

<p>DCF members active in the sector in 2021</p>	<p>USA/USAID, EU, Sweden, Switzerland, United Kingdom, UN, Netherlands, Germany, Croatia, Czech Republic, Norway, Slovenia</p>
<p>Other key international organizations</p>	<p>International Monetary Fund, Organization for Security and Cooperation in Europe; Office of the High Representative; Organization for Economic Cooperation and Development; Council of Europe; British Council in BiH; Norwegian Institute of International Affairs; European Training Foundation; Statistical Office of the European Union, European Statistical Office, Centre of Excellence in Finances, UN Population Fund, UN Children's Fund, Regional School of Public Administration, Regional Cooperation Council, Council of Europe, Western Balkans Investment Framework, <i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> (GIZ).</p>
<p>Key government partners</p>	<p>CoM BiH; Government of FBiH; Government of RS; Government of BD BiH; Cantonal governments; Ministry of Finance and Treasury of BiH; Ministry of Finance of RS and Federal Ministry of Finance; Finance Directorate of the BD BiH; BiH Ministry of Foreign Affairs; BiH Ministry of Foreign Trade and Economic relations; BiH Ministry of Civil Affairs; BiH Ministry of Justice; Ministry of Human Rights and Refugees of BiH; Ministry of Defence of BiH; Ministry of Security of BiH; Public Administration Reform Coordinator's Office, together with entity and DB BiH coordinators; Ministry of European Integration and International Cooperation of RS; Ministry of Administration and Local Self-Governance of RS; Parliamentary Assembly of BiH; Parliament of FBiH and National Assembly of RS; Agencies for Civil Service of BiH and entities; Agency for Pre-Primary, Primary and Secondary Education; Audit Office of the Institutions of BiH; Audit Office for the Institutions of FBiH; Supreme Office for the RS Public Sector Auditing; Agency for Development of Higher Education and Quality Assurance; Directorate for European Integration; Directorate for Economic Planning; BiH Indirect Taxation Authority; Tax Administration of FBiH; Tax Administration of RS; Central Bank of BiH; Public Procurement Agency of BiH; Procurement Review Body of BiH; Central Harmonization Units (CHUs) in the Ministries of Finance of the State and the Entities; Ministry of Labour, War Veterans and Disabled Persons' Protection of RS; Federal Ministry of Labour and Social Policy; Agencies for Statistics of BiH and entities Agencies for Statistics; High Judicial and Prosecutorial Council; Ministry of Health and Social Protection of RS; Financial Intelligence Agency of FBiH, BiH Mine Action Centre; Agency for Civil Service of BiH and entity agencies for civil service; Agency for Gender Equality of BiH; Gender centres of FBiH and RS; Association of Municipalities and Cities of RS and FBiH.</p>
<p>Total allocation / disbursement to the sector in 2021 by DCF members</p>	<p>Total allocated € 34.63 million in a form of grants Total disbursed € 36.18 million in a form of grants Out of total ODA in 2021, 6 % was allocated and 6 % was disbursed in the sector.</p>

