessly to help ensure their full implementation. As the SG himself noted the need for the Organization to return to its bridge-building role in an increasingly divided world, the UN will work to help strengthen the coherence and the strategic vision of key stakeholders – both internal and external – in BiH and the Western Balkans.

As a permanent member of the **Council of Ministers of Culture of South East Europe (CoMoCoSEE) – Enhancing culture for development**, a unique regional platform operating within the Regional Cooperation Strategy framework, BiH has reinforced its commitment and contribution to the sphere of culture through sharing knowledge and best practices as well as coordination at all levels between cultural and other sectoral policies, including tourism, in line with the 2030 Agenda. Since its establishment in 2004, CoMoCoSEE is the main cooperation platform for culture in South East Europe with the purpose of strengthening regional and bilateral partnerships and cooperation in the field of culture and development, while at the same time promoting culture as a tool for strengthening reconciliation, peace and stability in the region.

BiH is a member of the Disaster Preparedness and Prevention Initiative for South Eastern Europe (DPPI-SEE) which aims to address disaster risk reduction and preparedness measures at a sub-regional scale and facilitating transboundary cooperation. While this regional initiative presents concrete potential for improving national capacities of BiH and risk understanding at a larger scale, the activities planned by the group need to be more results-oriented.

High impact animal diseases, such as lumpy skin disease (LSD) and African swine fever (ASF), represent a threat to food security, nutrition, livelihoods and internal or international trade of countries in the region: ASF has been reported in Bulgaria, Hungary, Romania and Serbia while LSD has seen outbreaks in the Balkans since 2014 for the first time in history. Not having been exposed to either disease implies that the level of awareness and the technical knowledge on the disease are low, and contingency or surveillance plans may not be in place.

1.7. Financing landscape and opportunities for sustainable development

Foreign finance

Estimated net FDI inflows for 2018 slightly increased in nominal terms but decreased in terms of GDP by 0.1 pp, financing 42% of the current account deficit (CAD).⁹⁰ The estimates are confirmed by FDI statistics for 2018 published by the Central Bank of BiH (CBBH), according to which FDI inflows in 2018 amounted to KM 783.4 million (approximately 443.23 million USD), or 2.3% of GDP, similar in nominal terms to that recorded in 2017. The highest inflows in 2018 were from Russia (KM 140.2 million), Croatia (KM 106.1 million), the Netherlands (94), Austria (87.1) and Germany (83.7). Most FDI was recorded in financial services (banking sector) in the amount of KM 145.6 million, production of coke and refined oil products (135.8m), retail trade (87.7m) and in production of base metals (52m).⁹¹ BiH has the lowest FDI in the Western Balkans region, mainly because the political environment is difficult and the country's reforms

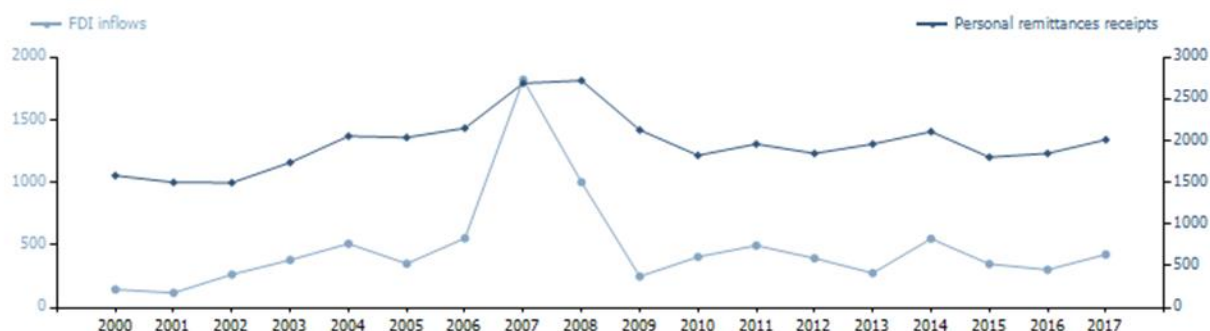
⁹⁰ World Bank (Spring 2019), *Reform Momentum Needed*, p. 67, available at:

<http://documents.worldbank.org/curated/en/219231554130333324/pdf/Reform-Momentum-Needed.pdf>

⁹¹ Central Bank of Bosnia and Herzegovina, available at: <https://www.cbbh.ba/press/ShowNews/1222>

have not progressed much;⁹² various other factors also continue to discourage FDI.⁹³ Financial trends, apart from a peak of FDI in 2007, do not show significant change in this century (see Figure 7).

