







Introduction

In the South East Europe (SEE) region, businesses continue to identify corruption and lack of transparency as key constraints to economic growth and competitiveness. Similarly, the *OECD Competitiveness Outlook for South East Europe* from 2018 and 2021 found a number of policy shortcomings. These range from limited practical support for whistle-blowers and a lack of business integrity mechanisms to insufficient fining for anti-competitive behaviour and risks of politicisation of state-owned enterprises' governing boards.

The OECD Project Fair Market Conditions for Competitiveness in the Adriatic Region, funded by the Siemens Integrity Initiative, addresses these obstacles and provides the context for this manual. The Project aims to support the creation of a level playing field in three pilot countries from the region (Bosnia and Herzegovina, Croatia and Serbia) to enhance competitiveness and integrity. Levelling the competitive playing field can help boost productivity, efficiency, output quality and innovation. Eventually, a level playing field increases a country's level of competition and economic development as well as the economic well-being of its citizens. In this context, the Project's focus areas are 1) awareness raising about integrity standards and good practices; 2) capacity building and implementation support of recommendations on transparency and efficiency of anti-corruption and competition authorities; 3) promotion of knowledge on international standards and practices on anti-corruption and integrity in academic curricula.

By building on an extensive set of OECD analyses – primarily, the *OECD Competitiveness Outlook* – and good practices from OECD member countries, as well as input from external experts and stakeholders, several key recommendations have been developed. These recommendations are related to the areas of anti-corruption, competition and state-owned enterprises (SOEs) which are considered particularly relevant for creating fair market conditions.

To support efforts to create fairer market conditions, the Project has produced a number of key documents providing analysis and policy recommendations along implementation advice, notably three Country Profiles and a series of twelve Policy Briefs on key OECD instruments and standards.

This practical manual for Bosnia and Herzegovina brings together these different documents, thereby helping policy makers to navigate the extensive analysis and advice. It summarises the main policy recommendations for the country and maps, for each of them, where detailed guidance and practical implementation advice can be found to help policy makers advance concrete reforms and track progress in the implementation.

Reader's Guide to This Manual

This manual for Bosnia and Herzegovina brings together the different documents developed within the scope of the Project on <u>Fair Market Conditions for Competitiveness in the Adriatic Region</u> and helps policy makers to navigate this wealth of information.

Most crucially, this manual summarises in its core part – the "mapping" – the key policy recommendations developed in the Project across the three key components anti-corruption policy, competition policy and SOEs framework.

To help policy makers in Bosnia and Herzegovina access key information assisting them to design policy reforms and good practice advice in implementing them, the manual lists for each of the key policy recommendations the most important reference documents with policy guidance. It references, for instance, those chapters and sub-chapters of the Country Profile providing detailed information on the design of according policy reform. Similarly, it lists those Policy Briefs detailing key OECD tools that can assist policy makers in the design and the implementation of reforms. Additionally, it lists important OECD publications providing policy and implementation advice for the specific area that were developed outside the scope of the Project. As such, this manual gives policy makers in Bosnia and Herzegovina access to a wealth of information in a structured and easy-to-use way.

In its final section, this manual lists the relevant OECD bodies working on the relevant areas. This information is intended to allow policy makers to reach out to the OECD and its members to engage in policy dialogue and peer learning to benefit the continuous improvement of policy measures, thereby ensuring an enhanced impact of the implemented reforms.

Mapping of Main Policy Recommendations and Key Reference Documents

	Suggested Reform	Key Reference Document	
	Component	Name of Document	Type of Document
A:	Ensure political independence of the oversight institution for conflicts of interest with additional safeguards	OECD Publication: Fair Market Conditions for Competitiveness in Bosnia and Herzegovina (2022), Chapter 1.1	Country-specific diagnostics, policy recommendations and good practice advice
		OECD Publication: <u>The Governance of Regulators: Being an Independent Regulator</u> (2016)	Thematic policy guidance and implementation advice
	Establish rules for financial disclosure for public officials	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 1.1	Country-specific diagnostics, policy recommendations and good practice advice
n Policy		OECD <u>Policy Brief for the Adriatic Region on Open Government</u> (2022)	OECD instrument and good practice advice for the Adriatic Region
ption		OECD Publication: Public Integrity Handbook (2020), Chapter 9. Openness	Thematic policy guidance and implementation advice
Anti-Corruption	Harmonise whistle-blower protection with EU directive	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 1.1	Country-specific diagnostics, policy recommendations and good practice advice
An		OECD Policy Brief for the Adriatic Region on Whistle-blower Protection (2022)	OECD instrument and good practice advice for the Adriatic Region
		OECD Publication: <u>Committing to Effective Whistleblower Protection</u> (2016)	Thematic policy guidance and implementation advice
	Develop a dialogue platform to involve civil society	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 1.2	Country-specific diagnostics, policy recommendations and good practice advice
		OECD <u>Policy Brief for the Adriatic Region on Open Government</u> (2022)	OECD instrument and good practice advice for the Adriatic Region

