



converge2eu

# Annual Convergence Report 2026

## – Bosnia and Herzegovina –



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**IMPRESSUM**

Herausgeber, Verleger, Eigentümer und  
Hersteller:

Verein „Wiener Institut für Internationale  
Wirtschaftsvergleiche“ (wiiw), Wien 6,  
Rahlgasse 3

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Nachdruck nur auszugsweise und mit genauer  
Quellenangabe gestattet.

Offenlegung nach § 25 Mediengesetz:  
Medieninhaber (Verleger): Verein  
„Wiener Institut für Internationale  
Wirtschaftsvergleiche“, A 1060 Wien,  
Rahlgasse 3. Vereinszweck: Analyse der  
wirtschaftlichen Entwicklung der zentral-  
und osteuropäischen Länder sowie anderer  
Transformationswirtschaften sowohl mittels  
empirischer als auch theoretischer Studien  
und ihre Veröffentlichung; Erbringung von  
Beratungsleistungen für Regierungs- und  
Verwaltungsstellen, Firmen und Institutionen.

This publication is supported by the Open Society Foundations - Western Balkans. The views expressed are those of the author(s) and do not necessarily reflect the views of the Open Society Foundations - Western Balkans.

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# Overall well-being in Bosnia and Herzegovina in 2025

**57.3%** of the EU level

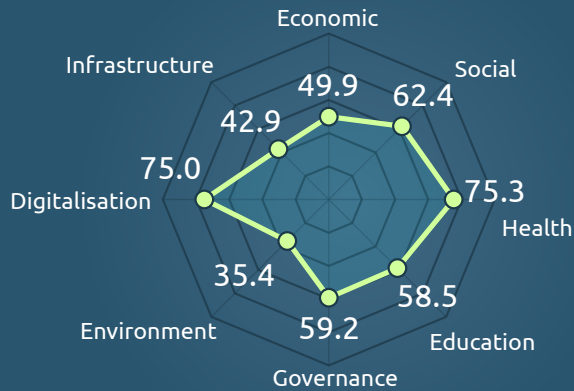
**+0.4** last year

**+0.7** pp average over  
the past 5 years

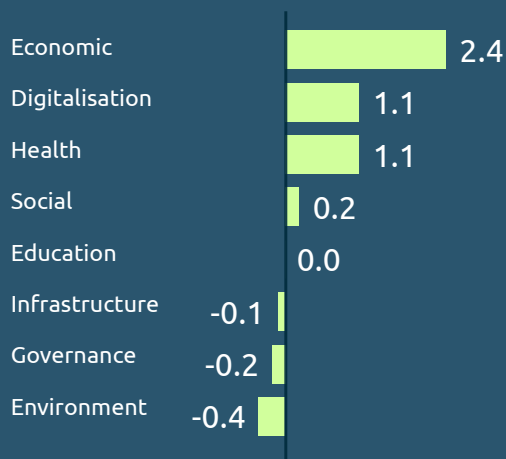
**59** years to EU level  
(if trends from past  
5 years continue)

# ALL AREAS OVERALL

Bosnia and Herzegovina, 2025, all areas overall, % of EU average



Bosnia and Herzegovina, 2025, all areas overall, year-on-year change



Indicator/ years to EU

| Indicator      | years to EU |
|----------------|-------------|
| Economic       | 26          |
| Social         | 100+        |
| Health         | 45          |
| Education      | 47          |
| Governance     | 96          |
| Environment    | 100+        |
| Digitalisation | 23          |
| Infrastructure | 97          |

★ The strongest pillars in Bosnia and Herzegovina in 2025 were Health and Digitalisation, at around **75%** of the EU average.

★ Social, Governance and Education followed, at around **60%** of the EU level.

★ Economic pillar was at **50%** of the EU average, while Infrastructure was at **43%**.

★ Environment lagged behind, standing at just **35%** of the EU level.

★ **4 of the 8 areas** saw an improvement in 2025, while **3** saw a slide and Education was essentially unchanged.

★ The area with the strongest improvement was Economic, which improved by **2.4 pp** relative to the EU average.

★ Digitalisation and Health improved more modestly, by around **1.1 pp** each, while Social closed **0.2 pp** of the gap to the EU average.

★ Infrastructure and Governance deteriorated by **0.1** and **0.2 pp** relative to the EU average, respectively.

★ Environment saw the biggest slide, worsening by **0.4 pp** relative to the EU average.

★ At the pace of improvement from the past **5 years**, Economic and Digitalisation would need around **25 years** to close the gap to the EU average.

★ Health and Education would need around **5 decades** to close the gap.

★ Governance and Infrastructure lag further behind, needing around a century to reach the EU level.

★ Environment and Social remain the poorest-performing pillars in this group, with more than **100 years** needed to reach the EU level at current trends.

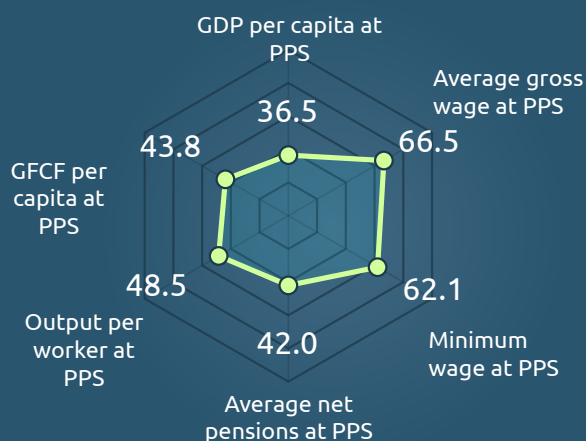
# ECONOMIC PILLAR

## Bosnia and Herzegovina, economic pillar indicators, nominal values

| Indicator                   | Value  |
|-----------------------------|--------|
| GDP per capita at PPS       | 15,160 |
| Average gross wage at PPS   | 2,103  |
| Minimum wage at PPS         | 820    |
| Average net pensions at PPS | 577    |
| Output per worker at PPS    | 41,300 |
| GFCF per capita at PPS      | 3,912  |

- ★ GDP per capita at EU27 purchasing power standard (PPS) in BiH in 2025 stood at **EUR 15,160**.
- ★ Average gross wage at PPS stood at **EUR 2,103**.
- ★ Minimum wage at PPS stood at **EUR 820**.
- ★ Average net pensions at PPS stood at **EUR 577**.
- ★ Output per worker at PPS stood at **EUR 41,300**.
- ★ Gross fixed capital formation (GFCF) per capita at PPS stood at **EUR 3,912**.

## Bosnia and Herzegovina, economic pillar, % of EU average



- ★ Relative to the EU average, the best-performing economic indicator was Average gross wage at PPS, standing at **67%** of the EU level.
- ★ Minimum wage at PPS was close behind, at around **62%** of the EU average.
- ★ Output per worker at PPS, GFCF per capita at PPS and Average net pensions at PPS were lower, at around **45%** of the EU level.
- ★ GDP per capita at PPS remains the weakest link, standing at just **36%** of the EU average.

## Bosnia and Herzegovina, economic pillar, change to last year

|                             |      |
|-----------------------------|------|
| Minimum wage at PPS         | 8.7  |
| Average gross wage at PPS   | 4.8  |
| Average net pensions at PPS | 3.3  |
| GFCF per capita at PPS      | 1.9  |
| GDP per capita at PPS       | -0.1 |
| Output per worker at PPS    | -0.7 |

- ★ **4 of the 6 indicators** in the economic pillar saw an improvement in 2025 relative to the EU average.
- ★ The biggest improvement was in Minimum wage at PPS, which closed the gap to the EU level by **8.7 pp**.
- ★ Average gross wage at PPS closed approximately **4.8 pp** of the gap to the EU average, followed by Average net pensions at PPS with **3.3 pp** of the gap closed.
- ★ GFCF per capita at PPS's gap to the EU closed by **1.9 pp**.
- ★ GDP per capita at PPS saw a slight decline, while the Output per worker at PPS was the indicator with the weakest performance, falling back by **0.7 pp** relative to the EU average.

## Indicator/ years to EU

| Indicator                   | years to EU |
|-----------------------------|-------------|
| GDP per capita at PPS       | 81          |
| Average gross wage at PPS   | 14          |
| Minimum wage at PPS         | 9           |
| Average net pensions at PPS | 40          |
| Output per worker at PPS    | 71          |
| GFCF per capita at PPS      | 30          |

- ★ At the pace of improvement from the past **5 years**, Minimum wage at PPS will reach the EU average in **9 years**, and Average gross wage at PPS in **14 years**.
- ★ GFCF per capita at PPS would need around **30 years** to close the gap to the EU average.
- ★ Average net pensions at PPS would need around **4 decades** to close the gap to the EU average.
- ★ Output per worker at PPS and GDP per capita at PPS lag further behind, needing around **7-8 decades** to reach the EU level.

# What explains the trends in the economic pillar?

- ★ **The economic pillar in Bosnia and Herzegovina (BiH) stood at 49.9% of the EU average** in 2025, with an improvement from the previous year – closing 2.4 percentage points (pp) of the gap to the EU average.
- ★ **This result is largely due to a rise in the minimum wage** in the entity Federation of Bosnia and Herzegovina (FBiH). The minimum wage was increased from 620 Bosnia and Herzegovina convertible marks (BAM) net in 2024 to BAM 1,000 net (BAM 1,562 gross) starting on 1 January 2025, which represents an increase of BAM 380, or 61%.
- ★ **This (along with subsequent increases<sup>1</sup>) is directly pushing up another indicator (i.e. average gross wage),** while GDP per capita and output per worker exhibit negative trends. The results point to the fact that wages have been artificially increased and are not linked to higher productivity.
- ★ **Average net pensions** recorded an improvement of 3.3 percentage points (pp) relative to the EU average, indicating a modest narrowing of the gap in pension income levels. This development reflects increases in pension benefits implemented by the entity governments, including regular and, where applicable, extraordinary adjustments in line with the respective pension indexation mechanisms. These automatic adjustments helped preserve pensioners' purchasing power in the context of rising living costs and contributed to the observed convergence towards the EU average. Nevertheless, the remaining gap continues to point
- to significant differences in income levels and the overall adequacy of pension benefits compared with EU standards.
- ★ **Gross fixed capital formation (GFCF) per capita** (i.e. investment in fixed assets) saw an improvement of 1.9 pp towards the EU average, indicating a strengthening of investment activity and a greater allocation of resources towards productive assets. This development is positive for medium- to long-term growth prospects, as higher capital investment can contribute to increased productive capacity and productivity.
- ★ The performance in this pillar indicates that governments in **Bosnia and Herzegovina (BiH) have favoured immediate, distributive measures over the structural changes** (e.g. improving productivity and formalisation of the grey economy) that drive lasting convergence.

1 An additional (though rather symbolic) increase in the minimum wage came into effect in FBiH on 1 January 2026 (BAM 1,000 net in 2025 to BAM 1,027 net in 2026). The other entity, Republika Srpska (RS), followed by adopting changes to the minimum salary, which became effective on 1 January 2026.

## EU accession scenarios

To better understand how different EU integration pathways might influence Bosnia and Herzegovina's convergence trajectory, this analysis considers four scenarios as defined in the converge2eu model:

- ★ **Full EU Membership:** immediate accession with all rights and obligations;
- ★ **Access to EU Budget:** receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market:** full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms:** implementing deep EU-related reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In the economic pillar, the scenarios are simulated for **GDP per capita at purchasing power standards** as the proxy indicator for overall economic convergence. The four scenarios are then compared to the baseline/status quo scenario of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to meaningful effects across the four scenarios.

### EU accession scenarios for GDP per capita

| Scenario              | Years needed to reach the EU average |
|-----------------------|--------------------------------------|
| Status quo            | 81 years to EU                       |
| Full EU accession     | 41 years to EU                       |
| Access to EU budget   | 55 years to EU                       |
| EU single market      | 55 years to EU                       |
| Institutional reforms | 78 years to EU                       |

- ★ Under the **status quo**, BiH needs **81 years** to converge to the EU level in GDP per capita.
- ★ **Full EU membership** would result in roughly halving the time for BiH to reach the EU level of GDP per capita (i.e. to **41 years**).
- ★ **Access to the EU budget** on its own would result in convergence in **55 years**.
- ★ The **same result** is obtained in a scenario assuming full **access to the EU market**.
- ★ **Institutional reforms** would only marginally speed up the progress to an EU-level standard of living, as BiH would only reach the EU level of GDP per capita **in 78 years**, compared with 81 years under a status quo scenario.

## Policy discussion & key recommendations

**Overall economic performance is being pulled down by low (and slightly deteriorating from the previous year) GDP per capita**, which stands at 36.5% of the EU average. However, the low level of GDP per capita needs to be interpreted in the context of the sizeable informal economy, which accounts for up to a third of BiH's GDP.<sup>2</sup>

**Differences in performance between economic indicators reveal the areas most in need of policy action.** The priority should be to **raise worker productivity**, measured as output per worker. At 48.5% of the EU average, it lags behind the relative level of average wages and declined by a further 0.7 pp relative to the EU average over the year. This is particularly important due to recent increases in the minimum and, consequently, average wage (both indicators are at over 60% of the EU average). To achieve this, BiH should move towards a **more strategic and coherent industrial policy** aimed at fostering economic development and structural transformation. This requires the identification of priority sectors with high growth and value-added potential based on evidence and in close cooperation with academia, research institutions and the private sector. Targeted and transparent policy measures – including support for innovation, skills development, access to finance and integration into regional and EU value chains – should be designed and imple-

mented in line with EU state aid rules. Strengthening coordination across levels of government and improving implementation capacity will be essential to ensure that industrial policy effectively contributes to productivity growth, competitiveness and sustainable development.

