SECTOR PLANNING DOCUMENT

BOSNIA AND HERZEGOVINA

EMPLOYMENT, EDUCATION AND SOCIAL POLICY

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# List of acronyms

|  |  |
| --- | --- |
| AD | Action Document |
| BiH | Bosnia and Herzegovina |
| BD BiH | Brcko District of Bosnia and Herzegovina |
| BHAS | Agency for Statistics of Bosnia and Herzegovina |
| CoM | Council of Ministers of Bosnia and Herzegovina |
| DEP | BiH Directorate for Economic Planning |
| GDPGFFBP | Gross Domestic ProductGlobal Framework for Fiscal Balance and Policies in Bosnia and Herzegovina |
| GNP | Gross National Product |
| EC | European Commission |
| EP | European Partnership  |
| EPALE  | Electronic Platform for Adult Learning |
| EQF | European Qualification Framework  |
| ERP BiH 2016-2018 | BiH Economic Reform Programme 2016-2018 |
| ESC | Economic and Social Council  |
| ETF | European Training Foundation  |
| EU | European Union |
| EUD | European Union Delegation to Bosnia and Herzegovina  |
| FBiHFMLSP | Federation of Bosnia and Herzegovina Ministry of Labour and Social Policy of Federation of Bosnia and Herzegovina |
| GIZ | German Society for International Cooperation |
| ISP | Indicative Strategic Paper |
| JICALFS | Japanese International Cooperation AgencyLabour Force Survey |
| MCAMFTMLV | Ministry of Civil Affairs of Bosnia and HerzegovinaMinistry of Finance and Treasury of Bosnia and HerzegovinaMinistry of Labour and Veterans of Republic of Srpska |
| ILO | International Labour Organisation |
| LFS | Labour Force Survey |
| NERPNIPAC | National Economic Reform ProgrammeNational IPA Coordinator |
| OSCE | Organisation for European Security and Cooperation  |
| PEFA | Public Expenditure and Financial Accountability Assessment  |
| PES | Public Employment Services |
| PIFC | Public Internal Financial Control  |
| PISA | Programme for International Student Assessment |
| PFM | Public Finances Management  |
| QF | Qualification Framework |
| QFBiH | Qualification Framework in Bosnia and Herzegovina |
| QF-EHEA | Qualification Framework of European Higher Education Area  |
| RS | Republic of Srpska |
| SIDA | Swedish International Development Agency |
| SPD | Sector Planning Document  |
| SAA | Stabilisation and Association Agreement  |
| USAID | United States Agency for International Development |
| UNFPA | United Nations Population Fund |
| UNICEF | United Nations Children’s Fund  |
| UNV  | United Nations Volunteers  |
| VET | Vocational Education and Training  |
| YERP | Youth Employment and Retention Project  |

PART I – SECTOR PROFILE

# SECTOR context

## Description and Analysis of Problems

In 2015, the labour market in Bosnia and Herzegovina (BiH) was characterised by high unemployment and inactivity of the working-age population. In comparison with all the countries in the EU and the region, BiH had the highest unemployment rate in 2014.[[1]](#footnote-1) According to the Labour Force Survey (LFS) for 2015, the country’s unemployment rate was 27,7%, while in 2014 it was 27,5%.[[2]](#footnote-2)



Table 1 - Source: LFS 2015, BiH Agency for Statistics (BHAS)

The significant difference between registered data on labour force and those based on the surveys indicates the existence of a rather large informal labour market.[[3]](#footnote-3) Furthermore, the labour market in BiH is burdened with exceptionally high share of long-term unemployed persons in the total number of the unemployed (who make about four-fifths of the total number of job seekers), along with the low employment and activity rates.[[4]](#footnote-4) There is a permanently great difference in the share of women and men in the labour market.

The unemployment rate for men is 25,8%, and for women 30,7%. The long term unemployment by structure date of the LFS indicates that women suffer more from long term unemployment than men: 29,7% of women have been unemployed 24-59 months compared by 27,2% of men; 20,9% of women have been unemployed for 120 months or more, compared to 19,9% of men.[[5]](#footnote-5) High unemployment rate among young population aged 15-24 is even more striking: 62,3% for 2015, 63,1% for 2014, as compared to 59% in 2013. Most unemployed youth are men though: out of 315,000 unemployed persons in BiH in 2015, 49,000 were young men and 31,000 young women.[[6]](#footnote-6)



Graph 1: Unemployed persons by duration of job search in months and sex – Source: LFS 2016, Preliminary data, BHAS

According to the IMF, the unemployment rate continues to be relatively unresponsive to changes in economic growth.[[7]](#footnote-7)

In order to understand better the current structure of education in the labour market, and the need for further harmonisation and improvement of the education systems in the service of employment, it is important to point out the following facts: according to the LFS 2015, educational structure of employed persons shows that 64% persons have completed secondary school, followed by 17,8% of those who have completed primary school or lower education level, and 17,6% of those with university degree. Educational structure of unemployed persons is as follows: 72,1% have completed secondary school, followed by 17,5% with primary school or lower education and 10,4% of those with university degree.

In 2015, the percentage of the working age population by educational attainment disaggregated by gender in BiH is as follows:



Graph 2 - Source: LFS 2015, BHAS

Bellow table presents rate of unemployed persons by highest level of educational attainment and sex:



Table 2 - Source: LFS 2015, BHAS

Most unemployed in BiH are those who have completed secondary school and specialisation, followed by primary school or lower education. University degree graduates have constantly been having the lowest unemployment rate.

In sum, structural challenges on the labour market continue to hamper job creation, so there is an urgent need to eliminate obstacles to employment, improve labour market flexibility, and increase participation rates, particularly of youth and women.[[8]](#footnote-8) The BiH Reform Agenda (hereafter also referred to as Agenda), adopted by the Council of Ministers of BiH (CoM), the Government of Republic of Srpska (RS) and the Government of the Federation of Bosnia and Herzegovina (FBiH) in July 2015 [[9]](#footnote-9), therefore focuses on a socially just and stable economic growth primarily through job creation (employment) and increased and better targeted distribution of social benefits - all in the context of the new approach of the European Union (EU) to economic management in the Western Balkans[[10]](#footnote-10). The Reform Agenda's goal is also to contribute to the fulfillment of economic aspects of the Copenhagen Criteria related to the establishment of a functional market economy, and to the country’s capacity to cope with competitive pressures within the Union.[[11]](#footnote-11) The IMF’s Staff Report notes that policies of BiH authorities should focus, inter alia, on job creation and that strong Reform Agenda implementation, combined with external support, would help accelerate job creation in BiH.[[12]](#footnote-12)

For this Sector Planning Document (SPD), two of six mid-term strategic areas of action within the Agenda are important: (i) labour market and (ii) reform of social protection and pensions. These two strategic areas of action have a common link, and that is creation of new jobs, increasing employment and improving of social situation of the population. Therefore, this SPD sees employment as the strategic goal of authorities in BiH. This is also supported by the analysis in the 2015 National Economic Reform Programme (NERP), adopted in February 2015 by the CoM.[[13]](#footnote-13) The country’s labour market is seen as an area for structural reform[[14]](#footnote-14) and proposed reform measures refer to the education systems, inclusive employment and dialogue with social partners. In addition, the BiH Economic Reform Programme 2016-2018 (ERP BiH 2016-2018)[[15]](#footnote-15) treats employment and labour market as one of the priority reform areas.[[16]](#footnote-16)

BiH authorities have set the objective of better matching education with labour market needs as one of it key policy priorities. Furthermore, education is expected to bring about inclusiveness as well as correspond to the needs on the labour market. Legal and strategic documents at the State, entities and cantonal level and Brcko District of BiH (BD BiH) have created prerequisites for the modernisation and integration of education systems in BiH into the European education space, as well as for the creation of a framework of education that will correspond to the needs on the labour market and improve employment prospects. The CoM of BiH adopted the BiH Baseline Qualifications Framework based on the European Qualifications Framework 2011 and, in 2015, an Action Plan for Drafting and Implementation of the Qualifications Framework in BiH (2014-2020). In addition, in 2014, the CoM adopted two important documents in the adult education/lifelong learning, thus creating preconditions for regulating lifelong learning[[17]](#footnote-17).

The priority of BiH is to reform vocational and higher education. The priority for all the higher education institutions for the coming period is to develop study programmes based on set of learning outcomes. As for the vocational education, the priority is introduction of quality assurance system. All priorities are closely related to establishing links with employment. It is also necessary to improve conditions for performing practical teaching processes (equipment of laboratories/workshops), establish school partnerships with employers, motivate them to take in trainees, and to strengthen professional training of teachers. In addition to the aforementioned, it is necessary to strengthen the institutional autonomy of universities, and scientific research institutions, and ensure stronger links between higher education and labour market.

With a view to strengthening the mobility of pupils, students and teachers, in June 2014 BiH signed an international agreement on partial participation in Erasmus+ programme. At this stage, in addition to the higher education programme, the youth mobility programme, Jean Monnet, and some projects in higher education, skills in secondary vocational education and training (VET), BiH has accessed and started activities in the European education networks and platforms: Eurydice and European Qualifications Framework (EQF); IT platform (e-twinning platform-portal for international cooperation, development of teachers and non-teaching staff from pre-school to secondary education), EPALE platform (Electronic Platform for Adult Learning in Europe) and European Agenda for Adult Learning.[[18]](#footnote-18)

In addition to the aforementioned, the application of the Gender Equality Law in BiH is obligatory in all spheres of society, including labour market, education, and social policy.

The issues of gender equality relate to both women and men, but in the case of employment, education and gender, women face particularly difficult situation in this area. BiH does not have a comprehensive recent data series on education attainment by sex, but the LFS contains a detailed set of data on labour force by educational attainment by sex (see table 3 below). The data indicates that, women have been representing approximately 39% of BiH labour force in the period of 2013-2015.



Table 3 - Source: LFS 2015, BHAS

In conclusion, key challenges in the area of labour market include: insufficiently strong and employment-rich growth; weak labour market functioning and performance, particularly for groups most vulnerable on the labour market; low activity and employment rates (especially for women); high unemployment (particularly youth and unskilled labour force); low level of labour force mobility; high level of long-term unemployment; high levels of undeclared work; inadequate human resources development; limited capacities of labour market institutions and employment policies; and weak social dialogue in the area of employment. The BiH 2015 Report also supports the aforementioned.[[19]](#footnote-19)

 It is important to emphasise that goals and tasks of this SPD are closely linked to the fulfillment of the priority measures of SPD Competitiveness, Innovation: Local Development Strategies, as these will help creating conditions for economic growth and new jobs.

The purpose of this document, SPD Employment, Education and Social Policy, is to provide a strategic framework for the planning and programming of IPA II in BiH in the employment sector.

Key problems in need to be addressed, which will be the focus of this SPD, include:

* High unemployment rate, especially of youth, women and long-term unemployed;
* Weak capacities of labour market institutions and employment services to effectively implement active labour market measures in the process of reform of employment bureaus;
* Ineffective and/or insufficient active labour market measures: Most of the registered unemployed are youth, long-term unemployed, persons with disabilities and other vulnerable groups, but due to the limited financial resources it is not possible to include all of them in active labour market measures, so this influences to the effectiveness of measures; and
* Insufficient cross-sectoral systemic approach to transition from education to labour market, especially in the area of adult education.

In tackling the above identified problems, SPD Employment, Education and Social Policy focuses on proposing interventions that will ensure growth in the number of employed persons in BiH through activities in the area of education and creation of inclusive employment, and mitigation of effects of decrease of existing jobs. The SPD will provide guidance and define actions to: (i) ensure growth in employment in BiH, and (ii) improve the education systems in BiH to be in line with labour market needs, as well as those that will increase human capital and social inclusion.

In accordance with the existing laws and regulations active employment policies are implemented by the Federation Employment Institute and cantonal employment services in the FBiH, the Republic of Srpska Employment Institute and the Employment Institute of the BD BiH. When implementing active employment policy measures, employment institutes and services pay special attention to programmes intended to improve the employment of vulnerable groups. Active employment measures most frequently support the transition from unemployment to work through education programmes and/or trainings, acquiring work experience in the workplace, public works, as well as to employment of certain categories of unemployed persons or by encouraging self-employment.

Still, there is a need to strengthen labour market institutions and employment services and further develop capacities to implement more effectively active labour market measures.[[20]](#footnote-20) Passive labour market measures prevail over forms of active measures,[[21]](#footnote-21) since entity governments and public employment services lack administrative and financial capacities to implement comprehensive set of active labour market measures.[[22]](#footnote-22) They are furthermore overburdened with number of registered beneficiaries not seeking job actively.

In order for education outcomes to successfully respond to current and future skills requirements of the labour market, there is a need for modern education institutions with sufficient autonomy capable of providing education and training for various groups, which should also aim to achieve better social inclusion and social cohesion. In most institutions in BiH this is only partially achieved. It is therefore necessary to further build institutional and human resources capacities able to respond to the needs of the population facing the risk of social exclusion, most notably when entering the labour market. This requires a coordinated cross-sectoral cooperation (labour and employment, education, employers, social partners, etc.), and capacity building in ministries and institutions in charge of human resources development. In this context, the development and implementation of adequate qualifications framework and establishment of the system of quality assurance at all levels of education, as well as easier recognition of qualifications are the priorities that will directly contribute to the development of human resources. Consequently, this should be the focus of future EU's support as well.[[23]](#footnote-23)

In the area of social dialogue, there are Economic and Social Councils at the entity level as well as in some cantons in the FBiH, but the State-level Economic and Social Council is not in place due to the absence of a legal framework for the recognition of social partners at the national level.[[24]](#footnote-24)

It is important to note that competencies in the area of social protection are at entity and cantonal levels, which leads to significant territorial differences and discrepancies in allocation of benefits and provision of services, depending on where the user lives. For example, the amount of child allowance differs greatly between cantons in the FBiH, which leads to the perception of injustice.[[25]](#footnote-25) Financing of services for social protection is uneven, as funding of social protection providers depend on economic situation in a particular region (cantons or municipalities), which puts beneficiaries of social protection rights and services in an unequal position. The implementation of legislative framework in the area of social protection remains weak. Due to financial constraints at all levels of government, certain social protection rights provided by the social protection legislation are not implemented in practice, i.e. certain payments are not made, or else reduced amounts are paid depending on available funds.[[26]](#footnote-26)

Services for social protection do not have sufficient capacities to assess the needs of the vulnerable, nor financial resources to provide adequate support.[[27]](#footnote-27) The efficiency of services for social protection is significantly conditioned by the absence of harmonised social protection policies, as well as the absence of institutional capacities for the evaluation of needs of vulnerable categories of citizens.[[28]](#footnote-28)

## SWOT Analysis

|  |  |
| --- | --- |
| STRENGTHS analysis  | WEAKNESSES analysis |
| Institutional framework* Developed institutional capacities (competent institutions) within the sector
* Existence of strategic development plans and action plans
* Established cooperation and coordination with domestic and international institutions/organisations and its continuous improvement
* Existence of competent institutions, relevant legislation and mechanisms for implementation at entity and BD BiH levels
* Established social dialogue through economic and social councils at entity level
* There is political support for reform processes within the sector through the Reform Agenda

Human resources* There are human resources with adequate qualifications
* Established systemic support for improvement of human resources
* Adequate capacities of NGOs acting informally in the areas of education and social protection
* Great potential of labour force in BiH

Processes* Developed policies in the area of education
* Regulations harmonised with international and EU standards
* Improvement of procedures within public employment services is under way
* Developed statistical data in the area of employment and education
* Existing level of statistical monitoring in relevant areas satisfactory
* Existence of relevant strategic documents and initiatives
* Development of employers’ initiatives for organisation and implementation of programmes of practical training, additional education, and re-qualification of pupils and adults
* Significant number of international documents related to the sector ratified
* Existence of relevant legal framework for the functioning of the sector
* Key directions of reforms are defined in Action Plans of the Reform Agenda and EU considers them relevant and satisfactory
* There are strategic documents at entity level
* Decisions on the course of reforms processes in line with European standards
* Improvement of the system of life-long learning
* Continuation of the process of harmonisation of regulation related to labour market policy in the areas of labour, employment and education, which will enabling vertical and horizontal mobility of pupils, students, teaching staff and labour force
* Introduction of standards and procedures for certification of providers of adult education
* Recognition of previously acquired knowledge through development of qualification framework for life-long learning

Infrastructure* Existing level of sector infrastructure
 | Institutional framework* Undeveloped public-private partnership in the sector
* Educational systems is not sufficiently adapted to labour market
* Complex mechanism of institutional coordination in FBiH
* Insufficiently developed labour market
* Insufficiently defined needs of labour market
* Structural rigidities still harm creation of new jobs
* Lack of comprehensive cost assessment of the reform and its sources of financing
* Nonexistence of reform programme for public finances management
* Insufficiently defined standards of representativeness of social partners at all levels of government, except RS
* Social rights and accompanying services are defined more according to status than to needs and are differently regulated in terms of conditions for realisation of rights and their scope in the FBiH (e.g. social assistance, children benefits, etc.)
* Poorly developed social entrepreneurship
* Limited capacities of labour market policies and institutions
* Insufficient or non-existent harmonisation of the laws on secondary vocational education with the Framework Law (in 3 cantons) and inadequate legal arrangements
* Inadequate mechanisms of cooperation between educational institutions and employers
* Insufficient harmonisation of enrolment policy in secondary and higher education with the needs of labour market; and of curricula and syllabi with the needs of employers
* Lack of practical training and practical work

Human resources* Lack of specialised staff in the social sector, and lack of programmes of professional advancement of professional staff in the education, employment, and social policy sectors
* Lack of horizontal skills (foreign languages and other skills) of employees
* Lack of available professional training to that enable development of family business and self-sustainability of household (hoopers, tinkers, stone masons, woodcutters and glasscutters, etc.)
* Inadequate labour force (not corresponding to labour market, lacking necessary knowledge)
* Substantial number of registered unemployed persons are actually working in informal economy
* Difficult employment of vulnerable groups
* Low general educational results of population with great gender gap
* Insufficient social inclusion of vulnerable groups faced with special challenges in terms of integration into the labour market
* Low activity and employment rates (particularly for women); high unemployment (particularly for youth in rural areas and unqualified labour force)
* Poor labour force mobility
* Insufficient level of information about the possibilities of use of the EU support programmes
* Insufficiently developed capacities of agencies for employment
* Poorly developed entrepreneurial skills of pupils and students

Processes* Insufficient effect of active employment policies on increase in employment (not enough new jobs are created in BiH)
* Lack efficient mechanism for ensuring the implementation of laws and strategic documents (insufficient implementation ‘on the ground’)
* Lack of harmonisation of legislation/procedures in education, including qualification recognition
* Lack of funds for the implementation of programmes of additional education and re-qualification, training and additional training in the professions sought by the market
* There is no strong influence of employers in relation to enrolment in secondary vocational schools or higher education institutions
* Unregulated area of professional orientation
* No strategy/ies of development of schools in local communities
* Undeveloped system of statistical reporting in education and undeveloped monitoring in line with current indicators
* Insufficiently developed instruments/tools for evaluation of quality of education at all levels
* Non-existence of instruments for monitoring of labour market needs
* Lack of continuous programmes of vocational training of the employees of the sector
* Conditions on the labour market are still difficult (lack of new jobs, market rigidities, etc.)
* Slow and inefficient implementation of reform processes
* Lack of adequate programmes and training that would be available to youth to acquire skills and qualifications for easier access to labour market
* Lack of planning of social development of the sector at local level
* Lack of monitoring and evaluation of interventions on the labour market (poor measuring of effects of undertaken activities)
* Lack of available active measures of labour market for long-term unemployed and other vulnerable groups (disabled, youth, unqualified labour force, Roma, refugees, and IDPs)
* Adequate support for implementation of active employment measures (re-qualification, additional qualification and training, etc.) is needed
* Lack of jobs offered on the labour market

Infrastructure * Lack of practical training at all levels of education (necessary equipment for performing practical training and educated teaching staff)
* Insufficiently developed material and technical equipment
* Need to develop the existing Information and communication technologies structure to support faster implementation of reform processes
* Insufficient number of big investments and companies that can employ a great number of people, and insufficient number of SMEs
* Lack of programmes of stimulation of enrolment of pupils for professions sought by the labour market (scholarships, promotion of professions with untapped potential, etc.)
 |
| OPPORTUNITIES analysis ( Infrastructure N/A) | THREATS Analysis  |
| Institutional framework* Establishment of public-private partnership
* Possibility of cooperation with civil sector in the region
* Improvement of social dialogue
* Human resources
* Diaspora (inflow of significant remittances from abroad, human resources, etc.)
* Strengthening of administrative and financial capacities for implementation of labour market measures in entities, cantons and BD BiH
* Self-employment as one of the ways to solve the problem of unemployment in BiH
* Expertise in development of education provided by NGO for children with special needs
* Bilateral support of governments of neighbouring countries related to studying abroad
* Regional, European and global cooperation in the area of education

Processes* Availability of EU support programmes (ERASMUS+, Horizon 2020, CEEPUS – multilateral exchange programme, etc.)
* Existence of donor funds (project activities)
* EU accession process
* Regional cooperation (agreements with other countries of relevance for the sector)
* Exchange of experiences with the countries of the region and the EU (examples of good practice)
* Recovery of world economy
* Increase of economic activities
 | Institutional framework* Curricula done on the basis of available teaching staff, and not in line with labour market needs
* Negative political impact on the implementation of reform processes
* Incomplete legislation and poor implementation of the existing legislation
* Insufficient institutional memory
* Priority given to secondary education is inadequate for job creation
* Slow development of SMEs on the market
* Insufficient budgetary allocations and budgetary restrictions for the implementation of reforms including for adequately addressing potential negative results of reforms

Human resources * Aging of population
* Youth and highly qualified people going abroad due to lack of jobs (brain drain)

Processes* Lack of offer of new jobs
* Reduction of economic activity
* High corruption index
* Informal economy
* Uncritical acceptance of international obligations
* Poor links between businesses and educational institutions
* Lack of continuity in the implementation of reforms in education systems

Infrastructure* Reduced donor support to the sector in terms of infrastructural needs
 |

# 2. SECTOR APPROACH ASSESSMENT

## 2.1. Assessment Criteria

### 2.1.1. Sector Policies and Strategies in BiH

Until 2014, the employment and labour market policies at State level were based on the *BiH Employment Strategy 2010 – 2014*. The *BiH Employment Strategy 2010-2014* [[29]](#footnote-29) was produced by a Coordinating Committee under the guidance of the BiH Ministry of Civil Affairs (MCA), involving governmental institutions at State, entity and BD BiH level, as well as representatives of workers’ and employers’ organizations. It foresaw to improve the full, productive and freely chosen employment for all workers, increase the quality and quantity of jobs, while at the same time promoting social inclusion and fight against gender inequality. It provided only policy orientations without entering into the practical details of how the policy is to be implemented and it is left to the entities and to formulate policies and programmes to implement it.

The Strategy specified three general targets to be met by 2014: (i) Annual increases in employment rates of 2%; (ii) Annual increases in female employment of 2.5%; and (iii) A reduction in youth unemployment to 30%, however, there is no analysis how the desired targets will be met. Financial resources were planned by three sub-national constituent parts responsible for implementing labour and employment measures. The FBiH adopted its Employment Strategy 2009-2013 and Employment Action Plan for the period 2010-2013, and the Republic of Srpska adopted an Republic of Srpska 2011-2015 Employment Strategy accompanied with annual employment action plans. In both cases these served as a reference for the entity level. They contain similar general considerations, but the two entity-level documents place different emphasis on specific policy aspects. The entity-level strategy documents contain explicit targets regarding both overall improvements expected from the strategy, as well as (particularly in the case of the FBiH) fairly detailed individual targets for each specific intervention. Common to all strategies is that they were not budgeted, no medium term expenditure (MTEF) and performance management frameworks (PAF) were prepared, and only limited sector and donor coordination was available.