	OECD Publication: How to Conduct Monitoring by Civil Society (2014)	Thematic policy guidance and implementation advice
Manage corruption risks in	OECD Publication: Fair Market Conditions for Competitiveness in Bosnia and Herzegovina (2022), Chapter 1.3	Country-specific diagnostics, policy recommendations and good practice advice
business board of directors	• OECD Publication: <u>Corporate Anti-Corruption Compliance Drivers, Mechanisms, and Ideas for Change</u> (2020), Chapter 3. How do Companies Assess their Corruption Risk, Chapter 4. What Anti-Corruption Measures do Companies Adopt	Thematic diagnostics and policy recommendations
	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 1.3	Country-specific diagnostics, policy recommendations and good practice advice
Deploy business ombudsmen for corruption related issues	OECD <u>Policy Brief for the Adriatic Region on Whistle-blower Protection</u> (2022)	OECD instrument and good practice advice for the Adriatic Region
	• OECD Publication: <u>The Role of Ombudsman Institutions in Open Government</u> (2018)	Thematic policy guidance and implementation advice
Ensure ownership disclosures for	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 1.3	Country-specific diagnostics, policy recommendations and good practice advice
legal entities in a central register in Federation of Bosnia and	OECD <u>Policy Brief for the Adriatic Region on Open Government</u> (2022)	OECD instrument and good practice advice for the Adriatic Region
Herzegovina	OECD Publication: <u>Building Effective Beneficial Ownership Frameworks</u> (2021), Chapter 3. Implementation Options to Ensure the Availability of Beneficial Ownership Information	Thematic policy guidance and implementation advice
Provide guidance on anti- corruption compliance for	OECD Publication: Fair Market Conditions for Competitiveness in Bosnia and Herzegovina (2022), Chapter 1.3	Country-specific diagnostics, policy recommendations and good practice advice
supervisory bodies of legal entities	OECD Publication: <u>Corporate Anti-Corruption Compliance Drivers, Mechanisms, and Ideas for Change</u> (2020), Chapter 5. Governmental Guidance on Applicable Law	Thematic diagnostics and policy recommendations
Ensure that third-party beneficiaries of bribery are	OECD Publication: Fair Market Conditions for Competitiveness in Bosnia and Herzegovina (2022), Chapter 1.3	Country-specific diagnostics, policy recommendations and good practice advice
covered by criminal codes	OECD Policy Brief for the Adriatic Region on Anti-Bribery (2022)	OECD instrument and good practice advice for the Adriatic Region

	OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997, updated in 2021)	Thematic policy guidance and monitoring instrument
Introduce lobbying regulation Establish independent specialised anti-corruption prosecutorial and judicial bodies	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 1.3	Country-specific diagnostics, policy recommendations and good practice advice
	OECD <u>Policy Brief for the Adriatic Region on Transparency and Integrity in Lobbying</u> (2022)	OECD instrument and good practice advice for the Adriatic Region
	OECD Publication: <u>Lobbying in the 21st Century - Transparency, Integrity and Access</u> (2021)	Thematic policy guidance and implementation advice
	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 1.4	Country-specific diagnostics, policy recommendations and good practice advice
	OECD Publication: The Independence of Prosecutors in Eastern Europe, Central Asia and Asia Pacific (2020), Chapter 1. Institutional Independence, Chapter 2. Individual Independence, Chapter 4. Specialised Anti-Corruption Prosecutor's Office	Thematic policy guidance and implementation advice
Collect and publish more data (on investigation, prosecution and	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 1.4	Country-specific diagnostics, policy recommendations and good practice advice
convictions) and strengthen sanctions	OECD Publication: Compendium of Good Practices on the Use of Open Data for Anti-Corruption (2017)	Thematic policy guidance and good practices

