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COMMISSION DECISION

C(2009)5114 of 01/07/2009

on a Multi-annual Indicative Planning Document (MIPD) 2009-2011 for Bosnia and Herzegovina

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)¹, and in particular Article 14 (2) (a) thereof,

Whereas:

- (1) Regulation (EC) No 1085/2006 creates a coherent framework for Community assistance for candidate countries and potential candidate countries. Article 6 (1) of that Regulation requires that the assistance shall be provided on the basis of Multi-annual Indicative Planning Documents established per country in close consultation with the national authorities. On 24 May 2007, the Commission adopted the MIDP 2007–2009 for Bosnia and Herzegovina². On 16 September 2008, the Commission adopted the MIPD 2008 – 2010 for Bosnia and Herzegovina³.
- (2) In accordance with Article 6 (3) of Regulation (EC) No 1085/2006 assistance for countries listed in Annex II to that Regulation shall be based on the European Partnerships and cover the priorities and overall strategy, resulting from a regular analysis of the situation in the country and on which preparation for further integration into the European Union must concentrate.
- (3) Bosnia and Herzegovina is listed in Annex II to Regulation (EC) No 1085/2006.
- (4) On 18 February 2008, the Council adopted the European Partnership with Bosnia and Herzegovina⁴.
- (5) This Decision is in accordance with the opinion of the IPA Committee set up under Article 14 of Regulation (EC) No 1085/2006.

¹ OJ L 210, 31.7.2006, p. 82

² C(2007)2255 of 24 May 2007

³ C(2008)5144 of 16 September 2008

⁴ Council Decision 2008/211/EC of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with Bosnia and Herzegovina (OJ L80/18, 19.3.2008)

HAS DECIDED AS FOLLOWS:

Sole Article

The Multi-annual Indicative Planning Document (MIPD) for the years 2009-2011 for Bosnia and Herzegovina attached to the present Decision is hereby adopted.

Done at Brussels,

For the Commission

Member of the Commission

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Instrument for Pre-Accession Assistance (IPA)

**Multi-annual Indicative Planning Document
(MIPD)**

2009-2011

Bosnia and Herzegovina

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TABLE OF CONTENTS

1.	Section 1 – Assessment of past and ongoing assistance	4
1.1.	Introduction	4
1.2.	Overview of past and ongoing assistance (EC and other assistance) including lessons learned	4
1.2.1.	Overview of EC past and on going assistance	4
1.2.2.	Overview of past and ongoing multilateral and bilateral assistance	7
1.2.3.	Lessons learned	8
2.	Section 2 – Pre-accession assistance strategy for the period 2009-2011	9
2.1.	Introduction	9
2.2.	Strategic objectives and choices for IPA assistance during the period 2009-2011....	10
2.2.1.	Strategic objectives for IPA assistance during the period 2009 - 2011	10
2.2.2.	Strategic choices for IPA assistance during the period 2009-2011.....	12
2.3.	Multi-annual planning by component	14
2.3.1.	Component I - Transition Assistance and Institution Building.....	14
2.3.1.1.	Political Criteria	14
2.3.1.2.	Economic Criteria	16
2.3.1.3.	Ability to assume the obligations of membership.....	17
2.3.1.4.	Supporting programmes	20
2.3.1.5.	Support activities.....	20
2.3.2.	Component II – Regional and cross-border cooperation	21
2.3.2.1.	Current programmes under IPA component II for Cross-Border Cooperation (CBC)	21
2.3.2.2.	Priorities for cross-border cooperation programmes.....	21
2.3.2.3.	Expected results of cross-border cooperation programmes	22
	Annex 1	24
	Indicative allocations to main areas of intervention for the period 2009-2011	24
	Annex 2	25
	Overview of EC assistance under CARDS and IPA	25
	Annex 3	26

Contracting and disbursement rates under ongoing programmes 26

Annex 4 27

Cross-cutting issues..... 27

Annex 5 28

List of Abbreviations..... 28

Executive Summary

The Stabilisation and Association Agreement (SAA) with Bosnia and Herzegovina (BiH) was initialled in December 2007 following progress in the four key areas¹. After the adoption of the two police laws² in April 2008, the SAA was signed in June 2008 together with an Interim Agreement which focuses on trade and other Community-related competencies. The Interim Agreement entered into force on 1 July 2008. The BiH presidency ratified the SAA in November 2008.

Political criteria: Since the preparation of the precedent strategy papers (MIPD 2007 – 2009 and MIPD 2008 - 2010), Bosnia and Herzegovina has made only limited progress in implementing the remaining reforms required by the Stabilisation and Association Process (SAP). It is a continuing and considerable challenge for Bosnia and Herzegovina to comply with the political requirements of the SAP by increasing the effectiveness of its executive and legislative bodies, improving co-ordination between the State and Entities and to agree on the reform of its police structure. IPA can assist in the strengthening of administrative capacity, can support domestic efforts on constitutional reform, and can assist in the reform of the police and the judicial system. But substantial political risks relate to this core reform areas and resistance of key political stakeholders may impede the success of the reforms. The Commission will consider those risks in the programming of its assistance.

To continue support for the political criteria, this MIPD places further emphasis on the civil society dialogue, the development of independent and professional media and the preservation of the cultural heritage. IPA can assist in the fight against corruption and support Bosnia and Herzegovina in meeting its obligations towards returnees, minorities and vulnerable groups.

Economic criteria: Several economic indicators raise concerns, including the high unemployment rates and external imbalances. In addition, slippages in public spending create obstacles to social and economic recovery. To assist the country in complying with the economic criteria of the SAP, IPA can support stabilising the macro-economic environment and reducing and improving the quality of public spending to create a favourable business climate. The reform of the education system and of the labour market and the development of a research policy should contribute to foster employment. Further sectors supported under the economic requirements are trade, health, small and medium enterprises (SMEs) and local economic development. IPA offers assistance to soften the impact of the financial and economic crisis on Bosnia and Herzegovina by stepping up its cooperation with International Financing Institutions and by enforcing its efforts to support the development of SMEs and to support the institution-building of regulators and supervisors in the financial sector.

Ability to assume the obligations of membership: Bosnia and Herzegovina made so far only limited progress in the approximation of its legislation and policies with the *acquis*. To assist the country in complying with the *acquis*-related requirements of the SAP, IPA can support the development and the implementation of strategies and policies to approximate to the European *acquis* in the areas of internal market, sectoral policies and justice, freedom and

¹ The conditions set for the initialling of the SAA were 1) implementation of police reform in compliance with the October 2005 agreement on police restructuring; 2) full co-operation with the ICTY; 3) adoption and implementation of all necessary public broadcasting legislation; and 4) developing the legislative framework and administrative capacity to allow for proper implementation of the SAA.

² Law on Independent and Supervisory Bodies of the Police Structure of BiH and Law on Directorate for Coordination of Police Bodies and Agencies for Support of Police Structure of BiH.

security. IPA places emphasis on agriculture and rural development, transport and energy. Support is also provided for the environment, quality infrastructure, customs and taxation.

Cross-Border cooperation: Assistance under the Cross-Border Cooperation component is supporting Bosnia and Herzegovina's participation in cooperation with its neighbours Croatia, Montenegro and Serbia, its participation in the Adriatic IPA cross-border programme with EU Member States and other Western Balkan Countries (Albania, Croatia, Montenegro, and Serbia) and in the European Regional Development Fund (ERDF) transnational programmes "South East Europe" and "Mediterranean".