Further, the **average pension – at only 42% of the EU average – shows the ultimate consequences of BiH's inability to implement comprehensive pension-system reform.** An additional factor is the **excessive degree of informality**, as un- or under-reported wages ultimately result in lower pensions and other employment benefits. On the other hand, outdated pension systems are already putting significant pressure on public finances via budget transfers and on current employment via the high tax wedge on labour. In response, governments have been resorting to one-off payments to pensioners in addition to the prescribed formula for regular pension adjustments.<sup>3</sup> **The incremental changes to the pension system are not a substitute for tackling systemic issues.**<sup>4</sup> Pension reform should address contribution arrears, early retirement and disability assessment while gradually developing supplementary occupational pension schemes, potentially supported by automatic enrolment and shared employer-employee contributions.

2 Efendic, N., Pasovic, E. & Efendic, A. (2018). Understanding the informal economy in practice: Evidence from Bosnia and Herzegovina. e-Finance: Financial Internet Quarterly, 14(4), 77–89.

3 According to the Law on Pensions and Disability Insurance, the regular adjustment of pensions is based on indicators of GDP growth and the consumer price index published by the Federal Institute of Statistics. The Law on Pensions and Disability Insurance of the Republic of Srpska provides that pensions are regularly adjusted every January, based on the principle of 50% of the average salary in the previous year and 50% of the increase in retail prices. These data are obtained from the Republika Srpska Institute of Statistics.

4 E.g. World Bank Group (2020). Bosnia and Herzegovina: Pension Policy Challenges in 2020. (<https://documents1.worldbank.org/curated/en/292981593571282850/pdf/Bosnia-and-Herzegovina-Pension-Policy-Challenges-in-2020.pdf>)

**Policies tackling the informal economy should be the priority of national decision makers and development partners.** Such policies should entail fiscal reform, including a **shift to taxation of capital instead of labour, the introduction of progressive taxation and additional gradual reductions in social contributions.** Strengthening the capacity and enforcement powers of labour inspectorates should be coupled with incentives for sole traders and micro and small enterprises to formalise (e.g. temporary tax relief, fewer administrative barriers and free tax advice). Together with amendments to fiscalisation regulations, these measures would help shift economic activity into the formal economy and broaden the tax base.

GFCF should be strengthened through a credible multi-year investment programme that improves public project preparation and execution while facilitating private investment in productive assets. Operationalisation of public-private partnerships, targeted credit guarantees and competitive co-financing could support firms' investment in machinery, digital technologies and energy efficiency. Support should prioritise additional investment with measurable productivity benefits, while public projects should be selected through transparent economic appraisal and monitored against delivery milestones.

**The Reform Agenda,<sup>5</sup> linked to Growth Plan funding for reforms,** should be implemented in close alignment with the Economic Reform Programme (ERP)<sup>6</sup> and the Stabilisation and Association Agreement between the European Communities and BiH. Measures in the economic area should be consistent with the priorities set out in these frameworks, which already flag many of the country's key challenges (e.g. weaknesses in governance and public administration, low productivity, limited investment in human development, labour-market and skills mismatches, and gaps in infrastructure). BiH was the last country in the region to adopt the Reform Agenda, forfeiting in the process some EUR 108 million. **Moreover, by the end of summer 2026, none of the 100+ reform steps had been undertaken** and no facilitation and loan agreements had been signed, meaning that disbursement had not yet begun. This relates directly to administrative fragmentation and the governance pillar, but also points to the limits of one-size-fits-all conditionality on the part of the EU.

5 Reform and Growth Facility for the Western Balkans: Reform Agenda of Bosnia and Herzegovina. ([https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L\\_202401449](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401449))

6 Economic Reform Program (ERP) of Bosnia and Herzegovina 2025-2027 ([www.dep.gov.ba/naslovna/ENG\\_ERP%20BiH%202025-2027\\_25032025.pdf](http://www.dep.gov.ba/naslovna/ENG_ERP%20BiH%202025-2027_25032025.pdf)).

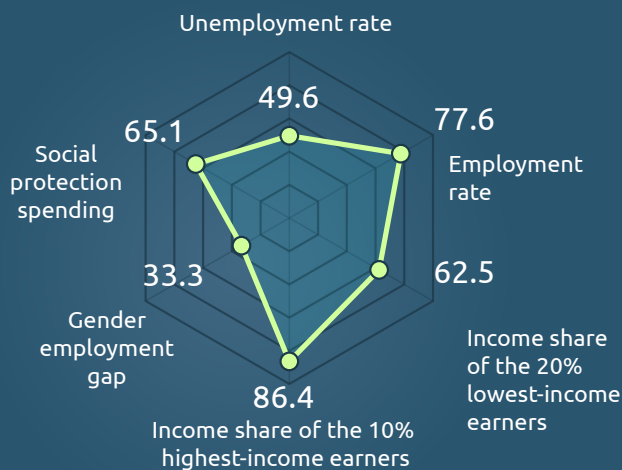
# SOCIAL PILLAR

## Bosnia and Herzegovina, social pillar indicators, nominal values

| Indicator                                      | Value |
|------------------------------------------------|-------|
| Unemployment rate                              | 12.3  |
| Employment rate                                | 55.1  |
| Income share of the 20% lowest-income earners  | 4.3   |
| Income share of the 10% highest-income earners | 33.3  |
| Gender employment gap                          | 26.1  |
| Social protection spending                     | 4.1   |

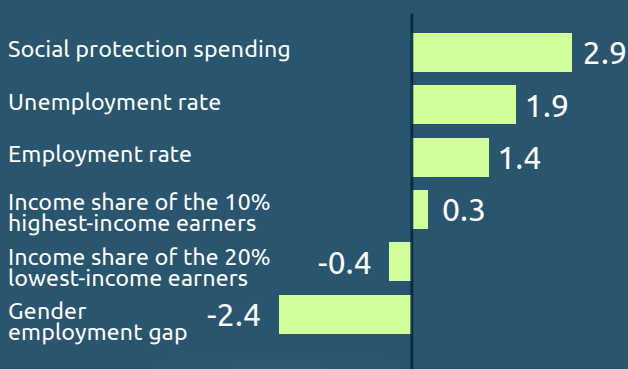
- ★ Unemployment rate in BiH in 2025 stood at **12.3%** of the labour force.
- ★ Employment rate stood at **55.1%** of the working-age population.
- ★ Income share of the **20%** lowest-income earners stood at **4.3%** of total post-tax income.
- ★ Income share of the **10%** highest-income earners stood at **33.3%** of total post-tax income.
- ★ Gender employment gap stood at **26.1 pp**.
- ★ Social protection spending stood at **4.1%** of GDP.

## Bosnia and Herzegovina, social pillar, % of EU average



- ★ Relative to the EU average, the best-performing social indicator was Income share of the **10%** highest-income earners, standing at **86%** of the EU level.
- ★ Employment rate was close behind, at around **78%** of the EU average.
- ★ Social protection spending and Income share of the **20%** lowest-income earners followed, at around **64%** of the EU level.
- ★ Unemployment rate was at **50%** of the EU benchmark.
- ★ Gender employment gap remains the weakest link, standing at just **33%** of the EU average.

## Bosnia and Herzegovina, social pillar, change to last year



- ★ **4 of the 6 indicators** in the social pillar saw an improvement in 2025 relative to the EU average.
- ★ The biggest improvement was in Social protection spending, which closed the gap to the EU level by **2.9 pp**.
- ★ Unemployment rate and Employment rate improved by **1.9** and **1.4 pp**, respectively.
- ★ Income share of the **10%** highest-income earners improved only marginally, by **0.3 pp**, while Income share of the **20%** lowest-income earners declined by a similar amount.
- ★ Gender employment gap was the indicator with the weakest performance, falling back by **2.4 pp** relative to the EU average.

## Indicator/ years to EU

| Indicator                                      | years to EU |
|------------------------------------------------|-------------|
| Unemployment rate                              | 49          |
| Employment rate                                | 21          |
| Income share of the 20% lowest-income earners  | 46          |
| Income share of the 10% highest-income earners | 100+        |
| Gender employment gap                          | Divergence  |
| Social protection spending                     | 15          |

- ★ At the pace of improvement from the past **5 years**, Social protection spending and Employment rate would need **15-21 years** to close the gap to the EU average.
- ★ Income share of the **20%** lowest-income earners and Unemployment rate would need around 5 decades.
- ★ Income share of the **10%** highest-income earners would need more than a century.
- ★ Gender employment gap is diverging from the EU average and not on track to close the gap at recent trends.

## What explains the trends in the social pillar?

- ★ **The social pillar in BiH stands at 62% of the EU average**, with an improvement from the previous year (+0.2 pp), although convergence with the EU level is still estimated to take **more than 100 years** based on the weak performance over the previous five years.
- ★ The social pillar has seen **small improvements in employment and social protection**, but also a **persistent exclusion of women** from paid work, which is constantly worsening. **Distribution**, measured both through the income share of the bottom 20% of the population and the income share of the top 10%, has been **either stagnating or worsening**.
- ★ Employment stands at 55.1% of the working-age population, and unemployment at 12.3% of the labour force. Despite the recent improvements, these figures indicate **considerable untapped labour potential**, while employers face recruitment difficulties.
- ★ The **gender employment gap worsened**, potentially due to rising demand in male-dominated sectors (e.g. construction, transport and industry), reinforced by generally limited availability of affordable childcare, high informality in female-dominated sectors and entrenched gender stereotypes.
- ★ The improvement in the annual indicators should also be distinguished from the five-year trajectory reported here, which places the social pillar on a long (100+ years) path towards convergence with the EU average.
- ★ **Social protection spending**, at 4.1% of GDP, saw the largest improvement in the pillar, closing 2.9 pp of the gap with the EU average. The income shares of the bottom 20% and top 10% stand at 4.3% and 33.3%, respectively, indicating that an **increase in the budget alone does not establish that protection has become more effective for the poorest households**.
- ★ Outward migratory trends and the resulting labour-force contraction provide possible explanations for improving employment and unemployment indicators. A lower unemployment rate can reflect departures from the labour force as well as additional jobs, while an employment rate can rise when the working-age population contracts. A relatively sharp rise in salaries in the region<sup>7</sup> points to the fact that employers genuinely are competing for scarce workers.

<sup>7</sup> <https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report>

## EU accession scenarios

To better understand how different EU integration pathways might influence BiH's convergence trajectory in the social area, we consider the same four scenarios as before:

- ★ **Full EU Membership:** immediate accession with all rights and obligations;
- ★ **Access to EU Budget:** receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market:** full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms:** implementing deep EU-related reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In the social pillar, the scenarios are simulated for the **income share of the bottom 20% of the population** as the proxy indicator for the overall social situation. The four scenarios are then compared to the baseline/status quo scenario of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to some improvement across the four scenarios.

### EU accession scenarios for income share of the bottom 20% of the population

| Scenario               | Years needed to reach the EU average |
|------------------------|--------------------------------------|
| Status quo:            | 46 years to EU                       |
| Full EU accession:     | 32 years to EU                       |
| Access to EU budget:   | 32 years to EU                       |
| EU single market:      | 46 years to EU                       |
| Institutional reforms: | 45 years to EU                       |

- ★ Under the **status quo**, BiH needs **46 years** to reach the EU level in income share of the bottom 20% of the population.
- ★ Modelling suggests that, under a **full EU membership** scenario, BiH would need approximately **32 years** to close the poverty gap.
- ★ With **access to the EU budget** only, the estimated timeline corresponds to that for full EU membership (i.e. **32 years**).
- ★ The two remaining scenarios, **access to EU single market** and **institutional reforms**, do not produce **any meaningful impact** on poverty reduction.

## Policy discussion & key recommendations

- ★ **Priority in the social pillar should be given to reducing the gender employment gap**, given that it is the weakest area when compared to the EU level as well as the area with the weakest improvement in recent years. In addition to general gender equality interventions tackling socially entrenched norms, measures should focus on expanding affordable childcare and tackling informality in female-dominated sectors.
- ★ **Disincentives in tax-benefit design should be addressed.** Tax-benefit rules should be reviewed to identify the financial consequences of a household member entering formal employment. Benefits are typically withdrawn in full once any household member – not only a second earner, but often the first – records formal labour income. If a household member's earnings trigger a loss of child-related or means-tested support, authorities should consider phasing out benefits gradually and introducing transitional protection mechanisms. Child allowance benefits in both entities are subject to a fixed household income threshold. In Republika Srpska (RS), this threshold is BAM 140 per household member for families with two children, meaning that a second earner in the family entering employment can trigger a complete loss of support. In the FBiH, these policies are fragmented and vary between cantons. Sarajevo Canton, for instance, applies strict means testing that penalises additional earnings, while neighbouring Bosnian-Podrinje Canton Goražde provides a non-means-tested benefit intended to encourage births rather than redistribute income.
- ★ **EU-supported reforms should try to connect labour market activation, childcare and the redesign of social protection with phased benefit withdrawal**, coordinated across the competent institutions at state, entity and cantonal levels. Five-year divergence points to the conclusion that marginal annual gains will remain insufficient unless the reforms remove the structural barriers keeping women and disadvantaged households outside formal employment. One important caveat, once again, is administrative fragmentation: social assistance is administered at the cantonal and entity level, so eligibility rules and thresholds vary and no single authority is accountable for outcomes.