Figure 7—Flows trends (millions of US\$)



Source: UNCTAD⁹⁴

Migrants' remittances remain strong at 11% of GDP (April 2018).⁹⁵ Even though the linkages between remittances and development-related investments have been analyzed, there are no analyses of the use of remittances in BiH.⁹⁶ Revealing the impact of remittances and their potential leverage for sustainable development would be useful in terms of the financing landscape analysis for BiH.

With regards to ODA, the annual Donor Mapping report is a useful source of information, although data may not be of the highest accuracy. According to the report⁹⁷, in 2018, total Official Development Assistance (ODA) allocations for BiH amounted to €726.57 million, out of which 28.4% were grants and 71.6% loans, an increase of 69.9% over 2017. ODA disbursements in 2018 amounted to €429.88 million (an 8.4% increase from 2017) – 43.5% of which in grants and 56.5% in loans. The increase of the disbursed loans was partly the result of procedural flexibility and improved realization of projects as well as the dynamics of loan disbursements signed in previous years. Out of total ODA allocations in 2018, bilateral development partners allocated 21%, while multilateral development partners allocated 79%. Leading development partners were the EU, US/USAID, Switzerland, Sweden/Sida, UK/DFID, and Germany. Creditors in 2018 were the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the World Bank (WB), and Germany. Out of the total allocated funds, 82% was

⁹² World Bank (Spring 2019), *Reform Momentum Needed*, available at:

<http://documents.worldbank.org/curated/en/21923155413033324/pdf/Reform-Momentum-Needed.pdf>

⁹³ World Bank (2018), *BiH Economic Journey 2018, Through Peace and Transition to Prosperity*, p. 86.

⁹⁴ UNCTAD, *World Investment Report 2019i* and UNCTAD FDI/MNE database, BiH Country fact sheet, available at:

https://unctad.org/sections/dite_dir/docs/wir2019/wir19_fs_ba_en.pdf; BiH data available at:

<https://unctadstat.unctad.org/CountryProfile/GeneralProfile/en-GB/070/index.html>;

<https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>

⁹⁵ Source: World Bank staff calculation based on data from IMF Balance of Payments Statistics database and data releases from central banks, national statistical agencies, and World Bank country desks. For details, see *Migration and Development Brief 28*, Appendix A. WB data:

<https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT?locations=BA>;

⁹⁶ <http://www.mhrr.gov.ba/iseljenistvo/Istrazivanja/default.aspx?id=1766&langTag=bs-BA>

⁹⁷ See the Donor Mapping report 2018, available at <http://www.donormapping.ba/>

allocated to 4 of the IPA II sectors: Transport 50%, Competitiveness and innovation 17%, Democracy and governance 8%, and Environment and climate action 7%, while 18% was allocated to all other sectors.

With regards to EU funds, more information is expected to be available by 2020 on the IPA III funding scheme, which may or may not, be aligned to the SDGs.

Financial inflows, particularly aid and remittances, have been fueling consumption-based economic growth. However, current investment levels are too low to sustain growth over the long term. These financial sources appear insufficient to fuel BiH's sustainable development, and even counterproductive if not channeled toward the achievement of the SDGs. Further progress in a number of key areas with implications for mobilizing external financing would be needed, such as securing financing for key infrastructure projects, modernizing banking sector legislation, and improving corporate governance of state-owned enterprises.⁹⁸

Domestic incentives and landscape: public and private finance

The private sector in BiH has a big unused potential in an economy dominated by the public sector. The private sector could play a significant role in the country's economic growth, as well as in channeling investments and funding towards sustainable development and the SDGs. In order for growth to be sustainable and equitable, and for the private sector to contribute to achieve the SDGs, BiH's economic model would need to be rebalanced first. The country needs more, and larger, companies, vibrant SMEs and a business environment that allows them to grow and expand output, employment, and exports. Recent policy measures have not effectively addressed BiH's needs for supporting innovation and entrepreneurship, specifically in terms of access to skills, ease of business regulations, and predictability of business environment.⁹⁹ A wider range of financing instruments is needed to boost lending to businesses.¹⁰⁰ Greater diversification of financial systems can create opportunities for enhancing access to finance. Improvement in the operations of state development banks in BiH is required, with some deficiencies in the governance and business model still unresolved. Given the size of the BiH economy and financial sector, there is room for further consolidation, entrance of reputable players, and banking sector efficiency gains.¹⁰¹