As a potential candidate country, Bosnia and Herzegovina benefits from the first two components of IPA; component I for Transition Assistance and Institution Building and component II for Cross-Border Cooperation. The indicative allocation to Bosnia and Herzegovina under the Multi-annual Indicative Financial Framework (MIFF) for 2009-2011 amounts to EUR 303.2 million. Within component I, 30 – 40 % is indicatively allocated to assist the country to comply with the political criteria, 25 – 35 % to the economic criteria, and 30-40 % to the *acquis* related requirements.

1. SECTION 1 – ASSESSMENT OF PAST AND ONGOING ASSISTANCE

1.1. Introduction

IPA assistance for the period 2009 – 2011 will build on assistance programmed under IPA in 2007 and 2008, the Community Assistance for Reconstruction, Development and Stabilisation Programme (CARDS) 2001 – 2006 and the earlier PHARE and OBNOVA programmes (1995 – 2000). In particular, IPA will make use of the institutions, the strategies, and the existing pipeline of projects which have been developed and supported under preceding programmes.

IPA is implemented in Bosnia and Herzegovina through the European Commission Delegation as a centralised managed programme. In October 2008, the Government designated a National IPA Coordinator (the State Minister of Finance and Treasury), who acts as the representative of Bosnia and Herzegovina vis-à-vis the European Commission. He is supported by the Directorate for European Integration (DEI). The European Commission and Bosnia and Herzegovina have set up a Programming Management Committee and a Project Programming Committee, both composed of representatives of DEI and the Commission Delegation to ensure that the programming of Community assistance is adequately co-ordinated.

The revised MIPD takes into account the recommendations of the 2008 Progress Report and is consistent with the 2008 European Partnership and the Enlargement Strategy.

1.2. Overview of past and ongoing assistance (EC and other assistance) including lessons learned

1.2.1. Overview of EC past and on going assistance

Since the end of the war in 1995, Community assistance to Bosnia and Herzegovina has totalled EUR 2.8 billion. Between 1995 and 2001, the Community provided more than EUR 540 million for humanitarian assistance. The PHARE, OBNOVA and CARDS programmes provided more than EUR 1 billion to Bosnia and Herzegovina, of which EUR 503 million

under the CARDS programme in the years 2001 to 2006. IPA has provided EUR 137 million since 2007.

While the first years of OBNOVA and CARDS focused on the restoration of the infrastructure and the return of refugees and internally displaced persons, the emphasis since 2003 shifted to institution-building and to assistance to Bosnia and Herzegovina in complying with the priorities of the European Partnership. The priorities of CARDS in the years 2005 and 2006 were democratic stabilisation, good governance and institution building, including administrative capacities and justice and home affairs, and economic and social development, including environment and the participation of Bosnia and Herzegovina in Community programmes. Since 2007, through its national and multi-beneficiary programmes, IPA addresses the political and economic requirements in the framework of the Stabilisation and Association Process and approximation to European Standards, mainly to support Bosnia and Herzegovina to establish regulatory systems and preparing for IPA pre-structural funds, and supports the participation in cross-border cooperation programmes with neighbouring countries and EU Member States.

The Tempus programme has provided considerable support for the modernisation and the reform of the higher education system in Bosnia and Herzegovina. Since 1997, Tempus has funded almost 90 cooperation projects with EU higher education institutions in the areas of curriculum development, university management and structural reform. The programme has been highly effective in developing human resources and building capacity in public administration bodies, civil society, and industry. It has also generally led to greater cooperation, not just through Tempus, but more importantly, at the national level.

Bosnia and Herzegovina benefits from the regional CARDS programme (now the IPA multi-beneficiary programme), which supports measures of common interest in the Western Balkans, such as infrastructure development, institution building, the implementation of the Central European Free Trade Agreement (CEFTA) and regional trade integration and cross-border cooperation. The budget for the regional CARDS programmes for the period 2002 to 2006 amounts to EUR 280 million with a further EUR 241.1 million for IPA since 2007. In addition, the regional programme supported areas of key importance for European integration, such as taxation and customs, statistics, public administration via the OECD Support for Improvement in Governance and Management (SIGMA) and horizontal support via the Technical Assistance Information Exchange Office (TAIEX). *Inter alia*, important achievements of the regional programme include cooperation between regional prosecutors and mutual legal assistance between the courts, improved police cooperation, integrated border management and cooperation on migration issues.

Community funds were provided to support the EU Police Mission (EUPM) with EUR 124 million, and the Office of the High Representative (OHR) and the EU Special Representative (EUSR) with EUR 135.6 million. Bosnia and Herzegovina remains a focus country for the European Instrument for Democracy and Human Rights. Support for de-mining was provided under the Anti-Land Mines Action Programme.

Bosnia and Herzegovina benefited from the LIFE Third Country environmental programme with a focus on integrating environmental activities. LIFE projects promoted successfully capacity building of environmental institutions such as waterworks association and the development of environmental tools and technologies including cleaner production techniques, control of diffuse sources of pollution, and action plans for wetlands. The LIFE Third Country programme will not be continued.

From 2002 to 2006, Bosnia and Herzegovina benefited from EUR 60 million of EC macro-financial assistance (MFA), composed of a EUR 20 million loan component and a EUR 40 million grant element. This MFA successfully contributed to macro-economic stability, by easing the country's external financial constraints and improving the foreign reserves position. The MFA conditionality which covered areas like public finance and administration reform, financial sector reform, private sector development and the business environment had a positive impact on the growth potential of the economy.

EC assistance was successful in the reconstruction of infrastructure after the war and in supporting the return of refugees and displaced persons. Bosnia and Herzegovina benefited from integrated reconstruction programmes involving buildings, houses, water and energy and transport networks. For returnees, more than 40,000 houses were reconstructed, hand in hand with the rebuilding of health centres, schools and the revival of small businesses. The social and economic reintegration of returnees requires further support.

Further success stories under CARDS include the establishment of the Indirect Taxation Authority (ITA) and the introduction of the value added tax. The European Commission has substantially invested in the reform process of the judiciary. A remarkable result of these efforts is the High Judicial and Prosecutorial Council which became operational in 2004. The Commission assists in the implementation of the police laws which had been agreed in 2008, has successfully supported professional training of the police forces and has invested in the improvement of technical standards.

Despite the efforts of EC assistance to support key reform priorities, progress has been rather limited in terms of state building, governance and rule of law implementation, as well as in the approximation to European Standards. The complex constitutional set-up, insufficient political support and an overall weak administrative capacity have not been conducive to reform implementation.

Overview of past and on going EC assistance (million EUR)

Phare/Obnova	778
Humanitarian assistance	540
CARDS	503
Regional CARDS	280
IPA Multi-beneficiary Programme	241
EUPM	124
OHR/EUSR	136
Macro-financial assistance	60
IPA 2007/2008	137
Total	2799

1.2.2. Overview of past and ongoing multilateral and bilateral assistance

To increase effectiveness and efficiency in the delivery of assistance through donor coordination, the Commission and EU Member States shall ensure coordination of their respective assistance programmes. This coordination is extended also to International Financing Institutions (IFI) and other non-EU donors.

Donor coordination in Bosnia and Herzegovina has significantly increased through the establishment of a Donor Coordination Forum (with rotating chairmanship) which comprises the European Commission, the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF), the United Nations Development Programme and the United Nations Resident Coordinator (UNDP/UNRC) and the World Bank (WB), as well as the major bilateral donors. The European Commission provides the forum and EU Member States with regular updates on the IPA programming process. All participants contributed to a donor mapping study that enhances the coordination of financial support.