- ★ **The distribution of income demands a more redistributive outcome:** raising social-protection spending from its low base (4.1% of GDP) and introducing greater progressivity in taxation would address both the weak income share of the poorest 20% and the high share of the top 10%.
- ★ **Higher social expenditures should be accompanied by thorough reviews of coverage, adequacy and distribution across income groups.** Data-sharing on beneficiaries between authorities, with appropriate safeguards, should be established, together with accessible application and appeal procedures. A system for tracking whether the poorest households receive support and whether it actually alleviates hardships should be put in place. This would be a significant improvement over treating expenditure growth as a measure of success.

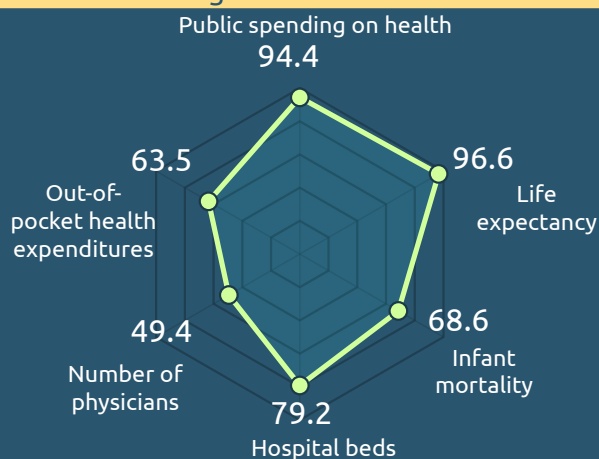
# HEALTH PILLAR

## Bosnia and Herzegovina, health pillar indicators, nominal values

| Indicator                         | Value |
|-----------------------------------|-------|
| Public spending on health         | 6.0   |
| Life expectancy                   | 78    |
| Infant mortality                  | 5.1   |
| Hospital beds                     | 402   |
| Number of physicians              | 21.1  |
| Out-of-pocket health expenditures | 31    |

- ★ Public spending on health in BiH in 2025 stood at **6.0%** of GDP.
- ★ Life expectancy stood at **78 years**.
- ★ Infant mortality stood at **5.1 per 1,000** live births.
- ★ Hospital beds stood at **402 beds per 100,000** inhabitants.
- ★ Number of physicians stood at **21.1 physicians per 10,000** inhabitants.
- ★ Out-of-pocket health expenditures stood at **31%** of total health spending.

## Bosnia and Herzegovina, health pillar, % of EU average



- ★ Relative to the EU average, the best-performing health indicator was Life expectancy, standing at **97%** of the EU level, followed closely by Public spending on health, at around **94%** of the EU average.
- ★ Hospital beds is at **79%** of the EU level, while Infant mortality is at **69%**.
- ★ Out-of-pocket health expenditures were at **63%** of the EU level, while the Number of physicians remains the weakest link, standing at just **49%** of the EU average.

## Bosnia and Herzegovina, health pillar, change to last year

|                                   |      |
|-----------------------------------|------|
| Infant mortality                  | 6.4  |
| Public spending on health         | 5.8  |
| Hospital beds                     | 0.4  |
| Out-of-pocket health expenditures | 0.3  |
| Life expectancy                   | 0.0  |
| Number of physicians              | -0.1 |

- ★ **4 of the 6 indicators** in the health pillar saw an improvement in 2025 relative to the EU average.
- ★ The biggest improvement was in Infant mortality, which closed the gap to the EU level by **6.4 pp**.
- ★ Public spending on health closed approximately **5.8 pp** of the gap to the EU average.
- ★ Hospital beds and Out-of-pocket health expenditures saw a slight gap reduction, by **0.4** and **0.3 pp**, respectively.
- ★ Life expectancy remained unchanged, while Number of physicians fell back by **0.1 pp** relative to the EU average.

## Indicator/ years to EU

| Indicator                         | years to EU |
|-----------------------------------|-------------|
| Public spending on health         | Divergence  |
| Life expectancy                   | 73          |
| Infant mortality                  | 9           |
| Hospital beds                     | 9           |
| Number of physicians              | 100+        |
| Out-of-pocket health expenditures | Divergence  |

- ★ At the pace of improvement from the past **5 years**, Infant mortality and Hospital beds would need around **9 years** to close the gap to the EU average.
- ★ Life expectancy lags further behind, needing around **7 decades** to reach the EU level.
- ★ Number of physicians needs more than **100 years** to reach the EU level at current trends.
- ★ Public spending on health and Out-of-pocket health expenditures are showing a widening of the gap towards the EU average.

# What explains the trends in the health pillar?

- ★ **Health is the strongest pillar in BiH, at approximately 75% of the EU average, but the aggregate score obscures a significant imbalance between outcomes and staffing.**
- ★ Life expectancy is 78 years, equivalent to 97% of the EU level, while public health spending of 6.0% of GDP reaches approximately 94% of the benchmark. The pillar's weakness is concentrated in the medical workforce (only 21.1 physicians per 10,000 inhabitants, or 49% of the EU average), driven primarily by emigration to higher-income EU member states, rather than in health outcomes, and infant mortality is improving.
- ★ **The number of medical doctors is falling back and remains the weakest indicator, which is a direct result of outward migratory trends.** It reduces the availability and quality of healthcare even when other indicators rise. This indicator alone cannot determine how much of the change is due to outward migration, nor does a deterioration relative to the EU necessarily establish an absolute decline in physician numbers. Nevertheless, the scale of the staffing gap raises a clear question about access to timely and appropriate care.
- ★ **Infant mortality, at 5.1 per 1,000 live births, represents the single largest improvement in the pillar's relative score, closing the gap by 6.4 pp.** This is a favourable outcome, although annual movements should be assessed over several years before being attributed to a particular intervention or a specific change in the domain.
- ★ Hospital capacity stands at 402 beds per 100,000 inhabitants. **Hospital bed numbers do provide information about physical capacity, but we cannot infer from the figure alone whether facilities have sufficient staff** and the needed equipment or how successful they are in providing care.
- ★ This pillar's high marks are related to outcome and capacity indicators (e.g. number of beds and life expectancy) that **do not capture service quality, waiting times, reliance on care abroad and widespread public fundraising actions for citizens in need**, all of which are visible signs of the low quality, availability or affordability of healthcare for the general population.
- ★ Out-of-pocket spending, at 31% of total health expenditure, is high and diverging from the EU average. It shifts the cost of care to households and underlies the frequent public fundraising appeals for treatment. Reducing it requires investment in public-hospital capacity.

# EU accession scenarios

To better understand how different EU integration pathways might influence BiH's convergence trajectory in the health area, we consider the same four scenarios as before:

- ★ **Full EU Membership:** immediate accession with all rights and obligations;
- ★ **Access to EU Budget:** receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market:** full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms:** implementing deep EU-related reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In the health pillar, the scenarios are simulated for **life expectancy** as the proxy indicator for the overall health situation. The four scenarios are then compared to the baseline/status quo scenario of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to meaningful effects across the four scenarios.

## EU accession scenarios for life expectancy

| Scenario               | Years needed to reach the EU average |
|------------------------|--------------------------------------|
| Status quo:            | 73 years to EU                       |
| Full EU accession:     | 25 years to EU                       |
| Access to EU budget:   | 38 years to EU                       |
| EU single market:      | 38 years to EU                       |
| Institutional reforms: | 68 years to EU                       |

- ★ With life expectancy at 78 years, or 97% of the EU average, convergence in BiH would require **73 years** under **current trends**.
- ★ The scenarios of approximation to the EU indicate a significant shortening of the time needed, particularly in the **full EU membership** scenario (only **25 years**).
- ★ The other two scenarios, **access to the EU budget** and **access to the EU single market**, would nearly halve the time needed to reach the EU level of life expectancy, to **38 years**.
- ★ The lowest effect scenario is the implementation of the **institutional reforms**, where the gap to the EU life expectancy would be closed in **68 years**.

## Policy discussion & key recommendations

- ★ **Shortages of medical staff are the acute problem.** The responsible health authorities and providers need to adopt a **coordinated workforce plan based on specialty, age profile and geographic distribution.** Retention measures, designed to keep the medical staff from leaving the country, should address working conditions, predictable career progression and access to professional development, alongside targeted financial incentives for underserved locations and scarce specialisations. Where a specialisation cannot be pursued domestically due to lack of accredited mentors, the workforce plan should provide for funded specialist-training (i.e. residency) placements abroad tied to a return-to-service obligation so that scarce specialities are rebuilt at home.
- ★ **The medical diaspora could help address shortages of doctors and specialist expertise in BiH.** Diaspora involvement can supplement domestic workforce development through temporary clinical residency, joint teaching and mentoring. Initiatives should be designed in such a way that they transfer knowledge and skills to permanent teams and address specific specialisation and skills gaps. Although welcome, relying on temporary, ad-hoc visiting specialists offers only limited protection against the loss of skilled and experienced staff.
- ★ Healthcare providers and health authorities should establish unified and **comparable metrics for quality of care** (e.g. waiting times and diagnostic backlogs) so that future reporting measures not just the quantity but also the quality of healthcare. Measures should be broken down by service and location with clear definitions and regular publishing.
- ★ If treatment is unavailable domestically, there should be clear and transparent criteria and predictable procedures in place to fund it abroad. Such rules would improve the transparency with which the country's sizable health budget is used and reduce the permanent need for **out-of-pocket spending** and public appeals to finance treatments that the system should itself provide.

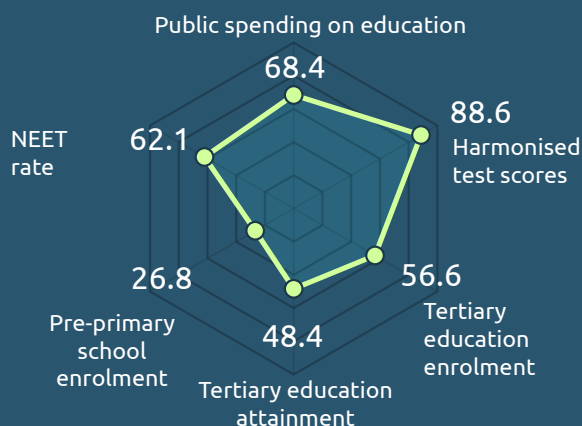
# EDUCATION PILLAR

## Bosnia and Herzegovina, education indicators, nominal values

| Indicator                     | Value |
|-------------------------------|-------|
| Public spending on education  | 3.2   |
| Harmonised test scores        | 447.7 |
| Tertiary education enrolment  | 45.5  |
| Tertiary education attainment | 16.6  |
| Pre-primary school enrolment  | 25.5  |
| NEET rate                     | 14.5  |

- ★ Public spending on education in BiH in 2025 stood at **3.2%** of GDP.
- ★ Harmonised test scores stood at **447.7** points.
- ★ Tertiary education enrolment stood at **45.5%** of tertiary-age population.
- ★ Tertiary education attainment stood at **16.6%** of corresponding age group population.
- ★ Pre-primary school enrolment stood at **25.5%** of corresponding age group population.
- ★ NEET rate stood at **14.5%** of labour force.

## Bosnia and Herzegovina, education pillar, % of EU average



- ★ Relative to the EU average, the best-performing education indicator was Harmonised test scores, standing at **89%** of the EU level.
- ★ Public spending on education was the second-best indicator, at **68%** of the EU level.
- ★ NEET rate and Tertiary education enrolment were at around **60%** of the EU benchmark, while Tertiary education attainment was lower, at **48%**.
- ★ Pre-primary school enrolment remains the weakest link, standing at just **27%** of the EU average.

## Bosnia and Herzegovina, education pillar, change to last year

|                               |      |
|-------------------------------|------|
| Public spending on education  | 5.8  |
| Harmonised test scores        | 3.1  |
| Tertiary education attainment | 0.5  |
| Pre-primary school enrolment  | -0.1 |
| Tertiary education enrolment  | -0.3 |
| NEET rate                     | -0.5 |

- ★ **3 of the 6 indicators** in the education pillar saw an improvement in 2025 relative to the EU average.
- ★ The biggest improvement was in Public spending on education, which closed the gap to the EU level by **5.8 pp**.
- ★ Harmonised test scores closed approximately **3.1 pp** of the gap to the EU average.
- ★ In Tertiary education attainment, the gap to the EU level closed by **0.5 pp**.
- ★ Pre-primary school enrolment, Tertiary education enrolment and the NEET rate all saw a small decline relative to the EU, ranging from **0.1 to 0.5 pp**.