Having failed to replace foreign credit with an alternative growth model, public institutions continue to be addicted to foreign borrowing (including from the foreign-owned banking sector) to meet revenue shortfalls or finance capital investment, public sector debt and infrastructure projects. From the point of view of public finance sustainability, this structural dependence on more expensive commercial credit

⁹⁸ Statement by the IMF Mission Chief for Bosnia and Herzegovina, April 6, 2017. See Press Release No. 16/396. <https://www.imf.org/en/News/Articles/2016/09/07/PR16396-Bosnia-and-Herzegovina-IMF-Executive-Board-Approves-Three-Year-Extended-Arrangement>

⁹⁹ Aridi, Anwar; Ong Lopez, Anne Beline Chua (2019), *Bosnia and Herzegovina - Innovation and Entrepreneurship Assessment: Towards a Private Sector led Growth Model*. Washington, D.C., World Bank Group, available at: <http://documents.worldbank.org/curated/en/796741560348129202/Towards-a-Private-Sector-led-Growth-Model>

¹⁰⁰ See World Bank (March 2018), *Access to Finance for Female-Led Micro, Small & Medium-Sized Enterprises in Bosnia and Herzegovina*, available at: <http://documents.worldbank.org/curated/en/890741521459734141/pdf/124394-WP-P144969-PUBLIC-BiHAccesstoFinanceKnowledgeBrief.pdf>

¹⁰¹ World Bank (Spring 2019), *Reform Momentum Needed*, available at: <http://documents.worldbank.org/curated/en/219231554130333324/pdf/Reform-Momentum-Needed.pdf>

increases sovereign debt risks. The trade deficit, the regressive tax system and lack of public sector investment represent structural barriers to public finance sustainability.¹⁰² Beyond sustainability, fiscal transparency¹⁰³ needs to be strengthened, and strong fiscal institutions still need to be built. Demographic changes in the country and across the region will have significant implications for growth and fiscal sustainability, and may require increased public expenditure and investments.

Furthermore, incentives are misaligned for embarking toward a sustainable development model. Most policies support those who already have a job and benefit from a consumption-based and state-dominated economy. Considering that human capital is essential for growth and development, it is crucial to note that, even though BiH' social assistance expenditure exceeds the average social assistance spending of countries in Eastern Europe and Central Asia (the region that spends the most on social assistance), most of it is not designed to support the poor or the most vulnerable. Efficient investment in human capital is key for the country's sustainable development.⁸⁷ To eliminate poverty, create shared prosperity and eventually become a high-income country, BiH will need to invest in a new and more effective development path that ensures the sustainability and inclusiveness of future growth.⁸⁸ Public financing needs to be more efficient, and budgeting for the vulnerable population groups needs to be strengthened.

National budget allocations

Since no national SDG priorities have been set, an analysis of national budget allocations is premature. However, some preliminary assessments of sectoral financing needs have been undertaken, allowing the identification of structural challenges that would need to be addressed: a complex administrative structure, with high level of fragmentation and overlapping of responsibilities, and the improper use of economic instruments for public policy goals, especially when applied at different levels of government without proper monitoring and evaluation systems in place.

Alternative finance

There is little evidence of the use of alternative finance in BiH such as impact investing; impact bonds (social or development impact bonds, Blue Bonds, Green Bonds); equity-based crowdfunding; forecast-based financial mechanism; microfinance; debt-for-nature swaps; or Islamic finance. Such instruments may have the potential for leveraging SDG financing. Furthermore, it would be interesting to explore potentials of the Human-Centered Business Model (HCBM) in the country and how it could contribute to the SDGs.¹⁰⁴

¹⁰² <http://wings-of-hope.ba/wp-content/uploads/2016/12/D3.4.1.1.-Analysis-on-Public-Debt-Bosnia-and-Herzegovina.pdf>

¹⁰³ BiH seems to be depriving taxpayers of information about how their money is spent: the Open Budget Index (OBI) shows limited improvement in transparency since 2010.

