

## **Key findings in progress report 2008 Bosnia and Herzegovina**

### ***Political criteria***

Bosnia and Herzegovina has made some progress in addressing political criteria during the first half of 2008. Beyond the developments that led to the signature of the Stabilisation and Association Agreement (SAA), the country continued implementing its public administration reform strategy and adopted a national plan for development of the justice sector. The State Court continued prosecuting war crimes, and trials have generally been held within a reasonable time frame and in compliance with internationally recognised principles. Municipal elections in October 2008 were conducted in accordance with international standards.

However, lack of consensus on the main features of state building, frequent challenges to the Dayton/Paris peace agreement, and inflammatory rhetoric have adversely affected the functioning of institutions and slowed down reform, in particular since the middle of this year. The authorities have not yet demonstrated sufficient capacity to take the necessary political ownership and responsibility. The role played by ethnic identity in politics hampers the functioning of the democratic institutions and the country's overall governance. No progress has been made as regards constitutional reform. Corruption remains widespread and is a serious problem.

### ***Economic criteria***

The economy of Bosnia and Herzegovina has continued to expand rapidly and the country made some, albeit uneven, progress towards becoming a functioning market economy.

Macroeconomic stability has weakened as a result of worsening trade balance, higher inflation and expansionary fiscal policy. The persistence of very high unemployment remains a major source of concern. Fiscal coordination was improved, however. The National Fiscal Council was inaugurated in early September.

The small and medium sized enterprises (SME) sector benefited from increased access to financing. However, the shift in the structure of production towards higher value added activities remained sluggish and the commitment to structural reforms remained uneven across the country.

Further considerable reforms must be pursued to enable the country to cope over the long term with competitive pressures and market forces within the Union.

### ***European standards***

As far as European standards are concerned, progress has been made in the fields of customs, taxation, agriculture, transport, visa administration, border management, asylum and migration.

However, the country needs to intensify its efforts in many areas, as free movement of goods, persons and services, employment and social policies, state aids, energy, environment and statistics. Improved results as regards the fight against organised crime, drug trafficking and money laundering are also necessary.