	Suggested Reform	Key Reference Document	
	Component	Name of Document	Type of Document
	Ensure that the competition council has adequate resources	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 2.1	Country-specific diagnostics, policy recommendations and good practice advice
		OECD <u>Policy Brief for the Adriatic Region on OECD Recommendations on Competitive Neutrality</u> (2022)	OECD instrument and good practice advice for the Adriatic Region
		OECD Publication: OECD Competition Trends (2020), Chapter 1. General Trends, Resources (Budget, Staff)	Thematic policy guidance and implementation advice
	Boost cartel enforcement and impose adequate fines	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 2.2	Country-specific diagnostics, policy recommendations and good practice advice
Policy		OECD <u>Policy Brief for the Adriatic Region on the OECD Competition Assessment Toolkit</u> (2021)	OECD instrument and good practice advice for the Adriatic Region
tition		OECD <u>Recommendation Concerning Effective Action Against Hard Core Cartels</u> (2019)	Thematic policy guidance and monitoring instrument
Competition	Extend the cooperation of the competition council with the public procurement agency to reduce risks of bid rigging	OECD Publication: Fair Market Conditions for Competitiveness in Bosnia and Herzegovina (2022), Chapter 2.2	Country-specific diagnostics, policy recommendations and good practice advice
		OECD <u>Policy Brief for the Adriatic Region on the OECD Public Procurement</u> <u>Principles</u> (2021)	OECD instrument and good practice advice for the Adriatic Region
		OECD Recommendation of the Council on Fighting Bid Rigging in Public Procurement (2021)	Thematic policy guidance and monitoring instrument
	Give the competition council the power to perform market studies	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 2.3	Country-specific diagnostics, policy recommendations and good practice advice
		OECD <u>Policy Brief for the Adriatic Region on the OECD Competition Assessment Toolkit</u> (2021)	OECD instrument and good practice advice for the Adriatic Region

	OECD <u>Competition Assessment Toolkit: Volume 3 - Operational Manual</u> (2019), Chapter 1.1. Types of Competition Assessment	Thematic policy guidance and monitoring instrument
Strengthen the capacities and the monitoring role of the public	OECD Publication: Fair Market Conditions for Competitiveness in Bosnia and Herzegovina (2022), Chapter 2.2	Country-specific diagnostics, policy recommendations and good practice advice
procurement agency and the procurement review body by	OECD <u>Policy Brief for the Adriatic Region on the OECD Public Procurement Principles</u> (2021)	OECD instrument and good practice advice for the Adriatic Region
increasing staff and providing training	OECD Recommendation of the Council on Fighting Bid Rigging in Public Procurement (2021)	Thematic policy guidance and monitoring instrument
	OECD Publication: Fair Market Conditions for Competitiveness in Bosnia and Herzegovina (2022), Chapter 2.2	Country-specific diagnostics, policy recommendations and good practice advice
Align the legislation on concessions and PPPs with EU acquis	OECD <u>Policy Brief for the Adriatic Region on the OECD Public Procurement Principles</u> (2021)	OECD instrument and good practice advice for the Adriatic Region
acquis	• OECD Publication: <u>Central Public Procurement Institutions in the Western Balkans</u> (2020), Chapter 1. Organisation of Central Public Procurement Functions, Chapter 2.2 Bosnia and Herzegovina	Thematic policy guidance and implementation advice
Harmonise the energy policy frameworks across energy	OECD Publication: Fair Market Conditions for Competitiveness in Bosnia and Herzegovina (2022), Chapter 2.1	Country-specific diagnostics, policy recommendations and good practice advice
sectors, markets and between entities	OECD <u>Policy Brief for the Adriatic Region on OECD Recommendations on Competitive Neutrality</u> (2022)	OECD instrument and good practice advice for the Adriatic Region
Advance the implementation of the EU's third energy package,	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 2.2	Country-specific diagnostics, policy recommendations and good practice advice
mainly regarding unbundling and third-party access	OECD <u>Policy Brief for the Adriatic Region on OECD Recommendations on Competitive Neutrality</u> (2022)	OECD instrument and good practice advice for the Adriatic Region