The European Commission, with the support of the UK Department for International Development (DfID) and the UNDP are working with the Ministry of Finance and Treasury to enhance the capacity of the Board for Coordination of International Assistance. The Board is supported by the DEI and the Directorate for Economic Planning.

At central level, coordination meetings with IFIs as well as with EU and non-EU donors are organised on a regular basis. They focus primarily on strategic orientations and regional dimension of IPA planning and programming. Additionally, the coordination between the Commission and EU Member States takes place on a regular basis in the context of the IPA Committee.

While the World Bank has focused on structural reforms, the European Commission is the main actor supporting institution-building at State level. Bilateral assistance primarily focuses on support for sector policies at local or municipal level. Close coordination is also maintained with the World Bank, EBRD, the European Investment Bank (EIB) and the German Kreditanstalt für Wiederaufbau (KfW) in the field of transport, energy and environmental infrastructure, where the European Commission finances designs, studies, works and technical assistance to help to meet the conditions for investment by the IFIs. In addition, the European Commission and the IFIs cooperate in the Infrastructure Projects Facility.

Beside EC assistance, numerous other donors assist Bosnia and Herzegovina. Support for **public administration reform is mainly provided by** Sweden, the Netherlands, the United Kingdom, the Organisation for Security and Cooperation in Europe (OSCE), UNDP, World Bank and the USA. The Public Administration Reform (PAR) Fund is a special form of cooperation, to which United Kingdom (UK), Sweden and the Netherlands contribute. The European Commission contributes by providing umbrella assistance to the PAR Coordinator's Office.

In the police and security sector, assistance is provided by France, Germany, the UK, Spain, EUPM, the OSCE and the USA. The justice sector is supported by the USA, Canada, Germany, UK, Sweden, Norway, Spain, the Netherlands, France, and Austria.

Civil society and media are supported by Sweden, the UK and the USA. Austria, Germany, Hungary, Ireland, Slovenia, Spain, Sweden, the Netherlands, the UK, UNDP, the United Nations High Commissioner for Refugees (UNHCR), the World Bank, Canada, Japan,

Norway, Switzerland and the USA contribute to the protection of human rights and minorities.

Economic development is supported by Austria, France, Germany, Italy, Sweden, the Netherlands, United Kingdom, EBRD, EIB, World Bank, Switzerland, and the United States Agency for International Development (USAID). As regards education, employment and health, the main contributors are Austria, Denmark, Finland, France, United Kingdom, Council of Europe (CoE), the World Health Organisation (WHO), the World Bank, Canada, Switzerland and USAID.

Germany, Italy, Spain, Sweden, United Kingdom, EBRD, EIB, World Bank, Canada, Japan, Norway Switzerland and USAID support approximation to European standards (including food safety, energy, agriculture and environment).

The above described coordination mechanisms ensure that EC assistance and the assistance of other donors produce synergies and are, as much as possible, complementary.

1.2.3. Lessons learned

Experience with previous CARDS assistance as well as the recommendations of the evaluation of the 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:

Increasing local ownership and gradual decentralisation of EC 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 EC assistance. The DEI benefits from substantial institution and capacity building support.

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. The lesson learned is that EC assistance must not only reflect European Partnership priorities but, in the broader sense of the Paris Declaration, must also be interlocked with Bosnia and Herzegovina's own development and action plans. Future EC assistance will promote ownership by ensuring that projects are in line with Bosnia and Herzegovina's own reform strategies and by enhanced participation of future beneficiaries in the programming process. This will be supported by the demand for gradually increased co-financing of EC assistance. A new Country Development Strategy is in preparation and should be finalised before the end of the year 2009.

The interim evaluation (Phare 1999 – 2002) and the ex-post evaluation (Phare 1999 – 2001) of EC pre-accession assistance have highlighted a number of lessons that may be drawn for future assistance. Especially the latter's recommendations on better balancing the three Copenhagen criteria and support for a broader, multi-pronged approach to address political criteria, in particular to public administration reform, have led to a stronger focus in the MIPD on the political criteria. The 2008 Ad Hoc Evaluation of the CARDS programme confirmed that political consent is a pre-requisite to establish or reform institutions or to re-balance State and Entity responsibilities.

A recent audit by the European Court of Auditors on EC support for the judicial sector noted shortcomings on the side of the beneficiaries in ensuring the maintenance of buildings,

infrastructure and equipment financed by the European Commission. Future EC investments will be conditional on increased efforts by Bosnia and Herzegovina to ensure follow-up maintenance.

In the course of programming the IPA National Programmes 2007 and 2008, the Commission and the beneficiaries identified a number of proposed projects which carried political risks of various degrees, i.e. most of the projects to implement the European Partnership require reforms which are not necessarily endorsed by all competent authorities in Bosnia and Herzegovina. During the programming, the Commission and the beneficiaries minimised the risks by pre-selecting projects where the following conditions were met, to the extent required for implementing the project:

- Existence of a political agreement
- Appropriate legal/regulatory framework in place
- Existence of sufficiently equipped institutions with adequate absorption capacity

The Commission will further develop the risk assessment methodology for the programming of future annual national programmes.

2. SECTION 2 – PRE-ACCESSION ASSISTANCE STRATEGY FOR THE PERIOD 2009-2011

2.1. Introduction

Bosnia and Herzegovina's authorities were formally consulted on the MIPD through the National IPA Coordinator.

The views of civil society actors in Bosnia and Herzegovina were taken into account through consultation on the priorities and the scope of the present MIPD. The Commission met with representatives of different civil society networks and received positive feedback on the draft planning document.

The Commission met in Sarajevo with representatives of EU Member States, the Office of the High Representative/European Union Special Representative (OHR/EUSR), the United Nations Development Programme (UNDP), the World Bank (WB), the European Bank for Reconstruction and Development (EBRD) and bilateral donors to discuss the strategic orientation of the planning document and to get feedback on their assistance programmes in Bosnia and Herzegovina. Their suggestions and proposals were duly considered.

The Commission organised a Donor Coordination Conference in October 2008 where the Commission and Member States, together with the IFIs and non-EU donors, agreed to an active and affirmative approach concerning the need for enhanced donor coordination. It was agreed that the Multi-Annual Indicative Planning Documents could become a strategic instrument for donor coordination and that the consultation on the 2009-2011 MIPDs will be used as a key tool to determine areas of common interest and possibilities for sector coordination and division of labour. The results and plans for action stemming from such consultation will be reported at the next donor conference scheduled for April 2009 in Albania.

In 2008, BiH has taken first steps to prepare the decentralised management of Community funds. The Council of Ministers of Bosnia and Herzegovina adopted a revised Strategy for the Implementation of the Decentralised Implementation System (DIS). A DIS working group meets regularly and reviews the training plans for the National Fund and the Central Financial and Contracting Unit (CFCU). The first round of recruitment for the National Fund and the CFCU is completed and training is ongoing. The remaining positions are advertised. In October 2008, the Council of Ministers of Bosnia and Herzegovina appointed an IPA Coordination Board, which is composed of the State Minister of Finance and Treasury, the Entity Ministers of Finance, the Director of the Directorate of European Integration and one representative of the two entity governments respectively. The Council of Ministers designated the State Minister of Finance and Treasury as the National IPA Coordinator (NIPAC).