## Indicator/ years to EU

| Indicator                     | years to EU |
|-------------------------------|-------------|
| Public spending on education  | Divergence  |
| Harmonised test scores        | 18          |
| Tertiary education enrolment  | Divergence  |
| Tertiary education attainment | 48          |
| Pre-primary school enrolment  | 100+        |
| NEET rate                     | 17          |

- ★ At the pace of improvement from the past **5 years**, NEET rate and Harmonised test scores would need around **18 years** to close the gap to the EU average.
- ★ Tertiary education attainment would need around **5 decades** to close the gap to the EU average.
- ★ Pre-primary school enrolment would need more than **100 years** to reach the EU level at current trends.
- ★ Public spending on education and Tertiary education enrolment are diverging from the EU average and not on track to close the gap at recent trends.

## What explains the trends in the education pillar?

- ★ **Public spending on education** in BiH is 3.2% of GDP, and its relative score to the EU level improved by 5.8 percentage points, the **largest gain in the pillar**. To a certain degree, increased public spending on education is **related to an increase in salaries for school employees** who are public employees. An increase in the minimum wage and public-sector pay rises account partly for the trend.
- ★ **Pre-primary school enrolment**, on the other hand, reaches only 25.5% of the relevant age group and 27% of the EU benchmark, making it **the weakest indicator**. **A lack of sufficient facilities for pre-school children is the main reason for this score**. Rural areas and smaller municipalities lack public pre-school provision. Some localities with insufficient capacities (e.g. Sarajevo Canton) provide parents with subsidies for privately owned pre-school facilities.
- ★ The report's five-year projection puts convergence in pre-primary participation beyond 100 years at current trends. This is not primarily a question of money. Learning outcomes (test scores at 89% of the EU average) exceed what the spending level (68%) would predict, so BiH converts resources into results relatively efficiently. The gap is one of participation, completion and sustained institutional will rather than of funding alone. That said, the traditional norms and family values may still contribute to the lower-than-expected pre-primary enrolment, including stay-at-home parents (largely mothers), longer maternity leave, extended family members or informal employees acting as caregivers.
- ★ Harmonised test scores stand at 447.7 points, corresponding to 89% of the EU average. The simultaneous rise in spending and outcomes may indicate a link between the two, though it is too early to draw that conclusion firmly. The five-year trend implies a convergence horizon of 18 years.
- ★ The **NEET indicator**, covering young people outside employment, education or training, deteriorated by 0.5 pp relative to the EU average. This may point to a **lack of focus on this issue by the authorities**, which is compounded by increasing volatility and disruption on the labour market. This further increases the gap between education and the labour market, which is still very pronounced.
- ★ Tertiary indicators remain well below EU levels, with enrolment at around 60% and attainment at roughly 48% of the EU average. Attainment trailing enrolment indicates that too few of those who begin tertiary studies ultimately complete them.

## EU accession scenarios

To better understand how different EU integration pathways might influence BiH's convergence trajectory in the education area, we consider the same four scenarios as before:

- ★ **Full EU Membership:** immediate accession with all rights and obligations;
- ★ **Access to EU Budget:** receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market:** full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms:** implementing deep EU-related reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In the education pillar, the scenarios are simulated for **tertiary education enrolment** as the proxy indicator for the overall education situation. The four scenarios are then compared to the baseline/status quo scenario of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**.

### EU accession scenarios for tertiary education enrolment

| Scenario               | Years needed to reach the EU average |
|------------------------|--------------------------------------|
| Status quo:            | <b>Divergence</b>                    |
| Full EU accession:     | <b>Divergence</b>                    |
| Access to EU budget:   | <b>Divergence</b>                    |
| EU single market:      | <b>Divergence</b>                    |
| Institutional reforms: | <b>Divergence</b>                    |

The results point to no meaningful effects across the four scenarios. **Under all scenarios, including current policies and investment, tertiary enrolment diverges from the EU average.**

## Policy discussion & key recommendations

- ★ A high **NEET rate** partly reflects a mismatch between what the education system produces and what the labour market needs, which strengthens the case for vocational education and training (VET). VET should nonetheless remain one component of a broad education system, rather than its organising purpose. The aim here is employability at home, not the supply of low-cost labour abroad.
- ★ **Vocational education and training** should be designed to meet labour market demand and offer portable qualifications. Skilled trades and licensed occupations (e.g. electricians, painters, tilers, machine operators and professional drivers), for which there is a strong demand in BiH, are areas for consideration. Employment bureaus and potential employers should verify vacancies, expected wages and working conditions before training places are commissioned. Practical instruction and supervised placements should meet recognised safety and quality requirements, while curricula should combine practical skills with digital skills and the sensible use of AI tools, so training is not only manual. As training is a public investment in scarce skills, retention should be secured through conditional cost recovery or employer co-financing with a retention clause. Training policy should address retention as well as the supply of skills. Employers benefiting from publicly supported training should provide structured supervision and credible routes into adequately paid formal employment. Programme evaluation should distinguish workers who enter domestic jobs from those who remain inactive or leave the country by matching trainee records against pension-insurance and tax data. Although mobility should remain a choice, public investments should aim to improve the conditions under which qualified workers can build long-term careers in BiH.
- ★ **Pre-primary school provision** requires a funded expansion programme led by the responsible education authorities and local providers. Priority should be given to low-coverage areas and households facing financial barriers, with provision for children requiring additional support. Capital spending must be accompanied by recurrent financing, trained staff and quality standards. This offers a direct connection between improved educational access, children's later learning and fostering an environment that enables parents, especially mothers, to participate in the labour market. However, administrative fragmentation and overlapping competencies among various levels of government in BiH leave no single authority in charge of such an expansion programme.
- ★ **Tertiary education** requires both expansion and completion. Measures to increase enrolment should be paired with student support, mentoring and financial aid so as to improve completion rates and thereby narrow the enrolment-attainment gap. Higher-education spending, which is still well below the EU level, should rise accordingly.

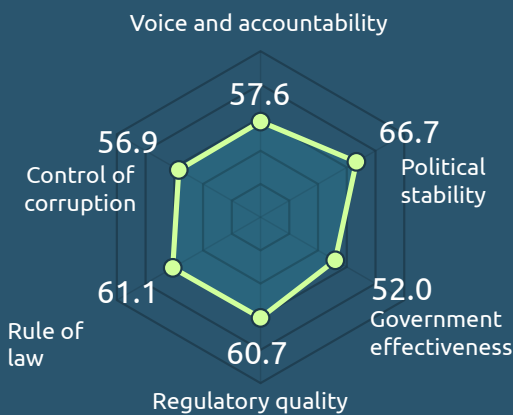
# GOVERNANCE PILLAR

## Bosnia and Herzegovina, governance indicators, nominal values

| Indicator                | Value |
|--------------------------|-------|
| Voice and accountability | 42.1  |
| Political stability      | 40    |
| Government effectiveness | 37.3  |
| Regulatory quality       | 43    |
| Rule of law              | 43.6  |
| Control of corruption    | 39.7  |

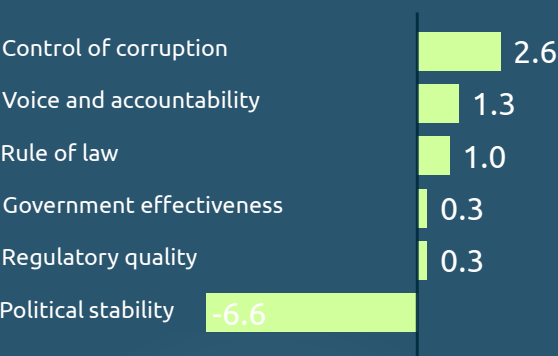
- ★ Voice and accountability in BiH stood at **42.1** index points (0–100 scale).
- ★ Political stability stood at **40** index points (0–100 scale).
- ★ Government effectiveness stood at **37.3** index points (0–100 scale).
- ★ Regulatory quality stood at **43** index points (0–100 scale).
- ★ Rule of law stood at **43.6** index points (0–100 scale).
- ★ Control of corruption stood at **39.7** index points (0–100 scale).

## Bosnia and Herzegovina, governance pillar, % of EU average



- ★ Relative to the EU average, the best-performing governance indicator was Political stability, standing at **67%** of the EU level.
- ★ Rule of law and Regulatory quality came in second, at around **61%** of the EU average.
- ★ Voice and accountability and Control of corruption were lower, at around **57%** of the EU level.
- ★ Government effectiveness remains the weakest link, standing at **52%** of the EU benchmark.

## Bosnia and Herzegovina, governance pillar, change to last year



- ★ **5 of the 6 indicators** in the governance pillar saw an improvement in 2025 relative to the EU average.
- ★ The biggest improvement was in Control of corruption, which closed the gap to the EU level by **2.6 pp**.
- ★ Voice and accountability and Rule of law respectively closed **1.3** and **1 pp** of the gap to the EU average.
- ★ Regulatory quality and Government effectiveness improved more modestly, by **0.3 pp** each.
- ★ Political stability was the indicator with the weakest performance, falling back by **6.6 pp** relative to the EU average.

## Indicator/ years to EU

| Indicator                | years to EU |
|--------------------------|-------------|
| Voice and accountability | 100+        |
| Political stability      | Divergence  |
| Government effectiveness | 53          |
| Regulatory quality       | 87          |
| Rule of law              | 81          |
| Control of corruption    | 58          |

- ★ At the pace of improvement from the past **5 years**, Government effectiveness and Control of corruption would need **5-6 decades** to close the gap to the EU average.
- ★ Rule of law and Regulatory quality lag further behind, needing around **8-9 decades** to reach the EU level.
- ★ Voice and accountability is more than **100 years** away from reaching the EU level at current trends.
- ★ Political stability is diverging from the EU average and not on track to close the gap at recent trends.

# What explains the trends in the governance pillar?

- ★ As a whole, the **governance pillar in BiH stands at around 59% of the EU level**. Its score deteriorated by 0.2 pp in 2025, and convergence with the EU average is estimated to take around a century.
- ★ **Government effectiveness** stands at 37.3 points on the report's 0-100 scale, equivalent to 52% of the EU benchmark, making it the **weakest relative indicator in the pillar**. However, there is one important caveat, as this single score masks differences in effectiveness across different levels of government in BiH. The evidence points to comparatively greater functionality and reform activity at the lower level (i.e. closer to citizens) compared to the entity, state and intergovernmental levels, where structural weaknesses drag the overall score down. Still, to close the gap to the EU, BiH would need 53 years.
- ★ **Regulatory quality** stands at 43 index points, which is roughly 61% of the EU level. It mostly stagnated, improving by just 0.3 pp relative to the EU level and thereby remaining 87 years away from converging to it at current trends.
- ★ **Political stability** remains the strongest relative indicator, at 67% of the EU level. However, its score **fell by 6.6 pp** relative to the EU average, and its five-year trend shows a widening of the gap with the EU. A marked drop in political stability reflects **renewed domestic political tensions between the two entities**, which is amplified by a more permissive global and regional environment. Due to BiH's unusually high exposure to external geopolitical shifts and the domestic constitutional and institutional setup itself, which disperses authority and entrenches veto points, political stability is extremely sensitive, making it the most volatile indicator.
- ★ **Control of corruption** registered an improvement, closing the gap to the EU average by 2.6 pp. The gain is real but marginal against the size of the deficit, as BiH would need 58 years to close the gap entirely even at the average pace of the last five years. This points to the need for stronger and more comprehensive action rather than incremental adjustment. The gaps in rule of law and regulatory quality likewise remain substantial and are in part a reflection of the deeply partocratic character of the state, in which party control over public institutions constrains their independence and effectiveness.
- ★ **Voice and accountability** is one of the poorest-performing indicators, and the weakness here is structural. The ethnically based power-sharing character of the country limits genuine political accountability by keeping issues of identity, dominance of one over another and the transitional character of BiH as a state permanently at the forefront of political debate. Pressures on media and civil society cause the situation to deteriorate, as evidenced by the decline in media freedom.<sup>8 9 10 11</sup>

8 <https://rsf.org/en/classement/2025/europe-central-asia>

9 <https://ifex.org/bosnia-and-herzegovinas-serb-majority-entity-adopts-foreign-agent-law/>

10 International Press Institute — Bosnia: adoption of 'foreign agent' legislation in Republika Srpska must be suspended

11 Freedom House — Nations in Transit 2024: Bosnia and Herzegovina (defamation recriminalisation in RS)

# EU accession scenarios

To better understand how different EU integration pathways might influence BiH's convergence trajectory in the governance area, we consider the same four scenarios as before:

- ★ **Full EU Membership:** immediate accession with all rights and obligations;
- ★ **Access to EU Budget:** receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market:** full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms:** implementing deep EU-related reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In this pillar, the scenarios are simulated for **control of corruption** as the proxy indicator for the overall governance situation. The four scenarios are then compared to the baseline/status quo scenario of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to small effects across the four scenarios.