Given that the *BiH 2010-2014 Employment Strategy* has expired, the development of BiH Employment Strategy for the Period 2016-2020 has been initiated in accordance with international labour standards, the European Employment Strategy 2020, South East Europe 2020 Strategy, and other requirements related to European integration process. The new strategy aims to define policies and guidelines pertaining to economic growth, accompanied by employment, human resources development and labour market management. Similarly, the Employment Strategy in the Republic of Srpska for the period 2016-2020 has been drafted in line with the same international labour standards. The document represents a follow-up of the goals set in Republic of Srpska 2011-2015 Employment Strategy.[[30]](#footnote-30) In FBiH, the Strategy of Mediation in Employment is currently being implemented.[[31]](#footnote-31) The said Strategy was prepared in cooperation with the key stakeholders, and beneficiaries of services of the PES: unemployed persons and business sector have been consulted.

*Strategic Directions of Education Development in BiH with the Implementation Plan 2008-2015*[[32]](#footnote-32) provided directions for the development of education in BiH until 2015. The document has provided a framework for the development of specific strategies for different levels and types of education. In March 2011 the CoM adopted the document *Basics of Qualifications Framework in BiH*[[33]](#footnote-33), to cover all levels of education, development and establishment of the qualifications framework in BiH, based on the European Qualification Framework (EQF) and providing important directions for lifelong learning and linking education and the labour market in a meaningful way. In 2013, the Commission for a Qualifications Framework was established, with a mandate to prepare an action plan for the development of a qualifications framework in BiH, which was adopted by the CoM in February 2015. The Action Plan for the Development and Implementation of the Qualifications Framework in BiH 2014-2020 is the agenda for all the major activities for the development of the Qualifications Framework for all institutions and individuals, who will, in accordance with their respective competences, be involved in the development and implementation of the Qualifications Framework.

In addition, in 2014 CoM adopted two important documents:

1. Principles and Standards in the Field of Adult Education in BiH[[34]](#footnote-34), which is based on international and European principles and standards of adult education. The document represents agreed framework for the relevant educational and other authorities in BiH to act in accordance with their respective constitutional and legal competencies, develop, implement and coordinate policies and legislation on adult education, monitor, evaluate and discuss the situation in this area and agree, propose and take measures for its improvement; and
2. Strategic Platform of Adult Education Development in the Context of Lifelong Learning in BiH, for the Period 2014-2020 (Platform)[[35]](#footnote-35), which points to the contribution that lifelong learning/adult education should give to the socio-economic recovery, more job opportunities and competitiveness in the knowledge market, as well as increased mobility and professional flexibility of the individual. The Platform is a tool to tackle key social and economic problems in BiH.

Also, seven strategic documents necessary for further implementation of the Bologna Process in BiH, have been adopted.

*The Entrepreneurial Learning Strategy in Education Systems in BiH 2012-2015* with the Action Plan[[36]](#footnote-36) isin line with the EU documents: the EU Small Business Act, Europe 2020 Strategy, South East Europe 2020 Strategy. Follow up document, once revised It promoted entrepreneurship as an entry point to labour market, and included measures for training and mentoring, strengthening of entrepreneurial education in schools and universities, and promotion of entrepreneurial spirit amongst young people.

Institutions in BiH made an excellent effort in the field of the education, employment and social policy by preparing a draft strategic overarching document *Vision for Skills 2020* (Vision) intended for consideration by the CoM in 2016. The process of developing the Vision was preceded by preparations and consultations with key stakeholders in BiH. The Vision statement is defined in a way that combines the development orientation of relevant institutions as formulated in strategic documents, and reflects the principles of smart, integrated, inclusive and sustainable development underlying strategic documents Europe 2020 and South East Europe 2020: Jobs and Prosperity in the European perspective. The Vision was the result of the analysis and work undertaken by the FRAME Initiative in BiH funded under the 2013 IPA Multi-beneficiary envelope. The strategy covers five main priorities, including improved institutional and policy capacities. It comprises objectives, actions, and proposal of indicators and represents an approach, which will potentially complement the Action Plan for the Qualifications Framework (see above) by providing a programme of labour market priorities that will reinforce those underway in education. Inter-sectoral groups representing all jurisdictions in the country prepared the Vision, which means that since October 2014 key stakeholders cooperated in education reform processes and activities that have the potential to steer policies in vocational education and training and the labour market in parallel directions with a common agenda. It should also be noted that the Conference of Education Ministers in BiH supported the *Priorities for the Development of Higher Education in BiH for the Period 2016-2026*, as well as the manual for drafting the qualifications and occupational standards in higher education.

Furthermore, the following documents have been adopted by:

1. FBiH: Strategic Directions of Higher Education Development in the FBiH from 2012 to 2020 - Synergy and Partnership; Programme of Measures to Fight Corruption in Higher Education in the FBiH – Transparency, Legality and Compliance with Procedures for a Better Higher Education; Operational Plan of Activities to Implement the Measures and Recommendations Contained in the Analysis of the Situation in the Area of Secondary Education with a Proposal of Measures for Harmonisation of Education with the Needs of the Economy in the FBiH; Strategic Directions of Development of Career Orientation in the FBiH for the Period 2015-2020; and The Strategic Plan for Improving Early Development of Children in the FBiH (2013-2017);
2. Republic of Srpska: The Republic of Srpska 2015-2020 Education Development Strategy[[37]](#footnote-37), and
3. BD of BiH: Programme of Higher Education Development in BD BiH for the Period 2010-2019, Development Strategy of BD BiH 2008-2017; and General Policy of BD BiH 2013-2016.

In the area of social policy at the State-level, there are no strategic and/or action documents.[[38]](#footnote-38) The Development Strategy and Social Inclusion Strategy at the State-level and in the Republic of Srpska have not been adopted by CoM yet.[[39]](#footnote-39) BiH adopted the document called *Disability Policy in BiH*[[40]](#footnote-40) and Information on the Activities of the Council of Europe to Improve the Situation of People with Disabilities.[[41]](#footnote-41) This document is related to the Action Plan of the Council of Europe aimed at promoting full participation of persons with disabilities in society: Improving the Quality of Life of People with Disabilities in Europe 2006-2015. Based on it, the following strategies have been drafted at the entity level: Strategy for Improving the Social Status of Persons with Disabilities in the Republic of Srpska 2010-2015[[42]](#footnote-42) and Strategy for the Equalisation of Opportunities for Persons with Disabilities in FBiH 2011- 2015.[[43]](#footnote-43) At present, new strategic documents in the fields of disability are under preparation in both entities: in the FBiH for the period 2016-2021, and in the Republic of Srpska for the period 2016-2026. EU Delegation to BiH is in the process of contracting an analysis of the social entrepreneurship sector in BiH, with a view of identifying key obstacles to development of social entrepreneurship in BiH and proposing new social entrepreneurship models for Bih.

BiH 2015 Report identifies number of obstacles that BiH needs to address in order to tackle high unemployment, notably youth unemployment and provision of effective support to job seekers. Thus, the Report welcomes the adoption of the Reform Agenda, but also calls for its successful implementation. BiH authorities have accelerated the rhythm of reform implementation in the labour market sector and in line with the activities set out by the Action Plans for Implementation of Agenda. Both BiH entities have adopted the new *Labour Laws*[[44]](#footnote-44). Nevertheless, the majority of measures of Agenda are of legislative nature and it is difficult to assess their impact on the labour market outcomes after such a short period of time.

Taking into consideration that the entry criteria for approval of a Sector Reform Contract (SRC), envisaged under Action 2 of this SPD for the employment, education and social protection sector under IPA 2017 is existence of a coherent and meaningful sector policy that is in place and/or being prepared, the first steps indicating good progress in this field have materialised.

The CoM adopted Information on possibilities to utilise Sector Budget support in the framework of IPA II on 27 June 2016, with an outline of the sector strategic documents needed for IPA II together with related conclusions. According to this document, MCA was tasked to initiate the process of preparation and adoption of the new *BiH Employment Strategy 2016 -2020* and the adoption *of Vison for Skills 2020* by CoM.

Considering that Agenda was developed by the BiH and entity authorities in response to the most important challenges resulting in high and persistent unemployment, it can be conclude that the envisaged reforms in the labour market and employment sector are highly relevant and represent the top priority of national and sub-national governments and suitable for SBS. Furthermore, given that the new strategic framework, which will be assessed in the context of eligibility for SBS, is to be adopted in 2017, the proposed SRC (Action 2) may require some revision in future.

### 2.1.2. The Institutional Structure, Leadership and Capacities

Under the Constitution of BiH, areas of labour, employment and social policy are the competencies of relevant entity and BD BiH bodies.[[45]](#footnote-45) MCA is responsible for carrying out the tasks and discharging duties, which fall within the State-level competencies in the areas of labour, employment, education, social protection and pensions and those relating to defining basic principles of coordination of activities, harmonising plans of the entity authorities and defining strategies at international level. Labour and Employment Agency of BiH provides coordination of activities of employment institutes of entities and BD BiH.

The Ministry of Labour and Social Policy of the FBiH and the Ministry of Labour and Veterans of Republic of Srpska are competent for the adoption and implementation of legislation, implementation of the entity strategies, implementation of donors’ and IPA projects in the area of labour and employment. In the FBiH, there are cantonal ministries for labour and social policy.

Public Employment Services (PES) are organised at entity and BD BiH levels, and further decentralised at cantonal level in case of FBiH. The Employment Institute of FBiH coordinates the activity of the 10 cantonal PES, whose functions and competencies regulated by the Law on Mediation and Material Security of Unemployed Persons of the FBiH[[46]](#footnote-46). As an exception, the Sarajevo Canton, Canton 10 (Livno) and the Una-Sana Canton have their own employment legislation, which is however harmonised with the FBiH one. All cantonal PES are under the responsibility of Cantonal Assembly. In Republic of Srpska, the structure is composed of the Employment Institute of Republic of Srpska that has 6 regional offices and 56 local branch offices. In BD BiH, the Employment Institute is a department affiliated to the Mayor’s Office.

The entity PESs are involved in the overall coordination and methodological development, while local offices are mainly in charge of implementing the active and passive labour market policies. More details about the institutions in this area can be found in *Annex 1*.

In accordance with the constitutional setup of BiH, the area of education is in full and undivided responsibility of the Republic of Srpska, the ten cantons in the FBiH and BD BiH, thus requiring a high degree of coordination at the State-level.

Each entity has its own Ministry of Education, i.e. Department in BD BiH; education laws, education budgets, education policy and all the other rights and obligations arising from the mandate of the competent education authority. They are responsible for the organisation and functioning of education in their respective areas. In FBiH, the Ministry of Education and Science has a coordination role of the cantonal ministries of education. This ministry has a budget for education, but it primarily uses the budget for ensuring the right to education.

In addition to these institutions, the education sector consists of nine pedagogical institutes[[47]](#footnote-47) and three agencies at the State level: Agency for Pre-school, Primary and Secondary Education, Agency for Development of Higher Education and Quality Assurance, and Centre for Information and Recognition of Qualifications in Higher Education.

Pedagogical Institutes are in charge of professional monitoring of educational institutions, i.e. development of curricula, affirmation of new approaches and methods in the educational process, organisation of trainings for teachers, school principals, and other activities that fall under their competency.

Capacities for the implementation of the sector policy goals and the gradual approachment to the EU integration requirements, and relevant standards have been continuously developed in the period since the reforms of 2000. The capacity development of the different institutions in each sub-sector have been strengthened through the application of national targeted funds, but also, to an important extent, through the institutional building strand under IPA I.

The SIGMA Baseline Measurement 2015[[48]](#footnote-48) has been conducted to, *inter alia*, assess the horisontal institutional capacities. The main findings of SIGMA Baseline Measurement 2015 are in line with findings of the BiH 2015 Report and indicate that further efforts are required in introducing the principle of merit-based recruitment and promotion, although it is enshrined in law. Also, efforts are needed to address system complexity and inefficiency of Human Resources Management.

Furthermore, among the more important horisontal developments would be the adoption of the new *Public Administration Framework for period 2016-2020* that addresses the need for further reform of public administration. Significant progress regarding PAR is expected through implementation of the IPA 2015 funded *Action on Support to the Public Administration Reform*. A separate, but relevant, reform concerns public finance management, which is, since 2006, one of the pillars of PAR Strategic Framework and which will be further detailed in national PFM reform programme.

SIGMA Baseline Measurement 2015 was followed with SIGMA Monitoring Report in 2016 (draft available). The Report is focused on four principles for the public service and human resource management: scope of the public service and legal framework and the professionalism of the public service in recruitment and dismissal of personnel, including senior civil servants. Report identifies that there has been no progress against the key short-term recommendations of the SIGMA 2015 Baseline Measurement Report.

A detailed review of institutional arrangements and capacity assessment was carried out by the *ETF Frame* project in 2014, and has resulted in developing *Vision for Skills 2020*. The review identified gaps, drawbacks, and challenges that still exist in institutional arrangements that prevent optimal implementation of the agreed Vision and strategies. The review focused on assessing capacities related to five institutional abilities for the sector policy cycle: (i) stakeholder engagement and coordination, (ii) policy design including analysis, (iii) financial planning and budgeting, (iv) policy delivery and, (v) monitoring and evaluation, including reporting and learning. Review resulted in a capacity building plan, which is reflected in the measures and priorities of *Vision for Skills 2020*.

Separately, in the field of labour and employment, main issues relate to the capacity at the policy-making and implementation level. There was no significant progress in the establishment of an Economic and Social Council at the State level of BiH while such councils exist at entities level, as well as in some cantons in FBiH. This issue has been recognised explicitly in the employment strategies themselves and steps are being taken to build capacity in the sector?, in particular with the support of the ILO.

The lack of adequate capacity also concerns the institutions responsible for formulating and implementing employment policy. and again reference to it is explicit in the *BiH Employment Strategy 2010-2014*. Much of the thrust of EU and international agency involvement, at the level of both policy formulation and implementation, has been concerned with the capacity building. A significant part of the employment-related projects sponsored by the EU and other international agencies has been directed towards developing the capacity of employment institutions and PES.

Despite the fact that active labour market policies targeting youth employment (particularly first-time job seekers) as well as long-term unemployment are in place, their implementation requires more efforts.

However, low capacities of PES in BiH, as bearer of active employment measures, slow down the successful implementation of the above policies. As a result of the donor funded projects, the PES have also become significantly more involved in offering job placement services to the unemployed as well as in running active labour market programmes. At the same time, the ongoing efforts of EU and other international agencies are also focused on continued capacity building in this field. Currently, the EU Delegation to BiH is in the process of formulating preparatory actions aimed at strengthening effectiveness and efficiency of PES by carrying out detail functional review of PESs. The needs assessment will be made complementary to functional review and will focus on infrastructure and IT requirements and other logistical aspects of PES.

It should also been noted that ISP identified an additional layer of capacity problems related to limited dialogue between institutions in charge of education and employment: This further complicates the perspectives of the unemployed.

Furthermore, the Torino Process 2014 states that the institutional capacities for the effective implementation of the qualifications framework in BiH remain an important challenge. The Basis of the Qualification Framework (BQF) stipulates establishment of Commission for a Qualifications Framework, with a mandate to prepare an action plan for the development of a qualifications framework. Originally, this Commission met only in early 2013. It has 19 members representing the relevant agencies, ministries and the social partners, and is coordinated by the MCA. The inter-sector committee has been supported by the EU VET IV project, the EU project on adult learning and higher education and the ETF, and should build on the achievements of current VET and higher education initiatives.

The CoM adopted a *Decision on Establishment of the Council for Persons with Disabilities*[[49]](#footnote-49), as a permanent, professional, advisory, and inter-sectoral coordinating body of the CoM. This Council consists of 20 members. One-half of the representatives are from the following levels of government: State, entities and BD BiH, and the other half consists of representatives of organisations of persons with disabilities from entities and BD BiH. The entities have also set up the these two funds: the Fund for Professional Rehabilitation and Employment of Persons with Disability in FBiH and the Fund for Professional Rehabilitation and Employment of Disabled Persons of Republic of Srpska.

### 2.1.3. Sector and Donor Coordination

According to Article 15 of the Law on Ministries and Other Administrative Bodies of BiH,[[50]](#footnote-50) MCA is competent for performing the tasks of defining basic principles of coordination of activities and harmonisation of entity plans, inter alia, those in the areas of employment, education and social protection. Thus, for example, representatives of State and entity institutions in the area of labour, employment, education, finance, agriculture, economy and entrepreneurship, Employment institutes and entity social partners took part in the development of the *Employment Strategy in BiH 2010-2014*. On that occasion they discussed common problems and measures to address them in the area of employment. Monitoring and evaluation of the implementation of the Strategy is carried out by the competent entity ministries of labour and employment and the competent department of the Government of the BD of BiH.[[51]](#footnote-51)

MCA ensures coordination of mutual activities of entity ministries and BD, while Labour and Employment Agency of BiH provide coordination of activities of employment institutes of entities and BD. Their role as coordinators is essentially one of collecting and collating information from the entities and submitting it to international bodies to fulfill reporting requirements. In accordance with the adopted ILO Convention No. 144 on tripartite consultations to promote the implementation of international labour standards, BiH reports on the implementation of international labour instruments, new international labour instruments and numerous other materials are submitted to social partners for opinions and suggestions.[[52]](#footnote-52)

Competencies in the areas of employment, education and social protection, including legislative, strategic planning, supervisory, coordinating and operational-implementation competencies are regulated in the laws and regulations of entities, the BD BiH, and cantons in the FBiH. There is a mechanism of coordination between the governmental institutions, as well as with the non-governmental actors. In this sector, an arrangement has been established for donor coordination. The MCA, the Office of the High Representative and EU Special Representative in BiH, the European Union Delegation to BiH, the Council of Europe in BiH, the OSCE Mission in BiH, UNICEF in BiH, and the World Bank in BiH established a Coordinating Forum of the MCA and international partner organisations involved in the education reform process in BiH, by signing a document on the establishment of the Forum, on 18 September 2009.

The coordination of activities among the partners in the education sector includes: MCA, two entity ministries of education, ten cantonal ministries of education, and the Department of Education in the Government of BD BiH, Pedagogical Institutes, Institute of Education, Agency for Preschool, Primary and Secondary Education, Agency for Development of Higher Education and Quality Assurance, Centre for Information and Recognition of Qualifications in Higher Education, as well as educational and other institutions. Cooperation and coordination are achieved, notably, through the work of the Conference of Ministers of Education in BiH, chaired by MCA, the Council for General Education, and the Rectors' Conference of BiH.[[53]](#footnote-53)

MCA has coordinated the process of drafting of Action Plan of QF in BiH that was adopted by the CoM in February 2015. Articles 3 and 5 of the *Framework Law on Secondary Vocational Education and Training in BiH*[[54]](#footnote-54) define some of the goals of vocational education and training, according to which the relevant educational authorities in BiH need to ensure that the needs and requirements of labour market are harmonised with the objectives of vocational education institutions. The aforementioned articles of the *Framework Law* emphasise the need to establish Tripartite Advisory Councils and to ensure links of vocational education and training with the country’s labour market.[[55]](#footnote-55)

Having in mind that competences are divided between the State level, entities, cantons and municipalities there is a need for more efficient functional coordination and policy-making mechanisms and processes. Coordination of activities in the areas of employment and education needs to be improved.

As stated in BiH 2015 Report, social dialogue remains weak at all levels. The social dialogue takes place through the Economic and Social Councils, which are formed at the entity level and the level of BD BiH. These tripartite bodies are composed of representatives of the government, trade unions and association of employers. They discuss and take positions on the issues of development and improvement of collective bargaining, the impact of economic policies and measures for its implementation; social development and stability of employment policy, wages and prices; education and professional training; health and social protection and security; demographic trends and other issues relevant for the achievement and improvement of economic and social policy.

Cooperation and coordination mechanism between these bodies needs to be strengthened in order to define admission policy (admission quota) in secondary schools and institutions of higher education according to the needs of labour market and to the data on unemployed persons compiled by employment services. Last, but not least, there was no significant progress towards the establishment of an Economic and Social Council at the State level of BiH due to the fact that there are no legal provisions on the representativeness of social partners on this level.

Generally speaking, coordination of donors is somewhat limited and responsibility for overall coordination of donors is divided between the BiH Directorate for European Integration (DEI), for the EU donors, and BiH Ministry of Finance and Treasury (MFT), for other donors and international financial institutions. Consultations with donors are carried out at lower levels of government as well. The MFT manages the Public Investment Program (PIP) and tracks donor activities and performance through an annual Donor Mapping Report. In addition, the MFT regularly organises meetings of the Donor Coordination Forum that serves as a platform to share ideas, insights, and good practices. In addition, the EU Delegation in BiH holds regular coordination meetings with the EU Member States, and DEI coordinates the financial assistance of the EU.

Most recently, the World Bank has moved ahead with Employment Sector credit, in the amount of USD 50 Million. The credit will be signed for entity governments and close cooperation between this initiative and future EU interventions in this sector will be needed.

More specifically, the coordination with donor organisations involved in the education reform in BiH takes place through the Coordination Forum of MCA and bilateral meetings. Donors that provide support to reform processes in the education area are the EU, the Council of Europe, UNICEF, the European Training Foundation (ETF), GIZ, Dubai Cares, OSCE, the World Bank, KulturKontakt Austria, JICA, and others. Donors plan their strategic objectives and programmes in consultation with the relevant education authorities.

Yet, the big breakthrough and progress is achieved by approving the establishment of the EU Coordination Mechanism[[56]](#footnote-56) that should improve cooperation between all administrative levels in BiH and the EU, a key action sought by EC for further advancement of BiH in the accession process.

For the purpose of preparation of this SPD, BiH already showed commitment in setting-up appropriate structures: Sector Working Groups (SWGs) that allowed for the transparent process and involvement of all relevant interested parties, including the civil society, and has offered a forum for relevant and interested parties to have a say in the process of the definition of the key SPD Actions. SWGs are composed of the representatives of relevant institutions, interested donors and civil society participants. In addition, separate additional consultations were organised with cantons for this SPD given the constitutional competencies in FBiH in the field of education. The CoM tasked the sector coordinating institution, MCA, to establish and coordinate, in line with the constitutional competencies, the work of SWGs for drafting this SPD, following the plan and instructions given by the NIPAC.

Sector assessment criteria regarding sector and donor coordination, as a benchmark, targets formal establishment of robust and functioning co-ordination structures to steer and manage the sector reform design, implementation and monitoring process in an inclusive manner that enables the active participation of society).

In order to address this issue, additional support measures are envisaged in the form of complementary support part of SRC – Action 2 under this SPD. Through complementary support, envisaged assistance to be provided will largely focus on strengthening the institutional and human resource capacities of the key stakeholders responsible for the implementation, coordination and monitoring of the employment reform agenda, including support for the sector coordination framework to be established, approved and implemented. Complementary support will in particular be relevant to the development of the capacities necessary for the efficient implementation of the SRC outputs, in particular related to data collection, analytical capacities and monitoring and reporting.

### 2.1.4. Medium-term Budget Perspectives

Legislative framework for the budget systems of governments at all levels is defined by the relevant laws on budget: at the State level - Law on Financing of Institutions of BiH; in the FBiH: Law on Budgets of the FBiH; and in Republic of Srpska – Law on the Budget System of Republic of Srpska. As for the description of the sector budgets on an annual level, they must be based on and comply with the government fiscal data, particularly with the Medium Term Expenditure Framework (MTEF).

The first important reform in field of MTEF introduction, took place in 2008, when *BiH Fiscal Council* was created with the objective to coordinate fiscal policies for the sake of common interest of State, entities and BD BiH. For the most important role of fiscal coordination—preparing the Global Framework of the Fiscal Balance and Policy (GFFBP)—in practice the Fiscal Council decides on revenues from indirect taxation and the budget of BiH institutions, thereby creating preconditions for budget planning at lower level of governments, which are responsible for over 90% of public expenditures. Given that key government functions (social policy, subsidies, education, etc), are performed at sub-national level, timely decision making on BiH Institutions’ revenues from indirect taxes is important in enabling timely implementation of their respective budgets.

The Global Framework for Fiscal Balance and Policies in BiH (GFFBP) for the period 2017-2019 has been drafted on the basis of the *Law on the Fiscal Council in BiH*[[57]](#footnote-57). The document contains all the necessary elements, which are indispensable for fiscal policy-makers in BiH to produce their document of the framework budget 2017-2019. These elements are fiscal targets defined as the primary fiscal balance (the primary surplus and the primary deficit), projections of total indirect taxes based on macroeconomic projections and their allocation for the next fiscal year, as well as the upper debt limit of the budgets of the State, FBiH, Republic of Srpska and BD BiH.