2.2. Strategic objectives and choices for IPA assistance during the period 2009-2011

2.2.1. Strategic objectives for IPA assistance during the period 2009 - 2011

The objectives of EC assistance to Bosnia and Herzegovina result from the needs assessment described in general in this section. They are in line with the Enlargement Strategy, the findings of the 2008 Progress Report and the recommendations of the European Partnership. They take into account Bosnia and Herzegovina's own sectoral reform and development strategies. The main strategic objective of the pre-accession assistance to Bosnia and Herzegovina is to support the country in its transition from a potential candidate country to a candidate country, through to membership of the European Union. IPA will support Bosnia and Herzegovina to meet the criteria to prepare for membership.

IPA will continue to support Bosnia and Herzegovina's efforts mapping out and implementing its overall reform and development strategies as far as these strategies help to fulfil the requirements for EU integration.

Since the preparation of the previous strategy papers (MIPD 2007 – 2009 and MIPD 2008 - 2010), Bosnia and Herzegovina has made only limited progress in implementing the reforms required by the Stabilisation and Association process (SAP). The IPA National Programme 2007 has been adopted by the European Commission in December 2007. Bosnia and Herzegovina ratified the IPA Framework Agreement in July 2008. The IPA Annual National Programme 2008 has been adopted in October 2008 (part I) and in December 2008 (part II). The European Commission could not start with the implementation of the IPA until recently because Bosnia and Herzegovina has only adopted its legislation to the prerequisite of the IPA Framework Agreement to exempt all goods, services, works and grants provided under IPA from fees, custom duties and taxes in December 2008.

Considering the implementation capacities of the Commission services and the absorption capacities of the beneficiary institutions, the Commission may reduce the number of institution-building projects in the National Programme 2009 and increase the funding for infrastructure projects.

With no real progress on the reform agenda and with no feedback and lessons learned from the precedent strategy papers, the needs assessment (based on a comparison of the actual progress in reform areas as described in the 2008 progress report and the progress expected in the framework of the SAP) did not lead to a change in the priorities identified in the previous documents.

The following key reform areas have been selected on the basis of their relative importance in terms of Bosnia and Herzegovina fulfilling the requirements of the SAp and in consideration of the comparative advantage of the Commission in certain areas, i.e. *acquis* related matters.

These priorities have been outlined in the three key areas of political criteria, economic criteria and the ability to assume the obligations of membership, as well as the requirement of Bosnia and Herzegovina's participation in cross-border co-operation.

The continuing challenge for Bosnia and Herzegovina is to increase the effectiveness of the executive and legislative bodies and to strengthen institutions and the co-ordination between State and Entities.

Several economic indicators raise concerns, including the high unemployment rates and external imbalances. In addition, slippages in public spending create obstacles to social and economic recovery. Public finances are overstrained. The challenges for Bosnia and Herzegovina are to stabilise the macro-economic environment, to reduce public spending and to improve its quality (i.e. to ensure that preference is given to public spending that stimulates economic growth), to create a favourable business climate, to reform the education system, to adopt active labour market measures and to reduce structural rigidities which distort the functioning of the labour market. Within Bosnia and Herzegovina, obstacles continue to make it difficult for businesses and employees to move from one Entity to another. Diverse regulatory and administrative provisions, including in the current pension and health systems, do not ensure portability of rights, and in some occasions hinder the mobility of labour, goods and services.

To soften the impact of the financial and economic crisis, the Commission will increase its allocation to the socio-economic sector and will increase its support for economic regulators, small and medium enterprises and investment in infrastructure. On 27 November 2008 the European Commission announced the European Economic Recovery Plan, in which solidarity and support is extended to the candidate and potential candidate countries of South East Europe. The support of the recovery plan for Bosnia and Herzegovina will be channelled through the IPA multi beneficiary programme.

As a potential candidate country, Bosnia and Herzegovina has to approximate gradually its legislation and policies with the *acquis* and has to develop the relevant administrative capacity. Progress so far is limited.

Based on the above needs assessment the following conclusions have been drawn:

Community assistance will support Bosnia and Herzegovina's efforts to comply with the *political criteria* of the European Partnership. Priority will be given to assistance with the aim of strengthening administrative capacity and supporting domestic efforts towards constitutional reform, ensuring that Bosnia and Herzegovina becomes a more democratic, sustainable and functional state. A second priority will be support for Bosnia and Herzegovina's civil society and the promotion of civil society dialogue.

Community assistance will support Bosnia and Herzegovina's efforts to comply with the *economic criteria* of the European Partnership. Priority will be given to assistance with the aim of creating employment and softening the impact of the financial and economic crisis.

Community assistance will support Bosnia and Herzegovina's efforts to increase its *ability to assume the obligations of membership* in the areas of internal market, sectoral policies, and

justice, freedom and security. Considering the potential of the agriculture sector to contribute to overall economic growth and development and that more than 50% of the population live in rural areas and is dependent on the agriculture sector for its livelihood, priority will be given to assistance aiming at reforming the agriculture sector and contributing to rural development. Also taking into consideration the importance of transport and energy for industrial growth and overall economic development, assistance to support the transport and energy sectors will be a further priority. Preference will be given to *acquis*-related support contributing to institution and state-building.

2.2.2. *Strategic choices for IPA assistance during the period 2009-2011*

Based on the operational needs assessment and priorities in paragraph 2.2 above, on the lessons learned from the implementation of previous assistance and on the feedback received from the consultation with national authorities, EU Member States, international organisations and civil society representatives, the following strategic choices have been made:

Under Component 1 - Transition Assistance and Institution Building, IPA will support Bosnia and Herzegovina to cope with the political, economic and *acquis* related criteria of the Stabilisation and Association process.

Political criteria

IPA will support the public administration reform, including support for the customs and taxation administration, the reform of the judiciary and of the police. The emphasis will be on institution building. It will support domestic efforts on the constitutional reform process. Bosnia and Herzegovina will be supported in implementing these reforms in a fiscally responsible way i.e. through assistance to identify and implement savings at all levels of Government.

One of the lessons learned in the implementation of the CARDS programme in Bosnia and Herzegovina, confirmed by the results of the 2008 Ad Hoc Evaluation of the CARDS programme in Bosnia and Herzegovina, is that political consent is a pre-requisite to establish or reform institutions or to re-balance State and Entity responsibilities. Support will be conditional on reliable consent amongst the relevant political stakeholders.

Support will be provided for the development of the media and the civil society, to contribute to the democratic stabilisation and the social and economic development of the country.

Assistance will contribute to overcoming the legacy of the war through support for the return process, notably for the social and economic integration of returnees and support for demining and assistance to mine victims. It will support the social and economic inclusion of minorities and vulnerable groups.

IPA assistance will put emphasis on the protection of the cultural heritage in the context of the "Ljubljana Process"³

Economic criteria

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http://www.coe.int/t/dg4/cultureheritage/Regional/SEE/IRPPSAAH/IRPPSAAH_LjubljanaProcess_en.asp#TopOfPage

IPA will assist Bosnia and Herzegovina's economic development by supporting the establishment of regulatory capacity and the enhancement of entrepreneurial know-how. It will support the development of the Small and Medium Enterprise (SME) sector, the economic development of the regions, and will improve trade policies. Education reform and developing a national strategy on research will promote the development of economy and society and active labour market measures shall assist in combating unemployment. The health sector will be reformed to ease the burden on public finances and to deliver adequate health care to citizens.