¹⁰⁴ HCBM is an innovative sustainable business ecosystem that provides the tools and inputs to the private sector, public authorities and consumers when developing new businesses. At the center of the model are economic, social, environmental sustainability and ethical/integrity values that can lead to more sustainable business practices. See <https://www.worldbank.org/en/events/2019/02/21/human-centered-business-model> and <http://globalforumljid.com/new/sites/default/files/documents/communitiesOfPractice/HCBM%20Project%20Brief%20March%202019.pdf>

Forecasts for potential SDG finance sources for BiH

With the exception of ODA,¹⁰⁵ according to some forecasts¹⁰⁶ it seems most likely that virtually all other sources of potential SDG finance for BiH (national budget revenues, remittances, FDI, portfolio investment, other investment and financial services) will grow significantly by 2030. To ensure that these sources are used to the best effect, it seems relevant to increase the efficiency of public finance management overall, as state budget finance seems likely to remain the single largest source of potential SDG finance for most of the region. Efforts to more directly link public finance accounting to SDG targets and indicators seem particularly important. The adoption of the BiH SDG framework would stimulate a more precise measure of public-sector SDG finance. Furthermore, commercial finance could increase quite significantly in the coming decade, particularly if the country's reform and EU accession progress continues. On the other hand, reductions in potential SDG finance may be caused by political or macroeconomic shocks in producing unexpected cuts in financial inflows and GDP growth, and in depressing the value of the national currency.

1.8. Analysis of risks for achievement of the 2030 Agenda

Risk assessments, especially multi-sectoral, are not regularly performed in BiH, and the development agenda in BiH is highly complex. Consensus-building and decision-making involves the state government, the two entities, and Brčko District. A challenge for SDG integration into national policies is a weak tradition of strategic planning vis-à-vis the need to plan with a 2030-time horizon. The SDGs are not meaningfully embedded in the policy documents of the state, the entities, and Brčko District. Taking into consideration its limited resources for both mitigation and adaptation measures, the country needs to clearly identify priorities. Aligning SDG implementation and monitoring with the EU accession process could sharpen the focus on the SDGs and ensure coherent implementation of priorities.

Stemming from the analysis given in the previous chapters, however, the key risk factors which are expected to continue in the immediate term to hamper BiH's overall progress, including implementation of the SDGs, could be summarized as follows:

- i) Lack of political will and of a common vision on the future of the country, in tandem with a further deterioration of the political atmosphere, which lead to government blockages at different levels and ineffectiveness in processing any decision or joint strategy (e.g., as already officially pointed out by the recent Revision of managing strategies at the BiH-level document);
- ii) unfavorable economic trends (including, possibly, a recession) which would further expose the fragility of the BiH financing systems;
- iii) further social polarization and rise of nationalism which would reduce any willingness to cooperate across communities or territorial lines, since the prevalence of nationalist and political priorities over development priorities will likely lead to resources being spent to the detriment of the most vulnerable;
- iv) societal, expert and labor gaps created by mass emigration would impact the social welfare system and dampen growth;

¹⁰⁵ While ODA for BiH as a potential candidate country for EU accession seems unlikely to significantly increase in the coming decade, countries that accede to the EU may gain access to significant post-accession funding (to the tune of 4-5% of GDP). If BiH were to accede to the EU by 2030, ODA-type inflows from Brussels could increase significantly.

¹⁰⁶ 2019, BiH SDG Framework: SDG finance, working document.

- v) further deterioration of citizen's trust in the institutions and systems in place, with a greater spread of apathy and even greater numbers of people emigrating;
- vi) high risk of natural hazards and insufficient response preparedness;
- vii) negative regional and global developments (e.g., changes in EU and Turkey migration and asylum policies might lead to increased refugee and migrant inflows).

All three categories – political/economic, demographic, environmental – pose intermediate to high risks.