The Budget Framework for BiH’s Institutions for the period 2017-2019[[58]](#footnote-58) represents a preliminary draft of the budget of BiH’s institutions for 2017[[59]](#footnote-59), accompanied by the framework plans for the next two years. The main objective of this document is to set macro-economic, fiscal and sectoral policies in the focus of the process of planning and determining budget, in full recognition of the fact that budget is the basic instrument for the realisation of financing priorities of BiH institutions, adopted as part of the CoM’s strategic documents.

The Republic of Srpska Government adopted the Republic of Srpska Framework Budget Document for the period 2017-2019. The implementation of the Law on Fiscal Responsibility in Republic of Srpska, adopted in 2015, will significantly improve fiscal responsibility and discipline related to spending public funds throughout the budgetary system of Republic of Srpska, at both levels, i.e. the entity level and the level of local self-government units.

The Government of FBiH adopted the Framework Budget Document for the period 2017-2019. Implementation of fiscal consolidation measures at the lower levels of government in the FBiH is coordinated through the Fiscal Coordination Body of the FBiH. Formation of governments at all levels in the FBiH after the October 2014 elections presented possibilities for discussing the current fiscal situation in the FBiH. In May 2015, the FBiH Parliament adopted the Law on Amendments to the Law on Budgets in the FBiH amending the fiscal rule and introducing the obligation to settle the accumulated deficit in the following five years at all government levels in the FBiH.

According to Draft SIGMA Monitoring Report 2016, the framework budget documents serve as a preliminary basis for the next annual budget, but not yet as a true multi-annual framework. Among other things, this would demand inclusion of expenditures by extra budgetary funds, recognition of total capital costs of investment and recurrent costs of investments, and the use of the second- and third-year projections as the starting balance for the annual budgeting process.[[60]](#footnote-60)

Despite a well-defined budget calendar, budgets have not always been timely adopted. However, Draft SIGMA Monitoring Report 2016 indicates the on time adoption of the 2016 Budgets for the State, the FBiH and the Republic of Srpska as a major step forward.

As for the description of the sector budgets on an annual level, they must be based on and comply with the government fiscal data, particularly with the MTEF. However, the sector strategies with full costing are not formally developed. Multiyear fiscal forecasts are produced as part of the process leading to the preparation of the MTEF. Once approved, the budget year estimates establish the budget users’ ceilings for the forthcoming year. Thus, the MTEF is serving as a pre-draft of annual budgets with estimates for the second and third year.

Important reform carried out towards the full implementation of the MTEF is the adoption of a functional classification of expenditures at all government levels. At all levels, budgets include economic and organizational classifications, while budget requests also include program formats which allows for the future adoption of programme budgeting. Currently, only the State level institutions produce program budgeting information, including program performance measures, as part of the budget documentation that accompanies the annual budget law in the adoption procedure. Therefore, the budgeting by programme had already begun to be implemented, with EU support, but the process is still ongoing and is expected to be finalised in the coming years. To be completed, the process needs to be complemented by performance budgeting procedures that link government spending to predefined results and outputs, by a mechanism of ex-ante and ex-post evaluation of policies.

The new BiH Economic Reform Programme (ERP) 2016-2018 outlined an ambitious fiscal framework at the level of BiH, prepared on the basis of inputs submitted by the Entities (FBiH and Republic of Srpska), BD BiH and the Institutions of BiH. It is an indication of firm dedication of all the levels of government to move on the path of fiscal consolidation by implementing various measures, policies and reforms described in the ERP BiH 2016-2018.

Draft SIGMA Monitoring Report 2016 finds that there is coherence between budget data presented in the ERP and in the framework budget documents for the individual levels of government. Taking account of the fiscal consolidation in recent years and the stabilised debt-to GDP ratio, it is clear that the targets for the budgetary aggregates in recent years have been sustainable, which suggests that the targets in the ERP 2016-18 are also sustainable.

The most recent projections of fiscal indicators for the BiH general government have been produced by the IMF:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Fiscal indicators (in percent of GDP)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
|  | Est. | Proj. |
| General government revenue  | 43.6 | 43.4 | 43.5 | 43.4 | 43.4 | 43.4 |
| General government expenditure | 43.7 | 44.2 | 44.3 | 44.0 | 43.8 | 43.7 |
| Net lending  | -0.1 | -0.8 | -0.8 | -0.6 | -0.3 | -0.3 |

Table 4 - Fiscal framework of the general government in BiH for the 2015-2020 period, Source: IMF Staff Report, September 2016

The fiscal consolidation will be achieved mainly on the expenditure side, while on the revenue side, measures and policies will be taken to mitigate the grey economy and evasion of tax obligations.

Employment services in BiH are organised as extra-budgetary funds, funded from two main sources of income/revenues (unemployment insurance contributions) and from budgetary grants (mainly intended for the financing of active labour market programmes, or for the financing of deficit in the provision of passive measures).

The Employment Institute of Republic of Srpska is mainly funded from the contributions for employment. In 2015, the Institute’s total available funds were KM 105.2 million out of what the share of foreign and domestic grants was less than 1%.[[61]](#footnote-61) As in most other cases, the grants are intended to finance active labour market measures (in some cases also to finance some passive measures).

The Employment Institute of FBiH at the entity level had 39.6 million of available funds in 2014, including KM 0.7 million of grants or 1.8%.[[62]](#footnote-62) Same as in the Republic of Srpska, the Employment Institute of FBiH is primarily funded from contributions. In 2014, the Institute transferred KM 14.6 million to cantonal employment services. The functions and competencies of the cantonal employment services are regulated by the Law on Mediation and Material Security of Unemployed Persons of the FBiH with the exception of the Sarajevo Canton, Canton 10 (Livno) and the Una-Sana Canton, which additionally have their (cantonal) laws on employment. The Law on the Budget of the FBiH regulates budgeting and financing mechanisms at the level of cantonal employment services.

The Employment Institute of the BD BiH is also financed mainly from its own revenues (contributions). In 2015, the available funds for this Institute were KM 3.5 million, out of what grants were 1.9%.[[63]](#footnote-63)

In BiH, education is largely financed from public funds of the entity, cantonal, BD BiH and municipal budgets (depending on jurisdiction). This implies that there are thirteen separate budgets for education: two at the entity level, one in the BD BiH and ten cantonal budgets. At the level of BiH there is no budget for education. As for medium-term planning at the appropriate levels it is necessary to establish better links between strategic and budget planning.

The system of social protection in BiH is based on the scheme of social insurance, which is financed by contributions on salaries (pension, health, unemployment, benefits the family and child protection). Financing of social protection related to the social assistance for socially vulnerable persons represents a significant budget allocation. Financing of social protection relating to social assistance for vulnerable persons (children, elderly and the infirm, persons with special needs, civilian war victims and other categories of beneficiaries unable to work) is ensured in the budgets of the entities, local communities and the cantons in the FBiH.[[64]](#footnote-64)

### 2.1.5. Performance Assessment Framework

Performance Assessment Framework (PAF) for the monitoring of implementation of strategies and for achieving of results and goals within the sector does not fully exist.

At general level, BIH 2015 Report and SIGMA Baseline Measurement (2015) identify as a weakness the fragmentation of policy-making system. The main weakness is the lack of medium-term harmonised planning at countrywide level. The lack of country-wide medium-term policy planning is a serious obstacle to public scrutiny of government work. Government reports that are available to the public do not provide information that would enable them to compare achievements with specific policy objectives.

At the State level more transparency is ensured with publicly available reports, publication of government agendas and summaries of decisions. *Decision on the Process of Short-term Planning, Monitoring and Reporting in the Institutions of BiH* and *Instruction on Methodology in the Process of Midterm Planning, Monitoring and Reporting in the Institutions of BiH and Reporting Procedure at the Level of Institutions of BiH* provides for an attempt to link policy planning with medium-term fiscal planning, as well to establish sustainable monitoring and evaluation system. This Decision has created conditions for the Institutions of BiH to develop a better strategic basis for medium-term planning and is linked with the budget. The general aim of the issuance of this Decision is to provide a planning basis for good development management in accordance with the competencies of the CoM and Institutions of BiH, to achieve optimal allocation of resources for priority tasks and projects, as well as to improve the monitoring process for programmes and plans, and reporting on their implementation.

Budgeting by programme, as stated above, had already begun to be implemented, but the process is still ongoing. The implementation of programme-based budgeting will also put the focus on public sector to increase measurement of efficiency and effectiveness, on MFT to provide real-time information on budget execution but eventually also on the monitoring system to provide regular updates on programme outputs and outcomes.

In regards to availability of relevant and reliable data, national statistic system plays a key role. In this respect, the BiH 2015 Report emphasise limitations as regards social statistics, related to the lack of up to date population figures. The provision of data under the European system of integrated social protection statistics is in the development phase. The LFS is conducted annually, while the Structure of Earnings survey and statistics on job vacancies are not implemented. Labour cost statistics are being compiled and provided to Eurostat.

Chapter 4 of the *BiH 2010-2014 Employment Strategy* has defined that the implementation, monitoring and evaluation will be carried out by the governments of the entities and BD BiH and their competent institutions, together with social partners. The general assessment on implementation of the Strategy is given in the Report on Evaluation of the Implementation of the BiH 2010-2014 Employment Strategy for the Period 2010-2012[[65]](#footnote-65), the Report on Evaluation of the Implementation of the BiH 2010-2014 Employment Strategy for the Period 2013-2014[[66]](#footnote-66) and the EX-post evaluation of the BiH 2010-2014 Employment Strategy[[67]](#footnote-67). However, monitoring and evaluation functions linked to the employment strategies of BiH are limited.

In the area of education, current sector strategies and action plans, as well as other regulations, are implemented by the competent education authorities and other actors. The framework laws have tasked MCA to monitor the harmonisation of laws at lower levels of government with the framework laws, and, in this regard, MCP, in cooperation with other ministries of education and relevant agencies at the level of BiH. MCA also drafts information on the implementation of strategic documents, and is currently active in assessment if implementation of strategies for pre-primary and vocational education.

Relevant entity and cantonal educational and statistical institutions are responsible for data collection. The data are used in reporting, analyses and answers to various research activities within the country and abroad. In this regard, it needs to be mentioned that BiH is included in the European education networks, where various comparative studies on education are done through systematic information gathering.

In the case of the approval of a SRC for the sector under IPA 2017, it is expected that this will allow for the faster development of the PAF, having in mind the need to closely follow and monitor the achievement of annual targets for the variable tranche indicators, but more importantly, in view of the policy dialogue aspects related to such a wide intervention. In particular the SRC (Action 2 through complementary support) will focus on helping the institutions to develop a framework for monitoring, reporting and evaluation, which will allow for the tracking and improvement of the sector reforms.

### 2.1.6. Public Finance Management (PFM)

There are signs of progress across the PFM in BiH, an area not yet addressed in a systematic and comprehensive way needed for a move to SBS. In that respect, MFT drafted the *Action Plan for Development of a PFM Strategy for BiH* *Institutions for the Period 2017-2020,* in line with recommendations contained in the BiH 2015 Report. The MFT is leading activities for the preparation of the PFM Strategy, which include establishment and coordination of working groups, preparation of working materials and development of the final draft of the Strategy. It has been envisaged for the preparation of the PFM Strategy to be supported by the IMF experts in consultations with SIGMA and the EU experts. Submission of a draft PFM Strategy for BiH Institutions with an Action Plan to the CoM is planned for December 2016. The same experts have been involved in the work with the ntity governments on the planning of PFM reforms so to enable establishment of a coherent PFM strategic framework in BiH by 2020.

All this indicates that the BiH has demonstrated a high level of political motivation to address the reform requirements of the country’s PFM system. To maintain this commitment, the BiH governments have to keep on track through continuous engagement and follow up of the EU and in consultations with the IMF and the WB.

The ERP BiH 2016-2018 pillar on PFM covers the State-level government, the FBiH and the Republic of Srpska. While the State-level is responsible for public procurement reforms, the responsibilities of the entities include fiscal discipline, financial control and internal audit. According to the ERP BiH 2016-2018, the main challenges in this reform area are the high level of public debt, considerable reliance on donor funding, underdeveloped capacities for internal audit, a weak monitoring role of the Public Procurement Agency (PPA), the high administrative burden of tenders, lack of financial management and control at the all levels, as well as insufficient fiscal discipline. Both in the Republic of Srpska and in the FBiH, a huge tax burden is imposed on labour.

Recently, there have been two detailed reviews of the PFM system: 1) The Public Expenditure and Financial Accountability (PEFA) assessments carried out during 2014 that resulted with the PEFA Assessment Report 2015 and 2) already mentioned, SIGMA Baseline Measurement 2015 in the areas of PFM. The latter review covers the whole cycle of financial management (budget formulation; accounting and reporting practices; FMC; internal audit; public procurement; and external audit), providing a basis for developing the PFM dialogue between donors and BiH authorities and a baseline for future updates. Another important contribution to assess PFM in BiH is the EC DG BUDGET report, which was completed after a fact-finding mission to BiH held in late 2014 on PIFC and External Audit. The Mission confirmed largely the findings of the PEFA assessment and highlighted that the development of PIFC is still at an early stage.

Brief review of the state of play assessed by the abovementioned reviews of PFM is given in the following text as a complementary to the assessment on medium-term expenditure framework given in the section 2.1.4.

A number of important improvements in PFM have been implemented in recent years, and some steps have also been taken to enhance coordination. The development with the most impact was the adoption of the *Law on Fiscal Council*, though further challenges remain in terms of implementing it. Other results achieved relate to the steps taken to harmonise budget calendars. All four levels of government use the modified accrual basis[[68]](#footnote-68) for accounting, under which revenues are recognized as they become available and measurable, while expenditures are recognized when the liability is incurred. Among the four main government levels in BiH, the charts of account are generally detailed but not harmonized.

The State-level government, the Entities and the BD have a treasury single account. However, monthly cash-flow projections are usually estimated by dividing the yearly amounts by 12, which has produced liquidity problems. The arrears have been high in recent years.

Further improvements are necessary in order to improve budget transparency and poor public participation in the budgeting process as measured by the 2015 Open Budget Index (OBI). BiH 2015 OBI score of 43 out of 100 has decreased from its score of 50 in 2012. It is slightly below the score of its neighbours (Serbia 2015 OBI score is 47). With this score, the BiH Government has the potential to greatly expand budget transparency by introducing a number of short-term and medium-term measures, some of which can be achieved at almost no cost to the government.

The introduction of Programme Budgeting should enhance the transparency of expenditure and will show responsibilities more clearly. Since 2012, the government of BiH has decreased the availability of budget information and the provision of opportunities for the public to engage in the budget processes is weak. Budget execution is monitored on quarterly (not monthly) basis, while the annual reports contain only
some of the information that an annual report should contain. Draft SIGMA Monitoring Report 2016 indicates that the Supreme audit institutions (SAIs) provide adequate budget oversight. However, the number of recommendations implemented by audited institutions by the end of the following year is very low.

BiH is at an early stage of its preparations in the area of financial control. The legal framework for a functioning PIFC system, that supports financial management and control (FMC), is not yet complete, and there are inconsistencies between the different levels of government. Introduction and implementation of PIFC closely links to the fight against fraud and corruption, as managers' responsibility to put in place and implement efficient internal control systems is a key in prevention of fraud and corruption. Some progress was recorded with the establishment of internal audit units and the adoption of the PIFC strategy by the FBiH and by BD BiH. The BD BiH approved a PIFC Strategy for 2014-2017[[69]](#footnote-69), which covers all stages required for the implementation of PIFC. The BiH 2015 Report emphasise that BiH in the coming period should be devoted to completing the FMC strategy and legal framework at the entity level and start with implementation of the PIFC strategies at State level and in the Republic of Srpska, reconvene the regular meetings of the Central Harmonisation Unit Coordination Board and ensure systematic co-ordination among the SAIs.

The internal audit (IA) function is established and is being developed, except in the BD BiH. All the key functions for the IA function are established and there is partial implementation. The IA arrangements across BiH are better developed than those for FMC, and most elements of an effective framework for IA have been in place for some time. There is active management of the debt of BiH, with the overarching objective being to avoid defaulting on it. In 2015, the State and Entities have prepared medium-term debt management strategies for the first time. The CoM and the Governments of the Entities have approved these strategies together with their BFPs 2016-2018.[[70]](#footnote-70)

Unlike other PFM-related regulation in the BiH, the *Public Procurement Law* (2014) was adopted at the State level. At the Entity level, BD BiH, cantonal and municipal level, the governments regulate their public procurement matters in compliance with this law. There is no separate procurement law at the level of the Entities or BD BiH. The Law strongly aligned to the EU *acquis* (although with some gaps in conformity especially concerning concessions and PPPs) shows that the authorities are committed to adopt new measures to strengthen governance, enhance transparency, and bring procurement practices in BiH more in line with those in the EU. However, the procedures are still long and rigid, which results in tenders often being repeated and appeal processes taking long time to finalise.The Public Review Body (PRB) is not yet working properly, due to weak administrative resources, high fees for complainants and the absence of key staff in the branch offices. Contracting authorities are still not allowed to appeal in the processes. A large share of public procurement continues to be performed through non-competitive procedures, while modern tools like e-procurement are used very little.

### 2.1.7. Macroeconomic Framework

As already noted, the Reform Agenda represents a broad-based plan of socio-economic reforms with an aim to: fostering sustainable, efficient, socially just and steady economic growth; creating new jobs; increasing and more-appropriately targeting social assistance; and creating a favourable and just social environment. In February 2016, BiH submitted its ERP for the period 2016-2018, which contains the country’s midterm macroeconomic and fiscal framework with a set of fiscal measures and a program of structural reforms in order to boost economic growth and competiveness. The reform priorities from the Reform Agenda were included in this document.[[71]](#footnote-71)

In September 2016, the IMF approved a request of the BiH authorities for financial support under a 3-year Extended Fund Arrangement in the amount of EUR 554 million. This programme is closely linked with implementation of the Reform Agenda. Its tree main objectives are to: 1) raise growth potential and boost private sector employment by intensifying structural reforms that improve the business environment and attract investment, 2) improve the composition and quality of public spending, while gradually lowering public indebtedness and 3) revive bank lending and credit growth while safeguarding financial stability through financial sector reforms. Among other policies, the program includes lowering the taxes on employment, reducing public wage bill, boosting capital investment, addressing the poorly targeted social spending and strengthening fiscal discipline in lower levels of government. In the same month, the IMF published a Staff Report on BiH[[72]](#footnote-72), which represents the latest available macroeconomic assessment of BiH. Therefore, the macroeconomic estimates and projections from the Staff Report are mainly used in this section.

External and internal imbalances have lessened substantially in the past year. Gradual continuation of positive economic trends from 2015, together with growth of export demand and implementation of the structural reforms, should lead to economic growth of the BiH economy by 3.0% in 2016, and 3.2% in 2017, while a further pick-up of growth is projected for the period 2018-2020. The economic growth is expected to primarily occur through implementing envisaged structural reforms, reorienting budget to make it more growth-friendly and reviving bank lending.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Main macroeconomic Indicators** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
|  | Est. | Proj. |
| Nominal GDP (KM million) | 28,208 | 29,113 | 30,430 | 31,982 | 34,005 | 36,336 |
| Gross investment (in percent of GDP) | 16 | 17.1 | 18.3 | 19.3 | 20.6 | 21.2 |
| Real GDP (percent change) | 3.2 | 3.0 | 3.2 | 3.7 | 3.9 | 4.0 |
| CPI (period average) | -1.0 | -0.7 | 1.1 | 1.5 | 1.8 | 2.1 |
| General government revenue (in percent of GDP) | 43.6 | 43.4 | 43.5 | 43.4 | 43.4 | 43.4 |
| General government expenditure (in percent of GDP) | 43.7 | 44.2 | 44.3 | 44.0 | 43.8 | 43.7 |
| Net lending (in percent of GDP) | -0.1 | -0.8 | -0.8 | -0.6 | -0.3 | -0.3 |
| Total public debt (in percent of GDP) | 44.7 | 44.2 | 43.2 | 42.3 | 40.4  | 38.0 |
| Current account balance (in percent of GDP) | -812  | -793  | -921  | -939  | -947  | -965 |
| Foreign direct investment (KM million) | 205.9  | 330.3  | 445.4  | 438.9  | 467.8  | 519.0 |
| Gross official reserves (KM million) | 4,413  | 4,672  | 4,986  | 5,254  | 5,558  | 5,855 |

Table 5 - Main macroeconomic indicators; Source: IMF Staff Report, September 2016

As already outlined in the introduction, the main challenges for the labour market in BiH are primarily related to the deficit of productive employment and decent work, which are issues closely linked to the underdeveloped labour market. The employment rates are still extremely low, almost half the EU rate. This is mainly due to the low rate of labour force participation in economically active age groups, as well as very high rates of unemployment, especially among young people. The expected economic growth in BiH in 2016 and 2017 should have a positive impact on the labour market. In addition, strengthening of exports and investments would create new opportunities for job creation.[[73]](#footnote-73)

Poor business environment and low private investment have slowed BiH’s potential output growth in the past period. Although the growth of GDP has been envisaged for the whole 2016-2020 period, there are external and internal risks to macroeconomic forecasts and the reform programme. External risks relate to possible delays in overall economic recovery of Europe and neighbouring countries. Due to the fact that the EU countries remain the largest trading partner of BiH, any delay in the recovery of Europe would have a negative impact on BiH exports, manufacturing industry, employment, remittances and capital flows. Also, a reduction in foreign direct investment from the EU and neighbouring countries would be reflected in a slowdown of economic growth in BiH. The external economic development and the speed of economic recovery of key export markets are both uncertain and beyond the control of the country’s authorities.

Given that the overall macroeconomic framework implies a sustainable fiscal consolidation through the implementation of planned reforms, one of the greatest causes for concern are internal, political risks. The BiH’s challenging political environment is a clear risk to the implementation of necessary reforms, including the fiscal measures that would perhaps need further adjustments with the passage of time.

## 2.2. Comprehensive Assessment

The ISP recognizes that: *in order to benefit from support through a sector approach, existing strategies should be based on a budget, a medium term expenditure and performance management framework, should address sector and donor coordination and, in the particular case of BiH, should facilitate a countrywide harmonised implementation of the EU acquis*.

The sector of Employment, Education and Social Policy is recognised both by the domestic public and the international donor community as one of the most important sectors that need to be further strengthened and developed both for approximation to the EU as well as for the wellbeing of the citizens of BiH. In terms of the commitment, the importance of sector has been recognised as a priority both by the authorities in BiH, as well as by international institutions and donors. However, what is needed is a targeted support that would result in a clear measures and guidelines pertaining to employment, accompanied by human resources development and labour market management and economic growth. Reform priorities in this sector are also recognised as very important in the process of BiH’s getting closer to the EU.

In terms of national sector policy it can be considered as adequate to have a SBS. The EU has stressed the satisfaction for the fact that BiH took control and ownership of the most important reforms in this sector, primarily through the *Reform Agenda* and its action plans which at the moment serve to provide an overview of the whole area whilst at the same time is paying reference to existing sector strategies that embody measures which are pertinent to all sub-sectors. Institutions have worked together effectively thus far in establishing the principle objectives to include in the *Reform Agenda*, as well as the steps through which these are to be achieved. There are state strategic documents underpinned by the sufficient number of sub-sector policies and/or strategies, defined at different levels of government and implemented by different administrative structures. Some of strategies are expired. However, new employment strategy in BiH and sub-sector social policy remain to be prepared and the *Vision for Skills 2020* to be agreed and adopted.

Employment and labour market measures are coherent with the policies in other sub-sectors, and articulated with the recommendations of international donors. The planned reforms are carried out through a unified framework – the MTWP – agreed by all parties involved in the process. Almost all strategies have a clearly defined system of inter-institutional division of responsibilities and mutual communication. The labour market and employment agenda gives particular importance to crosscutting areas, particularly women and youth and social agenda, targeting disabled, etc.

There is large number of institutional and administrative structures that are involved in the process of defining and implementing sector strategies. Consequently, there is a large number of parties involved in the process of formulating policies and action plans. However, the implementation and coordination capacities of these institutions, continues to represent a challenge.

In terms of sector coordination mechanisms exist among government institutions. The MFT is the responsible institution for overall donor coordination, while MCA is taking responsibility for the sectoral coordination. DEI is responsible for the coordination of the EU funds. Important to note is that established SWGs are functioning as an efficient framework for dialogue and debate on identification of IPA II priorities. and the responsibilities that must be meet alongside the funding.