## EU accession scenarios for control of corruption

| Scenario               | Years needed to reach the EU average |
|------------------------|--------------------------------------|
| Status quo:            | 58 years to EU                       |
| Full EU accession:     | 49 years to EU                       |
| Access to EU budget:   | 58 years to EU                       |
| EU single market:      | 58 years to EU                       |
| Institutional reforms: | 49 years to EU                       |

- ★ Under the **status quo**, corruption control in BiH would require an estimated **58 years** to converge with the EU at the current pace.
- ★ Even under more favourable scenarios, including **full EU membership** or the implementation of **institutional reforms**, the convergence horizon does not improve significantly and remains at **49 years**.
- ★ **Access to the EU single market** alone or **access to the EU budget** would have **no effect** on improving this indicator relative to the baseline.

## Policy discussion & key recommendations

- ★ Public administration reform must continue to advance the principles of professionalism and quality service delivery. Political influence cannot be eliminated entirely, but a more transparent recruitment process – including, for example, randomly generated test questions, substantiated grading, a clear and predictable procedure, and a genuine right of appeal at second instance – would help narrow the government-effectiveness gap and directly counter the partocracy and politicised appointments.
- ★ EU leverage should be used to sustain reform implementation across electoral cycles rather than in response to them. In practice, this means defining milestones as functioning outcomes (i.e. services actually delivered and used) verified using administrative data, rather than adopted legislation, so that formal compliance without implementation no longer unlocks funds. Financing should be multi-annual with a suspension mechanism if reforms are reversed, making continuity more rewarding and obstruction more costly. Where the central level is blocked, support should be directed to the levels and agencies that deliver. Such an approach cannot override the country's constitutional veto points, but it can make cooperation the more advantageous course and confine the costs of obstruction to those who choose it.

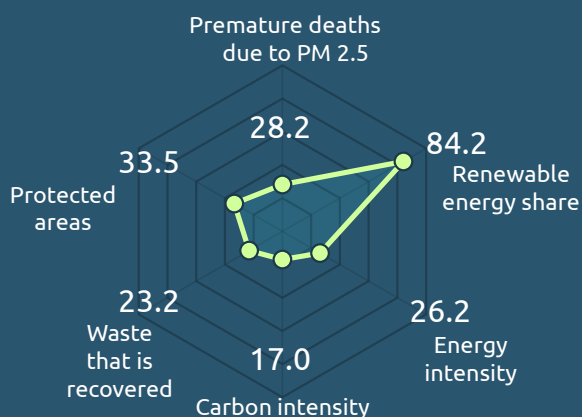
# ENVIRONMENT PILLAR

## Bosnia and Herzegovina, environment pillar indicators, nominal values

| Indicator                      | Value |
|--------------------------------|-------|
| Premature deaths due to PM 2.5 | 199   |
| Renewable energy share         | 51.4  |
| Energy intensity               | 359   |
| Carbon intensity               | 1,009 |
| Waste that is recovered        | 18.2  |
| Protected areas                | 9.0   |

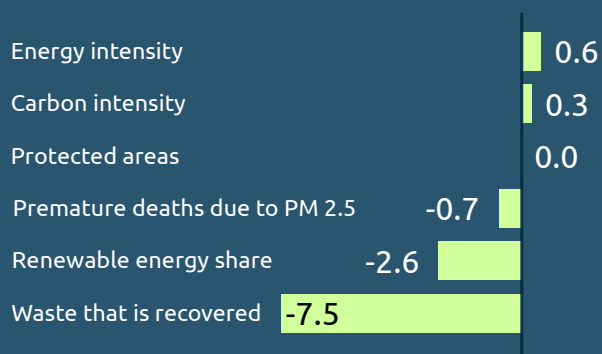
- ★ Premature deaths due to **PM 2.5** stood at **199 per 100,000** inhabitants aged **30 and over** in BiH in 2025.
- ★ Renewable energy share stood at **51.4%** of total capacity.
- ★ Energy intensity stood at **359 KGOE** per thousand euros of GDP in chain-linked volumes (2015).
- ★ Carbon intensity stood at **1,009 kg** per thousand euros of GDP in chain-linked volumes (2015).
- ★ Waste that is recovered stood at **18.2%** of total diverted waste.
- ★ Protected areas stood at **9.0%** of land area.

## Bosnia and Herzegovina, environment pillar, % of EU average



- ★ Relative to the EU average, the best-performing environment indicator in BiH is Renewable energy share, standing at **84%** of the EU level.
- ★ Protected areas, Premature deaths due to **PM 2.5**, Energy intensity and Waste that is recovered are far behind, ranging between **23%** and **33%** of the EU level.
- ★ Carbon intensity is the weakest link, standing at just **17%** of the EU average.

## Bosnia and Herzegovina, environment pillar, change to last year



- ★ **2 of the 6 indicators** in the environment pillar saw an improvement in 2025 relative to the EU average.
- ★ Energy intensity closed the gap to the EU level by **0.6 pp**, while Carbon intensity did so by **0.3 pp**.
- ★ Protected areas stagnated, while Premature deaths due to **PM 2.5** deteriorated by **0.7 pp**.
- ★ Renewable energy share widened the gap to the EU level by **2.6 pp**.
- ★ Waste that is recovered was the indicator with the weakest performance, falling back by **7.5 pp** relative to the EU average.

## Indicator/ years to EU

| Indicator                      | years to EU |
|--------------------------------|-------------|
| Premature deaths due to PM 2.5 | Divergence  |
| Renewable energy share         | Divergence  |
| Energy intensity               | 100+        |
| Carbon intensity               | Divergence  |
| Waste that is recovered        | 50          |
| Protected areas                | 100+        |

- ★ At the pace of improvement from the past **5 years**, Waste that is recovered would need around **5 decades** to close the gap to the EU average.
- ★ Energy intensity and Protected areas need more than **100 years** to reach the EU level at current trends.
- ★ Premature deaths due to **PM 2.5**, Renewable energy share and Carbon intensity are diverging from the EU average rather than converging and not on track to close the gap at recent trends.

## What explains the trends in the environment pillar?

- ★ **Environment is the weakest pillar, standing at approximately 35% of the EU average and deteriorating by 0.4 pp in the overall summary.** The most prominent weakness is carbon intensity, at only 17% of the EU benchmark. Renewable energy capacity performs considerably better, at 84% of the EU level. This contrast indicates that **the presence of renewable capacity has not translated into comparable performance across the wider environmental indicators.**
- ★ The **renewable energy share** is reported as 51.4% of installed capacity. This is different from actual energy consumption, for which BiH currently stands at 40% (2023), a relatively good score in the region. However, there is an important caveat, as most of BiH's renewable capacity actually consists of legacy hydropower. **Solid fuels, primarily coal, still account for 60.4% of primary energy production in BiH, making it the most coal-dependent country in the region.** This dependence explains the divergence from EU carbon intensity levels over the past five years. Energy intensity and protected areas show almost no change. However, given how far both indicators lag behind the EU benchmark, **the absence of progress is itself a key finding: stagnation at a poor level of performance rather than convergence.**
- ★ **Heavy reliance on coal** is among the most important sources of **PM 2.5 pollution**, alongside **residential heating and transport**. Consequently, premature deaths attributable to PM 2.5 among the population aged 30 and over moved a further 0.7 pp away from the EU average. The five-year trend shows divergence, reflecting **weak implementation rather than an absence of policy**. BiH has a National Emission Reduction Plan (NERP) under its Energy Community commitments, but it has persistently broken its ceilings for emissions of sulphur dioxide, dust and nitrogen oxides. Regional NERP plants emitted 5.7 times the permitted SO<sub>2</sub> in 2023, and the Energy Community Secretariat has opened dispute-settlement proceedings against the country.
- ★ **Recovered waste** is the indicator with the biggest decline in the pillar, **falling 7.5 pp relative to the EU** average. The waste disposal system in BiH remains overwhelmingly landfill-based, with limited separate collection and recycling infrastructure. Measured against an EU benchmark that continues to rise, this indicator is chronically backsliding.

## EU accession scenarios

To better understand how different EU integration pathways might influence BiH's convergence trajectory in the environment area, we consider the same four scenarios as before:

- ★ **Full EU Membership:** immediate accession with all rights and obligations;
- ★ **Access to EU Budget:** receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market:** full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms:** implementing deep EU-related reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In this pillar, the scenarios are simulated for **energy intensity** as the proxy indicator for the overall environment situation. The four scenarios are then compared to the baseline/status quo scenario of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to no meaningful effects across the four scenarios.

### EU accession scenarios for energy intensity

| Scenario               | Years needed to reach the EU average |
|------------------------|--------------------------------------|
| Status quo:            | 100+ years to EU                     |
| Full EU accession:     | 71 years to EU                       |
| Access to EU budget:   | 100+ years to EU                     |
| EU single market:      | 100+ years to EU                     |
| Institutional reforms: | 100+ years to EU                     |

- ★ Under **current trends**, BiH is **more than a century away** from the EU level in energy intensity.
- ★ However, scenario modelling suggests **that full EU membership** could enable convergence in approximately **71 years**.
- ★ **All other scenarios**, however, leave the timeframe at **more than a century**, which is comparable to the status quo scenario.

## Policy discussion & key recommendations

- ★ Authorities at all levels should prioritise costed programmes to reduce emissions and energy consumption, focusing on the domains that contribute most to the observed gaps. Such programmes should rest on a sectoral assessment of emissions, energy use and feasible reductions. Some of this is already under way and should be sustained and scaled up rather than treated as new. **Building renovation and improved insulation, cleaner heating and industrial efficiency** should be selected according to their expected energy savings and pollution reductions. **Financial support should be available to households and smaller firms** that are unable to meet the upfront costs, and social protection should accompany measures that would otherwise deepen energy hardship. This does not require a completely new departure. BiH already has relevant instruments in place, such as the EU4EnergyEfficiency programme (EU/UNDP) introducing the ESCO model for public buildings; the Energy Efficiency Revolving Fund supported by the World Bank and the German development bank KfW; and the entity environmental protection funds, which in 2024 alone allocated over BAM 16 million in FBiH for efficiency measures. The task is to consolidate, adequately finance and scale these mechanisms.
- ★ Awareness-raising campaigns should be designed to link the largely abstract and distant issue of the energy transition to more tangible and immediate concerns about health and safety. Testimonials and stories told by those affected by PM 2.5 pollution and whose health has deteriorated, talks with health experts and information about the financial burden placed on society as a whole should be considered. Authorities should invest in public transport to reduce reliance on private vehicles, particularly in urban centres in which traffic contributes to PM 2.5.
- ★ **Moving away from coal** should be a strategic goal for BiH. Replacing coal with renewables is the primary route, but transitional measures (e.g. using natural gas) can be pursued in parallel. Gas should only serve as a temporary bridge rather than a strategic transition, as building long-lived gas infrastructure carries a real risk of lock-in that delays decarbonisation. The Southern Interconnection gas pipeline, originally a European and now largely US-promoted project, is already partly under way. It is intended to bring a cleaner source of energy to some households and industrial users in BiH as well as to reduce dependency on Russian gas. Although gas currently covers only some 3% of the country's energy needs, it has become a focal point of the public debate on the energy transition and supply diversification. Stronger EU involvement should (i) ensure that the project fits within the wider European energy strategy, including its decarbonisation objectives, against which long-lived gas infrastructure must be justified, and (ii) reinforce transparency over the substantial funds committed. The latter is not a hypothetical concern, as the construction procurement has been awarded to a newly established US firm with no prior infrastructure experience but reported political connections, which makes independent scrutiny essential.
- ★ The deteriorating performance on **waste recovery** calls for a more fundamental overhaul of policy in this field. Priority should be given to **investment in waste-management facilities that move beyond conventional landfilling**. The risks of the current model were made vivid in June 2026, when the Ubork landfill near Mostar, one of the country's few engineered sanitary landfills, caught fire and burned for days, destroying on-site recycling machinery and blanketing the city in smoke to the point that a state of emergency was declared. Joint, costed projects between neighbouring municipalities should be encouraged, with adequate incentives for the municipalities that host new facilities.

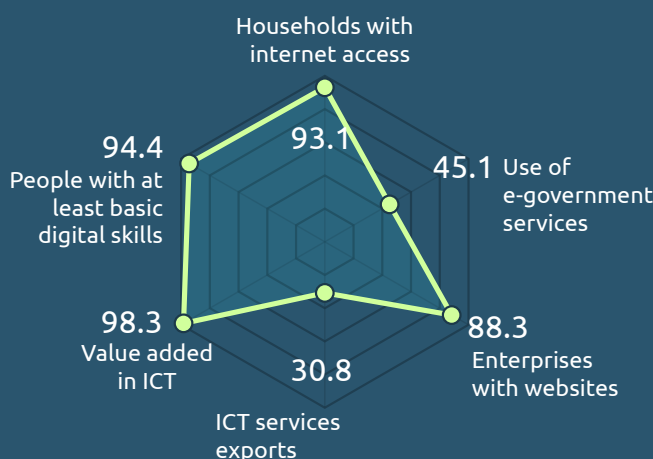
# DIGITALISATION PILLAR

## Bosnia and Herzegovina, digitalisation pillar indicators, nominal values

| Indicator                                 | Value |
|-------------------------------------------|-------|
| Households with internet access           | 88.2  |
| Use of e-government services              | 26    |
| Enterprises with websites                 | 68    |
| ICT services exports                      | 1.6   |
| Value added in ICT                        | 5.5   |
| People with at least basic digital skills | 81.6  |

- ★ Households with internet access in BiH in 2025 stood at **88.2%**.
- ★ Use of e-government services stood at **26%** of the population.
- ★ Enterprises with websites stood at **68%**.
- ★ ICT services exports stood at **1.6%** of GDP.
- ★ Value added in ICT stood at **5.5%** of total value added.
- ★ People with at least basic digital skills stood at **81.6%**.