**Legal framework and
sector strategies
adopted in 2021**

The Budget of the Federation of Bosnia and Herzegovina for 2021 (FBiH Off. Gazette No. 4 /21); FERK Budget for 2021 (FBiH Off. Gazette No. 4 /21); The Law on Changes and Amendments to the Law on Internal Payment Transactions (FBiH Off. Gazette No. 4 /21); The Law on Execution of the Budget of the Federation of Bosnia and Herzegovina for 2021 (FBiH Off. Gazette No. 4 /21); The Law on the Register of Financial Statements (FBiH Off. Gazette No. 7 /21); The Law on Accounting and Auditing in the FBiH (FBiH Off. Gazette No. 15 /21); The Law on the Single Register of Fees and Charges in the FBiH (FBiH Off. Gazette No. 24 /21); The Law on Amendments to the Law on Financial Consolidation of Companies in the FBiH (FBiH Off. Gazette No. 48 /21); The Law on Amendments to the Law on Execution of the FBiH Budget for 2021 (FBiH Off. Gazette No. 48 /21); The Law on Amendments to the Law on the Default Interest Rate on Public Revenues (FBiH Off. Gazette No. 48 /21); The Law on Peaceful Settlement of Labour Disputes (FBiH Off. Gazette No. 49 /21); The Bankruptcy Law (FBiH Off. Gazette No. 53 /21); The Law on Infrastructure of Spatial Data of the FBiH (FBiH Off. Gazette No. 55 /21); The Law on Changes and Amendments to the Law on Companies (FBiH Off. Gazette No. 75 /21); The Law on Real Estate Brokerage (FBiH Off. Gazette No. 75 /21); The Law on Crafts and Related Activities in the FBiH (FBiH Off. Gazette No. 75 /21); The Law on Changes and Amendments to the Law on Registration of Business Entities in the FBiH (FBiH Off. Gazette No. 85 /21); The Law on Amendments to the Law on Spatial Planning and Land Use at the level of the FBiH (FBiH Off. Gazette No. 85 /21); The Law on Changes to the Law on Pension and Disability Insurance (FBiH Off. Gazette No. 90 /21); The Law on Amendments to the Law on Spatial Planning and Land Use at the level of the FBiH (FBiH Off. Gazette No. 92 /21); The Law on Changes and Amendments to the Law on the Single System of Registration, Control and Collection of Social Security Contributions (FBiH Off. Gazette No. 96/21); The Law on Representativeness of Trade Unions and Employers' Associations (FBiH Off. Gazette No. 103 /21); The Law on Changes to the Law on Determining and Realizing the Citizens' Claims in the Privatization Procedure (FBiH Off. Gazette No. 103 /21); The Law on Changes and Amendment to the Law on Employees in Civil Service Bodies in the FBiH (FBiH Off. Gazette No. 103 /21); The Law on Changes to the Law on Insurance (FBiH Off. Gazette No. 103 /21); The Law on Changes and Amendments to the Law on Implementation of the Control over the Legality ref. Exercising the Rights in the Area of Veterans'-Disability Protection (FBiH Off. Gazette No. 103 /21); The Law on Free Zones in the RS (RS Off. Gazette No.15 /21); The Law on Changes and Amendments to the Law on Territorial Organization of the RS (RS Off. Gazette No.15 /21); The Law on the City of Derвента (RS Off. Gazette No.15 /21); The Law on Notary Service in the RS (RS Off. Gazette No.28 /21); The Law on Changes to the Law on Borrowing, Debt and Guarantee in the RS (RS Off. Gazette No.28 /21); The Law on Changes and Amendments to the Law on Deferred Payment of Tax Liability (RS Off. Gazette No.28 /21); The Law on Salaries of Employees in the RS Public Institutions in the Field of Health (RS Off. Gazette No.49 /21); The Law on Amendment to the Law on Salaries of Employees in the Field of Culture (RS Off. Gazette No.49 /21); The Law on Amendments to the Law on Income Tax (RS Off. Gazette No. 49 /21); The Law on Amendments to the Law on Salaries of Employees in Primary and Secondary Schools and Student Dormitories in the RS (RS Off. Gazette No. 49 /21); The Law on Amendments to the Law on Salaries of Employees in the Field of Higher Education and Student Standards of the RS (RS Off. Gazette No. 49 /21); The Law on Amendments to the Law on Salaries of Employees in the RS Ministry of Interior (RS Off. Gazette No.49 /21); The Law on Amendments to the Law on Salaries of

Employees in the RS Judiciary Institutions (RS Off. Gazette No. 49 /21); The Law on Amendment to the Law on Contributions (RS Off. Gazette No. 49 /21); The Law on Amendments to the Law on Local Self-Government (RS Off. Gazette No. 61/21); The Law on Strategic Planning and Development Management in the RS (RS Off. Gazette No. 63/21); Proposal to the Law on Changes and Amendments to the Law on Securities Market (RS Off. Gazette No. 63/21); The Law on Protection Against Harassment at Work (RS Off. Gazette No. 90/21); The Law on Changes and Amendments to the Legislative Decree on the Solidarity Fund for Reconstruction of the RS (RS Off. Gazette No. 90/21); The Law on Changes to the Law on Borrowing, Debt and Guarantees of the RS (RS Off. Gazette No. 90/21); The Law on Changes to the Law on Execution of the RS Budget for 2021(RS Off. Gazette No. 90/21); The Law on Changes and Amendments to the Law on Consumer Protection in the RS (RS Off. Gazette No. 90/21); The Law on Changes and Amendments to the Legislative Decree on the RS Compensation Fund (RS Off. Gazette No. 90/21); The Law on Changes to the Law on Pension and Disability Insurance (RS Off. Gazette No. 111/21); The Law on Changes and Amendments to the Law on Concessions (RS Off. Gazette No. 111/21); The Law on Changes and Amendments to the Law on the Pension Reserve Fund of the RS (RS Off. Gazette No. 111/21); The Law on the Social Entrepreneurship of the RS (RS Off. Gazette No. 111/21); The Law on Amendment to the Law on the RS Development and Employment Fund (RS Off. Gazette No. 111/21); The Law on Amendments to the Law on the Republic Administration (RS Off. Gazette No. 111/21); The Law on Amendment to the Law on Mitigation of Negative Economic Consequences Caused by the State of Natural Disaster Due to Covid - 19 in BD BiH (BD BiH Off. Gazette No.13/21); The Law on Changes to the Law on Civil Servants and Employees in the Assembly of BD BiH (BD BiH Off. Gazette No.02/21); The Law on Changes and Amendments to the Law on Civil Servants and Employees in the Judiciary in BD BiH (BD BiH Off. Gazette No.13/21); The Law on Changes and Amendments to the Law on Safety and Health Protection of Workers at Workplace (BD BiH Off. Gazette No.07/21); The Law on Amendment to the Labour Law in BD BiH (BD BiH Off. Gazette No.6/21); The Law on Amendment to the Labour Law in BD BiH (BD BiH Off. Gazette No.02/21); The Law on Changes and Amendments to the Law on Salaries in Judiciary of BD BiH (BD BiH Off. Gazette No.26/21); The Law on Changes and Amendments to the Law on Salaries of Employees in Judiciary of BD BiH (BD BiH Off. Gazette No.13/21); The Law on Amendments to the Law on Salaries and Allowances of Employees in Police of BD BiH (BD BiH Off. Gazette No.13/21); The Law on Amendments to the Law on Salaries and Allowances in Bodies of Public Administration and Institutions of BD BiH (BD BiH Off. Gazette No.13/21); The Law on Changes to the Law on Salaries and Allowances of Budgetary Users in the Assembly of BD BiH, Electoral Commission of BD BiH and Public Administration Audit Office and Institutions in BD BiH (BD BiH Off. Gazette No.13/21); The Law on Changes to the Law on Salaries and Other Allowances of Judges and Prosecutors in BD BiH (BD BiH Off. Gazette No.31/21); The Law on Changes to the Law on Planning, Designing and Development of BD BiH (BD BiH Off. Gazette No.03/21); The Law on Changes and Amendments to the Law on Salaries and Other Allowances of the Attorneys and Deputy Attorneys in the Attorney's Office of BD BiH (BD BiH Off. Gazette No. 26/21); The Law on Amendments to the Law on Securities (BD BiH Off. Gazette No. 13/21); The Law on Changes to the Law on Local Communities in BD BiH (BD BiH Off. Gazette No. 6/21); The Law on Public Property in BD BiH (BD BiH Off. Gazette No. 6/21); The Law on Amendment to the Law on Execution of the Budget for 2021 (BD BiH Off. Gazette No. 12/21); The Law on Execution of the Budget for