Considering BiH's recent trajectory into uncharted territory, political risks are extremely difficult to gauge for reasoned forecasting; one indication are the ongoing negotiations about state-level and FBiH government formation, more than one year after the elections. The EC Opinion of May 2019 spells out in sufficient detail the multitude of serious structural challenges that the country still needs to meet – including at the constitutional level – in order to be able to assume the obligations of EU membership. In this sense, it can be argued that BiH is still very much a post-conflict state almost 25 years after the signing of the DPA. Moreover, by some assessments, BiH would need possibly over a decade or two to implement all the required reforms. The daunting list of unresolved yet critical shortcomings as well as EC concerns described in the Opinion pose severe risks to any institutional focus on the SDG implementation.

On a political-societal level, the relentless anti-Dayton rhetoric and narratives of hate, fear and division do not meet any meaningful response from the OHR or the wider international community. The spoiler elements in BiH, at this juncture, may surmise that there is an overall general atmosphere of a lack of accountability. Various unfulfilled wartime agendas are being openly promoted, and as a result, there has been a marked increase in officially sanctioned historical revisionism of facts and disregard for rules-based norms. This further erodes the social trust that would form a solid foundation for sustainable development.

Demographically, the implications of mass emigration and a rapidly shrinking population are manifold: For instance, it has had – and will continue to have – an impact on economic development, leading to a decrease in the labor force. It has increased the country's old-age dependency ratio and is generating huge pressures on social funds such as pensions and health care. The country is rapidly losing its young and skillful workforce. It will be increasingly difficult to find expertise in a broad range of fields and especially in more specialized work areas. This in turn endangers the actual achievement of the SDGs.

The Rapid Integrated Assessment (RIA) underlines that institutions need to create mechanisms and M&E tools at all administrative levels in BiH to facilitate practical implementation of strategic documents and facilitate periodic public reviews of progress against the SDGs. They need to enhance capacities of statistical agencies to complement existing indicators with disaggregated indices and indicators to cover cross-cutting dimensions of economic, social and environmental sustainable development at BiH, entity, cantonal and local levels in support of the 'leave no one behind' principle of the Agenda 2030.

Exposure to chronic natural hazards is a high-risk factor for BiH; among other things it also threatens development results in BiH. While some measures have been taken to address the country's fragile disaster risk preparedness following the devastating 2014 floods, the entire region still remains vulnerable to a broad array of natural and man-made hazards. The integration of environmental considerations into sectoral policies and legislation stands only at the early stages in energy, mining, transport, agriculture, forestry and health sectors, and has yet to be initiated in the tourism and education sectors. Such low levels of integration are partially explained by the weak legal framework for strategic environmental assessments and the limited use of this tool. BiH has not yet put in place an overall effective coordination framework to ensure robust progress in meeting the obligations deriving from relevant environmental strategies, plans and international agreements. No body exists in the country that can regularly bring

together the sectoral authorities and stakeholders to coordinate and discuss broader issues of sustainable development.

BiH reports the existence of a National Platform for Disaster Risk Reduction, established in 2013 and used as a multi-stakeholder forum for exchange of opinions, proposals and achievements contributing to disaster risk reduction.¹⁰⁷

Institutionally, in assessing BiH's trajectory towards meeting the SDGs, the following factors require close monitoring:

- Political tensions and economic trends;
- Governments' commitment to reforms, including coordination at the state level and harmonization of policies;
- Governments' concrete implementation of other key sectoral reforms, as following the EC Opinion;
- Human resources/expertise and financial means of key relevant institutions working on the SDGs Framework;
- Sustainability of endorsed policy and regulatory changes, as well as newly introduced practices;
- Trust of ordinary citizens in their government(s) and their willingness to actively participate in various actions related to SDGs (based on public perception indicators which show low trust and low citizen engagement in their societies).

1.9. Gaps and challenges towards achieving the 2030 Agenda

This section, rather than enumerating bottlenecks or implementation gaps in specific sectors, provides an overview of **common challenges** preventing progress toward the SDGs across policy areas.

At present, the two most elementary bottlenecks are the absence of a country-wide national vision for sustainable development, analyzed in Section 1.2, and the related issue of systemic weaknesses in collecting and analyzing statistical data in the country, making the establishment of any kind of baseline challenging. Neither government institutions at state and entity levels nor the international community have been able to find a solution to using different methodologies for the 2013 census data resulting in two census reports (one officially recognized at state and FBiH level and another one recognized only by RS); it is of the outmost importance to plan and implement the next census in a way that would complement current initiatives towards the development of population projections for the country. Without adequate statistical data collected in predefined time intervals, no progress related to SDG implementation will be possible to measure and report through VNRs.