## Bosnia and Herzegovina, digitalisation pillar, % of EU average



- ★ Relative to the EU average, the best-performing digitalisation indicator was Value added in ICT, standing at **98%** of the EU level.
- ★ People with at least basic digital skills and Households with internet access were close behind, at around **94%** of the EU average, while Enterprises with websites was at **88%**.
- ★ Use of e-government services was much lower, at **45%** of the EU level.
- ★ ICT services exports remains the weakest link, standing at just **31%** of the EU average.

## Bosnia and Herzegovina, digitalisation pillar, change to last year

|                                           |      |
|-------------------------------------------|------|
| Use of e-government services              | 6.6  |
| Households with internet access           | 3.7  |
| Enterprises with websites                 | 0.0  |
| People with at least basic digital skills | 0.0  |
| ICT services exports                      | -1.9 |
| Value added in ICT                        | -2.4 |

- ★ **2 of the 6 indicators** in the digitalisation pillar saw an improvement in 2025 relative to the EU average.
- ★ The biggest improvement was in Use of e-government services, which closed the gap to the EU level by **6.6 pp**.
- ★ Households with internet access closed approximately **3.7 pp** of the gap to the EU average.
- ★ Enterprises with websites and People with at least basic digital skills remained unchanged relative to the EU average.
- ★ ICT services exports and Value added in ICT were the indicators with the weakest performance, respectively falling back by **1.9** and **2.4 pp** relative to the EU average.

## Indicator/years to EU

| Indicator                                 | years to EU |
|-------------------------------------------|-------------|
| Households with internet access           | 3           |
| Use of e-government services              | 20          |
| Enterprises with websites                 | 22          |
| ICT services exports                      | Divergence  |
| Value added in ICT                        | 9           |
| People with at least basic digital skills | 4           |

- ★ At the pace of improvement from the past **5 years**, Households with internet access and People with at least basic digital skills would need just **3-4 years** to converge to the EU level.
- ★ Value added in ICT needs a bit longer, around a **decade**.
- ★ Use of e-government services and Enterprises with websites would need around **2 decades**.
- ★ ICT services exports, on the other hand, is diverging from the EU average and not on track to close the gap at recent trends.

## What explains the trends in the digitalisation pillar?

- ★ **Digitalisation is one of the strongest pillars in BiH, standing at around 75% of the EU average.** However, the performance remains **uneven across indicators**. Household internet access reaches 88.2% of households, and 68% of enterprises have websites. ICT value added stands at 5.5% of total value added, or approximately 98% of the EU benchmark, but ICT services exports remains the weakest indicator, at 1.6% of GDP and 31% of the EU benchmark, and the five-year trajectory indicates divergence.
- ★ The **use of e-government services** drove the pillar's overall gain, closing 6.6 pp of the gap to the EU average, which is the largest single improvement. However, with just 26% of residents saying that they are using e-government services, its level corresponds to only 45% of the EU benchmark, leaving **considerable room for improvement**. The main obstacle is no longer the absence of a regulatory framework but its fragmentation. Although a state-level, eIDAS-certified electronic-signature and digital-identity system has been put in place by the Agency for Identification Documents, Registers and Data Exchange of Bosnia and Herzegovina (IDDEEA), its consolidation has been undermined by competing arrangements. Beyond digital identity and e-signature, the broader constraint is the limited availability of actual e-services across public institutions. Only a handful of transactions can be completed online end-to-end. The resulting multiplicity of providers and standards leaves citizens and businesses uncertain which system to use and acts as a brake on the wider adoption of e-signatures and on the digitalisation of public administration. Once again, BiH's internal complexity and divergent political positions constrain a reform that is technically within reach.
- ★ The gap between ICT value added (98% of the EU average) and ICT services exports (31%) is structural rather than statistical, as the sector is largely oriented to the domestic market and to outsourcing while exporting relatively little in terms of finished, higher-value products.

## EU accession scenarios

To better understand how different EU integration pathways might influence BiH's convergence trajectory in the digitalisation area, we consider the same four scenarios as before:

- ★ **Full EU Membership:** immediate accession with all rights and obligations;
- ★ **Access to EU Budget:** receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market:** full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms:** implementing deep EU-related reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In this pillar, the scenarios are simulated for **ICT services exports** as the proxy indicator for the overall digitalisation situation. The four scenarios are then compared to the baseline/status quo scenario of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**.

### EU accession scenarios for ICT services exports

| Scenario               | Years needed to reach the EU average |
|------------------------|--------------------------------------|
| Status quo:            | <b>Divergence</b>                    |
| Full EU accession:     | <b>100+</b> years to EU              |
| Access to EU budget:   | <b>Divergence</b>                    |
| EU single market:      | <b>Divergence</b>                    |
| Institutional reforms: | <b>Divergence</b>                    |

- ★ The results point to no meaningful effects across the four scenarios.
- ★ The performance of ICT service exports remains particularly weak, currently at just 31% of the EU average and **diverging** from the EU benchmark under the **status quo**.
- ★ Scenario modelling implies that **full EU accession** would turn divergence into convergence, although in **more than a century**.
- ★ On the other hand, gaining access to the **EU budget** or the **EU single market**, as well as implementing **institutional reforms**, would make no difference, with ICT services exports still **diverging** from the EU.

## Policy discussion & key recommendations

- ★ **The EU should make a single, interoperable digital-signature framework a precondition for further support in this domain.** The objective should be one national trust framework conformant with eIDAS, a single supervisory authority and trusted list under which certified providers can operate and interoperate across entities (or between companies) rather than a monopoly for any one agency. This complies with the general approach of fostering healthy competition but having clear interoperability in place. Recognition of BiH electronic signatures within the EU as well as eligibility for EU financing should be confined to certificates issued under such a framework so that parallel or entity-specific systems built outside it are neither recognised nor funded. This would reward convergence and render divergence costly without prescribing which providers operate, thereby turning interoperability from a contested political question into a practical condition of access to the European digital market.
- ★ **The digitalisation of public-administration services should be accelerated, building on local communities that already demonstrate what is achievable.** Examples exist on both sides of the entity line. Through the UNDP-supported digital-transformation programme, the town of Gradiška in RS introduced an eCitizen mobile application, which includes an 'Ask the Mayor' function that lets residents submit a request in a few steps and receive a response within 48 hours. In FBiH, Sarajevo Canton operates an eUprava portal delivering electronic services to citizens and businesses. That such systems function at the local and cantonal level, even where cooperation at the state level is blocked, is precisely the point. In line with the argument in the governance section, the EU should complement its engagement at the state level, which is prone to blockage and heavily politicised, by strengthening cooperation and funding at the local level, which is more receptive to such interventions and closer to citizens. The tangible, visible benefits for citizens would also enhance the EU's own visibility, which is not a negligible consideration. Importantly, this is not a case for the EU ceasing to work with the state level, but rather a complementary form of bottom-up integration.
- ★ Related to this, the **ICT industry will greatly benefit from a unified e-signature framework, as it will facilitate access to the EU single market.** This, in turn, would make BiH's ICT sector even more dynamic and competitive, thereby improving convergence even further.
- ★ Support should be targeted at shifting the ICT sector from domestic outsourcing towards higher-value, export-oriented products. This calls for an industrial-policy approach that connects government, companies and universities and supports start-ups, accelerators and technology parks, with the aim being to build firms' export capacity and help them move into higher-value activities.

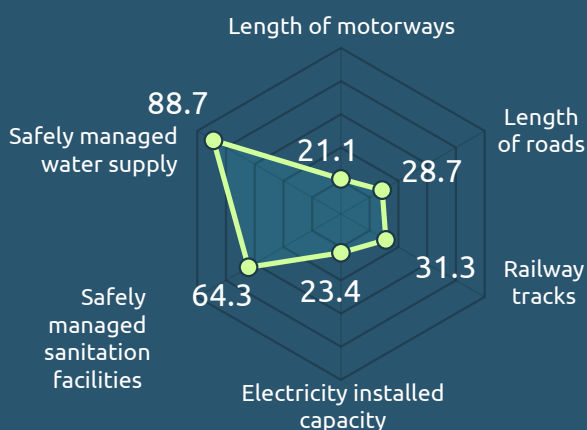
# INFRASTRUCTURE PILLAR

## Bosnia and Herzegovina, infrastructure pillar indicators, nominal values

| Indicator                            | Value |
|--------------------------------------|-------|
| Length of motorways                  | 47.3  |
| Length of roads                      | 4,635 |
| Railway tracks                       | 290   |
| Electricity installed capacity       | 981   |
| Safely managed sanitation facilities | 58.1  |
| Safely managed water supply          | 86.4  |

- ★ Length of motorways in BiH in 2025 stood at **47.3 km per 10,000 km<sup>2</sup>**.
- ★ Length of roads stood at **4,635 km per 10,000 km<sup>2</sup>**.
- ★ Railway tracks stood at **290 km per 10,000 km<sup>2</sup>**.
- ★ Electricity installed capacity stood at **981 MW per 10,000 km<sup>2</sup>**.
- ★ Safely managed sanitation facilities stood at **58.1%** of the population.
- ★ Safely managed water supply stood at **86.4%** of the population.

## Bosnia and Herzegovina, infrastructure pillar, % of EU average



- ★ Relative to the EU average, the best-performing infrastructure indicator was Safely managed water supply, standing at **89%** of the EU level.
- ★ Safely managed sanitation facilities stood at **64%** of the EU average.
- ★ Railway tracks and Length of roads were much lower, at around **30%** of the EU level.
- ★ Electricity installed capacity and Length of motorways remain the weakest links, standing at just **22%** of the EU average.

## Bosnia and Herzegovina, infrastructure pillar, change to last year

|                                      |      |
|--------------------------------------|------|
| Length of roads                      | 17.4 |
| Length of motorways                  | 0.9  |
| Railway tracks                       | 0.0  |
| Safely managed water supply          | 0.0  |
| Safely managed sanitation facilities | -0.1 |
| Electricity installed capacity       | -0.5 |

- ★ **2 of the 6 indicators** in the infrastructure pillar saw an improvement in 2025 relative to the EU average.
- ★ The biggest improvement was in Length of roads, which closed the gap to the EU level by **17.4 pp**.
- ★ Length of motorways closed **0.9 pp** of the gap to the EU average.
- ★ There were no changes in Railway tracks or Safely managed water supply, while Safely managed sanitation facilities saw a slight decline.
- ★ Electricity installed capacity was the indicator with the weakest performance compared with the previous year, falling back by **0.5 pp** relative to the EU average.

## Indicator/ years to EU

| Indicator                            | years to EU |
|--------------------------------------|-------------|
| Length of motorways                  | 100+        |
| Length of roads                      | 20          |
| Railway tracks                       | 100+        |
| Electricity installed capacity       | Divergence  |
| Safely managed sanitation facilities | 100+        |
| Safely managed water supply          | Divergence  |

- ★ At the pace of improvement from the past **5 years**, Length of roads is the only indicator on a convergence trajectory of less than **100 years**, estimated to need around **20 years** to close the gap to the EU average.
- ★ Length of motorways, Railway tracks and Safely managed sanitation facilities would need more than **100 years** to reach the EU level at current trends.
- ★ Electricity installed capacity and Safely managed water supply are diverging from the EU average and not on track to close the gap at recent trends.

# What explains the trends in the infrastructure pillar?

- ★ **The infrastructure pillar's overall performance stands at 42.9% of the EU average. Based on the five-year trend, it would take around 97 years to converge.**

The overall performance of the pillar also masks a **wide gap between basic service coverage and network connectivity**. Safely managed water supply reaches 86.4% of the population, which is roughly 89% of the EU benchmark, while motorway density, at 47.3 km per 10,000 km<sup>2</sup>, is the weakest indicator, at 21% of the EU level. This uneven profile is not accidental. **Services that are relatively inexpensive, incremental and locally delivered (e.g. water supply) can advance steadily** and have been in place for a long time already, **while capital-intensive networks that require large, coordinated investment** (e.g. motorways, railways and wastewater treatment facilities) **stall in the face of weak investment capacity and fragmented planning and are thereby major sources of corruption**. Broad access to one basic service can therefore coexist with substantial deficits in network completion and other essential provision.

- ★ **Motorway construction, the pillar's weakest indicator, progresses slowly for structural reasons.** Corridor Vc, part of the TEN-T network running from Budapest via Osijek and Sarajevo to Ploče, has been divided into numerous smaller lots, which – combined with a sluggish and cumbersome land-expropriation process and repeated procurement and corruption concerns – have fragmented and severely delayed construction. The number of actors involved in decision-making and the administrative fragmentation across state, entity, cantonal and municipal

levels compound the problem and contribute to the limited progress in this domain, even as the overall road indicator is improving.