	<p>2021 (BD BiH Off. Gazette No. 04/21); The Law on Execution of the Budget for 2022 (BD BiH Off. Gazette No. 33/21); The Law on Changes to the Law on Civil Service in Public Administration Bodies in BD BiH (BD BiH Off. Gazette No. 02/21).</p> <p>Action Plan of the Council of Ministers of BiH for Implementation of the Communication Strategy for Informing the Public on the Accession Process of BiH to the European Union for 2021; Strategy for Improvement of the Public Financial Management in BiH Institutions 2021-2025; Economic Reform Program (ERP BiH 2021-2023); Medium-Term Debt Management Strategy of BiH for the period 2020 – 2023; Migration Profile of BiH for 2020; The Framework for Realization of Sustainable Development Goals in BiH; Development Strategy of the BiH Federation for the period 2021 – 2027; Strategy of Social Inclusion of the BiH Federation for the period 2021 – 2027; Strategy for Professional Development of Civil Service Employees in the BiH Federation (2021-2027); Strategy for Tourism Development in the RS 2021-2027; Strategy for the Development of the RS Industry for the period 2021 – 2027; Strategy for the Development of the Capital Market for the period 2021-2026; Action Plan 2021-2023 for Implementation of the Strategy for the Development of the Capital Market for the period 2021-2026; Economic Reform Programme of the RS for the period 2021-2023; Strategy for the Development of Small and Medium Enterprises of the RS for the period 2021-2027; Employment Strategy in the RS until 2027; Debt Management Strategy of the RS 2021-2024; Public Finances Management Strategy of the RS 2021-2025; Strategy for Development of the Internal Financial Controls System in the RS Public Sector for the period 2021-2025; Strategy of the RS Tax Administration for the period 2021-2026; Development Strategy of BD BiH for the period 2021 – 2027; Public Financial Management Reform Strategy in BD BiH for the period 2021 - 2025 and the Action Plan; Strategy for Development of the Internal Financial Controls System in the Public Sector of BD BiH in the period 2021 - 2025 and the Action Plan.</p> <p>Previously adopted legal framework and sector strategies are available on www.donormapping.ba</p>
<p>Coordination among and with development partners</p>	<p>Democratic institutions: Functional exchange of information between stakeholders based on informal <i>ad-hoc</i> coordination, together with self-organized meetings between development partners.</p> <p>Decentralization and sub-national government: Functional exchange of information between stakeholders based on informal <i>ad-hoc</i> coordination, together with self-organized meetings between development partners.</p> <p>Public Administration Reform (PAR): PAR Fund stakeholders` regular meetings organized by Public Administration Reform Coordinator's Office (PARCO). Joint Management Board of PAR serves as a monthly forum for coordination. Meanwhile, informal coordination is maintained with other development partners.</p> <p>Public Financial Management: Exchange of information between stakeholders based on informal <i>ad-hoc</i> coordination and project-based bilateral meetings.</p> <p>Taxation: Informal <i>ad-hoc</i> coordination on regular basis.</p>

Customs: Informal *ad-hoc* coordination on regular basis.

Economic governance: Informal *ad-hoc* coordination.

Statistics: Informal *ad-hoc* coordination on regular basis.

Civil Society: Local Advisory Group supported and managed by the EU-funded project TACSO.

Development partners active in the sector and BiH Institutions from all levels of government regularly attended Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.

Due to the outbreak of the COVID-19 pandemic and accompanying epidemiological measures, DCF meetings were not held in 2021.

Overview of activities in 2021

Democracy and governance sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for the period 2014 – 2020. The Ministry of Finance and Treasury of BiH has retained the IPA II classification in the Development Partners Mapping Report 2021, and in the next period the project is planned to upgrade the database that will enable the use of IPA III classification for the period 2021-2027.