The international community supports the reform efforts and has a position opinion about the envisaged measures as well as about the mechanisms designed for their implementation. There is solid civil society in the sector, however further capacity enhancement and an enabling environment for full participation are needed.

Situation related to the budget is relatively complex. Sub-sector budget allocations are not sufficiently visible and are not easily traced, because the country’s budgets do not provide visibility of the amounts of sub-sector budgetary allocations. Programme budgeting is in initial phases of development. Mid-term costing of strategies is lacking.

As for the implementation of reforms, there is no comprehensive framework for performance assessment, though the authorities at state and entity levels dispose of the necessary tools for monitoring and evaluation of reforms. There are indicators to measure the success of reforms, by way of which a large number of international organisations measure the progress of reforms and the implementation of action plans in the sector.

Finally, the macro-economic field remains vulnerable, but instruments are in place to ensure the continuation of the ambitious fiscal reforms. In the field of PFM, the preparations for development of PFM reform strategy are on-going that will secure sequencing of the crucial aspects of PFM in a holistic manner, with a mid-term outlook. Budget transparency in BiH requires improvements as indicated under the Open Budget Index international indicator in 2015.

# 3. IMPORTANCE IN RELATION TO OTHER POLICIES AND STRATEGIES

The Stabilisation and Association Agreement (SAA): The Agreement regulates relations in terms of labour migrations, working conditions i.e. health and safety at work, reform of employment policy, social security, as well as the harmonisation of legislation in the subject areas. Article 15 of the SAA speaks of mutual concessions concerning the movement of workers, right of establishment, supply of services, current payments and movement of capital as well as other policies related to movement of persons, at the level foreseen by the Agreement. Article 77 of the SAA says that BiH will gradually harmonise its legislation with the Community legislation in the area of working conditions, particularly occupational health and safety, and equal opportunities.

Article 99 of the SAA stipulates that the parties will cooperate to facilitate the reform of the employment policy in BiH, in the context of strengthened economic reforms and integration. The Agreement says that the cooperation will also seek to support the adaptation of the social security system of BiH to the new economic and social requirements, in order to ensure equal access and effective support to all vulnerable people and may involve the adjustment of BiH legislation concerning working conditions and equal opportunities for women and men, persons with special needs and for all vulnerable persons, including the members of minorities, as well as improving the level of protection of health and safety of workers, taking as a basis the level of protection existing in the Community. Article 100 of the Agreement also stipulates that the parties will cooperate with the aim of raising the level of general education and vocational education and training in BiH, as well as youth policy and youth work, including non-formal education.

The ISP for BiH for the period 2014-2017: Reform of the education sector, employment and social sectors is crucial for the social and economic recovery of the country. IPA II will focus on the reform of labour and employment institutions, the creation of active labour market measures, the reform of the education systems and the further development of a coordinated approach based on the needs in services for social protection.[[74]](#footnote-74)

Through the EU assistance, efforts are being made to ensure the capacity building in the education sector in order to improve the governance structure and policy coordination between different levels of governance. Further provision of assistance will support the development of qualifications frameworks at all levels of education and help in the development of curricula for primary and secondary education. One of the goals of the EU assistance is also to support the inclusive education and modernisation of school infrastructure. In the employment area the aim of the EU assistance is to strengthen the institutional capacities, define and implement active labour market measures. Further support is intended to facilitate the transition from school to employment and promote entrepreneurship as an entry point into labour market.

BiH 2015 Report points out that the unemployment in BiH remains largely structural and on the whole high, that the unemployment among women and young people has increased and that in the coming years BiH should particularly and, without delay, resolve the issue of high unemployment, especially youth unemployment, and ensure effective support to job seekers. It stated that competent institutions, agencies and coordinating bodies for both areas are actively working on the implementation of the existing strategies, action plans and priorities. In the area of education, the Report notes that there is a need to develop a strategic approach to eliminate shortcomings in the systems of training and education through efficient definition of priority measures on the basis of analysis of needs for skills, taking into account the needs for specific professions, and particularly the needs of SMEs.[[75]](#footnote-75)

The Europe 2020 Strategy: the Europe 2020 Strategy proposes three of five measurable EU goals relating to the sector area i.e. employment, education and the fight against poverty.[[76]](#footnote-76) This SPD plans measures to achieve these goals. The priority Inclusive growth includes, inter alia, the initiative to establish an Agenda for New Skills and Jobs: the modernisation of labour market through labour mobility and skills development in the course of the whole working life in order to increase labour force participation and better harmonise labour supply and demand. Of the seven initiatives of the Europe 2020 Strategy, two may be linked to the goals of this SPD: 1. Agenda for New Skills and Jobs in order to modernise labour market and empower people by developing their skills throughout life with the aim of increasing labour force participation and better matching supply and demand, also through labour mobility; and 2. The European Platform Against Poverty with the aim to ensure social and territorial cohesion so that everyone benefits from the advantages of growth and jobs and to enable people who suffer from poverty and social exclusion to have a dignified life and active participation in the society. [[77]](#footnote-77)

Inclusive growth is a priority that represents the basis of Europe 2020 - stimulating the economy of high employment rates, with the result of the economic, social and territorial cohesion. The Europe 2020 Strategy says that at the national level Member States will have to: Reinforce their national flexicurity pathways as agreed in the European Council in order to reduce labour market segmentation and facilitate transitions, as well as the reconciliation of work and family life; Review and regularly monitor the tax system and assistance system so that work pays off, with a particular focus on poorly educated people, while eliminating measures that discourage self-employment; Promote new forms of balance between work and private life, active aging policy and increase gender equality; Promote and monitor the effective implementation of the results of social dialogue; Develop partnerships between the world of education/training and work, primarily by involving social partners in the planning of education and training preparation.[[78]](#footnote-78)

In the context of the strategy objective for Smart, Sustainable and Inclusive Growth, it is also stated that it is necessary to raise the overall quality of all levels of education and training in the EU, linking excellence and equality by improving the mobility of students and young professionals as well as improve employment opportunities for young people. In this regard, it is necessary to: ensure efficient investment in education and training systems at all levels; improve educational results, touching upon every segment of education in the framework of an integrated approach, encompassing key competences, in order to reduce early school leaving; increase openness and significance of education systems by creating national qualifications frameworks and adapting learning outcomes to labour market needs; and rectify the entry of young people into labour market by integrated activities, which, among other things, career guidance, counselling and internships.

This SPD will contribute to the first key target of EU 2020, of raising employment participation in two ways: (i) by developing the administrative capacity of labour market institutions, and (ii) by supporting active measures of enhancing employability and facilitating access to labour market of groups facing higher difficulties in labour market (youth, women and persons with disability) - Action 2, SBS. While contributing to EU 2020, these measures will address some of the key issues raised regarding compliance with *acquis*. They include promotion of gender equality, with several types of activities directed at boosting employment and participation of women in labour market and fighting the risk of unemployment in some social groups, such as for example persons with disabilities.

BiH sees the contribution of this SPD to the progress in the qualification targets of EU 2020 through improving adaptability and relevance of education - Action 2, SBS. This is an important focus of the programme, namely to further develop and implement qualification framework (level 5) and to promote youth integration in labour market, by reducing mismatch between the skills acquired through secondary education (VET and gymnasium) and the labour market.

The South East Europe 2020 Strategy: Its aim is to improve living conditions in the region with a new emphasis on competitiveness and development, closely following the vision of the Europe 2020 Strategy. The Strategy should exploit the potential of the countries in the region with regard to the sustainable development in key areas: employment, innovation, education, competitiveness, environment protection, energy, transport, health, etc. This Strategy, under the heading Jobs and Progress in the European perspective[[79]](#footnote-79), *inter alia*, calls for:

* Strengthening labour administration and public employment services, which will contribute to better implementation of employment;
* Applying modern approaches in labour market governance that stimulate employment, including the flexicurity approach, evidence based policy making, and partnerships for labour market transition
* Increasing fair access and participation in high quality education at all levels, in accordance with the measures of unhindered recognition of qualifications, which supports the mobility in South East Europe;
* Implementation of measures to prevent early school leaving and drop outs and improve school completion rates at all levels thus contributing to the inclusion and encouragement of lifelong learning; and
* Ensuring that education and training systems better meet the economic needs and the needs of labour market (training of students in terms of relevant skills required in labour market).

In the new programme document South East Europe 2020 Strategy 2016-2018, one of the three key initiatives is Skills and Mobility in Regional Context.[[80]](#footnote-80) It remains to be seen how BiH will tackle the implementation of this initiative.

Education and training are the top priority, both in the EU and in BiH. One of the main objectives in these areas is the integration into the so-called European education and training space and the achievement of the EU standards in these areas. The priority for higher education systems is to achieve the objectives of the *Bologna Declaration* within the intergovernmental *Bologna Process*. The Agreement refers to the need to ensure access to all levels of education and training in BiH, without any discrimination on the grounds of sex, skin colour, ethnic origin or religion. A special priority is given to the compliance with commitments undertaken in the framework of relevant international conventions related to these issues, as well as to the respect for the priorities of the Community *acquis* in this area. Development of the BQF and Action Plan has created the foundations for the development and implementation of the QF in BiH.

PART II – SECTOR SUPPORT

# 4. FINANCIAL ASSISTANCE CONTEXT

## 4.1. Relevance with the IPA II Indicative Strategy Paper

The need to optimise and concentrate IPA II resources to assist the implementation of reforms in the sectors that the ISP for BiH identifies as of Education, Employment and Social Policies is as strong as the limited resources available contrast with magnitude of this sector.

ISP for BiH 2014-2020[[81]](#footnote-81) identifies that besides the necessity of making progress towards meeting accession criteria, the challenges in field of employment, education and social policy include the needed reforms to achieve the relevant targets of Europe 2020 Strategy[[82]](#footnote-82) To address these concerns the overall aim of the IPA sector support (as described in the ISP) is to focus on the reform of labour and employment institutions, the development of active labour market measures, the reform of the education system.

Before undertaking the drafting of SPD, intensive consultations through the SWG were undertaken to discuss and agree on a possible focus for the use of IPA assistance in the period 2016 and 2017 that is also instrumental to the implementation of the Reform Agenda of BiH and that channels the support in the most effective way. The diagnostic assessment that was carried out under the auspices of the SWG identified that the country still needs to develop its administrative capacity for coordination, planning and delivery of employment, education and social policy. Thus, the following measures to develop the capacities of national institutions were outlined in the SPD:

* Employment: Support to the capacity building of labour market institutions for better service provision (Action 1).
* Education: (i) Enhance responsiveness of the education systems to labour market demand by conducting research to assess the employers’ needs and proposing different models of cooperation between universities and employers based on best practices in EU and the region (Action 1); and (ii) Strengthen human capacities at all levels of the education sector so to improve the capacity to monitor changes and improve strategic planning and analytical skills and to training of VET teachers and academic staff thus allowing improvement of cooperation with companies (Action 1).

Thus, the Action 1 is formulated as a number of preparatory activities that will pave the way for adoption of SBS (Action 2) and run in parallel with complementary activities that will be designed as a part of SRC (Action 2). [[83]](#footnote-83)

The SPD should also constitute a breaking point in the development of social policy in BiH. The SPD firmly addresses a well know weakness of country in coping with social inequality and risk of marginalisation. In addition, the SPD will promote synergies between measures to promote social inclusion effects. Indeed, enhancing employability, as well as facilitating above educational measures is of strategic importance to cut the transmission of risks of poverty and vulnerability to marginalisation from one generation to one other.

The proposed SPD actions are soundly grounded on the, however limited resources and time span for programming (2016-2017) implied a choice among the various results listed. Consequently, some relevant aims will not be addressed under this SPD. The concentration on few but consistent and complementary results proposed in this SPD aims at a more rational and less fragmented use of the assistance in line with the sector approach.

In sum, IPA assistance planned in the SPD aims to contribute to achieving the following ISP results:

* A decreased number of unemployed, in particular youth unemployed, through institutional reform, active labour market measures and special measures to facilitate school-to-work transition;
* The education sector will be better adapted to the needs of the labour market;
* Teacher professional development will improve, and
* The access of vulnerable and disadvantaged to (VET) education.

The SPD is based in maximising synergies with existent strategies and launching new areas of intervention. Due to limited resources of programme, one should expect from it an effect of additionality and contribution to current national funds, as well as an innovation effect in some policy areas, as a kind of seed for further policy developments that will substantially change the situation of the country regarding these areas in need of new strategies.

## 4.2. Lessons Learned from Past and On-going Assistance

Numerous IPA-funded projects were implemented in the previous period, along with a considerable number of donor projects in the areas of education, employment and social policy.

Previous EU assistance focused mainly on three thematic areas: employment and labour; education and training; social protection and inclusion. In the education and training area, the main purpose of the IPA projects was to improve the relevance of education to labour market needs, National Qualifications Framework (NQF) in line with EQF, increase participation in education and lifelong learning, promote social partnership in the development of VET provision and adult learning, ensure equal access to quality education of vulnerable children. In the employment and labour area, IPA projects aimed to support the strengthening of the public employment services and to increase the employability of people excluded from the labour market. In the social protection and inclusion area, the purpose of IPA projects was to ensure access of disadvantaged and excluded groups to quality social welfare services and to improve the capacity of both duty bearers and rights holders for the progressive realisation of human rights as well as sustainable inclusion in the labour market. The overall IPA support over the period 2007-13 amounted to over EUR 38,8 million[[84]](#footnote-84).

During the monitoring of the projects supported by donors in the areas of employment, it was concluded that it is necessary to organise both operational and strategic coordination meetings more frequently in order to ensure that there is adequate and timely exchange of the information, identification of obstacles and discussion and agreement on solutions with relevant institutions and key stakeholders. This, in turn will lead to a more successful implementation of projects. In addition, the quality assessment of the sustainability of the projects should be prepared prior to the project implementation.

In addition to the competent educational authorities’ budgetary funds, specific reform activities in the area of education were funded to great extent from donor funds, particularly those provided by the EU. In the previous period, donors were focused on secondary vocational training and higher education. A substantial number of recommendations regarding successful and sustainable implementation of projects in the education sector in BiH have been obtained and will be used by the relevant institutions and key stakeholders for measures envisaged under this SPD.

Through the implementation of numerous projects, there have been learned many key lessons that can be drawn and implemented in future financial assistance.

The EU projects in this sector have shown that:

* Only mature projects should be programmed to ensure fast contracting upon the signing of financial agreement;
* Contracting should not be completed shortly before the expiry. If the preparation of the projects proves to be problematic, they should be cancelled in a rather early phase;
* Equipment should be purchased only when procurement via IPA has a clear added value;[[85]](#footnote-85) and
* EU has recognised that, generally, communication between ministries in the education sector has improved in recent times; constructive solutions have been proposed, and good progress has been achieved in donor coordination.

IPA project evaluation in this sector[[86]](#footnote-86) has confirmed that there is no sufficient cooperation between schools and private sector, and that there are not enough opportunities for traineeship and practical learning. The training of teachers is not standardised and adequately remunerated. Adult education is not conducted extensively although IPA has provided certain support for the training of vocational school teachers and training through projects of vocational education and training. Generally speaking, evaluation has shown that capacities are still underdeveloped, both at cantonal and at the FBiH level, particularly in terms of the number of teaching and administrative in some cantons. The situation in Republic of Srpska is slightly better.

Despite the achievements in the employment sector, there is still a significant lack of institutional capacities for reforms necessary in the labour market, as well as employment and social sector. High unemployment rate and great share of informal economy additionally hamper social and economic recovery of the country. Active labour market policies and programmes are mainly focused on co-financing new employment, self-employment and training.[[87]](#footnote-87)

The social policy system in BiH is complex and requires further harmonisation of legislation and practice. The lack of budgetary funds, technical equipment, and qualified staff and training represent additional problems.[[88]](#footnote-88)

# 5. THE PURPOSE OF SUPPORT TO SECTOR IN THE FRAMEWORK OF IPA ii AND DESCRIPTION OF PRIORITIES IN RELATION TO THE PREVISION OF ASSISTANCE

## 5.1. Description of Sector Priorities in Relation to Provision of Assistance

IPA assistance will be focused on these two key priority areas:

1. **Employment**
	1. Priority objective is to improve employment and increase labour market participation in BiH
2. **Reform of education in the service of employment**
	1. Priority objective is to improve the education systems in BiH so that it corresponds to the market needs, increase human capital and social inclusion in BiH

The priority objectives are further detailed in specific objectives formulated into Actions and results (see Actions below), in order to guarantee the proper focus of eligible interventions in addressing the identified problems:

* To improve the quality and effectiveness of institutions and services of labour market and education systems in BiH (Action 1);
* To improve employability and facilitate access to labour market for youth (VET and high school degree), women, persons with disability and long-term unemployed (Action 2)
* Improved education systems in BiH with the aim of increasing employability (qualification framework, improvement of competences, aligning teaching plan and programme (NPP) with common core curriculum, LLL, VET, etc.) (Action 2)

BiH made satisfactory progress by adopting the Reform Agenda that outlines measure to address high unemployment and as such sets out a wide set of policy reforms that cover employment issues, business climate improvements, as well as taxation and educational reform.

In the areas pertaining to strategies at entity level, the results of the SPD should be seen as a contribution to implementation and fulfillment of adopted priorities. Therefore, it should be highlighted that this is an additional instrument to support implementation of strategies in line with accession targets.

|  |  |  |  |
| --- | --- | --- | --- |
| Priorities | Priority General Objectives | Action 1 (Support to employability IPA 2016) contribution to Priorities and Priority Objectives | Action 2 (SRC IPA 2017) contribution to Priorities and Priority Objectives |
| Employment | To improve employment and increase labour market participation in BiH | 🗹 | 🗹 |
| Reform of education in the service of employment | To improve the education systems in BiH so that it corresponds to the market needs, increase human capital and social inclusion in BiH | 🗹 | 🗹 |

**IPA Action Programme 2016**

|  |  |
| --- | --- |
| **Action**  | **ACTION 1 - SUPPORT TO EMPLOYABILITY**  |
| Specific objective | To improve the quality and effectiveness of institutions and services of labour market and education systems in BiH  |
| Expected results | * **Result 1**: The capacity of the labour market institutions is strengthened.
* **Result 2**: Responsiveness of the education systems to labour market demand in BiH is enhanced
* **Result 3**: Human capacity in education sector is strengthened
 |
| Indicative envisaged activities aimed at achieving expected results  | * **Result 1**
* Conduct an assessment of the effectiveness of the existing active labour market measures, and develop procedures based on recommendations of the functional review of the PESs, which is carried out prior to start of this programme;
* Design and introduce new methods, tools and models to monitor and analyse the labour market needs in order to adopt measures to reduce high unemployment rate;
* Train staff of labour market institutions to implement more effectively new active labour market measures and service delivery;
* Develop and introduce tools for information exchange regarding job vacancies throughout BiH in order to increase labour mobility
* **Result 2**
* Create new study programmes and curricula in line with labour market needs, relevant occupational standards and Qualifications Framework in BiH;
* Identify and develop additional occupational standards based on research among BiH employers;
* Improve mechanisms of recognition of informal and non-formal education by BiH authorities;
* Develop and introduce models of cooperation between universities and employers to increase employability and improve relevance of education for labour market;
* Develop procedures for implementation of Lisbon Recognition Convention (LRC); prepare a proposal for harmonisation of legislation in BiH with the LRC and support drafting of relevant laws, bylaws and procedures;
* Strengthen human resources in relevant bodies to implement the new provisions of LRC;
* Increase the number of career guidance centres and improve their work by introducing more effective practices.
* **Result 3**
* Adopt and implement new methods and procedures in educational institutions and ministries with the aim i) to increase capacity for policy and strategic planning and ii) to improve the efficiency and quality of work of teachers and other staff of education sector;
* Develop and introduce a model for monitoring of progress of the reform processes, also based on results of external assessments of education systems such as PISA;
* Improve reporting in the sector through an effective data collection system and statistical analysis based on agreed indicators.
 |
| Implementation arrangements | This Action will be implemented through a combination of Technical Assistance/Services, and Twinning. Result 1: one service contract; Results 2 and 3: one service contract and one twinning contract. Given the plethora of institutions in the sector, as well as the number of activities, in order to ensure efficiency, effectiveness and relevance of the measures, it is proposed to have two Steering Committees. Tentative list of the members of Steering Committees for implementing of results include:**For the Employment Result 1:** MCA, Ministry of Labour and Social Policy of FBiH, Ministry of Labour and Veterans of Republic of Srpska, responsible department of Government of BD BiH, Labour and Employment Agency of BiH, the Federal Employment Institute and Cantonal PESs in FBiH, Public Institution Employment Institute of Republic of Srpska and Employment Institute of BD BiH. **For the Education Results 2 and 3**: MCA, Ministry of Education and Culture of Republic of Srpska, FBiH Ministry of Education and Science, Ministry of Education, Science, Culture and Sports of the Una-Sana Canton, Ministry of Education, Science, Culture and Sports of the Posavina Canton, Ministry of Education, Science, Culture and Sports of the Tuzla Canton, Ministry of Education, Science, Culture and Sports of the Zenica-Doboj Canton, Ministry of Education, Youth, Science, Culture and Sports of the Bosnian Podrinje Canton Gorazde, Ministry of Education, Science, Culture and Sports of the Central Bosnian Canton, Ministry of Education, Science, Culture and Sports of the Herzegovina-Neretva Canton, Ministry of Education, Science, Culture and Sports of the West Herzegovina Canton, Ministry of Education, Science and Youth of the Sarajevo Canton, Ministry of Science, Education, Culture and Sports of Canton 10, Department of Education in the Government of the BD BiH, Agency for Pre-school, Primary and Secondary Education BiH, Agency for the Development of Higher Education and Quality Assurance BiH, Centre for Information and Recognition of Qualifications in Higher Education BiH, the Institute of Adult Education of the Republic of Srpska, Higher Education Accreditation Agency of Republic of Srpska.It is envisaged to have both regular and ad hoc coordination between the two Committees to ensure effective implementation of all the activities envisaged under this Action and within the sector. Exact modalities will be agreed upon, and formalised, at a later stage.  |
| Justification for the choice of implementation arrangements | * **Result 1: Service Contract**
* The **a**nalysis of active labour market measures will be conducted with the aim to identify weaknesses of the measures in use and to introduce more effective and tailor made-measures. The PESs’ staff will be trained to properly apply new procedures in order to deliver modernised mediation and counselling services to the job seekers, the employers, local community and other institutions on the labour market. Designing methods and tools and development of models for monitoring labour market needs will help better analyses of the labour market, more accurate identification of its needs and effective cooperation of relevant institutions. Additionally, monitoring of implementation and results of active labour market measures and analysis of their effectiveness will improve planning, implementation and sustainability of the jobs created through ALMPs. Exchanging information on job vacancies between PESs and the employers will assist job-seekers to effectively approach the labour market, increasing competition among them
* **Result 2: Service Contract**
* In order to create better connection between education and employers, research will be conducted to assess the employers’ needs. Technical assistance is to propose different models of cooperation between universities and employers based on best practices in EU and the region. The activities will include i) establishment of quality assurance mechanisms in VET (with focus on TVET) and higher education, according to European guidelines for quality assurance; ii) designing models for teachers’ exposure to up-to-date technologies; iii) develop standards for trainings in companies in order to acquire new skills and competencies arising from new trends in their specific area; and iv) development of different models for connecting education sector with labour market. Career guidance will be improved through both increased number of centres and increased quality and effectiveness of their services.
* **Result 3: Twinning Contract**

- The assistance will improve capacity of human resources at all levels of the education sector through trainings, and development of new procedures and standards. The capacity to monitor changes in the sector and improved strategic planning and analytical skills will be raised. Training of VET teachers and academic staff will be focused on improvement of cooperation with companies which will lead to improvement of skills of labour force in line with labour market needs.  |

**IPA Action Programme 2017**

|  |  |
| --- | --- |
| **Action**  | **ACTION 2. Sector Reform Contract**  |
| Specific objective | * To improve employability and facilitate access to labour market for targeted groups: youth (VET and gymnasium), women, persons with disability and long-term unemployed by effective response to their needs.
* To improve education systems in BiH with the aim of increasing employability with special focus on further development and implementation of QF in BiH

This Action will support greater employability of targeted groups: youth (VET – three-year vocational school and gymnasium), women and persons with disability. The Action is focused on these three target groups as they are in a great need of both better accesses to training and opportunities for faster integration to the labour market. It will focus on implementation of combination of active labour market measures, as a tailor made response to their specific needs. The Action will also seek to improve their competitive skills and competencies, needed by labour market. |
| Expected results | * **Result 1** - Increased employment of youth (VET– three-year vocational school and gymnasium), women, persons with disability and long-term unemployed though development and implementation of targeted active labour market measures
* **Result 2** - Labour market participation of women increased
* **Result 3** - Labour market institutions strengthened
* **Result 4** - New VET qualifications developed and implemented at level 5 of QF
* **Result 5** - Reduced mismatch between the skills acquired through secondary education (VET and gymnasium) and the needs of the labour market by focusing on specific groups of population such as young people, women and persons with disability through implementation of measures for more efficient employment (re-qualification, additional education and career guidance)
 |
| Indicative envisaged activities aimed at achieving expected results  | Requested assistance is related to development and implementation of targeted active labour market measures and to improve employment and employability of the targeted groups and to increase participation of women and persons with disability on labour market, as well as further strengthening of capacities and modernisation of relevant institutions and services. * Activities envisaged for the achievement of **Result 1 and Result 2** are as follows:
1. Youth (VET and gymnasium)- transition from education to work: Improve relevance of education and training, including linkages to employers (e.g. public private partnership) and subsidies for employment in private sector;
2. Women - Social entrepreneurship model, self-employment and start-ups: competency development and measures to boost their activity; and
3. Persons with disability: development and implementation of applicable social entrepreneurship model and training through education.
4. Long-term unemployed - Requalification, additional qualification, public works, seasonal jobs, preparation for the work for the known employers, etc.
* Activity envisaged for the achievement of **Result 3** is as follows:
1. Strengthening of capacities of services and institutions, as well as human resources for support in employment of targeted groups
* Activities envisaged for the achievement of **Result 4** are as follows:
1. Develop new occupation and qualification standards in selected occupation fields in VET for level 5 of QF
2. Create new VET modules/ modular curricula based on learning outcomes for level 5 of QF
3. Develop teacher training methodology and models in VET for formal, non-formal and adult education in line with level 5 of QF
* Activities envisaged for the achievement of **Result 5** are as follows:
1. Improve counseling and professional development for potential candidates; and
2. Develop short models of training for pre-qualification and additional qualification for more efficient and employability.
 |
|  | The SRC will be composed of Euro 20 million budget support component and Euro 5 million component for complementary assistance.* Complementary assistance will be:
1. Technical support (service contract under direct management) for the BiH institutions for labour market, education and social policy for the development of capacities to further repair, elaborate and implement policies and legislation in the field of education, employment and labour market and social policy and to support the mechanisms for monitoring and assessment, evaluation and reporting in the sector.
2. Visibility TA for the purposes of ensuring that all relevant stakeholders are involved in the implementation of the reform process and the SRC itself.

