

BOSNIA AND HERZEGOVINA



HIGHLIGHTS

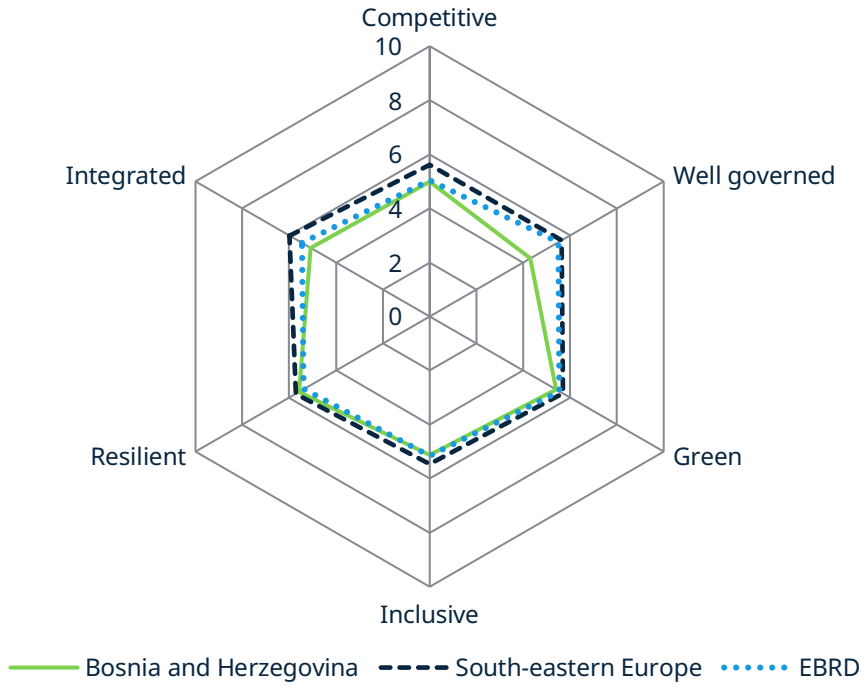
- **Economic growth slowed to 2.1 per cent in 2025, then accelerated slightly in the first half of 2026.** Growth continued to rely on household consumption, bolstered by rising wages and remittances, and on gross fixed capital formation. Services, particularly trade and hospitality, drove economic expansion, while industrial production declined for a third consecutive year.
- **The European Union (EU) Reform Agenda is approved.** In December 2025, following more than a year of delay, the European Commission approved Bosnia and Herzegovina's Reform Agenda under the EU Reform and Growth Facility for the Western Balkans. However, by October 2026, no reform steps had been completed or funds disbursed.
- **Federation Parliament adopts the Southern Gas Interconnection Law.** In April 2026, the Federation Parliament removed legal obstacles to the construction of a new gas pipeline linking the country to Croatia, aimed at strengthening energy security and supply diversification. The EU has flagged concerns over the project's direct agreement with the investor, stressing that implementation must align with Energy Community obligations and competition rules.

For more information about country macroeconomic developments, please consult our latest Regional Economic Prospects report.

KEY PRIORITIES FOR 2027

- **Accelerate implementation of the Reform Agenda and unlock Reform and Growth Facility funding.** The implementation of the Reform Agenda is one of the key opportunities to improve the business environment, raise investment and increase long-term growth.
- **Advance energy sector reforms and mitigate the impact of the EU Carbon Border Adjustment Mechanism (CBAM).** Priority actions include adopting the state-level electricity law, accelerating electricity market integration with the EU, implementing energy market liberalisation and introducing carbon-pricing mechanisms to mitigate the impact of the CBAM.
- **Address labour shortages and skills mismatches.** Priorities include strengthening vocational education and training, improving labour-market activation policies, expanding childcare, implementing the Youth Guarantee and better aligning education outcomes with labour-market needs.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

EU Reform Agenda

- After more than a year of delay, in December 2025 the European Commission approved Bosnia and Herzegovina's Reform Agenda under the EU Reform and Growth Facility. The delay cut the original allocation by 10 per cent to €976.6 million in grants and concessional loans.

1 From the fourth quarter of 2025 to October 2026.

- Implementation has remained limited: by October 2026, no funding had been disbursed, key preconditions for disbursement – including the required institutional arrangements and agreement ratifications – remained incomplete, and none of the 113 reform steps had been fully delivered. EU officials have warned that Bosnia and Herzegovina risks losing an additional €373.9 million by the end of 2026 if it fails to implement its Reform Agenda commitments and related reform milestones.

Amendments to the Southern Gas Interconnection Law

- The Federation Parliament adopted amendments to the Southern Gas Interconnection Law in April 2026, removing long-standing legal and institutional obstacles to a new gas pipeline linking Bosnia and Herzegovina with Croatia and alternative European gas supply routes.
- The revised framework expands planned pipeline routes, includes gasification of additional industrial areas and strengthens long-term energy security, though continued alignment with EU procurement, competition and state-aid rules will remain important as implementation proceeds.

Financial Action Task Force grey-listing

- In June 2026 Bosnia and Herzegovina was formally placed on the Financial Action Task Force "grey list" due to weaknesses in its anti-money laundering and countering the financing of terrorism (AML/CFT) framework. Key deficiencies included the absence of a beneficial ownership registry, gaps in preventive measures outside the banking sector and delays in legislation on targeted financial sanctions, asset recovery and confiscation.
- In late 2025 Bosnia and Herzegovina established a permanent state-level AML/CFT coordination body and adopted an AML/CFT rulebook in response to recommendations by the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). However, these measures did not address the remaining deficiencies in time to prevent the country's grey-listing.

Payment system modernisation

- In July 2026 the Central Bank of Bosnia and Herzegovina launched a TARGET Instant Payment Settlement (TIPS)-based instant payment platform and continued payment system modernisation in line with ISO 20022 standards.
- The project supports integration with European payment infrastructure, facilitates future Single Euro Payments Area (SEPA) accession, and reduces transaction costs and processing times for firms and households.

Republika Srpska public enterprise governance reform

- Republika Srpska has amended its Law on Public Enterprises to improve transparency, efficiency, cost-effectiveness and supervisory arrangements in state-owned enterprises, and has launched a public enterprise oversight unit, which has published its first monitoring report.
- The reform aims to strengthen governance and financial oversight in a sector long characterised by political influence, weak accountability and low productivity.

Asset declaration system for judges and prosecutors

- The state authorities established a new asset declaration framework for judges and prosecutors – one of the main rule-of-law reforms highlighted by the latest International Monetary Fund (IMF) Article IV consultation – introducing systematic disclosure requirements to strengthen judicial accountability.
- The reform is part of wider governance and judicial integrity efforts linked to EU accession, aimed at improving transparency and public confidence in judicial institutions.