	Suggested Reform	Key Reference Document	
	Component	Name of Document	Type of Document
	Develop a state ownership policy and improve monitoring of SOEs	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 3.1	Country-specific diagnostics, policy recommendations and good practice advice
		OECD Policy Brief for the Adriatic Region on Anti-Corruption and State-Owned Enterprises (2022)	OECD instrument and good practice advice for the Adriatic Region
		OECD <u>Guidelines on Anti-Corruption and Integrity in SOEs</u> (2019), Chapter B. Exercise of State Ownership for Integrity	Thematic policy guidance and monitoring instrument
	Establish concrete criteria for independent and professional SOE boards	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 3.1	Country-specific diagnostics, policy recommendations and good practice advice
vork		OECD <u>Policy Brief for the Adriatic Region on Anti-Corruption and State-Owned Enterprises</u> (2022)	OECD instrument and good practice advice for the Adriatic Region
Framework		OECD <u>Guidelines on Anti-Corruption and Integrity in SOEs</u> (2019), Chapter C. Promotion of Integrity and Prevention of Corruption at the Enterprise Level	Thematic policy guidance and monitoring instrument
SOEs I	Require reports on non-financial performance, particularly for SOEs engaged in public-interest activities	OECD Publication: Fair Market Conditions for Competitiveness in Bosnia and Herzegovina (2022), Chapter 3.2	Country-specific diagnostics, policy recommendations and good practice advice
		OECD Policy Brief for the Adriatic Region on Anti-Corruption and State-Owned Enterprises (2022)	OECD instrument and good practice advice for the Adriatic Region
		OECD Publication: Ownership and Governance of SOEs: a Compendium of National Practices (2021), Chapter 3. Transparency and Integrity in the SOE Sector	Thematic policy guidance and good practices
	Undertake a review of SOEs reporting practices	OECD Publication: Fair Market Conditions for Competitiveness in Bosnia and Herzegovina (2022), Chapter 3.2	Country-specific diagnostics, policy recommendations and good practice advice
		OECD <u>Policy Brief for the Adriatic Region on Anti-Corruption and State-Owned Enterprises</u> (2022)	OECD instrument and good practice advice for the Adriatic Region

	OECD <u>Guidelines on Anti-Corruption and Integrity in SOEs</u> (2019), Chapter D. Accountability of SOEs and the State	Thematic policy guidance and monitoring instrument
	OECD Publication: Fair Market Conditions for Competitiveness in Bosnia and Herzegovina (2022), Chapter 3.2	Country-specific diagnostics, policy recommendations and good practice advice
Produce publicly available reports on the performance of the SOE sector	OECD <u>Policy Brief for the Adriatic Region on Anti-Corruption and State-Owned Enterprises</u> (2022)	OECD instrument and good practice advice for the Adriatic Region
	OECD Publication: <u>Transparency and Disclosure Practices of SOEs and their Owners</u> (2020), Chapter 3. Transparency and Disclosure by the State Owner	Thematic policy guidance and implementation advice
	OECD Publication: Fair Market Conditions for Competitiveness in Bosnia and Herzegovina (2022), Chapter 3.3	Country-specific diagnostics, policy recommendations and good practice advice
Ensure a level playing field when SOEs compete in the market (e.g. in public procurement)	OECD <u>Policy Brief for the Adriatic Region on Anti-Corruption and State-Owned Enterprises</u> (2022)	OECD instrument and good practice advice for the Adriatic Region
	OECD Publication: <u>Business and Finance Outlook</u> (2019), Chapter 4. Trust and the Level Playing Field – The Evolving State Ownership	Thematic policy guidance and implementation advice
Continue the establishment of SOE monitoring units to further professionalise SOE management	OECD Publication: <u>Fair Market Conditions for Competitiveness in Bosnia and Herzegovina</u> (2022), Chapter 3.4	Country-specific diagnostics, policy recommendations and good practice advice
	OECD Policy Brief for the Adriatic Region on Anti-Corruption and State-Owned Enterprises (2022)	OECD instrument and good practice advice for the Adriatic Region
	OECD Publication: Professionalising Boards of Directors of SOEs: Stocktaking of National Practices (2018)	Thematic policy guidance and good practices

Where do we go from there?

This manual for Bosnia and Herzegovina brings together the different documents developed within the scope of the Project on Fair Market Conditions for Competitiveness in the Adriatic Region and helps policy makers to navigate this wealth of information.

By mapping the main policy recommendations and key reference documents providing detailed advice on the design and the implementation of reforms, this manual is designed as a how-to-guide for policy makers in Bosnia and Herzegovina to access information as needed. In a concise and graphical way, it shows for each of the key reforms the relevant sources of information among the Country Profile chapters and chapter sections, the Policy Briefs and OECD documents developed outside the project scope.

As the economic context in Bosnia and Herzegovina evolves, so will need to change the policy settings.

Key insights on evolving policy practices are a key consideration for OECD bodies, including Committees and Working Groups. Accordingly, this section includes, an overview of the most relevant OECD bodies working on the relevant areas.