Democracy and governance sector consists of eleven sub-sectors:

- Democratic Institutions,
- Decentralization and Sub-national Government,
- Public Administration Reform (PAR),
- Public financial management,
- Taxation,
- Customs,
- Economic governance,
- Statistics,
- Civil society,
- EU programs and agencies and
- Institutional building for European integration.

Institutions at all levels of government in Bosnia and Herzegovina continued their activities during 2021 on implementation of the structural reforms and harmonization of legislation with the European Union *acquis*, which is an important prerequisite for the continuation of Bosnia and Herzegovina European integration process.

The Council of Ministers of BiH, at its 25th session held on February 3rd, 2021, adopted the BiH Economic Reform Program (ERP) for the period 2021-2023. Economic Reform Program until 2023 was prepared in line with the European Commission guidelines and includes the medium-term macroeconomic and the fiscal policy framework as well as the comprehensive overview of structural reforms, whose implementation would achieve greater economic growth and improve the country's competitiveness. Economic Reform Program of BiH for the period 2022-2024 was not adopted during 2021 due to a stagnation in the functioning of the government at the state level and its adoption is expected in 2022.

The Government of the Federation of Bosnia and Herzegovina, at its 253rd session held on January 28th, 2021, adopted the Economic Reform Program of the Federation of Bosnia and Herzegovina for the period 2021-2023, while the Economic Reform Program of Republika Srpska for the period 2021-2023 was adopted at the end of 2020. The National Assembly of Republika Srpska adopted the Economic Reform Program of Republika Srpska for the period 2022-2024 at the 26th special session held on December 15th 2021 (Official Gazette of RS, no. 121/21), while the adoption of the Economic Reform Program of the Federation of Bosnia and Herzegovina for the period 2022-2024 is expected at the beginning of 2022.

The Council of Ministers of Bosnia and Herzegovina, at its 32nd session held on April 8th, 2021, adopted the document "Framework for Realization of the Sustainable Development Goals in Bosnia and Herzegovina", which represents a broader framework for achieving the Agenda 2030 goals and a basis for steering the current and future strategic planning processes of all levels of the government in Bosnia and Herzegovina. The Framework for Realization of the Sustainable Development Goals in

Bosnia and Herzegovina was previously adopted by the Government of Republika Srpska, the Government of the Federation of Bosnia and Herzegovina and the Government of the Brcko District, thus emphasising the determination of all levels of government to further strengthen the strategic planning and development management system.

In the domain of Public Administration Reform, activities were undertaken in Bosnia and Herzegovina throughout 2021 on realization of the Strategic Framework for Public Administration Reform in Bosnia and Herzegovina for the period 2018-2022 and the corresponding Action Plan. Action Plan envisages activities for realization of the five reform areas (policy development and coordination, civil service and human resources management, accountability, provision of services, public finance management), which should contribute to greater efficiency and transparency of public administration in Bosnia and Herzegovina. During 2021, the document "Joint Platform on the Principles and Ways of Public Administration Reform Implementation in Bosnia and Herzegovina" was in the harmonization phase, which should be adopted at all levels of the government in Bosnia and Herzegovina.

The priority of institutions at all levels of the government in Bosnia and Herzegovina is further improvement of the Public Finance Management, which will contribute to forming of the sustainable fiscal framework, improvement of the public spending planning process, development of the internal control system as well as the improvement of the internal audit system.

The Council of Ministers of BiH, at its 27th session held on February 18th, 2022, adopted the Strategy for Improvement of the Public Finance Management in Institutions of Bosnia and Herzegovina for the period 2021-2025. The aim is to provide, along with the strategies from other levels of government, an overall and integrated framework for planning, coordinating, implementing and monitoring progress towards more effective use of the public resources. The Strategy defines the key reform plans in the field of public finance, as one of the key pillars of public administration in BiH and one of the most important conditions for the use of the financial and technical assistance from International Financial Institutions and the European Union. Entity strategies were adopted in the course of 2021, while the strategic document in Brcko District was adopted at the end of 2020. The Government of Republika Srpska, at its 124th session held on June 3rd, 2021, adopted the Strategy for Public Finance Management of Republika Srpska for the period 2021-2025, while the Government of the Federation of Bosnia and Herzegovina, at the 259th session held on March 24th, 2021, adopted the Public Finance Management Strategy of the Federation of BiH for the period 2021-2025.

Due to the impasse in the functioning of the state level authorities during 2021, the Council of Ministers of BiH did not adopt the Budget Framework Paper of BiH Institutions FY 2022-2024, as well as the Public Investment Program / Development Investment Program of the institutions of BiH for the period 2022-2024.

The Government of Republika Srpska, at its 129th session held on July 8th 2021, adopted the Budget Framework Paper of Republika Srpska FY 2022-2024, while the Public Investment Program of Republika Srpska FY 2022-2024 was adopted at the 152nd session held on December 30th 2021. The Government of the Federation of Bosnia and Herzegovina, at its 274th session held on July 15th, 2021, adopted the Budget Framework Paper of the Federation of Bosnia and Herzegovina FY 2022-2024, and at the 295th session held on December 16th 2021, Public Investment Program of the Federation of Bosnia and Herzegovina FY 2022-2024 was adopted.

