

ANNEX 4**to the Commission Implementing Decision on the financing of the annual action plan in favour of Bosnia and Herzegovina for 2021****Action Document for “EU4 Regional Development”****1. SYNOPSIS****1.1. Action Summary Table**

Title	Action 04 - EU4 Regional Development Annual Action Plan in favour of Bosnia and Herzegovina for 2021			
CRIS number	043-667/4			
Basic Act	Financed under Instrument for Pre-accession Assistance (IPA III)			
Zone benefiting from the action	Bosnia and Herzegovina			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR INFORMATION				
Window and thematic priority	Window 2 - Good governance, <i>acquis</i> alignment, good neighbourly relations and Strategic communication Thematic Priority 1 - Good governance			
Sustainable Development Goals (SDGs)	SDG 11 - Sustainable Cities and Communities SDG 16 - Peace, Justice and Strong Institutions SDG 17 - Partnership for Goals			
DAC code(s)	151 Government and Civil Society - general 15110 Public sector policy and administrative management			
Main Delivery Channel¹	Bilateral			
Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹ <http://www.oecd.org/dac/stats/annex2.htm>

	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Social inclusion and human development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
Amounts concerned	Budget Line: 15.020101.01 Total Cost: EUR 2 000 000 Total EU Contribution: EUR 2 000 000			
MANAGEMENT AND IMPLEMENTATION				
Type of financing and method(s) of implementation	Project Modality Direct Management through Procurement			
Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans	Action contributes to the flagship Human Capital Development			
Final date for the conclusion of Financing Agreement	At the latest by 31 December 2022			
Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation			

Indicative operational implementation period	6 years following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement

1.2. Summary of the Action

The Action will support the institutions on all levels to better prepare for assuming the obligations of the EU membership related to Chapter 22 - Regional Policy and Coordination of Structural Instruments. BiH is at the early stages of preparation in this Chapter and lacks administrative capacities and knowledge to develop sound and consistent strategic, legal and institutional framework allowing for effective implementation of the EU Regional Policy. While a number of sectoral country wide strategies are in place (with some still lacking), and NUTS level I and II regions are provisionally defined, country lacks a sound regional development policy (as well as performance monitoring framework) allowing for effective channelling of public investments towards reduction of socio-economic disparities among its regions. Preparations for the EU Regional Policy also require timely addressing the macroeconomic and enabling conditions and monitoring progress in aligning with the EU *acquis* in other relevant Chapters as well as building capacities to develop and implement policies in key cohesion policy areas. Furthermore, capacity building plan should be in place to ensure sustainable and timely preparations of institutions for management of programmes under cohesion policy, but also of potential beneficiaries and partners involved in its planning and implementation.

Action envisages support to relevant institutions aimed at creating the necessary preconditions for advancing in preparations of BiH to meet requirements of Cohesion Policy, as it will contribute to: a) strengthening capacities on all levels to better understand the EU Regional Policy, via design and delivery of the Capacity Building Programme; b) creating preconditions for sound and consistent regional development planning as an instrument for channelling the own, EU and other funds towards the cohesion policy objectives; c) improving planning of the activities for aligning with the requirements of the EU Regional Policy in order to ensure a coordinated and timely efforts of all the institutions included in this process.

2. RATIONALE

2.1. Context Analysis

Reiterating its commitment and priority for advancing towards its membership in the EU, BiH as a potential candidate country has signed the Stabilisation and Association Agreement (SAA) with the EU on 16 June 2008, which entered into force on 1 June 2015; in February 2016, Bosnia and Herzegovina applied for EU membership. Following the answers to the European Commission Questionnaire, in May 2019, the Commission adopted the Opinion² and accompanying analytical report on Bosnia and Herzegovina's EU membership application³.

The process of accession to the European Union in the field of cohesion policy is particularly demanding and complex. Meeting the objectives of the Articles 174 and 175 of the Treaty on Functioning of the EU aimed at ensuring social, economic and territorial cohesion among and between the regions of the EU requires capacities, tools and preparedness of the administration but also beneficiaries and civil society in a vast number of areas: sound legal and strategic frameworks as well as ability to enforce policies in a number of horizontal (public procurement; state aid; financial control; statistics, etc.) and thematic areas (SMEs, industry and innovation; trans-European Networks, environment and climate change, energy and transport; social policies and human development, etc.); as well as effective and efficient management and control system able to meet the requirements in programming, monitoring,