IPA will provide assistance to soften the impact of the financial and economic crisis by increasing its support for economic regulators, SMEs, and by assisting Bosnia and Herzegovina in investing in infrastructure.

Ability to assume the obligations of membership

IPA will assist Bosnia and Herzegovina to cope with the approximation to the European *acquis* in the internal market, the sectoral policies, and in justice, freedom and security. Emphasis will be placed on the development and implementation of strategies and policies and a regulatory framework compatible with European standards. IPA will support the implementation and enforcement of the sectoral policies and the preparation for IPA components III, IV and V.

Cross-border cooperation

Through component II, IPA will support cross-border co-operation by supporting joint projects at the borders with Croatia, Montenegro and Serbia and with EU Member States and other Western Balkan Countries (Albania, Croatia, Montenegro and Serbia) through the IPA CBC Adriatic Programme and by supporting Bosnia and Herzegovina's participation in joint projects under the European Regional Development Fund's (ERDF) transnational programmes "South-East Europe" (SEE) and "Mediterranean" (MED).

Especially within component I, IPA builds on Bosnia and Herzegovina's sectoral reform strategies or will support the definition and development of sectoral strategies where necessary. Beside the previously mentioned public administration reform strategy, the strategy for the Implementation of Decentralised Implementation, and the EU integration strategy, Bosnia and Herzegovina has adopted or is developing a number of important reform strategies. The following enumeration by sector is not exclusive and summarises the most relevant strategies in the identified priority sectors.

Assistance for complying with the political criteria will also build on the judicial reform strategy, the strategy of public internal financial controls, the strategy against corruption and organised crime, and others.

Assistance for complying with the economic criteria will build on the SME development strategy, the World Trade Organisation (WTO) and CEFTA accession and implementation plans, the different education reform strategies (i.a. the vocational education and training (VET) strategy, the draft strategy in adult education and the draft action plan on recognition of higher education qualifications), the national review of employment policies, the draft strategic plan on health care reform, and others.

Assistance to increase the ability to assume the obligations of membership and compliance with European standards will build i.a on the draft strategic plan for harmonisation of

agriculture, food and rural development, the draft BiH energy strategy, the draft transport sector policy and its action plan, and others.

Programmes selected under IPA will be co-ordinated with the donor community in Bosnia and Herzegovina to ensure coherence and complementarity.

Particular attention will be paid to programme readiness and the absorption capacity of relevant institutions. Indicators for programme readiness are political consent amongst relevant stakeholders, the existence of Bosnia and Herzegovina's relevant sectoral strategies, Bosnia and Herzegovina's efforts and financial means devoted to the sector reform, the existence of relevant legislation, etc. Analytic and catalytic principles will be applied and monitored to ensure that IPA does not displace other financiers, especially from the private sector or from the international financial institutions. Planned assistance projects will be subject to a thorough measuring of their cost effectiveness.

The priorities are closely coordinated with other EU-sponsored co-operation activities and with the IPA Multi-Beneficiary programme.

2.3. Multi-annual planning by component

The indicative budget allocation for the period 2009-2011 foresees EUR 287.3 million for Transition Assistance and Institution Building and EUR 15.9 million for Cross-Border Cooperation. The table below gives an overview over the yearly allocation.

Indicative financial allocation per component for the period 2009-2011 (in million Euro)

	2009	2010	2011	Total
Transition Assistance and Institution Building	83.9	100.7	102.7	287.3⁴
Cross-border Co-operation	5.2	5.3	5.4	15.9
Total	89.1	106.0	108.1	303.2

2.3.1. Component I - Transition Assistance and Institution Building

Based on the needs assessment as described earlier in this document, depending on project readiness and outcomes of ongoing programmes and in consideration of the management capacity of the European Commission Delegation and of the absorption capacity of proposed beneficiaries, the following objectives, choices and expected results have been identified. They are based on Bosnia and Herzegovina's own development and action plans. Results and indicators will be further developed in the annual programmes.

2.3.1.1. Political Criteria

The objectives and choices for the support comply with the political criteria of the SAP. As in the former MIPD, IPA supports **public administration reform** and offers assistance for

⁴ This includes allocations towards the Multi-Beneficiary programme, as described in the Multi-Beneficiary MIPD.

reform of the **Constitution**. In line with the lessons learned on the need to increase local ownership, IPA will support the structures for decentralisation of assistance. Assistance can be provided to strengthen the **rule of law** and to support the **social inclusion** of vulnerable groups and **returnees**. Further target groups of IPA support are the **civil society** and the **media**. In addition IPA will assist Bosnia and Herzegovina to protect its **cultural heritage** in the context of the "Ljubljana Process".

Objectives and choices

- *Public Administration Reform and Governance*: Support capacity building in the **public administration** and the preparation of the structures for the decentralisation of EC assistance.
- *Constitutional reform*: Support domestic efforts on **constitutional reform**.
- *Rule of Law*: Support the **police reform, the reform of the judicial system** and assist in the implementation of the **anti-corruption** policy.
- *Social inclusion and return*: Support **minorities and vulnerable groups** (in particular Roma, children and the disabled) and continue support for **de-mining** and assistance to mine victims. Support the completion of the **return process** through assistance to the economic and social re-integration of returnees.
- *Civil Society and media*: Support development of **civil society** and the **media**, contributing to the digitalisation of broadcasting.
- *Cultural heritage*: The preservation of Bosnia and Herzegovina's cultural heritage in the context of the "Ljubljana Process" aims at promoting reconciliation and mitigating the consequences of the war.

Expected results and indicators

- *Public Administration Reform*: This is implemented according to the agreed Public Administration Reform Strategy and the Action Plan. Civil service reform continues and an increasing number of civil servants receive professional training. The Decentralised Implementation System (DIS) strategy is implemented along the benchmarks of the new road map for decentralisation and an application sent to the European Commission for accreditation. A structured and institutionalised state/entity co-ordination with functioning mechanisms for political, legislative and technical coordination is in place.
- *Constitutional Reform*: The process of constitutional reform starts and leads to changes to the Constitution which contribute to more functional and sustainable institutional structures and to a smoother decision-making process.
- *Police Reform*: Police restructuring is implemented in accordance with the Law on Independent and Supervisory bodies of the Police Structure of BiH and the Law on Directorate for Coordination of Police Bodies and Agencies for Support of Police Structure of BiH. The state bodies foreseen by the police legislation are established and operational.
- *Judicial Reform*: The justice sector institutions at all levels of Bosnia and Herzegovina's institutional system are effectively organised and functioning and co-operation between police, prosecution, courts and the penitentiary system is improved. An action plan for the

implementation of the strategy for the development of the judicial sector is adopted and implemented. The strategy is amended to cover provisions on a Supreme Court of Bosnia and Herzegovina and a single judicial budget as well as a single criminal law.

