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**ANNEX:**  
**IPA 2010 – NATIONAL PROGRAMME PART II - BOSNIA AND HERZEGOVINA**

**1. IDENTIFICATION**

Beneficiary	Bosnia and Herzegovina
CRIS number	2010 / 022-674
Year	2010
Cost	EUR 6 000 000
Implementing Authority	European Commission in joint management the World Bank (WB), the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB)
Final date for concluding the financing agreement	at the latest by 31 December 2011
Final date for contracting	2 years from the date of the conclusion of the Financing Agreement.  No deadline for audit and evaluation projects covered by the Financing Agreement implementing this programme, as referred to in Article 166(2) of the Financial Regulation.  These dates apply also to the national co-financing.
Final date for execution	2 years from the final date for contracting.  These dates apply also to the national co-financing.
Sector Code	14020
Budget line concerned	22.020200
Programming Task Manager	DG ELARG C1
Implementation Task Manager	European Union Delegation to Bosnia and Herzegovina

**2. PRIORITY AXES / PROJECTS**

**2.1. Priority axes**

The IPA Component I 2010 National Programme part II for Bosnia and Herzegovina is in line with the Multi-Annual Indicative Planning Document (MIPD) 2009-2011 and builds on the assistance programmed under part I of the 2010 National Programme. The programme

continues to provide further support investments in the water and waste water infrastructure under priority axis 2 for economic criteria and thus constitutes a continuation of project fiche 11 on environmental infrastructure of part I of the 2010 National Programme.

The foreseen investments will be implemented in cooperation with EBRD, EIB and WB which will provide loans to the respective municipalities. Therefore, the IPA funds will leverage significant loans for major infrastructure investments. The EU's contribution will ensure that Bosnia and Herzegovina can conclude loan agreements with the respective IFIs. EBRD, EIB, and WB proposed projects which are ready to be implemented. A selection committee, composed of representatives of the EU Delegation to Bosnia and Herzegovina, the National IPA Coordinator and the line Ministries concerned selected the proposed project.

## 2.2. Description of the project per priority axis

No.	Economic Criteria	EU contribution in Euro	Project Description
11	Rehabilitation and construction of water and waste water infrastructure	6 000 000	<p><i>Project Purpose:</i> To support sustainable environmental development, generate local economic growth and create job opportunities through environmental infrastructure investments.</p> <p><i>Implementation:</i> The project will be implemented by joint management with the EBRD, the EIB, and the WB in accordance with Article 53d(1)(c) of the Financial Regulation.</p> <p>It is foreseen to conclude 1 contribution agreement for an indicative amount of EUR 2 500 000 with EIB, 1 contribution agreement for an indicative amount of EUR 1 000 000 with EBRD, and 1 administration agreement with the WB for an indicative amount of EUR 2 500 000. The signature of all agreements is planned for Q2/2011.</p>
	<b>TOTAL</b>	<b>6 000 000</b>	

## 2.3. Overview of past and ongoing assistance including lesson learned and donor coordination

So far, progress in the IPA implementation is not yet measurable because of delays in implementation. Bosnia and Herzegovina ratified the IPA Framework Agreement in July 2008. However the Commission could not start implementation of the IPA 2007 national programme before January 2009 because Bosnia and Herzegovina adopted only in December 2008 the legislation which was a prerequisite of the agreement to exempt all goods, services, works and grants provided under IPA from fees, custom duties and taxes. The implementation of IPA 2007 projects began in the first semester of 2009 and tendering of IPA 2008 mainly started in the second half of 2009.

Experience with previous Community Assistance for Reconstruction, Development and Stabilisation (CARDS) assistance as well as the recommendations of the evaluation of CARDS assistance to the Western Balkan countries in 2004 and the 2008 ad hoc evaluation of the CARDS Programme in Bosnia and Herzegovina leads to the following considerations:

(1) Increasing local ownership and gradual decentralisation of EU assistance to Bosnia and Herzegovina is essential for effective targeting of the support and achieving the agreed results. Significant efforts have been undertaken to involve Bosnia and Herzegovina's institutions in the planning and programming process of EU assistance.

(2) A number of assistance projects in Bosnia and Herzegovina did not achieve the expected results because of an insufficient sense of ownership on the part of the beneficiaries. Project implementation in Bosnia and Herzegovina carries various political risks, e.g. most of the projects to implement the European Partnership require reforms which are not necessarily endorsed by all competent authorities in Bosnia and Herzegovina.