- ★ **Railway density, at 290 km per 10,000 km<sup>2</sup>, is only 31% of the EU level, a sparse network by any measure.** Moreover, the indicator does not capture utilisation, operating speeds, reliability or freight-service quality, so even this figure overstates the system's effective capacity. The network was built to function as an integrated system within the former Yugoslavia. After the war, it was divided between two entity operators, Željeznice FBiH and Željeznice RS, fragmenting the planning, investment and operation of what had once been a single network. This division has aligned with – and arguably reinforced – the broader logic of territorial separation. Being capital-intensive, railways have also been consistently deprioritised, as the transport strategies of successive governments have favoured road construction instead. This situation seems unlikely to change in the medium to long term.

## EU accession scenarios

To better understand how different EU integration pathways might influence BiH's convergence trajectory in the infrastructure area, we consider the same four scenarios as before:

- ★ **Full EU Membership:** immediate accession with all rights and obligations;
- ★ **Access to EU Budget:** receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market:** full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms:** implementing deep EU-related reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In this pillar, the scenarios are simulated for **length of roads** as the proxy indicator for the overall infrastructure situation. The four scenarios are then compared to the baseline/status quo scenario of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**.

The scenario analysis indicates that **convergence in road density would happen within two decades, irrespective of the EU accession scenario** in effect.

### EU accession scenarios for Length of roads

| Scenario               | Years needed to reach the EU average |
|------------------------|--------------------------------------|
| Status quo:            | 20 years to EU                       |
| Full EU accession:     | 19 years to EU                       |
| Access to EU budget:   | 20 years to EU                       |
| EU single market:      | 19 years to EU                       |
| Institutional reforms: | 20 years to EU                       |

## Policy discussion & key recommendations

- ★ **Priority should go to motorway and rail corridors linked to the TEN-T network, where the gains in connectivity and trade are greatest.** At present, European financing for several sections of the motorway is suspended. Following investigations by the European Public Prosecutor's Office (EPPO) and the European Anti-Fraud Office (OLAF) into contracts awarded between 2018 and 2022 in addition to serious charges against officials linked to the Federation's public enterprise Autoceste FBiH, the European Investment Bank halted disbursement. Such enforcement is warranted, but a blanket freeze also delays an essential corridor. The alternative is not to choose between accountability and construction. The suspension of financing could be confined to the contracts under investigation, while newly tendered sections could proceed under strengthened safeguards, independent engineering supervision, an external integrity monitor and independent procurement review. Where necessary, financing could be channelled through a reformed implementation unit or another international financial institution. Resumption should be made conditional on governance reform of the implementing enterprise. In this way, the EU can uphold accountability without abandoning the corridor, using the crisis as leverage to clean up the institution rather than to stall the project.
- ★ Contracting bodies and financiers should **strengthen independent supervision and publish contract amendments, revised costs and delivery milestones in a comparable format.** Procurement reviews and audit findings should lead to documented corrective action. This would address the implementation and integrity concerns discussed above more directly than another declaration that transport corridors are a priority. Performance reporting should distinguish construction output, cost escalation and the date at which infrastructure becomes operational.
- ★ **The realistic option in regard to railways is to modernise a limited number of priority lines, above all the north-south corridor linking the north of the country to the Adriatic** rather than to attempt a general revival of the network. Given the slow pace of construction of Corridor Vc, this project may prove a viable alternative.
- ★ Electricity infrastructure warrants particular attention. Public investment in renewable generation to exploit BiH's substantial hydro, solar and wind potential could address the low and diverging installed-capacity indicator, supporting both decarbonisation and growth.

# Conclusions

**BiH's convergence with the European Union remains uneven and slow.** The strongest results are found in health and digitalisation, while environmental performance remains the weakest. Across the pillars, the central challenge is to convert public spending, formal policy commitments and isolated improvements into stronger productivity, better services and sustained institutional performance.

## Main Findings

The **strongest aggregate performance** is recorded in **health and digitalisation**, both at approximately 75% of the EU average. However, these headline results **conceal important weaknesses**: health outcomes coexist with a severe shortage of physicians, while a dynamic ICT sector coexists with limited use of e-government services and weak ICT service exports.

The **economic pillar** reached 49.9% of the EU average and improved by 2.4 percentage points (pp) over the previous year. **Much of this gain reflects higher minimum and average wages, pension adjustments** and stronger gross fixed capital formation. GDP per capita and output per worker, however, continued to lose ground relative to the EU. Recent income gains are therefore not yet supported by comparable productivity growth.

The **social pillar** recorded modest annual improvement, but the longer-term trajectory remains weak. Employment reached 55.1% of the working-age population and unemployment fell to 12.3%, yet these changes must be considered alongside outward migration and a contraction of the labour force. The **gender employment gap widened**, while higher social-protection spending did not establish that support had become better targeted or more effective for the poorest households.

**Health** remains **the best-performing pillar**, with life expectancy at 78 years, or 97% of the

EU level, and public health spending at approximately 94% of the EU benchmark. By contrast, the number of physicians stands at only 49% of the EU average and out-of-pocket costs borne by patients are considerable (31% of total health spending). The available indicators also provide little information on waiting times, service quality, unmet needs or treatment abroad.

In **education**, it is worth underlining that learning outcomes are relatively strong: harmonised test scores stand at 89% of the EU average, above the level of spending that produces them. Spending, already relatively high (at 68.4% of the EU average), improved by 5.8 pp relative to the EU, partly reflecting higher public-sector wages. At the same time, pre-primary enrolment reached only 27% of the EU benchmark, the NEET indicator deteriorated, and tertiary enrolment diverges from the EU under every modelled scenario.

**Governance** continues to constrain progress across all other pillars. Government effectiveness stands at 52% of the EU benchmark, political stability deteriorated sharply, and voice and accountability remain structurally weak. Control of corruption improved by 2.6 pp, but the gap with the EU would still require an estimated 58 years to close at the current pace.

**Environment** is the **weakest pillar**, at approximately 35% of the EU average, and its overall score deteriorated by 0.4 pp. Carbon intensity is only 17% of the EU benchmark. The relatively high share of renewable capacity largely reflects legacy hydropower, while coal still accounts for 60.4% of primary energy production. PM 2.5-related mortality and waste recovery continue to move away from EU performance.

**Digitalisation** offers clear potential but remains fragmented. E-government recorded the largest annual gain in the pillar, closing 6.6 pp of the gap, yet usage still stands at only 45% of the EU benchmark. ICT value added is close to the EU level, whereas ICT service exports

reach only 31% of the EU level and are diverging. Competing electronic-signature and digital-identity arrangements limit interoperability and wider adoption.

**Infrastructure** reached 42.9% of the EU average and would require about 97 years to converge on the five-year trend. Safely managed water supply performs relatively well, at 89% of the EU benchmark, while motorway density reaches only 21%. Delayed projects, fragmented planning, difficult procurement and weak integrity safeguards continue to limit transport investment. Investment in public transport (e.g. urban transit and regional rail) should be expanded to reduce reliance on private vehicles, which are a significant source of urban air pollution.

## Main Trends

The annual results show several improvements, but they do not yet amount to broad structural convergence. Gains are strongest where governments increased wages, pensions or public expenditure or where existing infrastructure already provides a relatively high level of coverage. These changes can improve living standards and protect household purchasing power, but their long-term effect depends on whether they are matched by higher productivity, better targeting and improved service quality.

Short-term movements must also be distinguished from five-year trends and changes in the EU benchmark itself. A better relative score does not always mean that conditions in BiH improved in absolute terms; in some cases, it may reflect weaker EU performance. Conversely, an annual deterioration should not automatically be viewed as a structural reversal. The clearest evidence comes from indicators that move consistently over several years, including weak productivity, limited female labour-market participation, staffing shortages in healthcare, low pre-primary enrolment, carbon and energy in-

tensity, waste recovery and the slow completion of major transport networks.

Institutional fragmentation is the most consistent explanation across the report. It affects economic reform, social-protection design, education access, health-workforce planning, environmental enforcement, digital interoperability and infrastructure delivery. The evidence also shows that performance differs across levels of government. Some local and cantonal institutions have delivered practical improvements in areas such as digital public services, childcare support, water supply and energy efficiency. This variation should inform both domestic reform design and the way EU support is targeted.

## Policy Priorities and the Role of the European Union

**The first policy priority is to shift economic policy from short-term distribution towards productivity-led growth.** Wage and pension increases should be accompanied by **measures that help firms invest, formalise and move into higher-value-added activities.** A more focused **industrial and innovation policy** should identify sectors with credible growth potential, support skills and access to finance in addition to linking domestic firms to regional and EU value chains. Further reductions in the tax burden on labour should be combined with stronger enforcement, simpler formalisation for micro and small enterprises, and more balanced taxation of labour and capital. Pension reform should address contribution arrears, early retirement, disability assessment and the development of supplementary savings rather than relying repeatedly on one-off payments.

**Social, education and health policies should focus more clearly on access and outcomes.** Affordable pre-primary education and childcare would improve early learning and reduce

one of the main barriers to women's formal employment. Tax and benefit rules should prevent an abrupt loss of support when a household member enters formal work, as a full withdrawal of benefits is currently often triggered by the first earner's income, not just the second's. Social-protection systems should track who receives assistance and whether it reduces hardship. Vocational programmes should respond to verified labour demand and include structured work placements, while employers benefiting from publicly supported training should offer credible routes into adequately paid formal jobs. In healthcare, the immediate requirement is a workforce plan by specialty, age and location, supported by retention measures, return-to-service arrangements for training abroad and structured engagement with the medical diaspora. Comparable data on waiting times, diagnostic backlogs and unmet treatment needs are also necessary.

**Environmental and infrastructure policy requires costed programmes and stronger implementation.** Existing energy-efficiency mechanisms should be consolidated and scaled, and households and firms that are unable to finance the initial investment should receive support. Coal dependence should be reduced through renewable investment, cleaner heating, building renovation and industrial efficiency, accompanied by social measures for affected workers and energy-poor households. Waste policy needs joint municipal investment in separate collection, recovery and modern treatment facilities. Transport investment should prioritise public transport, Corridor Vc and selected railway links connected to the TEN-T network; contract amendments, cost changes and delivery milestones should be published; and major projects should be subjected to independent engineering, procurement and integrity reviews.

**Digital reform offers one of the clearest opportunities for faster convergence.** BiH needs a single national trust framework aligned with eIDAS, within which qualified providers can compete and interoperate across entities and institutions. EU recognition and financing should be tied to compliance with that framework. At the same time, successful local and cantonal e-government systems should be expanded and connected. This would improve services for citizens and businesses while demonstrating that practical integration can advance even when higher-level political agreement is slow.

Digital reform should be accompanied by a targeted programme to expand ICT service exports. Priority measures include employer-led skills development, support for international sales and buyer matchmaking, co-financing of relevant certifications and compliance costs, and competitive funding for software development and commercialisation. Simpler cross-border business procedures and stronger links with EU clients and the business diaspora would help smaller firms enter international markets. Support should encourage movement into higher-value services and proprietary products, with results measured through additional export revenues, market diversification and productivity gains.

The scenario analysis confirms that **EU integration can accelerate convergence, but its effects differ sharply across policy areas.** Full membership reduces the estimated convergence period for GDP per capita from 81 to 41 years, for the poverty indicator from 46 to 32 years, and for life expectancy from 73 to 25 years. It also changes the trajectory of ICT service exports from divergence to convergence, although the estimated period remains longer than a century, and shortens convergence in energy intensity to 71 years. Access to the EU budget or single market produces meaningful gains in some areas, but little or no change

in others. Tertiary enrolment continues to diverge in every scenario, while road-density projections differ only marginally. **EU integration therefore creates better conditions for convergence, but it cannot by itself resolve domestic structural weaknesses.**

**Governance is central to whether these opportunities translate into results.** Even full EU membership or institutional reform only improves the estimated convergence period for control of corruption from 58 to 49 years. The EU should therefore combine a credible accession perspective with consistent, observable conditions for institutional functionality and reform delivery. Benchmarks should measure whether laws are implemented, services operate and citizens use them rather than whether legislation has merely been adopted. Multi-annual financing should reward continuity and permit suspension where reforms are reversed. Clear and predictable responses to obstruction are especially important in BiH, where domestic veto players can exploit differences among EU institutions and member states.

**The delayed Reform Agenda illustrates the cost of weak coordination.** BiH adopted it later than its regional peers; around EUR 108 million in potential funding has already been lost (and almost EUR 1 billion could be lost in total if no reforms are implemented); none of the more than 100 reform steps were completed as of the end of summer 2026; and the agreements required for disbursement have not been signed. This record calls for stronger domestic ownership, but it also shows the limits of uniform conditionality in a highly decentralised system. **Where state-level action is blocked, the EU should direct complementary support to the entity, cantonal, municipal and agency level** if those institutions can deliver measurable results, and it should continue to require a functional country-wide framework where interoperability and legal certainty depend on it.