- *Anti-Corruption Policy*: The National Anti-Corruption Strategy and the associated Action Plan are properly implemented and the anti-corruption legislation is improved. The recommendation made by the Group of States against Corruption (GRECO) and the obligations resulting from international conventions on corruption are implemented. Corruption is vigorously prosecuted and the law on conflict of interest is implemented.
- *Return Process*: Policies promoting the social and economic inclusion of returnees are adopted and there is visible progress on their implementation.
- *Minorities and vulnerable groups*: Policies promoting the social and economic inclusion of minorities and vulnerable groups are adopted and there is visible progress on their implementation.
- *Civil Society*: A permanent dialogue between authorities and civil society is developed and civil society organisations (CSO) and their coalition partners improve their internal communication and become better "watchdog" and also stronger partners of the Government. Local Governments have adopted transparent mechanisms for the disbursement of local funds foreseen for CSO projects. The understanding of youth and older people issues at the political level will be improved by the support for the dialogue between governments and civil society organisations.
- *Media*: The Public Broadcasting restructuring programme is implemented according to the State law on Public Broadcasting Service (PBS), contributing to its digitalisation, and the Communication Regulatory Agency (CRA) remains an independent, self sustainable, technically efficient institution.
- *De-mining*: Support for de-mining is continued, not only to minimise risk of death and injuries to significant portions of the population, but also to contribute to the economic and rural development by the reduction of mined areas.
- *Cultural heritage*: The National Library in Sarajevo will be restored.

2.3.1.2. Economic Criteria

As in the former MIPD, IPA supports **economic development, employment and education**. In addition IPA supports measures softening the impact of the financial and economic crisis.

Objectives and choices

- *Economic Development*: Support the development of improved and coordinated **economic and fiscal and trade policies**. Support **SME and local economic development**.
- *Soften the impact of the financial and economic crisis*: Cooperate with International Financial Institutions to reduce financial sector constraints and increase competitiveness by strengthening the roles of economic and financial regulators.

- *Employment and Education:* Support the reform of the **education** system and support active **labour market** measures. Support improved portability of pension and social insurance systems.

Expected results and indicators

- *Economic and Fiscal Policies:* Capacity building of the Ministry of Finance, the National Fiscal Council, the Indirect Tax Authority (ITA), and other relevant bodies leads to improved and coordinated economic and fiscal policies. The ITA Governing Board/National Fiscal Council is capable to produce regular reports of consolidated fiscal data and receives appropriate advice from their analyst/policy advisory unit. Development and cooperation of the relevant bodies and government institutions is enhanced. The governance of Bosnia and Herzegovina's Human Resources Development (HRD) system is improved and HRD strategies are integrated with economic strategies.
- *Softening the impact of the financial and economic crisis:* Support for the financial sector, investments in infrastructure and strengthening of the roles of economic and financial regulators will maintain economic stability, growth and jobs.
- *Trade:* The institutional framework to formulate, adopt and implement trade related legislation and other commitments, as the obligations under the IA/SAA, CEFTA, WTO membership or bilateral Free Trade Agreements, is developed.
- *Education:* Standards for primary, secondary and higher education are adopted and implemented. The reform of the financing for primary, secondary and higher education is advanced and models for the financing of higher education are developed; EU requirements for the mutual recognition of diplomas are implemented. The institutional set-up of universities is strengthened, the academic information network is established and new modular curricula are developed.
- *Employment:* A coordinated employment strategy is adopted, corresponding action plans are developed and implementation started throughout the country. EU requirements on free movement of labour and minimum social standards are implemented. Relevant institution building at state and entity level continues and the Social and Economic Council is established and functioning. The improved portability of rights in the pension and social insurance systems will contribute to improved labour market flexibility.
- *SME Development:* A national strategy on SME development is adopted and implemented. SME policy capability in Ministry of Foreign Trade and Economic Resources (MoFTER) and the dialogue/consultation with the business community are significantly enhanced. A national SME body is set up. The Council for Development and Entrepreneurship is established. The implementation of the European Charter for Small Enterprises continues and a fully harmonised and efficient company registration system is achieved. The participation of SMEs in the economy increases (measured by increased numbers of SMEs and their contribution to the Gross Domestic Product).
- *Local Economic Development:* A local economic development strategy is adopted.

2.3.1.3. Ability to assume the obligations of membership

As in the former MIPD, IPA supports the development and the implementation of strategies and policies to approximate to the European acquis in the areas of internal market, sectoral

policies and justice, freedom and security. This includes institution and capacity building of agencies and institutions required for the implementation and enforcement of the sectoral policies, including mechanisms for the verification of EU compatibility of government policies and draft laws.

Objectives and choices

- *Internal Market*: Support the strengthening of the **quality infrastructure** institutions, the institutional set-up of **key market actors** and **customs and taxation** and the development of a **single financial market**.
- *Sectoral Policies*: Support the adoption and implementation of a comprehensive **agriculture and rural development** strategy. Support the adoption of the national **environment** strategy. Support the **energy** and **transport** sectors, the **information society** and the capacity building in **statistics**.
- *Justice, Freedom and Security*: Support integrated border management (IBM), the visa, asylum and migration policy and the fight against money laundering, drugs, organised crime, and terrorism.

Expected results and indicators

- *Quality Infrastructure*: The legal framework for standardisation, metrology, accreditation, certification and market surveillance is in line with EU standards and best practices. The institutional, technical and professional capacity of the quality infrastructure institutions is improved.
- *Key Market Actors*: The legal framework for key market actors and their institutional set-up is improved.
- *Customs and Taxation*: Approximation to the *acquis* is advanced. Administrative capacity to implement legislation and to fight corruption, cross-border crime and fiscal evasion is increased. Transparency and exchange of information within the region are improved.
- *Single financial market*: Authorities responsible for financial supervision of banking and non-banking sector and regulating capital markets are operational and meet international standards. The investment climate and the business environment in general are improved through the support for SME and regional economic development. Industrial as well as a research/innovation policy are adopted and their implementation is in progress.
- *Agriculture and rural development*: A country-wide agriculture and rural development strategy with clearly identified priority areas is adopted and implemented, with agriculture sector actively contributing to economic growth. Agricultural legislation is further approximated to the *acquis*. The administrative structures, responsible for the harmonised implementation of agricultural policy and rural development measures are established and become operational. Structures, strategies and programmes for agriculture and rural development in line with the requirements for implementing EU pre-accession assistance are planned. Support for agricultural census, farm register, land cadastre, agricultural statistics, and advisory and extension services as well as access to credits for farmers is provided. Quality and safety of domestic products is improved. Agriculture information systems are improved and provide collection and processing of agriculture data. Rural

households and communities are strengthened and benefit from enhanced policies and measures resulting in increased prosperity.

- *Regional and Human Development*: Structures, strategies and programme to Regional and Human development in line with the requirements for implementing EU pre-accession assistance are planned.
- *Food safety, veterinary and phytosanitary policy*: Quality and safety of domestic products is improved. The specialised agencies, such as the Food Safety Agency, the Veterinary Office of BiH, and the Phytosanitary Agency are operational and contribute to the implementation of acquis-related legislation on animal and plant health and consumer protection. The veterinary services participate in the region-wide animal diseases eradication campaign.
- *Environment*: A country-wide Environment Strategy is adopted and implemented. The alignment of the sector to the environmental *acquis* is advanced. Tools for prioritization of environmental infrastructure investments and determination of measures for environmental protection are operational. Generation of co-financing mechanisms for environmental infrastructure are advanced. Enhanced investments in environmental infrastructure.
- *Energy*: The reform of the energy sector continues and a comprehensive energy strategy is adopted and under implementation. Bosnia and Herzegovina is progressing towards meeting the commitments undertaken in the framework of the Energy Community Treaty.
- *Transport*: The alignment of the transport sector to the *acquis* is advanced and transport infrastructure is improved. Bosnia and Herzegovina implements the commitments taken under the European Common Aviation Area agreement and actively participates in the workings of the SEE-FABA (South Eastern Europe Functional Airspace Blocks Approach) initiative with a view to adopt and implement the single European sky *acquis*. Bosnia and Herzegovina continues to implement the MoU on the core transport network. There is tangible progress in implementation of particular segments of the EU transport sector directives.
- *Information Society*: The Strategy and Action Plan for the development of the information society will be implemented. The national legislation for electronic communication and services will be aligned to the EU regulatory framework. The telecom regulator is able to carry out its mandate in accordance with EU standards.
- *Statistics*: Bosnia and Herzegovina develops the capacity to collect and produce reliable statistics, in particular economic and agricultural statistics. Data collection is improved and statistical methods are harmonised between the state and the entity statistical institutes. The new population and housing census is successfully completed.
- *IBM, Asylum and Migration*: The visa list is in line with EU lists and efficient procedures for the issue of visa are in place. All newly issued passports are biometric passports. The IBM strategy and asylum and migration policies are implemented in compliance with the EU *acquis*. The conditions to achieve visa liberalisation are met.
- *Fight against organised crime including money laundering and drug trafficking, fight against terrorism and corruption*. The capabilities of the law enforcement agencies are improved. An increase in the number of cases investigated, prosecuted and judged. *Data*