Quality, accessible, timely and reliable **disaggregated data** will help with the measurement of progress to ensure that no one is left behind. However, attaining a clear picture of the demographic situation and population profile in BiH, including disaggregated information on characteristics such as sex, age, ethnicity, disability, socioeconomic status, employment and place of residence, is severely hampered by the lack of data. For example, the Committee on the Rights of Persons with Disabilities expressed concern that BiH is not collecting and analyzing proper, disaggregated data on the situation of persons with disabilities. In view of measuring progress against the SDG targets, BiH needs to develop systematic rights-based data collection, dissemination and analysis tools, which should inform legal, policy and practice reform processes towards achieving the 2030 Agenda.

¹⁰⁷ UNDRR (August 2017), *Overview of National Platforms for DRR in Europe*.

Against this background, the SDG consultations held in May 2018 helped identify the following four crosscutting issue areas as the headings under which the most fundamental challenges fall:

- **Democratic governance and peace:** Many of the constraints listed by all of the groups reflected on the need for more coherent and transparent governance institutions that are free from corruption. Clearly, concerns related to the impact of effective governance and administrative arrangements emerged from all groups. Specific reference was made to the need for much greater transparency, rule of law, creating effective administrative arrangements in the complex governance system in the country and promoting a more just and stable society. All groups emphasized the opportunity that **future EU accession** would offer in terms of sustainable development and saw this as providing the momentum to strengthen effective institutions and foster better governance, peace and the rule of law.
- **Education:** This was mentioned by every group for all types of education needs, from addressing ethnic segregation, improving access to and quality of compulsory education, including early childhood education, more opportunities for vocational education and skills development, to improving knowledge on sustainable development and natural resources management.
- **Economic potential:** The potential of certain sectors, such as agriculture and tourism (tied to effective natural resource management), the need for additional financing to meet development needs and the untapped potential of creative young people and existing human capacity were highlighted. In respect to the challenges, **inequality of opportunity**, segregation in the labor market and insufficient economic development emerged strongly.
- **Natural resources:** The abundance and quality of natural resources was mentioned across the groups, including the need for sustainable use of these resources, which is only in its infancy. While human capital was often highlighted, all groups emphasized natural resources as an asset to support sustainable development. This would require the development of a country-wide strategy to support this **vision of an environmentally clean and sustainable BiH.**

The issues identified during these consultations have been reflected in the key pathways that could have the potential to unlock development in BiH. These pathways, which have several important interlinkages, reflect both BiH's development circumstances and priorities and key sustainable development drivers (Figure 7). These pathways are:

- **Good governance and public sector management**, to build accountable, transparent, effective and efficient public sector able to enforce the rule of law. Specific priorities include streamlining policy development and coordination, provision of better services to citizens and businesses, strengthening financial resource management, reforming public companies, reducing corruption, and ensuring functional judicial system;
- **(Transformative) Smart growth** aims to ensure that innovative and productive ideas are turned into products and services that can create high-wage jobs and high growth while preserving natural capital and decreasing inequalities in society. This pathway sees developing entrepreneurship, fostering high growth companies and establishing the innovation sector as necessary conditions for securing prosperity coming primarily from creating jobs that pay high wages.
- **Investing in a new social contract**, in order to realize the 'leave no one behind' principle. This includes closing gaps in BiH's social protection systems to better protect those facing the greatest risks of poverty and vulnerability, in order to strengthen social cohesion and renew citizens' faith in institutions; and
- **Human capital for the 21st century**, with particular focus on quality education, active labor market policies, and life-long learning, to prepare citizens for the digital economy of the future, better align labor-market supply with changing demand, and attract accumulated human capital within the

diaspora. The lack of decent work is one of the main risks undermining the country’s development trajectory and the achievement of the SDG Agenda. The development and adoption of a comprehensive employment policy framework and paving the way toward local employment plans, is a priority for the Council of Ministers, in cooperation with the entity-level institutions with statutory responsibilities concerning employment and social policy.

Figure 8—BiH’s sustainable development pathways and accelerator areas