(3) EU assistance must not only reflect European Partnership priorities but, in the broader sense of the Paris Declaration, must also be interlinked with Bosnia and Herzegovina's own development and action plans.

Donor coordination is ensured throughout the entire project management cycle from project design to implementation. In particular, the EU as the main donor, together with DFID, was involved in setting up an Aid Coordination Committee together with the Ministry of Finance, the Directorate for European Integration and the Directorate for Economic Planning. Coordination meetings on programming and assistance implementation are held with EU Member States every 3-4 months. The Commission also participates, and provides regular updates on the IPA programming process to a Donor Coordination Forum which comprises the EU Delegation and other bilateral and multilateral donors. Improved donor co-ordination has resulted in a division of labour in certain areas, in particular in infrastructure investments, where member states or other donors are carrying out projects which would otherwise not have been considered for financing.

Discussions with civil society organisations have proved positive in spheres of social development and education and these contacts will be widened in future years. In addition, in the course of the Programme preparation particular attention was given to the projects financed under the IPA Multi-Beneficiary Programmes managed by European Commission headquarters, which are linked to numerous sectors of common interest, such as justice, social issues, public administration, and environment.

#### **2.4. Horizontal issues**

Equal opportunity for participation of men and women and the minority representation will be assured in all aspects of programme implementation. Participation in project activities will be guaranteed on the basis of equal access regardless of racial or ethnic origin, religion or belief, disability, sex or sexual orientation.

The programme will contribute considerably to gender mainstreaming by implementation of specific project activities in the area of judiciary support in terms of equal access to services, jobs, income and education opportunities, as well as greater involvement of women in decision making and implementation of reforms.

The Programme will also continue to contribute to environmentally sustainable economic development by bringing the country closer to EU environmental standards through supporting investments in water and waste water facilities and solid waste infrastructures, while ensuring that the necessary environment and climate change impact assessments of investments are carried out.

#### **2.5. Conditions**

The programme includes the following conditionalities:

- The projects fiches are formally approved by exchange of letter between the Commission and the Government of Bosnia and Herzegovina.

- The Government will ensure that beneficiary institutions have adequate financial, material and human resources in that EU financial support is used in the most effective and sustainable manner possible.
- Beneficiary institutions will endorse tender documents, including terms of reference.
- Beneficiary institutions organise, select and appoint members (including gender and ethnic balance) of working groups, steering and coordination committees, and seminars as required by the project activities.

Additional project specific conditions are described in the project fiche. In the event that these conditions are not met, suspension or cancellation of the project or specific activities will be considered.

## 2.6. Benchmarks

	N		N+1 (cumulative)		N+2 (cumulative)	
	EU	NF*	EU	NF*	EU	NF*
Number of contribution agreements signed	2		2		2	
Number of administration agreement signed	1		1		1	
Contracting Rate (%)	100%		100%		100%	

"N" being the date of the conclusion of the Financing Agreement

\* National Funds in case of parallel national co-financing

## 2.7. Roadmap for the decentralisation of the management of EU funds without ex ante controls by the Commission

The Decentralised Implementation System (DIS) Strategy of Bosnia and Herzegovina was adopted in July 2008. In April 2010, the Council of Ministers of Bosnia and Herzegovina adopted decisions to nominate the Competent Accrediting Officer (CAO), the National Authorising Officer (NAO), and the National IPA Coordinator (NIPAC). The CFCU (Central Finance and Contracts Unit) and National Fund (NF) are established within the Ministry of Finance and Treasury and are functional although not yet fully staffed. The authorities of Bosnia and Herzegovina are supported in their decentralisation efforts by the Commission through a number of technical assistance projects for preparation of structures for all IPA components.

### 3. BUDGET (AMOUNTS IN EUR)

#### 3.1. Indicative budget table

Nr	Centralised management	Institution Building (IB)					Investment (INV)					Total		
		Total expenditure	IPA EU contribution	(1)%	National contribution*	(1)%	Total expenditure	IPA EU contribution	(1)%	National contribution*	(1)%	Total expenditure	Total IPA	(2)%
		EUR (a)=(b)+(c)	EUR (b)		EUR (c)		EUR (d)=(e)+(f)	EUR (e)		EUR (f)		EUR (g)=(a)+(d)	EUR (h)=(b)+(e)	
	<b>Priority axis 2 - Economic Criteria</b>	0	0		0		6 000 000	6 000 000	100	0		6 000 000	6 000 000	100
1	Rehabilitation and construction of water and waste water infrastructure	0	0		0		6 000 000	6 000 000	100	0		6 000 000	6 000 000	
	<b>TOTAL</b>	0	0		0		6 000 000	6 000 000	100	0		6 000 000	6 000 000	100

\* Contribution (public and private national and/or international contribution) provided by national counterparts

(1) Expressed in % of the total expenditure IB or INV (column (a) or (d)).