protection: The institutional framework for an adequate implementation of the personal data protection acquis is in place.

2.3.1.4. Supporting programmes

Objectives and choices

- *Community programmes:* Support participation in Community programmes by co-financing the entry-tickets and accompanying measures such as institutional capacity-building and training of participants.
- *Project Preparation Facility:* Support the Project Preparation Facility to improve the planning, programming and implementation of the IPA and to support a smooth EU integration process.

Expected results and indicators

- *Community programmes:* The administrative and institutional capacity for participation in a number of community programmes is achieved and Bosnia and Herzegovina participates in these programmes.
- *Project Preparation Facility:* Authorities are able to prepare good quality project proposals and tender documentation.

2.3.1.5. Support activities

Objectives and choices

- *EU Awareness:* Support programmes to ensure that public, civil society and government actors remain supportive for the accession to the European Union by providing communication expertise and supporting the established European Communication Centres throughout the country.

Expected results and indicators

- *EU Awareness:* Public awareness campaigns targeted at the general public, the media and other multipliers are organised. Networking and coordination between EU Info Centres, non-government organisations (NGOs) and other stakeholders is improved and there is an increased utilisation of the EU Info Centres.

All programmes under the transition assistance and institution-building component shall be subject to interim and/or *ex post* evaluation. The Commission plans to review the donor coordination to identify best practices and lessons learned and will evaluate the design, the quality and achievements of interventions in Bosnia and Herzegovina.

The Commission plans a mid-term evaluation of the IPA Component I, an evaluation of the balancing of socio-economic development and integration needs, and an evaluation of the implementation of the IPA regulation in 2009 and 2010.

The Commission may undertake any actions it deems necessary to monitor the programmes concerned. The Commission has set up annual IPA monitoring meetings for joint reviews of

financial assistance activities involving the beneficiary country's representatives. Selected projects are subject to regular result-oriented monitoring.

2.3.2. *Component II – Regional and cross-border cooperation*

2.3.2.1. Current programmes under IPA component II for Cross-Border Cooperation (CBC)

Cross-border cooperation with IPA countries: Croatia, Montenegro and Serbia.

The multi-annual 2007 – 2009 cross-border programmes between Bosnia and Herzegovina and Croatia, Montenegro and Serbia were jointly developed by the respective national authorities between December 2006 and May 2007. These programmes aim at bringing together people, communities and economies of the border regions to jointly develop a cooperative area, using its human, natural, cultural and economic resources. The overall objective is to stimulate the economies, to foster sustainable development and to reduce the relative isolation of the border regions.

Adriatic IPA Cross-Border Programme

Bosnia and Herzegovina is part of the IPA Adriatic cross-border programme together with Italy, Slovenia, Greece, Croatia, Albania, Montenegro and Serbia. The Financing Decision for the first period 2007-2009 was adopted by Commission Decision in March 2008. The global objective of the programme is to strengthen sustainable development of the Adriatic region.

ERDF Transnational Programmes "South East Europe and "Mediterranean"

Bosnia and Herzegovina participates in the ERDF transnational programme "South-East Europe" and "Mediterranean" under the European Territorial Co-operation objective of the Structural Funds 2007-2013.

The objective of the participation of Bosnia and Herzegovina in these two programmes is to support the participation in joint transnational co-operation activities with partners from EU Member States and to familiarise the country with territorial co-operation under the EC Structural Funds.

2.3.2.2. Priorities for cross-border cooperation programmes

Cross-border cooperation with IPA countries: Croatia, Montenegro and Serbia

The cross-border cooperation programmes between Bosnia and Herzegovina and Croatia, Montenegro and Serbia focus on the following areas (1) Economic development with an emphasis on tourism, SME support and rural development; (2) Environmental development to protect the environment and to promote the sustainable management of natural resources; (3) Social development to improve social cohesion and to promote cultural exchange.

Adriatic IPA Cross-Border Programme

The Adriatic IPA cross-border programme identifies the priorities in the area of economic, social and institutional cooperation, natural and cultural resources, and accessibility and networks.

ERDF Transnational Programmes "South East Europe" and "Mediterranean"

The ERDF "South-East Europe" and "Mediterranean" programmes aim at establishing and developing transnational cooperation in the areas of innovation, environment, accessibility and sustainable urban development.

Table 3: Indicative Financial Allocation:

	2009	2010	2011	2009-2011
CBC with Croatia	1 000 000	1 000 000	1 000 000	3 000 000
CBC with Montenegro	500 000	500 000	500 000	1 500 000
CBC with Serbia	700 000	700 000	700 000	2 100 000
CBC Adriatic	2 447 544	2 496 495	2 546 425	7 490 464
ERDF SEE	460 202	495 406	541 714	1 497 322
ERDF MED	100 000	120 000	130 000	350 000
Total	5 207 746	5 311 901	5 418 139	15 937 786

The figures for years 2010 – 2011 for the CBC programmes with neighbouring candidate and potential candidate countries and for the preparation in the ERDF SEE and MED transnational programme are provisional. They will be finally established in the revision of the CBC programmes for the period 2010 – 2011.

2.3.2.3. Expected results of cross-border cooperation programmes

Cross-border cooperation with IPA countries: Croatia, Montenegro and Serbia

The expected results of CBC between IPA countries are: (1) diversified tourist products and services and their joint marketing; upgraded skills of people working in tourism, agriculture and SMEs; business, research and education networks created; (2) sustainable use of natural resources in place; studies and awareness raising campaigns in environmental protection implemented; capacities for the protection of the environment increased; (3) networks between people in the areas of education, health care, culture and sports established and communication improved.

Adriatic IPA Cross-Border Programme

The expected results in IPA Adriatic cross border cooperation are: (1) Economic, social and institutional cooperation: joint research activities developed and improved; networks between entrepreneurial, academic, training and research sectors established; competitiveness and innovative capacity strengthened; knowledge of the Adriatic area developed. (2) Natural and Cultural Resources and Risk Prevention: joint management and risk prevention of the sea and coastal environment in place; renewable energy strengthened; management of natural and cultural resources improved; quality of tourist destinations improved. (3) Accessibility and Networks: port and airport systems developed and services connected; sustainable transport services promoted; communication and information networks developed and access secured.