**The most effective approach is therefore a combination of credible EU integration, disciplined conditionality and implementation at the level capable of delivering the reform.**

EU funding and market access should remain linked to common standards, transparency and reversibility, but EU support should also build on functioning institutions and successful local practice. For BiH, convergence will depend less on the number of strategies adopted than on whether reforms genuinely change productivity, access to services, environmental outcomes and the everyday functioning of public institutions.

The recommendations set out across the eight pillars are grouped below by the actor able to act on them.

### a) Authorities in BiH

- ★ Adopt a coordinated health-workforce plan by specialty, age profile and location, with retention measures and targeted incentives for underserved areas. The number of physicians, at 49% of the EU average, is the weakest health indicator and the only one that lost ground last year.
- ★ Raise public investment and support private investment in equipment, technology and productivity. GFCF stands at around 45% of the EU average, and output per worker was the weakest-performing economic indicator of the year.
- ★ Address the gender employment gap – at 26.1 pp (or 33% of the EU average), making it both the weakest social indicator and the weakest performer of the year – through affordable childcare, care services and enforcement of equal-treatment provisions.
- ★ Review the level, targeting and distribution of social protection spending, social protection spending is much lower than in the EU, and poverty is high.

- ★ Fund an expansion of pre-primary provision – at 27% of the EU average, making it the weakest education indicator and more than a century from convergence – by prioritising low-coverage areas and households facing financial barriers.
  - ★ Address tertiary participation and completion together: enrolment (at around 60% of the EU average) is diverging and attainment (at around 48%) is lower still, so entry and progression are separate problems.
  - ★ Reform waste management – whose 7.5 pp fall gave it the largest single-indicator deterioration in this report – by expanding separate collection, recovery and modern treatment through joint municipal investment.
  - ★ Increase installed electricity capacity, at 23% of the EU average, which is jointly the weakest infrastructure indicator, the weakest performer of the past year and now diverging.
  - ★ Publish contract amendments, cost revisions, delivery milestones and beneficial ownership in machine-readable form for all major infrastructure projects, and act on audit and procurement-review findings on the record.
  - ★ Professionalise senior civil-service appointments and reduce the use of acting positions, as government effectiveness (at 52% of the EU average) is the weakest governance indicator.
- b) EU institutions and EU member states**
- ★ A coherent EU political position should connect a credible accession perspective with consistent demands for institutional functionality and reform delivery. The institutions and member states should communicate the same benchmarks and assess implementation against observable results. Given BiH's specific constitutional requirements, clear and predictable responses to obstruction should be devised in order to discourage domestic veto players from exploiting external divisions. The aim should be to make cooperation more rewarding and obstruction less effective while sustaining support for the citizens and institutions capable of delivering reform. The complexity of BiH's political landscape and the power-sharing character of its institutional setup require a more nuanced approach to conditionality than in other acceding states.
  - ★ Use the scenario results to argue for a credible and time-bound accession path. Full membership halves the convergence horizon for GDP per capita, from 81 to 41 years, and shortens life expectancy convergence, from 73 to 25 years, while access to the EU budget or to the single market alone delivers materially less, and institutional reform alone delivers the smallest gains of all.
  - ★ Define milestones as functioning outcomes measured from administrative data rather than as legislation adopted, and make multi-annual financing reversible where reforms are reversed.
  - ★ Make a single interoperable trust framework aligned with eIDAS a condition of recognition and financing in the digital domain.
  - ★ Confine the suspension of infrastructure financing to the contracts under investigation while allowing newly tendered sections to proceed under independent engineering supervision, external integrity monitoring and independent procurement review, with resumption conditional on governance reform of the implementing enterprise.
  - ★ Complement engagement at the state level with funding and cooperation at the enti-

ty, cantonal, municipal and agency levels if those institutions demonstrably deliver, but continue to require a country-wide framework wherever interoperability and legal certainty depend on it.

- ★ Recognise that the time needed for control of corruption to converge falls from 58 to 49 years under both full membership and institutional reform alone, but remains unchanged under budget access or single market participation. In these scenarios, the gains in control of corruption therefore stem entirely from institutional reform.

### **c) Regional and international organisations**

- ★ Treat Corridor Vc and the north-south rail link to the Adriatic as a regional connectivity programme, coordinated with neighbouring countries' sections and with border-crossing arrangements, rather than as a series of national construction contracts.
- ★ Support regional electricity-market integration and cross-border grid reinforcement.
- ★ Continue concessional financing for energy efficiency, waste and water infrastructure, paired with strengthened oversight of procurement, implementation and subsequent maintenance.
- ★ Support cross-border cooperation on air quality, as pollution-related mortality is a shared regional problem and among the weakest indicators in this report.

### **d) Civil society organisations and think tanks**

- ★ Monitor implementation rather than adoption, tracking secondary legislation, staffing, budget execution and the institutional response to audit and anti-corruption findings, as the implementation gap is this report's most consistent finding.
- ★ Track major infrastructure procurement and the progress of complex corruption cases, where financial flows and administrative discretion are both largest.
- ★ Produce independent evidence on who receives social assistance and whether it reduces hardship as well as on access to health and education services for low-income and rural households, where official monitoring is weakest.
- ★ Document the cases in which local and cantonal institutions have delivered measurable improvements, as the variation between levels of government is one of this report's more useful findings for both domestic reform and EU targeting.

# Methodological note

## What do the different numbers mean?

- ★ **% of EU average:** shows the current level of a specific indicator compared with the EU average.
- ★ **Year-on-year rate of change:** shows how the gap to the EU changed compared with the previous year in percentage points (pp).
- ★ **Rate of change over the past five years:** shows the average annual pace of change over the last five years, capturing whether the indicator has been improving or worsening recently.
- ★ **Years to EU:** shows how long it would take for a country to reach the EU average for the given indicator, assuming the recent pace of change continues.

## How do we calculate the numbers for individual indicators?

**% of EU Average:** calculated as the native value of a certain indicator in a certain country, compared with the corresponding EU average.

*Example:* If the average wage in Serbia is EUR 1,150 and the average wage in the EU is EUR 3,000, then Serbia's wage level is 38% of the EU average (1,150/3,000).

**For indicators where lower values mean better outcomes** (e.g. unemployment and infant mortality), the calculation is reversed so that a higher percentage always indicates better performance.

*Example:* If the unemployment rate is 11% in Bosnia and Herzegovina and 6% in the EU, Bosnia and Herzegovina's relative level is 55% of the EU average (6/11).

**Rate of change over the past five years:** calculated as the simple average of the year-on-year changes in the indicator measured as a percentage of the EU average, over the last five years.

*Example:* If public health spending in North Macedonia, measured as a share of the EU average, changed by -0.4, +7.2, -2.7, -2.1 and +0.2 pp, the five-year rate of change is +0.4 pp.

**Years to EU:** calculated by comparing the remaining gap to the EU average with the speed of progress over the last five years. It shows how many years it would take to close the gap if recent trends continue.

*Example:* If Montenegro's GDP per capita is 55% of the EU average (a gap of 45 pp) and it has been catching up by 0.9 pp per year, it would take about 50 years to reach the EU level.

## How do we calculate the numbers for the pillar and overall averages?

**% of EU Average:** calculated as the simple average of all indicators in the pillar, each expressed as a percentage of the EU average.

*Example:* If Albania's six environment indicators are 50%, 55%, 60%, 60%, 65% and 70% of the EU average, the overall Environment pillar stands at 60% of the EU average.

**Rate of change over the past five years:** calculated as the average of the year-on-year changes in the overall pillar's value measured as a percentage of the EU average, over the last five years.

*Example:* If BiH's Education pillar changed by +0.5, +5.6, +0.2, +0.8 and +1.0 pp, the five-year rate of change is +1.6 pp.

**Years to EU:** calculated by comparing the remaining gap to the EU average for the overall pillar with the pace of progress over the last five years.

*Example:* If Serbia's Digitalisation pillar stands at 98% of the EU average and has been improving by 1.0 pp per year, it would take two years to reach the EU level.

### **What does it mean when an indicator is 'converged' or 'diverging'?**

**Converged:** An indicator is considered converged if its value as a percentage of the EU average is at or above 100%. This means the country has reached or exceeded the EU average in that area.

*Example:* If government spending on health in Montenegro is 105% of the EU average (6.9% of GDP vs 6.5%), Montenegro is considered converged.

**Diverging:** An indicator is considered diverging if its average change over the past five years (measured as a percentage of the EU average) is negative. This means the country has been moving further away from the EU average.

*Example:* If road density in North Macedonia, expressed as a percentage of the EU average, has been declining by 0.4 pp per year, North Macedonia is diverging.

### **How do we treat missing values?**

**Missing values between years:** When data for an indicator is missing for one or more intermediate years, we substitute the missing value with the last available one for that country (in native units).

*Example:* If North Macedonia is missing values for Internet access in 2022 and 2023, we use the 2021 value (83.7%) for our calculations.

**Missing values for the last year:** If at least four of the six Western Balkan countries have data for the most recent year, we include that year and use previous values for the others. If fewer than four countries have data, we exclude that year from EU comparisons.

*Example:* For tertiary education in 2023, Albania and Montenegro were missing data, but since four others had it, we included 2023 and used 2022 values for the missing countries. By contrast, if only one country had data (e.g. 2024 for enterprises with websites), 2024 is excluded.

**Missing values at the beginning:** If data start late, no EU-relative or pillar calculations are done for earlier missing years.

*Example:* For average pensions, Bosnia and Herzegovina's data starts from 2015 — calculations begin from 2015 onward.

**How we calculate pillar/area values for 2025 when some indicators are missing:** We use the last available year's value for any missing indicators.

*Example:* To calculate the percentage of the EU average for Education in 2025, we take:

- ★ 2023 values for Public spending on education
- ★ 2024 values for Tertiary enrolment, Tertiary attainment, Pre-primary education and NEET
- ★ 2025 value for the Harmonised test scores

### Which EU accession scenarios do we simulate?

To assess how different EU integration options may influence the pace of convergence across the eight pillars, we simulate projections under four alternative scenarios:

- ★ **Full EU membership:** Western Balkan economies join the EU immediately, with full rights and obligations, including access to the EU budget.
- ★ **EU budget transfers:** Western Balkan economies obtain full access to the EU budget and receive transfers as if they were member states, but without formal membership.
- ★ **EU single market access:** Western Balkan economies gain full access to the EU single market, without other elements of membership (e.g. institutional alignment or budget transfers).
- ★ **Institutional reforms:** Western Balkan economies undertake reforms equivalent to those required of EU member states, without membership or transfers.

### Which indicators do we simulate?

We simulate **one indicator** from each of the **eight pillars**:

- ★ **Economy:** GDP per capita at PPS
- ★ **Social:** income share of the bottom 20%
- ★ **Health:** life expectancy
- ★ **Education:** tertiary enrolment
- ★ **Governance:** control of corruption
- ★ **Environment:** energy intensity of the economy

- ★ **Digitalisation:** ICT services exports

- ★ **Infrastructure:** road density

### How do we simulate the scenarios?

We employ a **structural equation modelling (SEM) approach** to estimate how EU accession affects GDP growth and other development outcomes through various transmission channels. SEM is particularly well suited for this analysis, as it allows us to disentangle the pathways through which EU integration exerts its effects.

Concretely, we focus on four main channels:

- ★ higher EU budget transfers,
- ★ increased exports to the EU,
- ★ net migration and
- ★ institutional improvements.

FDI net inflows are also estimated as a potential channel, but since their effect on growth is small and imprecisely estimated, we do not vary FDI across scenarios.

The analysis is conducted in a **panel setting** covering the period **from 1996 to 2024**. It includes **Bulgaria, Romania and Croatia as benchmarks, alongside the six Western Balkan economies**.

The concrete specifications for each of the eight simulated indicators are as follows:

- ★ **GDP per capita growth** depends on initial GDP (as in standard convergence models), the previous year's GDP growth, EU budget transfers, exports to the EU, net migration, control of corruption, FDI inflows and country fixed effects. These variables, in turn, are affected by EU accession.

- ★ The change in **income share of the bottom 20%** is linked to EU budget transfers and control of corruption, both of which are linked to EU accession.
- ★ The change in **life expectancy** is modelled as a function of GDP growth and net migration, both of which are influenced by EU accession.
- ★ The change in **tertiary enrolment** also depends on GDP growth, which itself depends on EU accession, as explained above.
- ★ The change in **energy intensity** is modelled as a function of GDP growth and control of corruption, both of which are tied to EU accession.
- ★ The level of **control of corruption** is modelled to be affected directly by EU accession, as it is one of the channels through which EU accession affects GDP growth.
- ★ **ICT exports** are linked to GDP growth, EU budget transfers and exports to the EU, all of which are influenced by EU accession.
- ★ **Road density** depends on FDI, exports to the EU and net migration. Since FDI is held fixed across scenarios, road density outcomes are in practice driven by exports and net migration.

These specifications were determined empirically, by running different regressions with different combinations of variables and checking the significance of the coefficients.

The regression estimates were then used to generate simulations of the four scenarios. This was done by augmenting the rate of change from the baseline (status quo) scenario – which is the average over the last five years – with the estimated effect of the EU accession scenario.







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