In Bosnia and Herzegovina, the projects were implemented during 2021 - "Improving Public Internal Financial Control IPA 2015" and "Strengthening Line Ministries' Capacities to Assess Fiscal Implications of Structural Reforms", which aim to improve the public finance system at all levels of government in Bosnia and Herzegovina.

In the course of 2021, Ministry of Finance and Treasury of BiH, Ministry of Finance of Republika Srpska, Federal Ministry of Finance and Brcko District implemented the project "Further Support for Public Finance Management in BiH", which aims to improve the process of creating the program budget and harmonize it with the medium-term planning process. The development of the program budget and the medium-term budget planning are the most important measures that should be incorporated into the public finance management sector, which will contribute to the improvement of responsibility, efficiency and transparency in the public finance system.

After the BiH Council of Ministers in 2020 adopted the strategic document from the field of the development of the internal control system, strategic documents at the entity level were adopted in 2021. The Government of Republika Srpska, at its 114th session held on March 25th, 2021, adopted the Strategy for the Development of the Internal Controls System in the Public Sector of Republika Srpska for the period 2021-2025 and the Government of the Federation of Bosnia and Herzegovina, at its 263rd session held on April 15th, 2021, adopted the Strategy for the Development of the Internal Financial Controls System in the Public Sector of the Federation of Bosnia and Herzegovina for the period 2021-2027. These documents represent the basis for the establishment and development of the management and control systems and internal audit in line with the internationally recognized management principles and control standards.

The Council of Ministers of Bosnia and Herzegovina, at its 40th session held on June 16th, 2021, adopted the Medium-Term Debt Management Strategy of BiH for the period 2020-2023, which presents the debt structure, assessment of indebtedness and defines debt management goals and guidelines for reaching of the set goals. The Strategy was prepared on the basis of the medium-term debt management strategies of Republika Srpska, the Federation of Bosnia and Herzegovina and Brcko District of Bosnia and Herzegovina.

The Government of the Federation of Bosnia and Herzegovina, at its 256th session held on February 18th, 2021, adopted the Debt Management Strategy of the Federation of Bosnia and Herzegovina for the period 2021-2023, while the Government of Republika Srpska, at its 152nd session held on December 30th 2021, adopted the Debt Management Strategy of Republika Srpska for the period 2021-2024.

In the field of *taxation*, activities were undertaken during 2021 on drafting of the new Law on Value Added Tax of BiH and the Law on Excise Duties of BiH, which will be fully harmonized with the new European Union directives in the field of indirect taxes. Activities continued on further improvement of the tax information system for the needs of the electronic commerce (e-business), which will contribute to better and more efficient work of tax institutions in Bosnia and Herzegovina. Indirect Taxation Authority of BiH has expanded the spectrum of electronic services, and major novelty is that the preparation and electronic submission of data from the bookkeeping records has been completed. In addition, special application has been developed (e-portal for taxpayers), whereby taxpayers will be able to exercise their rights in a simple and safe way via the Internet.

In the area of the *customs policy*, by-law acts were adopted in 2021 with the aim to further harmonize the customs regulations of Bosnia and Herzegovina with the new European Union customs regulations (Official Gazettes of BiH, No. 3/21, 11/21, 22/21, 38/21, 40/21, 68/21 and 71/21). The date of application of the Decision on Amendments to the Decision on Implementation of the Law on Customs Policy of BiH has been extended to 2022, when the Law on Customs Infringements of BiH is also expected to be adopted, which is a prerequisite for the new customs regulation to fully take effect and ensure the simultaneous application of the Law on Customs Infringements of BiH and the Law on Customs Policy of BiH.

In the course of 2021, projects were implemented for procurement of the IT and laboratory equipment for the needs of the BiH Indirect Taxation Authority, which will contribute to better control of goods imported in Bosnia and Herzegovina. Furthermore, during the reporting period, necessary technical and legislative preparations were made for implementation of the New Computerized Transit System (NCTS), a trans-European customs information system, which enables the exchange of data between the customs authorities and economic entities through the electronic data exchange system. At the beginning of 2021, the Indirect Taxation Authority of BiH met the prescribed conditions for issuance of the qualified electronic certificates that will enable the use of electronic documents with the legal force of a paper document, in line with the Law on Electronic Documents of BiH. Participants in the customs transit procedure will electronically submit customs declarations for transit, signed with qualified electronic signature, which will significantly speed up this procedure, reduce waiting time at customs offices and significantly reduce the costs.

In the course of 2021, the Central Bank of BiH continued the activities on strengthening of the institutional capacities, improving business efficiency, introducing the new policies, further development and training of personnel in order to improve the preparations for integration into the European System of Central Banks (ESCB). At the end of 2021, the project was completed "Strengthening Institutional Capacities of Central Banks in the Western Balkans with a view of Integration in the European System of Central Banks", which made a significant contribution to the improvement of economic management, strengthening of monetary and financial stability through strengthening of the institutional capacities of the central banks of the Western Balkans and two agencies for the supervision of banks in Bosnia and Herzegovina.