Techical assitance for the monitoring of the implementation of the SRC (targets and indicators). |
| Implementation arrangements | * **Beneficiaries:** Given the plethora of institutions in the sector, as well as the number of activities, in order to ensure efficiency, effectiveness and relevance of the measures, tentative list of implementing institutions include:
* MCA
* Ministry of Labour and Social Policy of FBiH
* Ministry of Labour and Veterans of Republic of Srpska
* Ministry of Health and Social Protection of Republic of Srpska
* Responsible department of Government of BD BiH
* Labour and Employment Agency of BiH
* Employment Institute of FBiH and Cantonal PESs in FBiH
* Public Institution Employment Institute of Republic of Srpska
* Employment Institute of BD BiH
* Entitiy funds for Professional Rehabilitation and Employment of Disabled Persons
* Ministry of Education and Culture of Republic of Srpska
* Ministry of Education and Science of FBiH
* Ministry of Education, Science, Culture and Sports of the Una-Sana Canton
* Ministry of Education, Science, Culture and Sports of the Posavina Canton
* Ministry of Education, Science, Culture and Sports of the Tuzla Canton
* Ministry of Education, Science, Culture and Sports of the Zenica-Doboj Canton
* Ministry of Education, Youth, Science, Culture and Sports of the Bosnian Podrinje Canton Gorazde
* Ministry of Education, Science, Culture and Sports of the Central Bosnian Canton
* Ministry of Education, Science, Culture and Sports of the Herzegovina-Neretva Canton
* Ministry of Education, Science, Culture and Sports of the West Herzegovina Canton
* Ministry of Education, Science and Youth of the Sarajevo Canton
* Ministry of Science, Education, Culture and Sports of Canton 10
* Department of Education in the Government of the BD BiH
* Agency for Pre-school, Primary and Secondary Education BiH
* Agency for the Development of Higher Education and Quality Assurance BiH
* Centre for Information and Recognition of Qualifications in Higher Education BiH
* Institute of Adult Education of the Republic of Srpska, and
* Higher Education Accreditation Agency of Republic of Srpska.

**Implementation modality:** Euro 20 million through budget support and Euro 5 million through complementary assistance. |
| Justification for the choice of implementation arrangements | * The Specific Objectives of IPA II sector support are in line with the Indicative Strategy Paper 2014-2020 for BiH,
* The priorities and measures for assistance are defined in accordance to the BiH policies as stipulated in the relevant sector strategies and action plans, and more notably in the BiH Reform Agenda.
* To maximise coherence between BiH strategic planning documents and the IPA II sector support priorities, the outputs provided above make use of the measures, results and responsible institutions already defined.
* The selection of priorities for assistance and associated results has been undertaken with the following considerations:
1. Up to five-year implementation timeframe (for SBS and complementary support);
2. The logic sequence of interventions;
3. Financial absorption capacities of MCA and relevant entity institutions; and
4. The Government’s prioritisation of policy objectives.
 |

### Table of Indicators

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Indicator** | **Description** | **Baseline****(2010)** | **Last available year****2015** | **Milestone year****2017** | **Target year****2020** | **Source of information** |
| ISD indicator for IPA II for BiH – Education, employment, and social policies: Progress achieved in meeting the pre-accession criteria | Progress achieved in meeting the pre-accession criteria  |  |  |  |  | EC - DG NEAR, Report |
| ISD indicator for IPA II for BiH – Education, employment, and social policy: employment rate | Employment rate (based on EU 2012=100 base) | 62 (2013) | 62 (2013) | 63 |  N/A | EC (Eurostat) |
| **IMPACT LEVEL OF ACTION 1**  |
| Employability rate per level of education | The rate per level of education in specific sectors | Tertiary education 17.6% (2015)Secondary education 64.6% (2015) | Tertiary education 17.6%Secondary education 64.6% |  | Tertiary education 19.0%Secondary education 69.1% | Labour Force Survey, BiH Agency for Statistics (BHAS) |
| % of PESs using newly developed procedures to monitor active employment measures and labour market needs | % of PESs using newly developed procedures (manuals and instructions) for monitoring  | 0% (2010 instead of 2015) | 0% (2016) |  | 30% | Labour and Employment Agency of BiH, Federal Employment Institute of FBiH, Employment Institute of Republic of Srpska and Employment Institute of BD BiH; Project Reports |
| % competent educational authorities analysing and monitoring the education reform process | % of education authorities started to analyse and monitor pace and quality of education reform process  | 0% (2010 instead of 2015) | 0% (2016) |  | 10% | Reports of Ministries of Education, Agencies for Education and Pedagogical Institutes  |
| **IMPACT LEVEL OF ACTION 2**  |
| Employment of youth, women and persons with disability | Number of youth (15-24), women (25-64) and persons with disability employed by SPD actions  | Youth: 0Women: 0Persons with disability: 0 | Youth: 0Women: 0Persons with disability: 0 |  | Youth: 5000Women: 2800Persons with disability: 200 | Employment and Labour Agency of BiH, Employment Bureau of FBiH, Employment Bureau of Republic of Srpska and Employment Bureau of BD BiH and Reports of Funds for Professional Rehabilitation and Employment |
| Labour market participation of women | Number of active females in labour market  | Active female: 0 | Active female: 0 |  | Active female: 1200 | Projects Reports  |
| Duration of job search | mumber of persons seeking a job for more than 12 months  | 259.000 | 257.000 |  | 252.000 | Labour Force Survey, BHAS |
| Modular curricula in VET schools | Number of introduced modular curricula in VET schools | 100 (2012) | 247 |  | 300  | VETIS department of BiH Agency for Preschool, Primary and Secondary Education (APOSO)  |
| Developed curricula for level 5 of QF | Number of developed curricula of level 5 of QF | 0 (2010 instead of 2015) |  | 2 | 10  | APOSO and relevant education ministries |
| Persons undergone re-qualification, additional education training, and career guidance of a new programs | Number of persons undergone re-qualification, additional education and training, and career guidance of new programs | 0 (2010 instead of 2015) |  | 30 | 100 | Relevant education ministries and centres for adult education  |

## 5.3. Assumptions, Preconditions and Risks

Assumptions

The assumptions related with proposed objectives and results are generally associated with the national policy level and include continued political support for reforms in the sector and the commitment of the Government to their fulfilment in line with the EU integration process. At the level of actions and related activities proposed in this SPD, the assumptions are linked to the commitment and smooth coordination between all the institutions of the sector and to the objective assessment of their capacities for the implementation of planned interventions.

Preconditions

Preconditions shall demonstrate the maturity and readiness for the implementation of each individual action, which ensure that IPA II funds are allocated exclusively for the priorities soundly and formally agreed upon by the Government according to the required sector support. Such guarantees are to be provided by the adoption of strategies and legislation underlying the proposed sector interventions.

Risks

The risks given in the table below are differentiated according to the likelihood of their occurrence (high, medium or low probability of occurrence).

|  |  |  |
| --- | --- | --- |
| Risk | Level (Low, Medium, High) | Mitigation measure |
| Limited capacities of sector coordinating institution to guide and coordinate reform implementation and donor interventions. | M | Continuous monitoring and dialogue with the EC through high level policy dialogue, budget support dialogue forums and the monitoring of conditionality and eligibility requirements. Support through ongoing or proposed complementary capacity building to facilitate the reforms. Engagement of all stakeholders with more demand and pressure for ongoingOngoing technical assistance. |
| Limited human and financial resources of employment institutions to cope with all tasks  |
| Lack of robust data e.g. on persons with disability |
| Weak mechanisms for cooperation with the private sector, social partners  |
| Lack of a monitoring plan and system incl. data gathering and analysis, i.e PAF |
| Lack of institutional cooperation, weak co-ordination of the strategies.  |
| Further increase of public debt and third party requirements (IMF, etc) | M | The Government maintains a stability oriented macro-economic policy, which is being monitored under the PFM reform strategy implementation. The IMF and the World Bank programmes are expected to act as an anchor for enhancing macroeconomic stability. |
| Lack of commitment from the Government to pursue implementation of PFM reform strategy | M | Continuous dialogue with the EC on public finance policy issues and PFM reforms |

# 6. COMPLEMENTARITY WITH OTHER FINANCIAL ASSISTANCE

In terms of the volume of assistance delivered in sector, the EU and the World Bank are among the most important donors present in BiH, with other international and bilateral organisations, which are involved in specific areas. USAID is implementing the Country Development Cooperation Strategy 2012 – 2016[[89]](#footnote-89) focusing in principal on governance and economic growth issues. IFAD concentrates its actions on poverty reduction (Technical Annex 30) while UNICEF deals in principal with the protection of children rights. The UNDP is mainly involved in assisting the country to carry out political, economic and social reforms in the field of justice and security, social inclusion, rural and regional development, energy and environment.

The Swiss SDC is currently providing technical assistance in five domains: local governance and municipal services, health, employment, migration and regional cooperation. The GIZ focuses its support on rural development, governance and democracy, environmental and climate change, respectively economic development and employment.

High and persistent unemployment in the country has resulted with a special attention of international community to labour and employment issues. Consequently, numerous technical assistance interventions in the sector are foreseen in the coming years, in particular from the EU and World Bank. It is therefore recommendable to strengthen the process of coordination and mutual consultation among donors in order to make those interventions more effective and to harmonise the various donors’ approaches in terms of technical assistance.

As part of the initiative Compact for Growth and Jobs, the EU has produced at the end of 2015 a set of tools for monitoring the progress of Reform Agenda implementation. An aggregate (annual) index of reforms was proposed, which allows for comparisons with neighbouring countries. A monthly index of reform implementation was equally developed for the purpose of internal monitoring. In addition, a Monitoring Matrix of policy measures offers the possibility to periodically assess the level of completion of activities included in each action plan (BiH, FBiH and Republic of Srpska). The three instruments are complemented by recommendations for carrying out Regulatory Impact Assessments of legislative measures.

The ILO, as a specialised agency in the field, has undertaken several evaluation initiatives. From 2008, based on data of BiH labour market institutions, extensive annual reviews of BiH employment policies were carried out jointly with the Council of Europe.[[90]](#footnote-90) More recently, in June 2015, ILO elaborated an assessment of the labour market situation in BiH with respect to collective bargaining and settlement of labour disputes, accompanied by several recommendations for improvement.[[91]](#footnote-91)

The World Bank has implemented several sectorial programmes. The Country Partnership Framework for 2016 – 2020[[92]](#footnote-92) sets a number of support priorities, of which labour market and employment represents the top priority. The framework also developed a Monitoring Matrix of actions to be implemented, with the corresponding indicators. The WB also initiated discussion with FBiH Ministry of Labour and Social Policy and Republic of Srpska Ministry of Labour and Veterans on provision of 56,01 Million Dollars loan for employment support programme. The project development objective is to increase formal private sector employment among targeted groups of registered job seekers by financing of ALMPs, supporting strengthening of job intermediation and by modernising monitoring and evaluation practices of the PESs.

In addition, programming and implementation of IPA assistance in BiH continued in 2014 in a challenging political environment and were heavily influenced by the disastrous floods that hit the country in May 2014. The preparations for IPA II restarted after they had been interrupted in 2013 and led to the adoption of the IPA II Indicative Strategy Paper for BiH in December 2014. However, the Paper covers only 2014-2017 and in the absence of a comprehensive EU coordination mechanism, funds are only allocated in four sectors where agreed strategies and sufficient coordinating structures exist. The strategy paper includes therefore the following sectors: Democracy and Governance, Rule of Law and Fundamental Rights, Competitiveness and Innovation – Local Development Strategies and Education, Employment and Social Policies.

Following the floods of May 2014 the paramount challenge became to assist BiH quickly and effectively in addressing the impact of the flooding. Next to the funds allocated to flood recovery, the remaining IPA 2014 funds were mainly allocated to support the four sectors of the ISP with a strong emphasis on the economic development of the country. The difficult socio-economic environment in BiH which has led to increasing dissatisfaction amongst the citizens and social unrest has been further aggravated by the recent floods. 62% of IPA 2014 action programme was therefore directed towards competitiveness and innovation through supporting local development strategies. Most of the IPA 2015 support was directed primarily to flood recovery and the economic development of the country, while the remaining of the IPA 2015 action programme focused mainly on Democracy and Governance and Rule of Law and Fundamental Rights.

In sub-sections 2.1.3. - Sector and Donor Coordination and 4.2. -Lessons Learned from Past and On-going Assistance it was possible to briefly describe the main contributions on the implementation of various initiatives related to this sector and provided by the donor community in BiH, including the EU, for the implementation of reform in the areas of education and employment. The assistance provided by the various donors to the sector is very wide and difficultly traceable, as the support ranges from collaboration among non-governmental institutions to institutional support at the various levels of government, from general budget support for tailored technical assistance. However, it is clear that the sector is still in demand of support and IPA II assistance and that the priorities can be clearly defined.

# 7. CROSS-CUTTING ISSUES

### Equal Opportunities and Gender Mainstreaming

Although gender equality represents one of the most complex issues in any society, requiring long run strategies and commitments, BiH is making steps forward by applying the logic of mainstreaming in the consistent and comprehensive way, and involving growing number of stakeholders and institutions, while at the same time increasing public awareness on the issues.

When it comes to the Fundamental Rights in BiH, gender mainstreaming is very much interlinked with the respect and acknowledgement of human rights. Very often the gender issue in BiH is added up to the discrimination, marginalisation and vulnerability of specific spheres of population, giving birth to multiple vulnerability based on gender. Examples of such cases are of unemployed women and their continued maternity-related discrimination (as is presented and furnished with data in the Part 1 of this SPD). Within the Ministry for Human Rights and Refugees of BiH, the Gender Equality Agency has been established and made operational, while at the entity level there are previously established Gender Centre of the FBiH and Gender Equality Centre of the Government of Republic of Srpska. The Agency and the entity Gender Centres are the real drivers of the initiatives as well as key implementers of gender mainstreaming activities in BiH. The involvement of these actors via guidance, counselling and advice will be requested and taken into account in the shaping of the activities envisaged in this planning document.

In implementing the actions related to this SPD, the safeguards for women to exercise their fundamental rights is of paramount importance. The participation and the equal involvement of women and men in public and political life and, more specifically in the access to justice and in the safeguard of rights it is indeed a substantial pre-requisite for the implementation of the planned actions.

In implementing the planned actions, gender mainstreaming will be focused in:

* Enacting non-discriminatory legal and policy frameworks;
* Encouraging women to have better access to educational opportunities and labour market.

In concrete terms, this will occur by ensuring that the implementation of envisaged actions is in line with two key laws in BiH, i.e. the Law on Gender Equality[[93]](#footnote-93) and the Law on the Prohibition of Discrimination.

### Minorities and Vulnerable Groups

The actions envisaged in this SPD will seek to mainstream addressing the issues related to vulnerable groups as an important obstacle in the BiH EU integration process. In addition, this SPD will try to take into account and raise awareness about problems of disabled people. This particular group faces multiple social exclusion and discrimination and this has serious implications when it comes to their employment and education.

Moreover, the principles of the European Convention on Human Rights are entrenched in the Constitution of BiH, which also guarantees the supremacy of this Convention over national legislation. As regards international human rights instruments, BiH has ratified all major UN and international human rights conventions.

However, it has been noticed that BiH, despite having a relatively satisfying legal framework, still has not implemented an efficient system of protection against discrimination and protection of vulnerable groups. The EC in the 2015 Report on BiH has recognised the need for the introduction of a specific public policy that would concentrate on the prevention and struggle against discrimination. It is also stated that legal and institutional framework for the respect of human rights requires significant improvement and that adopted laws must be implemented in an effective way, particularly with respect to struggle against discrimination across the country. The Working Group coordinated by the Ministry of Human Rights and Refugees of BiH with the task of revising the anti-discrimination law was formed in August 2015.

### Engagement with Civil Society

The 2007 Memorandum of Understanding between the Government of BiH and the CSOs set out the objectives, principles and forms of the cooperation between the government and civil society. But although the engagement of citizens in the decision-making processes at State-level in BiH is regulated it is not fully implemented yet. The IPA II assistance is already providing continuous support to CSOs through the Multi-Country Civil Society Facility that encourages sector based networking and cooperation among civil society in various areas among which the improvement of capacities of CSOs to combat corruption, improve social dialogue, support social partners. Within this framework, the IPA II assistance is also provided to the Governments to enable them to secure a more effective inclusion of civil society in the decision-making. In the specific case of BiH, the facility aims at influencing policy, decision-making processes and legislation enacting in the areas critical for EU integration.

When it comes to the implementation of actions envisaged by this SPD, the engagement of civil society will be provided as a complementary activity and be carried out in line with the assistance already provided by the IPA II assistance. Specifically, in the sector of education and employment, the attention given to engage civil society will be of utmost importance and will be addressed in supporting an overall environment that is conducive to civil society development as being an effective and accountable independent sphere of policy making. Engagement of CSOs will be important in order to suitably implement the actions planned in this SPD.

### Environment and Climate Change

Actions envisaged in this SPD do not have any direct impact on the environment and the climate change. All actions envisaged and supported by the IPA II assistance will comply in full terms with the respect of environment, security and health.

# 8. Sustainability

Sustainability of the interventions will be ensured through the involvement of all actors (at state level, level of entities as well as canton level) and clarify structures and roles for the implementation and monitoring of envisaged Actions particularly the Sector Reform Contract (Action 2). These structures will benefit from specific support to their capacities, both within the technical assistance package of the Sector Reform Contract (complementary support), and from other donors: this will contribute to ensure that knowledge and good practices for the implementation of the sector policies and action plans internally and on a permanent basis.

The sustainability of the reform contract will be ensured beyond the duration of the SBS intervention, primarily through the gradual implementation of the sector policy measures accompanied by the required budgets under the annual budget process and the emerging Medium Term Expenditure (Budgetary) Framework (MTEF/B) and Performance Assessment Framework. Complementary capacity building interventions should also help build sustainability, together with the outcomes of the policy dialogue related to the better inclusion of the diverse stakeholders.

During the period of the Financing Agreement, a comprehensive policy dialogue between the EU and the principal stakeholders will take place. The dialogue will focus not only on reinforcing the need to develop and implement holistic and integrated sector policies, but also on the allocation of sufficient funding in the annual and multi-annual budgets to ensure that the policy gains are sustained and continually evaluated and reformulated.

Taking into account the crucial role played by this important sector in the EU integration process (and eventually in the future accession negotiations), the willingness of all involved institutions at all levels of government to optimise and profit from the IPA II assistance in view of eventual attainment of consolidated, robust and sustainable coordination must be assumed, and should be taken for granted.

# 9. sector support budget

Programming period: 2016– 2017

|  |  |  |
| --- | --- | --- |
| **ACTION/RESULTS/ACTIVITITES**  | **ESTIMATED COST (EUR)** | **COMMENTS** |
| **ACTION 1: SUPPORT TO EMPLOYABILITY IPA 2016** |  |  |
| Result 1 - The capacity of the labour market institutions is strengthened | 5.100.000 | Service Contract |
| Result 2 - Responsiveness of the education systems to labour market demand in BiH is enhanced | Service Contract |
| Result 3 - Human capacity in education sector is strengthened | Twinning Contract |
| **TOTAL FOR ACTION 1** | 5.100.000 |  |
| **ACTION 2: SECTOR REFORM CONTRACT IPA 2017** |  |  |
| **Results related to Sector Budget Support:**Result 1- Increased employment of youth (VET and gymnasium), women, persons with disability and long-term unemployed though development and implementation of targeted active labour market measuresResult 2 - Labour market participation of women increasedResult 3 - Labour market institutions strengthened Result 4 - New VET qualifications developed and implemented at level 5 of QF Result 5 - Reduced mismatch between the skills acquired through secondary education (VET and gymnasium) and the needs of the labour market by focusing on specific groups of population such as young people, women and persons with disability through implementation of measures for more efficient employment (re-qualification, additional education and career guidance) | 20.000.000 | Sector Budget Support |
| **Technical assistance/Complementary Support for:**1- BiH institutions for labour market, education and social policy for the development of capacities to further repair, elaborate and implement policies and legislation in the field of education, employment and labour market and social policy and to support the mechanisms for monitoring and assessment, evaluation and reporting in the sector;2-Visibility; and3-Monitoring of the implementation of SRC (targets and indicators) | 5.000.000 | Complementary Support (Service Contracts) |
| **TOTAL FOR ACTION 2** | 25.000.000 |  |
| **TOTAL FOR SPD** | 30.100.000 |  |

# 10. Chronogram for programming and implementation Plan

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Employment and Education** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
| **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** |
| **ACTION 1: SUPPORT TO EMPLOYABILITY** |
| Result 1. The capacity of the labour market institutions is strengthened (Service contract) | P | P | P | P | C | C | C | I | I | I | I | I | I | I | I |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Result 2. Responsiveness of the education systems to labour market demand in BiH is enhanced (Service contract) | P | P | P | P | C | C | C | I | I | I | I | I | I | I | I |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Result 3. Human capacity in education sector is strengthened (Twinning contract) | P | P | P | P | C | C | C | I | I | I | I | I | I | I | I |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **ACTION 2: SECTOR REFORM CONTRACT** |
| Sector Budget Support |  |  | P | P | P | P | P | I | I | I | I | I | I | I | I | I | I | I | I | I |  |  |  |  |  |  |  |  |
| Complementary Support  |  |  | P | P | P | P | C | C | C | I | I | I | I | I | I | I | I | I | I | I | I |  |  |  |  |  |  |  |

P = Programming (i.e. period when the IPA Action Programme is expected to be adopted)

C = Procurement and grant award procedures (i.e. up to contract award)

I = Implementation period

# ANNEX 1: INSTITUTIONAL STRUCTURE, LEADERSHIP AND CAPACITIES

MCA is responsible for carrying out the tasks and discharging duties, which fall within the State-level competencies in the areas of labour, employment, education, social protection and pensions and those relating to defining basic principles of coordination of activities, harmonising plans of the entity authorities and defining strategies at international level. [[94]](#footnote-94)

*Employment and Social Policy*

Labour and Employment Agency of BiH,[[95]](#footnote-95) in cooperation with entity employment and the BD BiH institutes, is competent, among other things, for coordinating activities in national and international projects in the employment area that are of interest for BiH; initiating activities to implement programmes of professional guidance and education in order to increase employment, and other forms of active employment policy; providing data in the area of unemployment related to the fulfilment of international obligations; and initiating education and training of entity and the BD BiH employment bureaus in order to meet demands and challenges of international obligations and integration processes.