(2) Priority axis rows only. Expressed in % of the grand total of column (h). It indicates the relative weight of the priority with reference to the total IPA EU contribution of the entire Financing Proposal.

### **3.2. Principle of Co-Financing applying to the projects funded under the programme**

The EU contribution, which represents 100 % of the total budget allocated to this programme, has been calculated in relation to the eligible expenditure, which in the case of joint management is based on the total expenditure. However, there is considerable co-financing provided mainly in form of loans by EBRD, EIB and WB to the project. There is also considerable national co-financing which was already included in project fiche 11 under the IPA 2010 national programme part I. As the activities included for financing under this financing decision are a continuation of the activities already included in part I of the 2010 programme, there is no additional co-financing included in the present decision.

## **4. IMPLEMENTATION ARRANGEMENTS**

### **4.1. Method of implementation**

The programme will be implemented in accordance with Article 53d of the Financial Regulation and the corresponding provisions of the Implementing Rules by the European Commission by joint management with the WB, the EBRD, and the EIB. To this end, the Commission will conclude contribution agreements with EBRD and EIB and an administration agreement with the WB.

Joint management will be used to delegate implementation of tasks to international organisations. EBRD, EIB and the World Bank are concerned by this management mode. Both EBRD and EIB are currently subject to an assessment in relation to Article 53d of the Financial Regulation. In anticipation of the results of the assessment, the authorising officer deems that, based on longstanding and problem free cooperation with both the EBRD and EIB, joint management mode can be proposed and a convention can be signed in accordance with the provisions laid down in Article 43 of the Implementing Rules to the Financial Regulation.

### **4.2. General rules for procurement and grant award procedures**

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Union for the purposes of cooperation with third countries adopted by the Commission on 24 May 2007 C(2007)2034).

Grant award procedures shall follow the provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EU external actions" ("Practical Guide") as published on the EuropeAid website<sup>1</sup> at the date of the initiation of the procurement or grant award procedure.

The general rules for procurement and grant award procedures shall be defined in the respective contribution agreements between the Commission and EBRD and EIB and in the administrative agreement with the WB implementing such activities.

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<sup>1</sup> Current address: [http://ec.europa.eu/europeaid/work/procedures/implementation/works/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/works/index_en.htm)

### **4.3. Environmental Impact Assessment and Nature Conservation**

All investment shall be carried out in compliance with relevant EU environmental legislation. The procedure for environmental impact assessment as set down in the Environment Impact Assessment Directive will fully apply to all investment projects and the application of the European Principles for the Environment will be ensured.

## **5. MONITORING AND EVALUATION**

### **5.1. Monitoring**

The Commission may undertake any actions it deems necessary to monitor the programmes concerned. These actions may be carried out jointly with the international organisations concerned.

### **5.2. Evaluation**

Programmes shall be subject to ex ante evaluations, as well as interim and, where relevant, ex post evaluations in accordance with Articles 57 and 82 of IPA Implementing Regulation, with the aim of improving the quality, effectiveness and consistency of the assistance from EU funds and the strategy and implementation of the programmes.

The results of ex ante and interim evaluation shall be taken into account in the programming and implementation cycle. The Commission may also carry out strategic evaluations.

## **6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES**

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the European Union, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96<sup>2</sup>.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received EU funds.

## **7. NON SUBSTANTIAL REALLOCATION OF FUNDS**

The authorising officer by delegation (AOD), or the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management, may undertake non substantial reallocations of funds without an amending financing decision being necessary. In this context, cumulative reallocations not exceeding 20% of the total amount allocated for the

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<sup>2</sup> OJ L 292, 15.11.1996, p. 2.



programme, subject to a limit of EUR 4 million, shall not be considered substantial, provided that they do not affect the nature and objectives of the programme. The IPA Committee shall be informed of the above reallocation of funds.

#### **8. LIMITED ADJUSTMENTS IN THE IMPLEMENTATION OF THE PROGRAMME**

Limited changes in the implementation of this programme affecting elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature<sup>3</sup>, may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

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<sup>3</sup> These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.