ERDF Transnational Programmes "South East Europe" and "Mediterranean"

The expected results of cooperation in the ERDF "South East Europe" and "Mediterranean" programmes are (1) Innovation: scientific and technological networks created; access to scientific knowledge and transfer of technology established. (2) Environment: water management in place, energy efficiency improved, risk prevention for fire, droughts and

floods established; maritime security promoted; natural heritage protection enhanced. (3) Accessibility: quality and access of transport and telecommunication services improved; investments in trans-European networks attracted; interoperability of national and regional systems enhanced. (4) Urban development: networks established and urban-rural links improved; cultural heritage preserved and promoted; strategic integration of development zones on a transnational basis.

Annex 1

Indicative allocations to main areas of intervention for the period 2009-2011

INDICATIVE ALLOCATIONS for MAIN AREAS OF INTERVENTION FOR THE PERIOD 2009-2011	
Bosnia and Herzegovina	
Component I (Transition Assistance and Institution Building)	
Political Criteria	30 – 40 %
Economic Criteria	25 – 35 %
Ability to assume the obligations of Membership	30 – 40 %
Component II (Cross-Border Co-operation)	
CBC with Croatia	19 %
CBC with Montenegro	9 %
CBC with Serbia	13 %
CBC Adriatic	47 %
ERDF SEE	9 %
ERDF MED	2 %

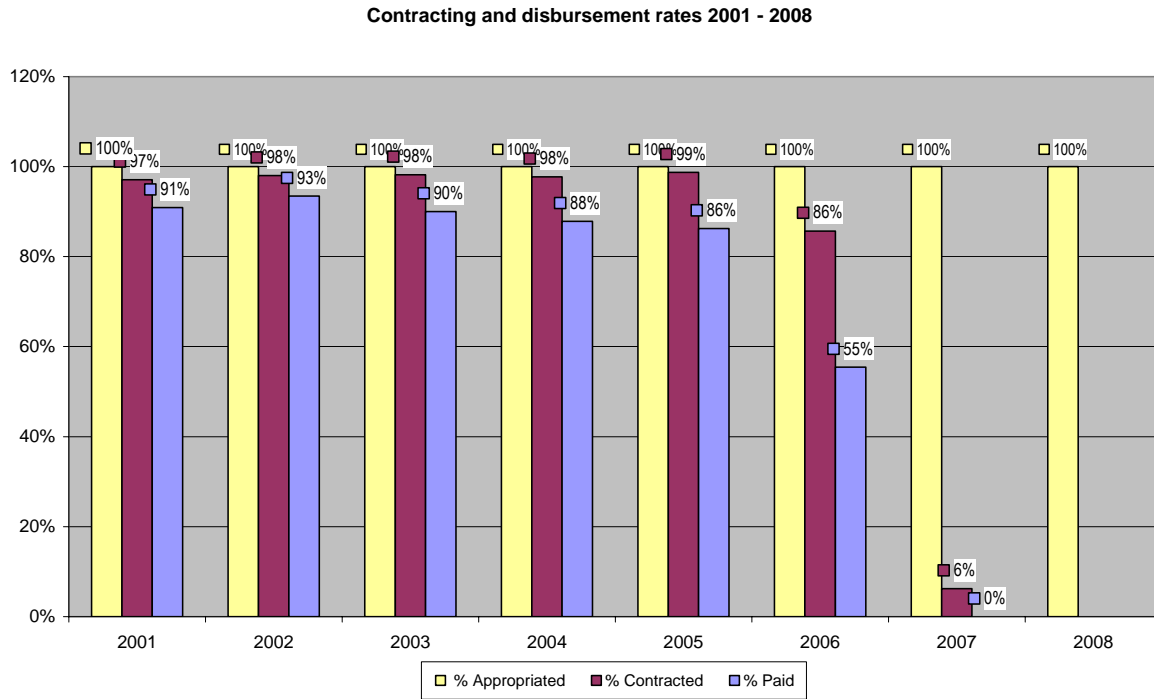
Annex 2

Overview of EC assistance under CARDS and IPA

	2001-2008 (million €)
Political Criteria	
Social Inclusion and Return	100.78
Rule of Law	106.68
Public Administration Reform	49.55
Civil Society and Media	16.80
Economic criteria	
Education and Employment	31.70
Economic Development	60.00
Social Policies	6.85
Ability to assume the obligations of membership	
Internal Market	31.84
Sectoral Policies	59.70
Customs and Taxation	49.50
Community Programmes	2.35
Others	6.80
Total allocations	522.55

Annex 3

Contracting and disbursement rates under ongoing programmes



Annex 4

Cross-cutting issues

The major cross-cutting issues to be tackled in Bosnia and Herzegovina are:

Civil Society will be supported by the European Instrument for Human Rights and Democracy and the IPA financial framework. Civil Society is understood including employer's organisations, trade unions, associations of local self-governments as well as non-governmental organisations etc.

All investments shall be carried out in compliance with the relevant Community environmental legislation. In particular, the procedures for **environmental impact assessments** as set down in the EIA Directive will fully apply to all investment projects and if a project is likely to affect sites of nature conservation importance, an appropriate nature conservation assessment shall be made, equivalent to that provided for in Article 6 of the Habitats Directive. The application of the European Principles for the Environment will be ensured.

Equal opportunities and non-discrimination will be respected as regards gender as well as minorities at the programming and implementation stage, particularly in relation to economic support programmes.

Furthermore **minority concerns** will be reflected in all activities programmed under IPA, in particular when it concerns public services, legislative matters and economic development.

Specific action instruments for the **good governance**, with particular attention to **fight against corruption**, will be incorporated on a horizontal basis.

Annex 5

List of Abbreviations

BiH	Bosnia and Herzegovina
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBC	Cross-border cooperation
CEFTA	Central European Free Trade Agreement
CRA	Communication Regulatory Agency
DEI	Directorate for European Integration
DFID	UK Department for International Development
DIS	Decentralised Implementation System
EBRD	European Bank for Reconstruction and Development
EC	European Community
EIB	European Investment Bank
ERDF	European Regional Development Fund
EU	European Union
EUPM	European Union Police Mission
EUROSTAT	Statistical Office of the European Commission
EUSR	European Union Special Representative
FDI	Foreign Direct Investment
GDP	Cross Domestic Product
HRD	Human Resources Development
IBM	Integrated Border Management Strategy
ICTY	International Criminal Tribunal for the former Yugoslavia
IFI	International Financial Institutions
IMF	International Monetary Fund
IPA	Instrument of Pre-accession Assistance

ITA	Indirect Taxation Authority
KfW	Kreditanstalt für Wiederaufbau
MFA	Macro-financial Assistance
MIFF	Multi-annual Indicative Financial Framework
MIPD	Multi-annual Indicative Planning Document
MoFTER	Ministry of Foreign Trade and Economic Resources
NGO	Non-Government Organisation
NIPAC	National IPA Coordinator
OBNOVA	Rehabilitation Programme for the Former Yugoslavia
OHR	Office of the High Representative
OSCE	Organisation for Security and Cooperation in Europe
PAR	Public Administration Reform
PBS	Public Broadcasting Service
PHARE	Poland and Hungary: Aid for Restructuring of the Economies
SAA	Stabilisation and Association Agreement
SAP	Stabilisation and Association Process
SIGMA	OECD Support for Improvement in Governance and Management
SME	Small and Medium-sized Enterprises
TAEIX	Technical Assistance Information Exchange Office
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
VET	Vocational Education and Training
USAID	United States Agency for International Development
WB	World Bank
WTO	World Trade Organisation