According to the provisions of the Constitution of FBiH, FBiH bodies and cantons have a shared competence over entity’s employment and social policy.[[96]](#footnote-96) The competences are executed both jointly and separately, or by cantons solely with the coordination of Federation bodies.

Ministry of Labour and Social Policy of FBiH performs administrative, professional and other tasks stipulated by the law related to the competencies of the FBiH in the area of: social policy, labour, pension and disability insurance, in the following segments: labour and employment policy, employment and employment rights, safety at work, pension and disability insurance, social security and solidarity, protection of civilian war victims, protection of persons with disabilities, family protection, adoption and custody, social protection and other tasks stipulated by the law. In FBiH, there are also cantonal ministries for the labour and social policy area, as cantons have the rights to define the policy and implement laws in these areas, as well as implement social policy and establish social protection services.

In the Republic of Srpska, the following institutions operate in the employment area: Ministry of Labour and Veterans of Republic of Srpska and the Republic of Srpska Employment Institute (with 6 regional employment services). The Ministry of Labour and Veterans of Republic of Srpska performs administrative and other professional tasks related to employment of workers and their rights in all forms of labour with the exception of workers who have the status of civil servants; salaries and other earnings from employment; employment; occupational health and safety; pension and disability insurance for all forms of labour; and temporary employment of workers abroad in coordination with the competent State level ministry.

Ministry of Health and Social Protection of Republic of Srpska performs administrative and other professional tasks related to the analysis and monitoring of health status and health needs of the population; preparation and implementation of health policy and health strategies; planning of networks of health care institutions and the organisation of the health care system; planning and implementation of health care technologies in health care institutions; improvement of the health care quality system, social protection system; and social care of family and children, etc.

Employment Institute of FBiH monitors and proposes measures to improve employment and social security of the unemployed; monitors and ensures the implementation of the established policy and measures in the area of labour and employment in the territory of the FBiH, and notifies the competent authorities in FBiH thereof; manages funds for the provision of material security during unemployment, in accordance with this law; monitors, harmonises and coordinates the work of employment services on the implementation of the established policy and measures in the area of employment and social security of unemployed persons falling within the FBiH competency; monitors and proposes measures to improve the employment of disabled persons and their professional rehabilitation and ensures the fulfilment of the conditions for their employment in cooperation with employment services; and provides assistance in the implementation of professional orientation programmes, training and retraining for the unemployed and their re-employment in appropriate jobs.

Main functions of the Republic of Srpska Employment Institute are as follows: employment mediation, public notifications on employment opportunities and requirements, provision of advice on the choice of work (professional orientation) professional training and preparation for employment, implementation of employment programmes, performance of organisational, professional, administrative and other tasks related to the exercising of the right to financial compensation and health care.

Government of the BD BiH - Department of Health and Other Services implements laws and regulations of the competent authorities, State level institutions and the District in the area of health care and other services under the supervision and direction of the mayor; social assistance and social protection of citizens, especially the elderly, the mentally and physically handicapped persons, as well as marriage, family and children, etc.

Within the scope of its competences, the Employment Institute of the BD BiH performs the following functions: employment mediation, notifications on employment opportunities and conditions, professional orientation and counselling on the career choice, organisation of the professional training, training and preparation for employment, implementation of programmes and measures of active employment policy, exercise of the rights of the unemployed, carrying out organisational, professional, administrative and other tasks related to the exercising of rights of the unemployed persons as stipulated in relevant legislation.

Subdivision for Social Protection of BD BiH (Centre for Social Work) is an organisational unit of the Department of Health and Other Services of the BD BiH Government. The Centre for Social Work’s activity is based on the application of positive legislation in the area of social and child protection: *Law on Social Protection*, *Family Law* and the *Law on Child Protection*.

There are funds for professional rehabilitation in entities: Fund for Professional Rehabilitation and Employment of Persons with Disabilities in FBiH[[97]](#footnote-97) and the Fund for Vocational Rehabilitation and Employment of Disabled Persons in Republic of Srpska[[98]](#footnote-98). Responsibilities of these funds are as follows: implementation of the development policy and improvement of professional rehabilitation and employment of disabled person, financing and co-financing of professional rehabilitation and employment of persons with disabilities, payment of cash incentives for employment and self-employment of the disabled person, co-financing programs for maintaining employment of the disabled person, co-financing of economic support disabled, control exercising the right to financial stimulus and use other resources of the Funds, and financing or co-financing of enterprises for employment of disabled persons and work centres.

*Education*

Education sector in BiH has the following institutions:

* Ministry of Education and Culture of Republic of Srpska;
* Ministry of Education and Science of FBiH;
* Ministry of Education, Science, Culture and Sports of the Una-Sana Canton;
* Ministry of Education, Science, Culture and Sports of the Posavina Canton;
* Ministry of Education, Science, Culture and Sports of the Tuzla Canton;
* Ministry of Education, Science, Culture and Sports of the Zenica-Doboj Canton;
* Ministry of Education, Youth, Science, Culture and Sports of the Bosnian Podrinje Canton Gorazde;
* Ministry of Education, Science, Culture and Sports of the Central Bosnian Canton;
* Ministry of Education, Science, Culture and Sports of the Herzegovina-Neretva Canton;
* Ministry of Education, Science, Culture and Sports of the West Herzegovina Canton;
* Ministry of Education, Science and Youth of the Sarajevo Canton;
* Ministry of Science, Education, Culture and sports of Canton 10; and
* Department of Education in the Government of the BD BiH.

In addition, Agency for Pre-school, Primary and Secondary Education of BiH is responsible for the establishment of knowledge standards, evaluation of the achieved results and development of common core curricula in preschool, primary and secondary education, and for other professional tasks in the area of knowledge standards and quality evaluation that are stipulated in specific laws and other regulations.

Agency for the Development of Higher Education and Quality Assurance of BiH, among other things, is responsible for establishing clear, transparent and accessible criteria for accreditation of higher education institutions and adoption of norms setting minimum standards in the higher education area; setting quality standards, quality analysis, giving recommendations for the removal of shortcomings in the quality of studies and higher education institutions; appointing expert commissions, based on the proposal by the competent education authorities regarding the selection of experts from the established list of experts; giving recommendations to competent education authorities on the accreditation of higher education institutions, or a study programme, based on the opinion of the expert commission; and keeping state register of accredited higher education institutions, as well as other activities in the domain of higher education and quality assurance.

Centre for Information and Recognition of Qualifications in Higher Education of BiH is responsible for the following: information and recognition in the area of higher education; coordination and international exchange of academic staff, students and programmes in the higher education area; representation of BiH in international projects in the area of higher education from within its competence; provision on information to higher education institutions in BiH through international networks of information centers in respect of foreign higher education institutions and programmes as the basis for the recognition of degrees and diplomas for further education at higher education institutions in BiH and representation BiH in such networks; provision of information and opinions on foreign degrees and diplomas in BiH, with the aim of continuing education at higher education institutions in BiH; provision of advice and information on issues from within its scope of work to parties with legitimate interest; in accordance with the *Lisbon Convention* and its accompanying documents, issuing recommendations to the Republic of Srpska ministry, cantonal ministries and the BD BiH on recognition of diplomas obtained outside BiH for the purpose of employment, continuation of education and the exercise of other rights arising from the acquired qualifications.

BiH has nine Pedagogical Institutes:

* The Republic of Srpska Pedagogical Institute;
* Pedagogical Institute Bihac;
* Pedagogical Institute Tuzla;
* Pedagogical Institute of the Zenica-Doboj Canton;
* Pedagogical Institute of the Bosnia Podrinje Canton Gorazde;
* Pedagogical Institute of the Herzegovina-Neretva Canton Mostar;
* Institute of Education Mostar;
* Pedagogical Institute of the Sarajevo Canton; and
* Pedagogical Institute of the Department of Education in the Government of the BD BiH.

Their task is to develop curricula, affirm new approaches and methods in the education process, organise training for teachers, advise and evaluate the work of teachers, school principals on the whole, etc.

In addition to the aforementioned, the following two institutions operate in the Republic of Srpska:

* Republic of Srpska Adult Education Institute: the Institute is responsible for monitoring and improvement of adult education in the Republic of Srpska as an administrative organisation within the Ministry. Also, the Institute keeps the register of education providers; and
* Republic of Srpska Agency for Higher Education Institutions Accreditation: the main task of the Agency is to organise and conduct the process of external evaluation of quality and accreditation of higher education institutions and study programmes provided by higher education institutions.

Last, but not least, Gender Equality Agency of the Ministry of Human Rights and Refugees of BiH and the Gender Center of the FBiH, as well as the Gender Center of Republic of Srpska, provide expert support to competent institutions aimed at elimination of gender-based discrimination and the achievement of gender equality in all areas, including employment, education and social policy.

# ANNEX 2: NATIONAL SECTORAL POLICIES AND STRATEGIES

The 2010-2014 Employment Strategy in BiH envisaged improvement of full and productive and freely chosen employment for all workers, increasing of quality and quantity of jobs while promoting the social inclusion and the fight against gender inequality.[[99]](#footnote-99) The overall objectives of the Strategy were focused on increasing the overall employment rate, increasing the rate of female employment and reducing youth unemployment. Priority objectives were focused on the promotion of inclusive and job-rich growth and the reduction of the deficit of productive employment and decent work, the promotion of employment of women and men, especially the most vulnerable persons, and the improvement of effectiveness, efficiency and management of policies and labour market institutions. The entity governments and the BD BiH government in cooperation determine actions, i.e. operational plans, for the implementation of the Strategy and its priorities, with the social partners.

Given that the BiH 2010-2014 Employment Strategy expired, the development of the BiH Employment Strategy for the period 2016-2020 has been initiated in accordance with international labour standards, the European Employment Strategy Europe 2020, the South Eastern Europe 2020 Strategy and European integration process requirements. It is planned that the new strategy will define policies and guidelines pertaining to the economic growth accompanied by employment, human resources development and labour market management. Based on the analysis of economic and social situation, situation on the labour market, and key challenges identified in the labour market, objectives, priorities and measures for its implementation will be determined, and system for implementation, monitoring and evaluation, as well as the way of financing its implementation will be defined.

For the purpose of the implementation of objectives defined by the Republic of Srpska Employment Strategy 2011-2015[[100]](#footnote-100) and the BiH Employment Strategy in the Republic of Srpska , the Republic of Srpska Government has adopted annual action plans of employment for the period of the implementation of the strategies.

In addition, the Employment Strategy for the period 2009-2013 was implemented in the FBiH, as well as the Action Plan of Employment in FBiH for the period 2010-2013 that was based on the said strategy. Through the measures and priorities of the Action Plan for Employment in the FBiH for the period 2010-2013, objectives of the Employment Strategy in BiH 2010-2014 were also implemented. The FBiH Employment Strategy expired in 2013, and the Strategy of Employment Mediation is currently being implemented.

Institutions in BiH, through the Foresight component as part of the FRAME Project, prepared a draft strategic document *Vision for Skills 2020.* The process of development of the Vision for Skills2020 was preceded by preparations and consultations with key stakeholders in BiH. Its statement is defined so that it combines the development orientation of relevant institutions expressed in strategic documents that have been adopted, and reflects the principles of smart, integrated, inclusive and sustainable development which serve as the basis for the strategic documents Europe 2020 and South East Europe 2020: Jobs and Prosperity in the European Perspective.

Some of the measures introduced to achieve the objectives of the Vision fro Skills 2020are as follows: encouraging innovation and flexibility of curricula in accordance with the needs of the labour market; developing mechanisms to connect educational and research institutions with the business community with the aim of job creation; introduction of the quality assessment system for institutions of education in terms of employment; development and implementation of legislation and strategic documents that aim to increase the flexibility of the labour market, development of mechanisms that facilitate the transition of employees from informal to formal employment and ensuring consistent application of regulations that labour rights arise from; establishment of mechanisms for the promotion of social dialogue; continuous collection of data and development of labour market analyses with a view to creating policies in the area of education and employment, and completed development of statistical and other sources of information on the labour market; improving registers of SMEs in BiH; improving awareness of active job search and self-employment advantages, and increasing support for self-employment; improving procedures for the opening of new businesses; formulating plans for social inclusion with a focus on difficult-to-employ categories; developing and implementing programmes to support women entrepreneurs and women's participation in the labour market; introduction and implementation of mechanisms for the development of partnerships between the public and private sectors, as well as measures for the evaluation and monitoring of public-private partnerships projects.

In the field of social policy, within the area of disability, there are the following entity strategic documents: Strategy for Improving the Social Status of Persons with Disabilities in the Republic of Srpska 2010-2015 and Strategy for the Equalisation of Opportunities for Persons with Disabilities in FBiH 2011- 2015. At present, new strategies are being drafted both in FBiH (2016-2021) and in the Republic of Srpska (2016-2026), and will be accompanied with three-years action plans.

Strategic Directions of Education Development in BiH with the Implementation Plan 2008-2015[[101]](#footnote-101), was the strategic document for the development of education in BiH until 2015. This document provided a framework for the development of specific strategies for different levels and types of education. It focused on the economic and social dimension of education that the overall development of society depends on, and included: raising the educational level of the population and strengthening the competencies of the labour force, strengthening efficiency of education and training, preventing social exclusion of children and young people; and increasing opportunities for adult education, quality assurance and comprehensive research in education.

The Decision on Adoption of the Baseline of the Qualifications Framework (QF) in BiH,[[102]](#footnote-102) represents the initial document of the forthcoming process of development and establishment of the QF in BiH, based on the EQF for lifelong learning. This document creates prerequisite for the development of the qualifications framework in BiH, which aims to link the previous, current and future learning outcomes, and to set them in the mutual relations within BiH but also within EQF and European educational area. The initial provisions laid in this document are the guidelines for both harmonisation of legislation governing the areas of primary, secondary and higher education, and lifelong learning, and for better linkage of labour market changes and needs with educational programmes in BiH.

The Action Plan for the Development and Implementation of the Qualifications Framework in BiH 2014-2020[[103]](#footnote-103) is a document containing the agenda for all the major activities for the development of the QF in BiH. The development of the QF is significant because it provides every citizen with a possibility to acquire trusted and recognised qualifications that are comparable with the EQF, as well as, access to lifelong learning, increased competitiveness and social inclusion, and linkage to the European labour market and education area. It will also contribute to the development of the education system that will be better matched with the labour market as well as to economic and social development of BiH. The QF of BiH creates conditions for the progress of the society in the European integration process by fulfilling goals referred to in the EU 2020 Strategy, increasing the mobility, flexibility and competitiveness of the labour force, providing better links between education and the labour market, enabling citizens to have European and regional mobility of their qualifications.

*The Principles and Standards in the Field of Adult Education in BiH*[[104]](#footnote-104) is based on international and European principles and standards of adult education. It represents an agreed framework within which the relevant educational and other authorities in BiH, who acting in accordance with their respective constitutional and legal competencies, develop, implement and coordinate policies and legislation on adult education; monitor, evaluate and discuss the situation in this area, and agree, propose and take measures for its improvement. The document defines the types of programmes and learning (formal, non-formal and informal learning); students and institutions/providers of education services; accreditation, validation and certification and other aspects related to the adult education area.

Another strategy paper the Strategic Platform of Adult Education Development in the Context of Lifelong Learning in BiH, for the Period 2014-2020[[105]](#footnote-105) points to the contribution that lifelong learning/adult education to the socio-economic recovery, more job opportunities and competitiveness in the knowledge market, as well as increased mobility and professional flexibility of the individual. It should be seen as a tool for starting to tackle key social and economic problems in BiH.

Seven strategic documents required for further implementation of the Bologna process in BiH[[106]](#footnote-106) have also been adopted[[107]](#footnote-107). These are the following:

* Framework for Higher Education Qualifications in BiH;
* Implementation of the Framework for Higher Education Qualifications in BiH;
* Standards and Guidelines for Quality Assurance in Higher Education in BiH;
* Recommendations for the Implementation of Quality Assurance in Higher Education in BiH;
* National Action Plan for Recognition of Qualifications in BiH;
* Diploma Supplement Model for BiH; and
* User Manual for Diploma Supplement Model for BiH.

The aforementioned documents are necessary for further implementation of the Bologna process in BiH (Berlin Communiqué 2003) and for implementation of the Convention of the Council of Europe/UNESCO on Recognition of Qualifications in Higher Education in the European Region (Lisbon Recognition Convention).

The Entrepreneurial Learning Strategy in Education Systems in BiH 2012-2015 with the Action Plan[[108]](#footnote-108) is in line with the following EU documents: EU Small Business Act, the Europe 2020 Strategy, and the South East Europe 2020 Strategy. The revised future document will promote entrepreneurship as an entry point in the labour market, and it will include measures for training and mentoring. It will strengthen of entrepreneurial education in schools and universities and promotion of entrepreneurial spirit among young people.

The Conference of Education Ministers in BiH supported production of the Priorities for the Development of Higher Education in BiH for the Period 2016-2026[[109]](#footnote-109), as well manual for drafting the qualifications standards and occupational standards in higher education. BiH 2015 Report highlights importance stating that standards have been developed for agriculture, food processing and information-communication technology, as well as teacher education, mechanical engineering, and governance (good governance and management), linkage of labour market and higher education, qualifications standards, students’ experience, internationalisation and statistics. Additional documents have also been developed based on the Priorities for the Development of Higher Education in BiH for the Period 2016-2026 are: Gap Analysis, Road Map and Action Plans for the Implementation of the Directive on Regulated Professions.

The Road Map for the Implementation of the EU Directive on Regulated Professions 2005/36EC and 2013/55EU[[110]](#footnote-110) is a strategic document that outlines shortcoming in the subject matter and proposes recommendations for removable thereof, based on the Gap Analysis between the requirements of the EU Directive and legal regulations in BiH. The Road Map will increase the level of harmonisation of relevant domestic legislation with the EU Directive that is obligatory for BiH in the process towards the EU membership. Furthermore, activities will be launched in order to increase the mobility and employability of the workforce, and to ensure faster and easier access to the process of recognition of qualifications.

For the purpose of long-term planning of the development of education it is also necessary to develop/revise strategic documents. Concrete steps have already been taken for some levels of education: the drafting of a new document of the strategic type for pre-school education (with the financial support of UNICEF) is ongoing along with the establishment of a working group that will work on the development of a similar document for vocational education (with the support of KulturKontakt Austria i.e. the Federal Ministry of Education and Women's Affairs of Austria).

At entity level and in BD BiH, there are the following strategies and documents for education sector:

The FBiH:

* Strategic Directions of Higher Education Development in the FBiH from 2012 to 2020 - Synergy and Partnership;
* Programme of Measures to Fight Corruption in Higher Education in the FBiH – Transparency, Legality and Compliance with Procedures for a Better Higher Education;
* Operational Plan of activities to implement the measures and recommendations contained in the Analysis of the situation in the area of secondary education with a proposal of measures for the harmonization of education with the needs of the economy in the FBiH;
* Strategic Directions of Development of Career Orientation in the FBiH for the Period 2015-2020; and
* The Strategic Plan for Improving the Early Development of Children in the FBiH (2013-2017).

Republic of Srpska:

* The Republic of Srpska 2015-2020 Education Development Strategy

BD BiH:

* Programme of Higher Education Development in BD BiH for the period 2010-2019;
* Development Strategy of BD BiH 2008-2017; and
* General policy of BD BiH 2013.

Finally, Gender Action Plan of Bosnia and Herzegovina for the period 2013-1017[[111]](#footnote-111) is a strategic document that contains goals, programmes and measures for the achievement of gender equality in all areas of social life, both in public and in private sphere. The goals to be achieved through the implementation of the Gender Action Plan of Bosnia and Herzegovina are related, inter alia, to the elimination of gender-based discrimination and provision of equal opportunities to women and men in the areas of labour, employment, education and social policy.