In the domain of *public procurement*, activities were undertaken throughout 2021 to increase the transparency in public procurement procedures, improve the legal regulations and develop procedures and processes of key importance for the prevention of corruption. The Law on Amendments to the Law on Public Procurement of BiH is in the parliamentary procedure, which was not adopted during 2021, whereat its adoption is the basis for the preparation of the new Law on Public Procurement of BiH, which will ensure an additional level of compliance with the European directives and best practices from this domain.

Public Procurement Agency of BiH continued its activities on improvement of the e-Procurement system, which will additionally automatize certain business processes within public procurement in the institutions of Bosnia and Herzegovina. Through realization of the IPA II project "Strengthening the Public Procurement System in Bosnia and Herzegovina", training sessions were conducted in 2021 for civil servants who are responsible for the implementation of public procurement procedures in the institutions of Bosnia and Herzegovina.

In the field of *statistics*, activities continued during 2021 on further harmonization of the official statistics of Bosnia and Herzegovina with the statistical standards of the European Union, and faster integration of the Agency for Statistics of BiH into the European Statistical System. In the reporting period, limited progress was made in further development of the statistical business register and the method of data production was improved in the field of structural business statistics.

At the beginning of 2021, the implementation of the project "Further Support for the Reform of the Statistical System in BiH" was initiated, which aims to further strengthen the institutional capacities of the statistical system and further harmonize the statistics in Bosnia and Herzegovina with European Union standards.

In the field of *insurance statistics*, during 2021, the Insurance Agency of BiH initiated the activities to further improve the statistical reporting on the insurance market in Bosnia and Herzegovina through dissemination of the existing indicators and adding the new ones which are monitored in the European Union market.

In the field of cooperation with the Civil society, during 2021, the implementation has continued of the project "Strengthening the Capacities of Governments to Involve Civil Society Organizations in the Decision-Making Processes in BiH - EU4CIVIL", which provides technical assistance to governments and civil society organizations in Bosnia and Herzegovina in order to improve the institutional cooperation and social dialogue in the process of preparation and implementation of the reforms.

In 2021, Ministry of Justice of BiH continued close cooperation with civil society organizations in BiH, especially when drafting policies and regulations in this area, in line with the Cooperation Agreement between the Council of Ministers of BiH and Non-Governmental Organizations in BiH. The Council of Ministers of BiH, at its 32nd session held on April 8th, 2021, adopted the Report on Implementation of the Agreement between the Council of Ministers of BiH and Non-Governmental Organizations for the year 2020. Also, activities were initiated to create a Strategy for creating a stimulating environment for the development of the Civil society in Bosnia and Herzegovina.

In the reporting period, Directorate for European Integration of BiH continued its activities on implementation of the projects with the development partners, which will significantly improve the coordination of the European integration process in Bosnia and Herzegovina. During 2021, activities continued on developing of the database for Monitoring, Evaluation and Reporting System (MERSA) as well as the database for Legislation Harmonization with the EU regulations (LHDB), which will significantly improve the work of the Directorate for European Integration of BiH.

In the field of *communication on European integration*, the Council of Ministers of BiH, at its 29th session held on March 4th, 2021, adopted the Action Plan of the Council of Ministers of BiH for implementation of the Communication Strategy for Informing the Public on the Process of Accession of Bosnia and Herzegovina to the European Union for 2021, which defines the implementation of communication activities in the European integration process at the level of BiH institutions. In addition, progress was achieved by intensifying communication on social networks towards different target groups, and by preparing and publishing serial publications with the aim to inform the public on the European integration process.

During 2021, Directorate for European Integration of BiH continued to organize training sessions in the field of European integration, and considering the Covid-19 virus pandemic, most of the training

sessions were held in the form of webinars. Also, cooperation with the Luxembourg Institute for Public Administration (EIPA) has continued, whereby the training was held in the domain of the internal market.

In line with the provisions of the Stabilization and Accession Agreement of Bosnia and Herzegovina to the European Union, meetings were held during 2021: the fifth meeting of the Subcommittee for the Internal Market and Competition on January 28th, 2021, fifth meeting of the Special Group for Public Administration Reform on February 25th 2021, the fifth meeting of the Subcommittee for Innovation, Information Society and Social Policy on March 22nd 2021, the fifth meeting of the Subcommittee for Trade, Industry, Customs and Taxation on April 22nd, 2021, the fifth meeting of the Subcommittee for Transport, Energy, Environment and Regional Development on May 20th 2021 and the fifth meeting of the Subcommittee for Agriculture and Fisheries on June 17th, 2021.

Investments of DCF members in 2021

DCF members active in the Democracy and governance sector in 2021 are USA/USAID, EU, Sweden, Switzerland, United Kingdom, UN, Netherlands, Germany, Croatia, Czech Republic, Norway and Slovenia.

Total allocations of DCF members to the Democracy and governance sector in 2021 amounted to € 34.63 million in the form of grants.

Total disbursements of DCF members to the Sector in 2021 amounted to €36.18 million all in the form of grants.

Figure 1.1. compares grants allocated and disbursed ODA grants, according to the amount of the invested funds of each individual development partner.

Leading development partners in the sector in 2021, who allocated i.e. disbursed largest amounts were USA/USAID and EU, followed by Sweden, Switzerland and United Kingdom.