Should policy makers in Bosnia and Herzegovina wish to engage in further policy dialogue and peer learning, they can contact the OECD Committees and the Working Groups via the OECD Global Relations and Cooperation Directorate's <u>South East Europe Division</u>:

- Ms Anita RICHTER, Acting Head of the South East Europe Division: <u>Anita.RICHTER@oecd.org</u>
- Mr Hendrik BOSSHAMMER, Project Manager at the South East Europe Division: <u>Hendrik.BOSSHAMMER@oecd.org</u>

Please access the region project website for more information <u>Fair Market Conditions for</u> Competitiveness in the Adriatic Region Project Website

1. Competition Committee:

The primary purpose of the Competition Committee is to protect and promote competition based on rigorous research and analysis. It focuses on effective competition law enforcement, pro-competitive economic reform and improving the awareness about the benefits of competition for businesses and consumers.

The Committee produces the Competition Assessment Toolkit that helps to address issues on regulatory reform. It also holds several roundtables on subjects like the competition in the financial sector or the challenges that the digital economy raises for competition policy. Moreover, the Committee serves as a place to have discussion between legal and economic experts and competition policymakers, which can lead to the identification of good practices.

The Committee also oversees the work of three regional centres for competition, including the Regional Center for Competition in Budapest which focuses on the Central, East and South-East European region.

2. Corporate Governance Committee:

The primary purpose of the Corporate Governance Committee is to improve corporate governance policies, support good corporate practices and fulfil its responsibilities as the single international standard-setter in corporate governance.

The Committee publishes key documents and standards such as the *Recommendations of the Council on Principles of Corporate Governance* and on *Guidelines on Corporate Governance of State-Owned Enterprises*. The Principles of Corporate Governance were endorsed by G20 leaders and are the international benchmark for policymakers, investors, corporations and other stakeholders worldwide. The Committee also assists with corporate governance reforms as well as country specific projects.

3. Regulatory Policy Committee:

The primary purpose of the Regulatory Policy Committee is to strengthen the rule of law, support rule-based collaboration and promote evidence-based and innovative policymaking. It also focuses on regulatory impact assessment and administrative simplification. As such, the Committee supports policy makers in creating a fairer and more transparent environment for all economic actors.

The Committee offers guidance for effective and comprehensible regulations. It also supports policy makers to design and deliver, in collaboration with those concerned, resilient and equitable regulations. Moreover, the Committee promotes good practices and offers opportunities for the exchange of experience on a global scale notably through a partnership with about 50 international organisations.

4. Working Group on Bribery in International Business Transactions:

The primary purpose of the Working Group on Bribery in International Business Transactions is to monitor and ensure the compliance of its members vis-à-vis the *OECD Convention against Bribery of Foreign Public Officials in International Business Transactions* and related legal instruments (e.g. the 2009 and 2021 *Recommendation for Further Combating Bribery of Foreign Public Officials* or the OECD *Recommendation on Tax Measures for Further Combating Bribery*).

The Working Group encourages synergies between policy communities through breaking the silos, through open and frank exchange of information, through close co-operation in achieving common goals and through the elimination of competition among different policy communities. The Working Group also focuses on the adoption of new or changed legislation,

the development of the institutional set-up for fighting bribery and on ensuring effective investigations, of foreign bribery offences.

The Working Group leads the Anti-Corruption Network for Eastern Europe and Central Asia as a regional outreach programme in which Bosnia and Herzegovina is a member.

MANUAL FOR POLICY MAKERS BOSNIA AND HERZEGOVINA

FAIR MARKET CONDITIONS FOR COMPETITIVENESS IN THE ADRIATIC REGION PROJECT

High levels of corruption and lack of transparency are key constraints to economic growth in many countries worldwide. This Manual for Bosnia and Herzegovina aims to provide support to policy makers to access the wealth of information assembled within the scope of the Project on Fair Market Conditions for Competitiveness in the Adriatic Region and help them navigate these different documents to advance policy reforms. As such, this Manual summarises the main policy recommendations for the country and maps, for each of them, where detailed guidance and practical implementation advice can be found to help policy makers design concrete reforms and track progress in the implementation.

This Manual, along those for Croatia and Serbia, is one output of the three-year OECD project to promote fair market conditions for competitiveness in the Adriatic region, which is supported by the Siemens Integrity Initiative. Through Collective Action, government officials from the region as well as business leaders, anti-corruption experts and practitioners, civil society representatives and academics have engaged to jointly enhance integrity and transparency.

These efforts are part of the engagement of the OECD South East Europe Regional Programme, which has been collaborating with the region since 2000 to advance private sector development, improve the investment climate and raise living standards for an inclusive and sustainable future for the people of South East Europe.

www.oecd.org/south-east-europe oe.cd/fair-market-conditions