* Programme of Higher Education Development in BD of BiH for the period 2010-2019;
* Development Strategy of BD of BiH 2008-2017; and
* General policy of BD of BiH 2013

# ANNEX 3: SECTOR ROAD MAP

**Main Criteria**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Criteria** | **Baselines** |  | **2016** | **2017** | **2018** | **2019** | **2020** |
| **Sectoral policies and strategies** | * The sector can be considered defined and developed enough to absorb financial assistance through the sectoral approach
* There is a general sectoral strategic framework (*Reform Agend*a adopted in July 2015) and sufficient number of sub-sector policies and strategies, defined at different levels of government and implemented by relevant administrative structures
* Based on the Agenda, Action Plans (AP) were elaborated at State level and by each entity
* ERP 2016-2018 reflects Reform Agenda priorities as per six priority areas; one of them being labour market
* The CoM adopted Information on possibilities to utilise Sector Budget Support in the framework of IPA II (27 June 2016) and sector strategic documents needed for IPA II, together with related conclusions
* In employment sector, MCA was tasked to initiate the process of preparation and adoption of the new BiH Employment Strategy (2016 -2020) and the adoption of *Vison for Skills 2020*
* The Employment Strategy in the Republic of Srpska for the period 2016-2020 was adopted in September 2016.
* In September 2014, the Government of the FBiH adopted the Strategy of Strengthening the Function of Mediation in Public Employment Services until 2020
* In education, the CoM adopted *the Decision on Adoption of the Baseline of Qualifications Framework in BiH*, and *the Decision on Adoption of the Action Plan for the Development of the Qualifications Framework in BiH for the Period 2014-2020*
* In addition, in 2014 CoM adopted *the Decision on Adoption Principles and Standards in the Field of Adult Education in Bosnia and Herzegovina*, and *Strategic Platform of Adult Education Development in the Context of Lifelong Learning in BiH for the Period 2014-2020 (Platform)*
 | **Steps** | * In the area of education, continuation of implementation of the *Action Plan for the* *Development and Implementation of QF in BiH for the Period 2014-2020,* *Principles and Standards in the Field of Adult Education in BiH*, and *Strategic Platform for Adult Education in the Context of Life-long Learning 2014-2020*
* Adoption of *Vision for Skills 2020 by relevant institutions*
* Preparation of new *Employment Strategy in BiH 2016-2020*
* Organisation of necessary preparation for drafting the *Report on Conformity of NQF with EQF*
* Organisation of necessary preparations for drafting the *Strategic Document for VET*
* Start the review of *Strategic Directions for the Development of Education in BiH with Implementation Plan 2008-2015*
* Complete drafting of new strategic type document for pre-school education
* Adoption of IPA AP 2016 – *Support to Employability*
 | * Preparation of a new *BiH Employment strategy 2016-2020*
* Revision of education strategies and documents at all levels
* Draf *Report on Referencing of NQF with EQF (as of 2016)*
* Draft *Strategic Document for VET*
* Preparation for drafting of the *Study Programmes Based on the Learning Outcomes and Key Competencies* (five disciplines)
* Conduct entity level assessment of legislation, regulations and policies regarding social entrepreneurship
 | * Implementation and continuation of implementation of the *Reform Agenda* measures at all levels of government
* Implementation of newly adopted strategic documents and guidelines (step begins in 2017)
 | * Continuation of implementation of reform activities in the areas of employment and education (step begins in 2016)
* Implementation of newly adopted strategic documents and guidelines (step begins in 2017)
* Initiate relevant sector strategies review process
 | * Mid-term review of *Priorities in the Area of Higher Education 2016-2026*
* Review of the implementation of the *Action Plan for the Development and Implementation of the QF in BiH for the Period 2014-2020* (implementation begins in 2016)
 |
| **Sectoral policies and strategies** | * *Priorities for the Development of Higher Education in BiH for the Period 2016-2026* is adopted
* Drafting the *Strategic Document for Vocational Education and Training* has not yet be finalised
* Strategic Directions for the Development of Education in BiH with Implementation Plan 2008-2015
* The education strategic framework at the level of Entities and BD is comprehensive and covered with sufficient number of strategies
* Lack of guidelines for development of statistics in education in BiH is notable
* EU Delegation contractor will carry out a review of *the Entrepreneurial Learning Strategy in Education Systems in BiH 2012-2015*
* In the area of social policy, there are no strategic and/or action documents at the State level
* *The Development Strategy and Social Inclusion Strategy* at the State-level and in the Republic of Srpska have not been adopted yet
 | **Targets** | * New strategic documents for pre-school education ready for adoption
* The following documents ready for adoption: *Vision for Skills 2020* and *Priorities in the Area of Higher Education 2016-2026*
 | * *Employment Strategy in BiH 2016-2020 adopted*
 | * Positive assessment on implementation of relevant measures for *Reform Agenda* AP given in regular annual reporting and by international community
* Adopted model for social entrepreneurship
 |  | * Produced review reports indicating level of achievement in the implementation of the following strategic documents: *Vision for Skills 2020*, *Employment Strategy in BiH 2016-2020*, *Platform for Development of Pre-school Education 2016-2021*, *Action Plan for Drafting and Implementation of QF BiH*, *Priorities in the Area of Higher Education 2016-2026*, and *Guidelines for Development of Statistics in Education in BiH*
* Review indicates directions for development and/or revision of strategies for post 2020 period
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| **Institutional setting and capacities** | * Overall, almost all strategies have a clearly defined system of inter-institutional division of responsibilities and communication
* In the areas of labour, employment and social policy, according to the Constitution of BiH, competencies are at the levels of entities, i.e. FBiH and Republic of Srpska, as well as BD BiH
* In the areas of labour, employment, education, social protection and pensions, MCA BiH is responsible for carrying out the tasks and discharging duties, which fall within the State-level competencies in the areas of labour, employment, education, social protection and pensions and those relating to defining basic principles of coordination of activities, harmonising plans of the entity authorities and defining strategies at international level
* Education is full and undivided competence of the entity of Republic of Srpska, ten cantons in FBiH and BD BiH
* Given decentralised nature of the system, a high degree of coordination is needed
* Capacities within institutions in the sector to implement and coordinate the adopted strategies needs to be strengthened
* Public Employment Services (PES) are organised at entity and district levels, and further decentralised at cantonal level in case of FBiH
* Education systems include nine pedagogical institutes[[112]](#footnote-112) and three agencies at State level: Agency for Pre-school, Primary and Secondary Education, Agency for Development of Higher Education and Quality Assurance, and Centre for Information and Recognition of Qualifications in Higher Education; Republic of Srpska Institute of Adult Education and Higher Education Accreditation Agency of Republic of Srpska
* Separately, in the field of labour and employment, main challenges relate to the capacity at the policy-making and implementation level. There appears to be little involvement, for example, of the social partners in the policy formulation process.
* Low capacities of PES in BiH, as bearer of active employment measures, slow down the successful implementation of the ALMM policies
 | **Steps** | * Ensure technical support for the assessment of capacities of all stakeholders in the sector
* Ensure support to train staff of labour market institutions to implement more effectively new active labour market measures - through IPA 2016 *Support to Employability*
 | * Preparation of procedural conditions for establishing tripartite councils in education sector where they are not formed yet
* Introduce new methods, tools and models to monitor and analyse labour market needs- through IPA 2016 *Support to Employability*
* Conduct functional review of PES and needs assessment related to infrastructure, IT and other issues - by Framework Contract
 |  | * Implementation of capacity building activities identified as outputs of the capacity assessment carried out in 2016/2017- implementation begins in 2017/2018. Activities are aimed at strengthening coordinating institutions and establishment of coherent Institutional framework, managerial and organisational structure for the implementations of measures stemming from the following strategic documents *Vision for Skills 2020*, *Platform for Development of Pre-school Education 2016-2021*, *Action Plan for Drafting and Implementation of QF BiH*, *Priorities in the Area of Higher Education 2016-2026,* and *Guidelines for Development of Statistics in Education in BiH*
 |  |
| **Institutional setting and capacities** | * Institutional capacities for effective

 implementation of the QF remain an important  challenge* The main, horizontal level, findings *of SIGMA Baseline Measurement 2015* indicate that further efforts are required in introducing the principle of merit-based recruitment and promotion, although enshrined in law. Also, efforts are needed to address fragmentation and inefficiency of Human Resources Management.

The following bullets are now missing from the final version. If that is OK, just delete it, but I think this may be a mistake. MCP to check please. * *Priorities for the Development of Higher Education in BiH for the Period 2016-2026* is adopted
* Drafting the *Strategic Document for Vocational Education and Training* has not yet be finalised
* Strategic Directions for the Development of Education in BiH with Implementation Plan 2008-2015
* The education strategic framework at the level of Entities and BD is comprehensive and covered with sufficient number of strategies
* Lack of guidelines for development of statistics in education in BiH is notable
* EU Delegation contractor will carry out a review of *the Entrepreneurial Learning Strategy in Education Systems in BiH 2012-2015*
* In the area of social policy, there are no strategic and/or action documents at the State level
* *The Development Strategy and Social Inclusion Strategy* at the State-level and in the RS have not been adopted yet
 | **Targets** |  | * Adopt functional review recommendations for PESs and plan for actions to be undertaken, which might relate to capacity building, changes to the current legislation, internal procedures, information system, human resources as well as investments in infrastructures and equipment
 | * Adopted *Training Programme* for PESs’ staff, which will enable them to adequately apply new procedures in order to deliver modernised mediation and counselling services to the job seekers, the employers, local community and other institutions on the labour market- support secured through IPA 2016 – *Support to Employability*
* Relevant tripartite councils in education sector formed
* Report on capacity assessment, accompanied with action plan detailing capacity building actions targeting coordinating institutions and other actors relevant for management, coordination, monitoring, implementation of strategies produced
* Developed procedures (manuals and instructions) to monitor active employment measures and labour market needs
* Training programme targeting PES staff implemented (support secured through IPA 2016)
 | * Proposed set up for coherent institutional framework, managerial and organisational structure for implementation of measures from the strategic documents developed, as evidenced in regular reports on implementation
* Necessary tools for efficient management, monitoring and implementation in place
* Staff of coordinating institutions and other relevant sector actors trained in line with proposed capacity building actions
 |  |
| **Sector and donor coordination** | * Coordination between donors in the sector of employment is satisfactory and good enough to secure the complementarity of assistance
* Coordination between donors in this sector can be improved
* There is no formal institutional mechanism of coordination in the area of employment
* The mechanism of coordination in the area of education exists
* Given that competences are divided between the State level, entities, cantons and municipalities there is a lack of functional coordination and policy-making mechanisms and processes and coordination of activities in the areas of employment and education needs to be improved
 | **Steps** |  |  | * Provision of support to further strengthen the on-going policy dialogue regarding reform process (in terms *of Reform Agenda* and at sector level reform) between BiH and representatives of donor community and CSOs (start implementation in 2016)
 |  | * Implementation of review process of relevant sector strategies, which addresses sector institutional and coordination structures
 |
| * As stated in BiH 2015 Report, social dialogue remains weak at all levels
* Cooperation and coordination is achieved in education sector most notably through the work of the Conference of Ministers of Education in BiH, chaired by MCA, and the Rectors' Conference of BiH
* Overall, coordination of donors is limited and responsibility for coordination of donors is divided between the BiH Directorate for European Integration (DEI) for the EU donors, and BiH Ministry of Finance and Treasury (MoFT) for other donors and international financial institutions. Consultations with donors are carried out at lower levels of government as well
* In particular, coordination with donor organisations involved in the education reform in BiH takes place through the Coordination Forum of MCA and bilateral meetings
* For the purpose of preparation of this SPD, BiH already showed commitment in setting-up appropriate coordination structures: Sector Working Group(s) that allowed for the transparent process and involvement of all relevant and interested parties, including the civil society
 | **Targets** |  |  | * Coordination mechanisms involve all the key stakeholders (public sector and non-public sector)
* Necessary tools to support effective coordination mechanisms are developed
* Donors are aligned around the *Reform Agenda* and sector reform policies
* They meet regularly with coordinating institutions and contribute to implementation of measures defined within one sector strategic framework
 |  | * Consistent donor support ensured
* Depending on the review findings, potential revision of the concept of the institutional and organisational structures in charge for sector coordination may be undertaken within the new strategies to be prepared post 2020
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|  | The following bullets are now missing from the final version. If that is OK, just delete it, but I think this may be a mistake. MCP to check please. * The Budget Framework for BiH’s Institutions for the period 2017-2019 is document that serves as a preliminary draft of the budget of BiH’s institutions for 2017, accompanied by the framework plans for the next two years
* The Government of Republic of Srpska adopted *the Revised Framework Budget Document of Republika Srpska for the 2017-2019 period*
 | **Targets** | * Economic analysis of sectoral policy completed
* Improved communication with donors
 | * Funds are allocated in the sector on the basis of economic analysis
* MTEF for sector adopted
 | * Cost analysis of sector policy and budgetary allocations for the sector that are aligned with the policy
 |  |  |
| * The Government of FBiH adopted *Framework Budget Document for the period 2017-2019*
* There are on-going activities on introducing strategic planning into the Institutions of BiH in accordance with the *Decision on the Process of Short-term Planning, Monitoring and Reporting in the Institutions of Bosnia and Herzegovina* *and Instruction on Methodology in the Process of Midterm Planning, Monitoring and Reporting in the Institutions of Bosnia and Herzegovina*
 |
| **Sector monitoring system** | * A comprehensive framework for impact assessment does not exist
* Baselines for reform in this sector do exists and are clearly defined on the basis of surveys and detailed statistical data for labour market
* The same institutions that were tasked with gathering and processing of these data will be tasked with gathering data for the measuring of implementation.
* These institutions have sufficient capacities for this process, but do not have a comprehensive framework for impact assessment
* Monitoring capacities require further strengthening
* Performance indicators need to be developed
* The main weakness is the lack of medium-term harmonised planning at countrywide level making a serious obstacle to public scrutiny of government work
* Government reports that are available to the public do notprovide information that would enable them to compare achievements with specific policyobjectives
 | **Steps** | * Analyse the systems of management of results achieved in the sector
* Ensure participation of different stakeholders, such as CSOs and donors, in the monitoring
 | * Conclude contract on technical assistance for the support to the strengthening of the impact assessment system in the given sector
* Technical support for development of reform activities timeline (action plan) and definition of success indicators, as well as for establishing system of gathering data and reporting are undertaken
 |  | * Implementation of capacity building activities identified as outputs of the capacity assessment carried out in 2016/2017- implementation begins in 2017/2018). Activities are aimed at strengthening capacities and overall establishment of coherent Institutional framework, managerial and organisational structure for the implementations of measures from the strategic documents
 |  |
| **Sector monitoring system** | * *Decision and Instruction on Methodology in the Process of Midterm Planning, Monitoring and Reporting in the Institutions of BiH* and reporting procedure at the level of institutions of BiH provides for an attempt to link policy planning with medium-term fiscal planning, as well to establish sustainable monitoring and evaluation system
* In regards to availability of relevant and reliable data, the *BiH 2015 Report* emphasise limitations as regards social statistics, related to the lack of up to date population figures
 | **Targets** | * The process of analysis for the establishment of framework for impact assessment in the sector is initiated
* Participation of different stakeholders, such as CSOs and donors, in the monitoring (propose the participants in the coordination mechanism, calls for proposal) is stimulated
* Produced report on capacity assessment accompanied with action plan detailing capacity building actions targeting responsible actors relevant for management, coordination, monitoring, implementation of strategies
 | * Involvement of non-government participants in the development of annual action plans and the monitoring of progress reports secured
* Quality of progress reports are improved and they provide reliable data to measure performance and undertake measures to respond to any obstacles occurred during the implementation
* Alignment of sectoral monitoring system
* Capacities and tools for action planning developed; action plans clearly define specific activities and their timelines, indicators for measuring performance, baselines and targets, and clear responsibilities for implementation and monitoring
 | * Monitoring of the implementation of strategies establishes a satisfactory level of implementation
* Impact assessment framework established
* Reliable and relevant data are secured on the basis of the framework for impact assessment
* The Government publishes *Progress Reports*
 | * Performance systems are stronger and provide more relevant data and better reports
* Reports are used in the dialogue between stakeholders and public administration bodies
* Proposed set up for coherent institutional framework, managerial and organisational structure for the implementations of measures from the strategic type documents as evidenced in regular reports on implementation
* Necessary tools for efficient management, monitoring and implementation in place
* Staff of coordinating institutions and other relevant sector actors trained in line with proposed capacity building actions (including impact assessment)
 |  |

**Additional Criteria**

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| --- | --- | --- | --- | --- | --- | --- | --- |
| **Criteria** | **Baselines** |  | **2016** | **2017** | **2018** | **2019** | **2020** |
| **PFM** | * The fiscal system in BiH is exceptionally decentralised
* In 2008, the Fiscal Council was established to coordinate fiscal policies in BiH in order to secure macro-economic stability and fiscal sustainability of BiH, FBiH, Republic of Srpska and BD BiH
* Coordination and harmonisation in the area of fiscal management is done by the Coordination Board of Central Units for Harmonization
* The governments at different levels had liquidity problems and the arrears have been high in recent years
* External budget audits are adequate but their impact has been limited
* PIFC is in an embryonic stage
* All the key functions for the internal audit function are established and there is partial implementation
 | **Steps** | * Budgets are published in a timely manner
* The BiH institutions and entity governments are planning to introduce a number of improvements of the system of public sector financial management
* Preparation of *PFM Reform Strategy* and related *Action Plan*
 | * BiH institutions and entity governments are planning to introduce a number of improvements of the system of public sector financial management
 | * Work on the improvement of the system of financial management in the public sector, including the support of IPA projects
* Implementation of the interim assessment of PFM reform strategy
 | * Work on the improvement of the system of financial management in the public sector, including the support of IPA projects
 | * Work on the improvement of the system of financial management in the public sector, including the support of IPA projects
* Implementation of the measures and activities of the PFM Action Plan (starting from 2016)
* Initiated revision of *PFM Reform Strategy* and Action Plan
 |
| * There is active management of the debt of BiH, with the overarching objective being to avoid defaulting on it
* The public procurement regulation is aligned with the EU acquies but the enforcement and the remedy system have been weak

The following bullets are now missing from the final version. If that is OK, just delete it, but I think this may be a mistake. MCP to check please. * All the key functions for the internal audit function are established and there is partial implementation
* There is active management of the debt of BiH, with the overarching objective being to avoid defaulting on it
* The public procurement regulation is aligned with the EU acquies but the enforcement and the remedy system have been weak
 | **Targets** | * Expanding of the treasury system in both entities to include all the cantons and local self-governance units as well as non-budgetary funds has continued
* Secure the existence of a baseline documented by analytical studies, such as PEFA (public expenditures and financial accountability), as well as other assessments such as the World Bank’s (WB) Post-evaluation Report (PER), budget reviews of the Organisation for Economic Cooperation and Development (OECD), as well as SIGMA researches
* Measures envisaged in Implement relevant ERP BiH 2016-2018
 | * Adopted *PFM reform Strategy* and related Action Plan
 | * Interim assessment of *PFM Reform Strategy* carried out
 |  | * Progress achieved in the main areas of the PFM
* Draft *PFM Reform Strategy* post 2020 prepared
 |
| **Macroeconomic context** | * Although an increase of GDP is expected for the whole 2015-2020 period, there are external and internal risks for macroeconomic projections and reforms. External risks are related to possible delays and overall economic recovery of Europe and neighboring countries and internally there are political risks related to reform implementation
* The country’s public debt has been in constant increase in the past several years and in 2015 reached 44.7% of GDP
* External and internal imbalances have lessened substantially in 2015.
* In 2015, BiH authorities adopted *Reform Agenda* with a broad-based plan of socio-economic reforms
 | **Steps** | * Analysis of measures for the improvement of macro-economic policy done
* Authorities are undertaking measures to improve macro-economic analysis and forecasts
* Secure economic growth through further strengthening of export, private consumption and investments, as well as the recovery of industrial production
 | * Analysis of measures for the improvement of macro-economic policy done
 | * Analysis of measures for the improvement of macro-economic policy done
 | * Analysis of measures for the improvement of macro-economic policy done
 | * Analysis of measures for the improvement of macro-economic policy done
 |
| * In February 2016, BiH submitted the ERP 2016-2018, which contains priority measures from the *Reform Agenda*
* In September 2016, the IMF approved a 3-year financial support to BiH in the amount of EUR 554 million. This programme is linked with implementation of the *Reform Agenda*
 | **Targets** | * Macroeconomic stability is preserved
 | * Macroeconomic stability is preserved
* Relevant DG ECFIN and/or IMF studies confirm that the Government implements macro-economic policies aimed at the achievement of stability
 | * Macroeconomic stability is preserved
 | * Macroeconomic stability is preserved
 | * Macroeconomic stability is preserved
 |

# ANNEX 4:  COMPOSITION AND MEMBERS OF THE SECTOR WORKING GROUP

The original SPD, which was submitted to the EC on x has been developed through an intensive and participative approach that included the specific Sector Working Group (SWG), composed of the representatives of relevant institutions, interested donors and civil society participants, as well as through separate additional consultations that were required due to the specific features of this IPA II sector.

The composition of the SWG:

Participating institutions:

* Ministry of Civil Affairs BiH
* Ministry for Human Rights and Refugees of BiH
* Ministry of Labour and Social Policy of FBiH
* Ministry of Education and Science of FBiH
* Ministry of Labour and Veterans of Republic of Srpska
* Ministry of Health and Social Welfare of Republic of Srpska
* Ministry of Education and Culture of Republic of Srpska
* Government of BD BiH, Department for Education
* Government of BD of BiH, Department for Healthcare and Other Services
* Labour and Employment Agency of BiH
* Employment Institute of FBiH
* Employment Institute of Republic of Srpska
* Employment Institute of BD BiH
* Ministry of Foreign Trade and Economic Relations of BiH
* Ministry of Development, Entrepreneurship and Crafts of FBiH
* Ministry of Industry, Energy and Mining of R Republic of Srpska
* Gender Equality Agency of BiH
* Agency for Prevention of Corruption and Coordination of Fight against Corruption of BiH

Participants in special, additional consultations in the area of education in FBiH:

* Ministry of Science, Education, Culture and Sports of Canton 10;
* Ministry of Education, Science, Culture and Sports of the Una-Sana Canton;
* Ministry of Education, Science and Youth of the Sarajevo Canton;
* Ministry of Education, Science, Culture and Sports of the West Herzegovina Canton;
* Ministry of Education, Science, Culture and Sports of the Zenica-Doboj Canton;
* Ministry of Education, Science, Culture and Sports of the Posavina Canton;
* Ministry of Education, Science, Culture and Sports of the Central Bosnian Canton;
* Ministry of Education, Science, Culture and Sports of the Tuzla Canton;
* Ministry of Education, Science, Culture and Sports of the Herzegovina-Neretva Canton;
* Ministry of Education, Youth, Science, Culture and Sports of the Bosnian Podrinje Canton.

Civil society (selection made on the basis of public call for expression of interest to participate with direct invitations extended to organisations of relevance for the sector):

* Confederation of Trade Unions of BiH
* Employers’ Association of BiH
* Youth Communication Centre (Omladinski komunikativni centar - OKC)
* Hope and Homes for Children
* EDUS ‘Education for All’
* Institute for Youth Development KULT
* Centres of Civic Initiatives

Donors/International organisations (involved on the basis of expressed interest to participate)

* UNICEF
* UNHCR
* IOM
* Embassy of the Republic of Italy
* Embassy of the Republic of Slovenia
* Council of Europe
* Embassy of Switzerland
* Embassy of the Kingdom of Sweden
* Embassy of the Republic of France
* GIZ

At its 12th session, held on 25 June 2015, the CoM tasked the relevant sector coordinating institutions to establish and coordinate, in line with the constitutional competencies, the work of SWGs for drafting sectoral SPDs for the purpose of IPA II programming, following the plan and instructions given by the DEI. In the capacity of coordinating institution in this sector, the MCA coordinated the process of drafting SPD Employment with Education and Social Policy, and the work of SWG that was tasked with drafting the document. The process and consultations during the drafting of this SPD began with an event organised in October 2015. On this occasion, all relevant stakeholders were informed on the process of preparation of SPDs, the modalities of consultation, and the methodology applied in the process of multi-annual programming of IPA. This introductory event involved a broad range of potential stakeholders in the areas of Competitiveness and Innovation: Local Development Strategies and Employment, Education and Social Policy.

SWGs were established from the ranks of key institutions that are actively involved in the determining, drafting and development of SPDs and related measures and actions. SWGs also involved experts from civil society and donor community. The civil society experts were selected among organisations and individuals who had submitted their applications for participation in the process of preparation of SPDs, upon the public call published by DEI. At the same time, some of the civil society participants were directly invited to get involved due to their relevance for the given IPA II sector and SPDs Donors were involved on the basis of their expression of interest to participate in the work of SWGs and the preparation of SPDs. Consultations were carried out in the form of interactive workshops during which SPDs were drafted by SWGs, which were coordinated by relevant sector coordinating institution and under precise guidance o DEI, as well as with the assistance of external experts.

SWG for drafting SPD Employment with Education and Social Policy was actively involved in three workshops held in December 2015, and January and February 2016 respectively. The first SWG meeting focused on the analysis of the sector (SWOT analysis and the first part of SPD), the second SWG meeting focused on the process of definition of intervention logic, i.e. proposals for interventions for IPA II support (the second part of SPD), while the third SWG meeting dealt with the definition of indicators, budgetary allocations and the road map for the introduction of sectoral approach (the second part of SPD and annex).

Furthermore, in addition to the existing consultation process, special consultations were organised in the area of education in FBiH, given that this IPA II sector and SPD also covers the sub-sector of education (in the function of employment), and given the constitutional competencies in this area. In the context of these special consultations, two workshops of the consultation forum for education in FBiH were held, in January and February 2016, with the aim of securing quality involvement of cantonal ministries of education in the drafting of the SPD. These workshops and consultations focused on obtaining inputs and on active participation in the process of defining proposals for interventions in the area of education for potential IPA II support in the framework of SPD. Proposals and contributions of cantonal ministries of education were submitted and presented to the SWG as reference material and were taken into consideration in the process of the preparation of SPD and the definition of proposals of interventions for IPA II support in the framework of SPD.

All the meetings and workshops were organised so that they precisely followed the set agenda, with prior submission of materials and the latest versions of relevant programming documents that were to be discussed, all with the aim of ensuring that the meetings and workshops are as focused as possible on the envisaged results. At the same time, they included elements of training since they served as platform for transfer of knowledge and capacity building of participants for the preparation of SPDs and the programming of IPA II. In the course of entire participative planning and preparation of SPD, and as the result of each of the workshops, comments and contributions of participants in SWG were collected and organised for the preparation and improvement of SPD, upon which they were considered and included in the draft. The drafting of these documents required regular exchange of significant contributions of the parties involved in the process. The nominated members of SWG were also asked to conduct consultations, whenever they deemed it necessary, with the institutions in their sector – both horizontally and vertically. The Institutions of FBiH, members of the SWG, were particularly asked to conduct necessary consultations with relevant cantonal institutions, on the SPD draft.

After written comments and suggestions were provided by the EC, the process of SPD revision was initiated in September 2016. Although the process was led by the sector coordinating institution – BiH Ministry of Civil Affairs (MCA), the revision process was coordinated by the NIPAC. BiH Ministry of Treasury and Finance took an active part in the process, most notably when it came to public finance management and macroeconomic outlook issues. The SWG format of consultation and participatory planning and drafting continued to be used throughout the process of revision. The initial revision of the SPD text was carried out by the technical assistance team (TAT), which worked on revising the SPD, both to incorporate EC comments and to adequately redefine Action 2 of the SPD as a Sector Reform Contract action to be delivered as Sector Budget Support (SBS).