Figure 1.1. Allocated and disbursed grants per development partners in 2021

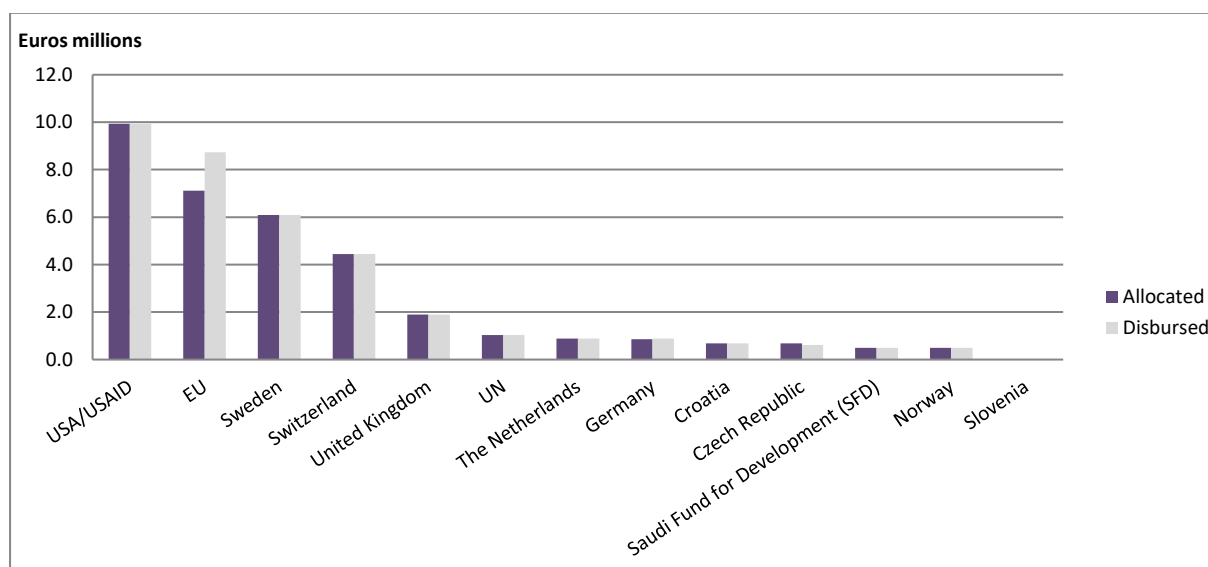


Figure 1.2. presents the structure of total allocated ODA funds in 2021 per sub-sectors. Democracy and governance sector consists of 11 sub-sectors.

Out of total allocated funds in 2021, 83.9% was allocated the sub-sectors: Civil society (46.2%), Public financial management (13.0%), Democratic institutions (12.4%) and Public Administration Reform (12.3%), while 16.1% was allocated in other subsectors. Sub-sectors that did not have funding are not presented in the chart.

Figure 1.2. Total allocated ODA per sub-sectors in 2021

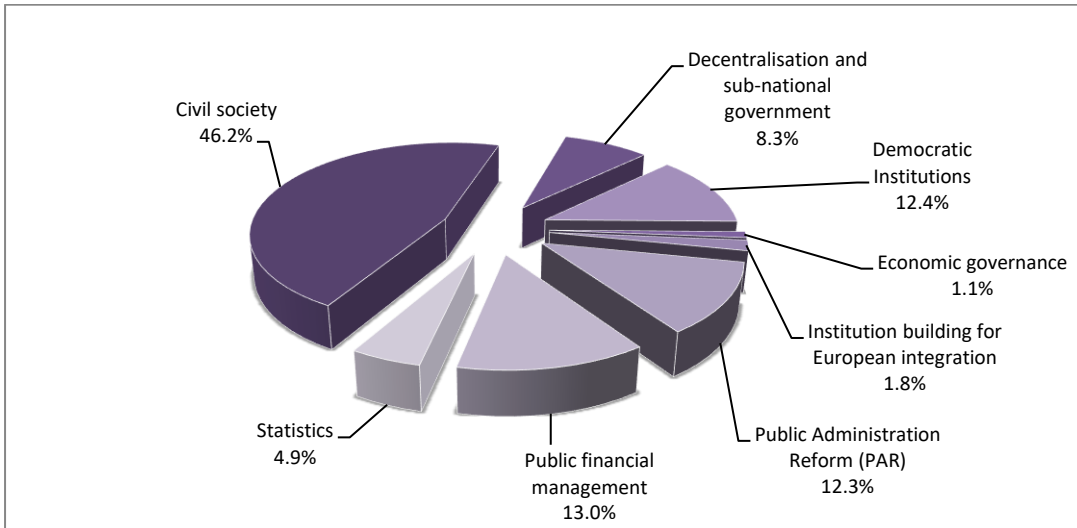
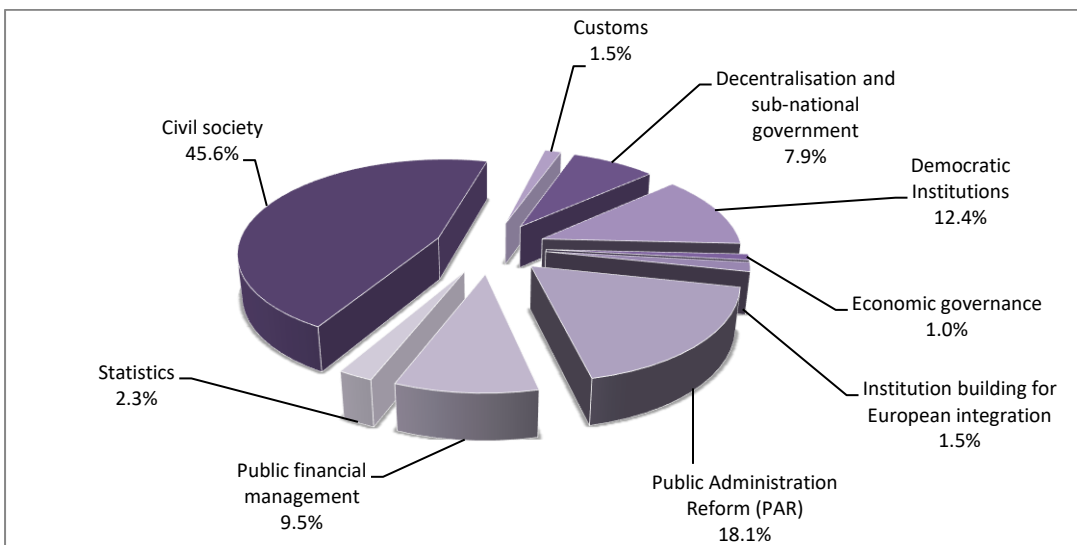