The TAT revised Part 1 of SPD to reflect both the EC’s comments and the updated sector assessment. Part 1 was subsequently reviewed by NIPAC/MCA and submitted to SWG for written comments and input. This was followed by an SWG meeting, held on 28 September 2016, the aim of which was to finalise and agree Part 1 of SPD and to work on revision of Part 2, including the Sector Road Map (SAR).

The following institutions were invited to take part in the workshop:

* Ministry of Civil Affairs of BiH;
* Ministry of Labour and Social Policy of FBiH;
* Ministry of Education and Science of FBiH;
* Ministry of Labour and Veterans of Republic of Srpska;
* Ministry of Health and Social Welfare of Republic of Srpska;
* Ministry of Education and Culture of Republic of Srpska;
* Government of BD BiH;
* Labour and Employment Agency of BiH;
* Employment Institute of FBiH;
* Employment Institute of Republic of Srpska;
* Employment Institute of BD BiH;
* Ministry of Science, Education, Culture and Sports of Canton 10;
* Ministry of Education, Science, Culture and Sports of the Una-Sana Canton;
* Ministry of Education, Science and Youth of the Sarajevo Canton;
* Ministry of Education, Science, Culture and Sports of the West Herzegovina Canton;
* Ministry of Education, Science, Culture and Sports of the Zenica-Doboj Canton;
* Ministry of Education, Science, Culture and Sports of the Posavina Canton;
* Ministry of Education, Science, Culture and Sports of the Central Bosnian Canton;
* Ministry of Education, Science, Culture and Sports of the Tuzla Canton;
* Ministry of Education, Science, Culture and Sports of the Herzegovina-Neretva Canton;
* Ministry of Education, Youth, Science, Culture and Sports of the Bosnian Podrinje Canton;
* Agency for Development of Higher Education and Quality Assurance of BiH;
* Centre for Information and Recognition of Qualifications in Higher Education of BiH; and
* Agency for Pre-Primary, Primary and Secondary Education of BiH.

The workshop was used as an opportunity to revise SAR and to better define milestones and targets. Intervention Logic (IL) was also reviewed and discussed during the workshop. The focus was on ensuring that IL in line with sector strategies, most notably the *Vision for Skills 2020*, as well as to ensure it focuses on results rather than actions.

Following the workshop, Part 1 and Part 2 of SPD were revised by the TAT. The key changes introduced are as follows: (i) Action 1 reflects the final draft version of AD Employability 2016, (ii) IL is composed of a number of well defined measures that will be implemented through SBS, (iii) an indicative proposal for the interventions that should be implemented through complementary assistance, (iv) specific objectives, which while being linked with priorities and measures from strategic documents, only represent what will be achieved through SRC, and (v) an indicative list of indicators that will be further defined in the future.

Final comments were sought from SWG members and the MCA successfully coordinated the process of collecting comments and inputs and incorporating them in the revised SPD. TAT and NIPAC jointly carried out a final review of the SPD, which was submitted to EC on 18 October 2016.

1. BiH: Economic Trends, 2014 Annual Report, BiH Directorate for Economic Planning (DEP). [↑](#footnote-ref-1)
2. Source: LFS 2015, BHAS [↑](#footnote-ref-2)
3. BiH 2015 Report of the European Commission (EC) (hereafter referred to as BiH 2015 Report): Employment rate in informal economy is greater and has increased as a consequence of crisis. [↑](#footnote-ref-3)
4. In BiH, more than 72% of unemployed persons are waiting for job for more than 2 years. For comparison, the share of long-term unemployed persons (over one year) in the EU 28 in 2013 was 47,4% and the number has not changed since 2010. Source: Eurostat Also, according to the LFS, 2016 – Preliminary data, BHAS, 14,4% unemployed persons sought work for less than 12 months, but 85% unemployed persons sought work for 1 year or more. [↑](#footnote-ref-4)
5. Source: LFS 2015, BHAS [↑](#footnote-ref-5)
6. Source: LFS 2015, BHAS [↑](#footnote-ref-6)
7. With few private sector jobs and relatively high public sector wages, many unemployed are either waiting for a public sector job or are looking for opportunities abroad—in a 2013 survey 80 percent of young people indicated they would leave the country if they could. In the meantime, remittances provide an important source of income for many households, and may result in higher reservation wages. [↑](#footnote-ref-7)
8. BiH 2015 Report, p. 47-48. [↑](#footnote-ref-8)
9. <http://vijeceministara.gov.ba/saopstenja/sjednice/saopstenja_sa_sjednica/default.aspx?id=20010&langTag=hr-HR>. In FBiH, the Ministry

of Education and Science has harmonised its programme and plan of activities for the forthcoming period with the Reform Agenda and Action Plan of the FBiH for the realisation of the Reform Agenda for BiH for the period 2015-2018; in the segment of education system reform it is aimed at adjustments of the labour market system, rationalisation and cost reduction. [↑](#footnote-ref-9)
10. The goal of the new approach is a better economic surveillance and preparation of the Western Balkans countries for future obligations they will have as the EU members, as well as support to governments in the region in issuing and applying quality programmes intended for the reconstruction of national economies and achievement of macro financial stability. [↑](#footnote-ref-10)
11. The Agenda sets main plans of the CoM, governments of FBiH and RS respectively. Initial measures and endeavours are defined in the consolidated Action Plan for the Implementation of the Reform Agenda at the level of CoM, FBiH and RS governments, agreed on November 2015. It is expected that these short-term measures will be implemented by the end of 2015, and in the course of 2016. [↑](#footnote-ref-11)
12. IMF Staff Report for the 2015 Aricle IV Consultations, 9 October2015 [↑](#footnote-ref-12)
13. www.dep.gov.ba [↑](#footnote-ref-13)
14. Reform Agenda, p.71 [↑](#footnote-ref-14)
15. Page 89 [↑](#footnote-ref-15)
16. ERP was adopted at the CoM session on 28 January, 2016 - www.dep.gov.ba [↑](#footnote-ref-16)
17. Principles and Standards of Adult Education in BiH and Strategic Platform of Adult Education Development in the Context of Lifelong Learning in BiH for the Period 2014-2020. [↑](#footnote-ref-17)
18. In spite of certain achievements in the area of higher and vocational education, development of qualifications framework, methodologies for development of quality in the vocational education according to the European Framework for Quality Assurance, development of credit system of qualifications that would enable better mobility in education, all in accordance with the relevant arrangements in the EU countries and the development of the quality system, is still not in place. [↑](#footnote-ref-18)
19. BiH 2015 Report p. 47-48: In the coming year, BiH should in particular develop an autonomous social dialogue, modernise labour and health care laws and harmonise these laws between the two entities; resolve without delay the issue of high unemployment, especially youth unemployment, and provide effective support to job seekers. [↑](#footnote-ref-19)
20. BiH Indicative Strategy Paper 2014-2017 (ISP), pp. 4-5, 11 [↑](#footnote-ref-20)
21. BiH Progress Report 2014, pp. 38-39. [↑](#footnote-ref-21)
22. ISP, p. 11 [↑](#footnote-ref-22)
23. According to the 2015 Report, BiH has been invited to become a member of the Advisory Group for the EQF, in order to develop and finalise Qualifications Framework (QF) in BiH. [↑](#footnote-ref-23)
24. BiH Report 2015 pp. 47-48. [↑](#footnote-ref-24)
25. Right to Social Protection in BiH-Issues of Appropriateness and Equality, Sarajevo 2012, OSCE, Mission to BiH. [↑](#footnote-ref-25)
26. BiH Report 2015 pp. 47-48. [↑](#footnote-ref-26)
27. ISP, p.11. [↑](#footnote-ref-27)
28. ISP, p.22. [↑](#footnote-ref-28)
29. CoM, Official Gazette of BiH, 77/10 [↑](#footnote-ref-29)
30. RS Government prepared a proposal of the Strategy at the 92nd Session held on 22 September 2016. The Proposal of the Strategy is being submitted to the RS National Assembly for adoption in October 2016. [↑](#footnote-ref-30)
31. The Strategy was adopted by FBiH Government at the 130th Session on 3 September 2014. [↑](#footnote-ref-31)
32. *Official Gazette of BiH*, 63/08 [↑](#footnote-ref-32)
33. Official Gazette of BiH, 31/11 [↑](#footnote-ref-33)
34. *Official Gazette of BiH*, 39/14 [↑](#footnote-ref-34)
35. *Official Gazette of BiH*, 96/14 [↑](#footnote-ref-35)
36. *Official Gazette of BiH*, 29/12 [↑](#footnote-ref-36)
37. *Official Gazette of RS, 32/16, April 6,2016* [↑](#footnote-ref-37)
38. BiH has ratified a number of international documents guaranteeing social and economic rights, among which the most important are The

International Covenant on Economic, Social and Cultural Rights, the revised European Social Charter, the Convention on the Rights of the Child, The Convention on the Rights of Persons with Disabilities and others. By ratifying these documents BiH has pledged to harmonise its legislation, policies and practices with these international standards. Accordingly, BiH has a direct responsibility to ensure and guarantee to every individual a minimum of social security, which is based on the principles of equality and non-discrimination. [↑](#footnote-ref-38)
39. BiH Report 2014, p. 9. N.B.: The Government of RS has not accepted the BiH Development Strategy and the BiH Strategy of Social

Inclusion (Conclusion of the RS Government, 04/1-012-2-2733 of 23 December 2010. [↑](#footnote-ref-39)
40. Official Gazette of BiH, 76/08, September 22, 2008. [↑](#footnote-ref-40)
41. CoM adopted the Information at its 19th session held on August 20, 2009. [↑](#footnote-ref-41)
42. Adopted at the 184th session of the RS Government dated July 29, 2010. [↑](#footnote-ref-42)
43. Adopted at the 156th session of the FBiH Government held on 7 September 2010. Also, as of the beginning of 2015, in cooperation with

UNICEF in BiH, preparation for evaluation and revision of this strategy in the areas of education, health care, social protection, employment, urban planning, transport and communications, culture and sport, organisation of persons with disability, research and development, international cooperation and participation in political and public life, have been initiated. Although the FBiH government took the Decision on the Establishment of Office for Disability Issues, this office has not become operational yet, nor was any other coordinating body for monitoring of implementation of inter-sector strategy. Thus, the FBiH Government tasked FBiH Ministry of Labour and Social Policy to carry out this evaluation and draft necessary reports. Furthermore, at the 19th session oF the Council of Ministers held on 20 August 2015, CoM adopted Information and Recommendations to all Levels of Government in BiH. These recommendations were submitted to competent entity and BD BiH institutions for the purpose of implementation. [↑](#footnote-ref-43)
44. New Labour Laws came into force in August 2015 in FBiH and in January 2016 in RS. [↑](#footnote-ref-44)
45. Article III of BiH Constitution: Responsibilities of and Relations Between the Institutions of BiH and the Entities; point 3. states: *All governmental functions and powers not expressly assigned in this Constitution to the institutions of BiH shall be those of the Entities*. EK suggest this footnote is deleted. [↑](#footnote-ref-45)
46. Official Gazette of FBiH No. 55/00, 41/01, 22/05, 9/08 [↑](#footnote-ref-46)
47. Pedagogical Institute in the RS is an entity administrative organisation within the RS Ministry of Education and Culture. [↑](#footnote-ref-47)
48. SIGMA *Baseline Measurement Report*, OECD Publishing, 2015, Paris [↑](#footnote-ref-48)
49. *Official Gazette of BiH* 21/11 [↑](#footnote-ref-49)
50. *Official Gazette of BiH* 5/03, 42/03, 26/04, 42/04, 45/06, 88/07, 35/09, 59/09, 103/09, 87/12 and 6/13 [↑](#footnote-ref-50)
51. As with the previous Employment Strategy, the plan is to secure active participation of relevant institutions and social partners in the process of developing the new strategy. [↑](#footnote-ref-51)
52. A good example of coordination can be seen in the framework of the FRAME project - *Vision for Skills 2020*. The coordination work

started in September 2013 and included 30 institutions from the State, entity, cantonal level. [↑](#footnote-ref-52)
53. According to the *Rules of Procedure of the Conference of Ministers of Education in BiH,* the Conference of Ministers of Education consists of 14 heads of administrative bodies in BiH, entities, cantons, and BD BiH, which pursuant to the existing constitutional and legal provisions, have competency in the area of ​​education. Meetings of the Conference are held three times a year, and, if necessary, can be scheduled more frequently. In accordance with its mandate, the Conference provides advice, guidance, recommendations and opinions to MCA for a successful management of the process of coordination of the education sector at the domestic and international levels, in accordance with its competences. MCA provides professional and administrative-technical support to the Conference, while ministries of education and other institutions in the area of education are obliged to actively cooperate and provide all necessary information to the ministry for successful preparation, organisation of meetings and the work of the Conference. Within its competence, MCA is responsible for monitoring of the implementation of conclusions made by the Conference, and for the regular reporting to local authorities and the international community on the activities and achievements in the education sector in BiH. The Conference also informs public about its work, positions, conclusions, recommendations and other activities. [↑](#footnote-ref-53)
54. *Official Gazette of BiH*, 63/08 [↑](#footnote-ref-54)
55. Tripartite Advisory Councils have been established in four cantons: Una-Sana Canton, Posavina Canton, Tuzla Canton and Bosnian Podrinje Canton, as well as in the BD BiH, while the establishment of this body is underway in the RS and Sarajevo Canton. [↑](#footnote-ref-55)
56. *The Decision on the System of Coordination of European Integration Process in BiH*, adopted by the CoM at the 69th session held 23 August 2016 [↑](#footnote-ref-56)
57. *Official Gazette of BiH*, 63/08 [↑](#footnote-ref-57)
58. http://www.mft.gov.ba/hrv/images/stories/proracuni/2015/DOB%202016-2018%20%20\_\_%20hrv%20\_FINAL.pdf [↑](#footnote-ref-58)
59. *Law on Financing of Institutions of BiH*, *Official Gazette of BiH,* 61/04, 49/09, 42/12, 87/12 and 32/13 [↑](#footnote-ref-59)
60. SIGMA *The Principles of Public Administration - Monitoring Report (Draft)*, 2016, OECD, Paris [↑](#footnote-ref-60)
61. *The Report on Audit of Financial Reports of the Employment Institute of RS for the Period 01 January 2015 – 31 December 2015,* The Supreme Office for the RS Public Sector Auditing [↑](#footnote-ref-61)
62. *The Report on Audit of Financial Reports of the Employment Institute of FBiH on 31 December 2014,* Audit Office for the Institutions of the FBiH. [↑](#footnote-ref-62)
63. *The Report for 2015*, Employment Institute of the BD BiH. [↑](#footnote-ref-63)
64. In the FBiH, social protection rights are financed for the cantonal and municipal budget in accordance to the *Law on the Bases of Social Protection*, *Protection of Civilian Victims of War and Protection of Families with Children of FBiH* and the *Law on Allocation of Public Revenues in FBiH.* Basic rights in the area of social protection in FBiH regulated in the FBiH regulations are: pecuniary and other material assistance, capacitating for life and work, accommodation with another family, accommodation with social protection institutions, social and other professional services, etc. Due to inability of some cantons to secure necessary funds in their budgets for the financing of the rights related to social protection and protection of families with children, in those cantons regulations are not aligned with those in the FBiH when it comes to securing minimum basic funds stipulated in the FBiH *Law on Social Rights*, which results in inequalities between cantons. [↑](#footnote-ref-64)
65. <http://mcp.gov.ba/org_jedinice/sektor_za_rad/aktuelnosti/default.aspx?id=4985&langTag=bs-BA> [↑](#footnote-ref-65)
66. *Report on the Evaluation of Implementation of the Employment Strategy in BiH 2010- 2014 for the Period 2013-2014*, adopted by the CoM at the 39th Session held on 13 January 2016. <http://www.mcp.gov.ba/org_jedinice/sektor_za_rad/default.aspx?langTag=sr-SP-Cyrl&template_id=108&pageIndex=1> [↑](#footnote-ref-66)
67. <http://www.mcp.gov.ba/org_jedinice/sektor_za_rad/default.aspx?langTag=sr-SP-Cyrl&template_id=108&pageIndex=1> [↑](#footnote-ref-67)
68. Except Republic of Srpska, which has been using the full accrual basis since January 1, 2013. [↑](#footnote-ref-68)
69. *Development Strategy for the Public Internal Financial Control 2014-2017*, BD of BiH, November 2014. [↑](#footnote-ref-69)
70. World Bank technical assistance has trained the relevant staff in BiH on the IMF debt sustainability methodology. Also the capacity to prepare a medium-term debt management strategy has been developed for the State, the RS and the FBiH. [↑](#footnote-ref-70)
71. According to the EC’s assessment, the ERP’s macroeconomic and fiscal sections are largely in line with the guidelines although detailed information about underlying measures driving forecasts were not included. The EC also notes that coordination efforts within entities in the development of the ERP for 2016-2018 improved. However, coordination between the entities and with the state level were assessed as insufficient, which was reflected by the fact that the diagnostics of the structural issues and reform programs were not presented in a country-wide context. The EC provided a comprehensive assessment of the BiH ERP 2016-2018 in *2016 Economic Reform Programmers of Albania, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, BiH and Kosovo\*: The Commission’s Overview and Country’s Assessment.*  [↑](#footnote-ref-71)
72. IMF Country Report No. 16/291. [↑](#footnote-ref-72)
73. Source: 2016 Economic Reform Programmers of Albania, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, BiH and Kosovo\*: The Commission’s Overview and Country’s Assessment. [↑](#footnote-ref-73)
74. ISD, pp. 22- 25 [↑](#footnote-ref-74)
75. BiH Report 2015, p. 38. Participation in the ISA programme will be financed by the IPA 2015 Programme [↑](#footnote-ref-75)
76. Europe 2020 Strategy [/ http://www.mobilnost.hr/prilozi/05\_1300804774\_Europa\_2020.pdf](file://C:\Users\Amila\AppData\Local\Microsoft\Windows\AppData\Local\Microsoft\Windows\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\Content.Outlook\AppData\Local\Microsoft\Windows\%20%20http:\www.mobilnost.hr\prilozi\05_1300804774_Europa_2020.pdf), p. 3. [↑](#footnote-ref-76)
77. Europe 2020 Strategy [/ http://www.mobilnost.hr/prilozi/05\_1300804774\_Europa\_2020.pdf](file://C:\Users\Amila\AppData\Local\Microsoft\Windows\AppData\Local\Microsoft\Windows\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\Content.Outlook\AppData\Local\Microsoft\Windows\%20%20http:\www.mobilnost.hr\prilozi\05_1300804774_Europa_2020.pdf), p. 7. [↑](#footnote-ref-77)
78. Europe 2020 Strategy [/ http://www.mobilnost.hr/prilozi/05\_1300804774\_Europa\_2020.pdf](file://C:\Users\Amila\AppData\Local\Microsoft\Windows\AppData\Local\Microsoft\Windows\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\Content.Outlook\AppData\Local\Microsoft\Windows\%20%20http:\www.mobilnost.hr\prilozi\05_1300804774_Europa_2020.pdf), p. 23. [↑](#footnote-ref-78)
79. Key activities of the Strategy in dimension D Education and Capabilities; document adopted by the CoM in November 2013. [↑](#footnote-ref-79)
80. RCC: *SEE 2020 Programming Document 2016-2018: Implementing the Strategy through Flagship Initiatives,* November 2015. [↑](#footnote-ref-80)
81. Page 31. EK suggests to delete this footnote [↑](#footnote-ref-81)
82. Employment rate (EU 2020 targets) - overall/females/minorities/vulnerable groups - Employment rate (20 to 64 years), females (%) [↑](#footnote-ref-82)
83. As already noted, the EU Delegation to BiH is about to initiate framework contracts that will provide: (i) a detailed functional review of PES and needs assessment re infrastructure and IT requirements for PES, and (ii) an assessment of social entrepreneurship in BiH that should result in providing recommendations for development of appropriate model of social entrepreneurship. [↑](#footnote-ref-83)
84. EUR 16,5 millions for interventions under IPA I – Education; EUR 4 millions for interventions under IPA I – Employment; EUR 18,3 millions for interventions under IPA I – Social policies (together wih human rights and health) [↑](#footnote-ref-84)
85. Based on the Project Support to Services for Social Protection Providers and Improvement of Monitoring Capacities, IPA 2011; EUR 2,2 million and Technical Strengthening of the Ministry for Human Rights and Refugees and Services for Social Protection Providers, IPA 11, EUR 0,8 million. Source: IPA Monitoring Committee Meeting, Draft Conclusions; Sarajevo, EU Delegation; 29 October 2015 [↑](#footnote-ref-85)
86. *IPA Interim Evaluation and Meta-Evaluation of the IPA Assistance*, Report for BiH, June 2013; Mat Hague, Sanja Maleković and Marie-Jose Zondag [↑](#footnote-ref-86)
87. Ibid. [↑](#footnote-ref-87)
88. Ibid. [↑](#footnote-ref-88)
89. <https://www.usaid.gov/sites/default/files/documents/1863/BosniaCDCS_0.pdf> [↑](#footnote-ref-89)
90. <http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_169176.pdf> [↑](#footnote-ref-90)
91. <http://www.ilo.org/wcmsp5/groups/public/---ed_mas/---eval/documents/publication/wcms_432253.pdf> [↑](#footnote-ref-91)
92. <http://pubdocs.worldbank.org/en/215221450204091066/WBG-Bosnia-and-Herzegovina-period-FY2016-2020.pdf> [↑](#footnote-ref-92)
93. *The Gender Equality Law in BiH* was adopted in 2003, and amended in 2009, while its consolidated text was gazetted in 2010. [↑](#footnote-ref-93)
94. *Law on Ministries and Other Administrative Bodies of BiH*; *Official Gazette of BiH*: 5/03, 42/03, 26/04, 42/04, 45/06, 88/07, 35/09, 59/09, 103/09, 87/12 and 6/13, Article 15 [↑](#footnote-ref-94)
95. *Law on Labour and Employment Agency of BiH* ; *Official Gazette of BiH*, Nos. 21/03 and 43/09 [↑](#footnote-ref-95)
96. In the FBiH, social protection is regulated by the *Law on Bases of Social Protection* and *Protection of Civilian Victims of War*. Given that the Constitution of FBiH defines shared competence between the entity and cantonal bodies in the area of social protection, in addition to the aforementioned law there are cantonal regulations on social protection, adopted pursuant and on the basis of the entity law, which regulate in more details conditions, method, procedure and financing of the rights related to special protection. [↑](#footnote-ref-96)
97. *The Law on Vocational Rehabilitation and Employment of Disabled Persons,* *Official Gazette of FBiH* no. 9/10 [↑](#footnote-ref-97)
98. *The Law on Vocational Rehabilitation and Employment of Disabled Persons*, *Official Gazette of RS* no. 36/09 and 32/13 [↑](#footnote-ref-98)
99. CoM, *Official Gazette of BiH*, 77/10 [↑](#footnote-ref-99)
100. National Assembly of RS, *Official Gazette of RS*, 37/11 [↑](#footnote-ref-100)
101. *Official Gazette of BiH*, 63/08 [↑](#footnote-ref-101)
102. *Official Gazette of BiH*, 31/11, 39/12 [↑](#footnote-ref-102)
103. *Official Gazette of BiH*, 28/15 [↑](#footnote-ref-103)
104. *Official Gazette of BiH*, 39/14 [↑](#footnote-ref-104)
105. *Official Gazette of BiH*, 96/14 [↑](#footnote-ref-105)
106. *Official Gazette of BiH*, 13/08 [↑](#footnote-ref-106)
107. These documents are necessary for further implementation of the Bologna process in BiH (Berlin Communiqué 2003) and for implementation of the Convention of the Council of Europe/UNESCO on Recognition of Qualifications in Higher Education in the European Region (Lisbon Recognition Convention). [↑](#footnote-ref-107)
108. *Official Gazette of BiH*, 29/12 [↑](#footnote-ref-108)
109. *Official Gazette of BiH*, 36/16 [↑](#footnote-ref-109)
110. *Official Gazette of BiH*, 10/16 [↑](#footnote-ref-110)
111. *Official Gazette of BiH,* 98/13 [↑](#footnote-ref-111)
112. Pedagogical Institute in the RS is an entity administrative organisation within the RS Ministry of Education and Culture. [↑](#footnote-ref-112)