Figure 1.3. presents the structure of total allocated ODA funds in 2021 per sub-sectors.

Out of total disbursed funds in 2021, 76.1% was disbursed in the sub-sectors: Civil society (45.6%), Public Administration Reform (18.1%) and Democratic institutions (12.4%), while 23.9 % was allocated in other subsectors. Sub-sectors that did not have funding are not presented in the chart.

Figure 1.3. Total disbursed ODA per sub-sectors in 2021



Ten major projects in the sector that allocated or disbursed funds in 2021, are listed below:

PROJECT TITLE	Development partner	Total project value (EUR mil)
Open Regional Fund (ORF) for South East Europe - Modernization of Municipal Services	Germany	32.81
Strengthening of Public Institutions	Germany	15.69
Promotion of EU-Integration through Regional Cooperation	Germany	12.91
Explosive Ordnance and Remnants of War Destruction Project	Norway, UN, UK, Saudi Fund for Development	11.26
USAID/BiH E-governance activity	USA/USAID	10.01
USAID / MEA - Media Engagement Activity in BiH	USA/USAID	9.11
USAID/BiH INSPIRE – Human Rights activity	USA/USAID	8.42
Strengthening the Role of Local Communities (mjesne zajednice) in Bosnia and Herzegovina 2020–2024 (Phase II)	Switzerland	7.58
(USAID) Judiciary Against Corruption Activity	USA/USAID	7.50
(USAID) PRO Future (II) Trust, Understanding and Responsibility for the Future	USA/USAID	7.50

All projects are available in the Development Partners Coordination Forum Database, via the following link:

<http://dmd.donormapping.ba/dmd/faces/dmdPublicStart>

Future activities

Bosnia and Herzegovina should continue the process of strengthening democracy and governance, through strengthening of democratic institutions and inclusive democratic processes, strengthening the role of civil society as well as implementing activities to achieve further progress in the reforms crucial for the process of the European and Euro-Atlantic integration. Based on the responses of BiH Institutions from all levels of government and DCF members who participated in preparation of this Report, further efforts should be made in the following period:

- fulfil the key priorities from the Opinion of the European Commission on the application of Bosnia and Herzegovina for the membership in the European Union and continue activities on harmonization of the legislation of Bosnia and Herzegovina with the EU *acquis*;
- continue activities on development of the Program for integration of BiH into the European Union;
- in the field of Public Administration Reform, it is necessary to continue the activities defined by the Strategic Framework for Public Administration Reform in BiH and the corresponding Action Plan;
- improve the development of the programme budgeting at all levels of government in BiH and harmonize it with the medium-term planning process;
- further improvement of Public Investment Management;

- continue activities to improve the institutional capacities of the Central Bank of BiH with the aim to gradually harmonize with the European and the international standards of central banking;
- develop key statistical areas in which European and international standards are increasingly applied, primarily in the areas of public finances, national accounts and the labor market;
- in the field of customs regulations, it is necessary to adopt legal and by-law legislation with the aim to further harmonize the BiH customs regulations with the new EU customs regulations and to start the application of the New Computerised Transit System (NCTS) in BiH;
- undertake activities on further improvement of electronic business and methods of communication with the taxpayers, expansion of work methods and determination of risk in taxpayers' business;
- harmonize the legislation in the field of indirect taxes with the *acquis*;
- improve the public procurement system in BiH through adoption of legislation and improvement of the e-Procurement system (e-Nabave);
- carry out communication activities in line with the Action Plan for Implementation of the Communication Strategy for Informing the Public on the Process of Accession of BiH to the European Union;