² COM(2019) 261

³ SWD(2019) 222

evaluation, financial management, control and audit. In line with the post 2020 proposal for EU cohesion policy, policy clusters for enlargement process such as Resources, agriculture and cohesion, Competitiveness and inclusive growth, Green agenda and sustainable connectivity are all equally important in preparations to meet the Regional Policy objectives. Similarly, the public administration reform area and in particular local and regional levels under the Fundamentals cluster are critical in the cohesion policy context, as regional⁴ and local governments are closest to the citizens and play a key in providing public services and building trust in institutions. They also play a key role in the management of EU funds and the implementation of a large part of the EU *acquis* upon accession, including in areas such as: public procurement, internal control, competition, state aid, communal services, rural development, employment and social policy, energy efficiency and environment/water and waste management. Therefore, some negotiating chapters should be better considered when the countries are preparing themselves for the programming and management of future structural/cohesion funds, namely: Chapter 5 Public procurement, Chapter 8 Competition, Chapter 32 Financial Control, Chapter 14 Transport, Chapter 15 Energy, Chapter 18 Statistics, Chapter 21 Trans-European Networks or Chapter 27 Environment, etc.

Furthermore, linked to the development of administrative capacities, experience of recently acceded countries has revealed that their institutions dealing with coordination and implementation of structural/cohesion funds did insufficiently develop their institutional capacity during the pre-accession process to effectively deal with the challenges before them. Consequently, the significant increase in the level of funding and sectoral coverage in the post-accession period created an absorption shock at all levels, demonstrating importance to better plan and prepare for the membership in relation to the EU Regional Policy.

Under thematic priority 1, following key priorities have been identified, of relevance for the proposed action:

- ✓ Under public financial management, as an integral part of public administration reform, the key priority will be to support IPA III beneficiaries to implement and upgrade their reform strategies to ensure fiscal sustainability and sound management of public finances as applicable in the EU. There will notably be a focus on improving the capacity for domestic revenue mobilisation and **effective management of public funds**, including through upgrading the revenue administration, budget reliability, transparency of public finances, public investment planning, selection and management, management of assets and liabilities, policy-based fiscal strategy and budgeting, public procurement and concessions, internal control, accounting and reporting, and external audit.
- ✓ The quality of **governance at sub-national levels** is very important in the enlargement context, as regional and local governments are closest to the citizens and play a key role in providing public services as well as in building citizens' trust in public institutions. Local governments should play a more critical role in shaping and developing the social and economic life of their territories, bringing communities together, and providing local solutions to local problems. The performance of local government and how it interacts with citizens, will affect the latter's behaviour as well as cohesion and trust within and among communities; this will legitimise the local government's efforts and drive sustainable development. Inadequate local governance would affect all citizens, but especially the vulnerable, often enhancing exclusion.

The proposed Action is the first step on improving regional development policy design and implementation, aiming to build capacities across governance levels and set the ground for defining the regional development policy framework. In consequent IPA programming years, it is envisaged to develop country-wide and regional development strategies at NUTS II level, ensuring a coherent and consistent policy framework, further build capacities and set up a regional development financial support scheme that would help implement priority projects and actions.

Commission reports⁵ outline that BiH is at early stage of preparations for membership in Chapter 22 Regional Policy and Coordination of Structural Instruments, in particular pointing to the need to:

⁴ "Region" in the context of this AD refers to statistical economic territorial unit as defined under NUTS classification and used as the basis for the EU's Regional Policy, regardless of the administrative territorial organisation of specific countries

⁵ Bosnia and Herzegovina 2021 Report Accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions; Analytical Report of May 2019

- ✓ Adopt pending countrywide strategies in the fields relevant to EU regional policy and ensure efficient coordination of cross-border, transnational and interregional cooperation programmes as an important step in preparing regional development strategies,
- ✓ Strengthen the institutional and administrative capacity in terms of programming, implementation, monitoring and evaluation of EU funds.

Furthermore, reports specify key gaps across relevant areas: legal framework; institutional framework; administrative capacities; programming; monitoring and evaluation; financial management and control, underlying the need to advance in building the understanding and knowledge on EU's Regional Policy in order to better equip the administration for progressing in relevant sub-areas within this chapter. Recommendation from the Sub-committee for transport, energy, environment and regional development calls also for development of the countrywide Regional Development Strategy.

According to the constitutional and legal framework, competences in the thematic areas relevant to the implementation of Regional Policy rest with the BiH central, entity, cantonal and the Brčko District level. At state level there is no specific ministry in charge of regional policy; there are, however, state level ministries who have a coordination function in thematic areas relevant to the implementation of regional policy, such as environment, energy, transport, competitiveness, labour and employment⁶. At entity and cantonal level there are ministries in charge of all these thematic areas although none of them is specifically tasked with preparing possible future implementation of structural instruments. As for the institutional framework, the Directorate for European Integration is responsible for coordinating the planning, programming and monitoring of EU financial assistance in Bosnia and Herzegovina, including the programming of IPA and multi-country funds within the Western Balkans Investment Framework (WBIF). The National IPA Coordinator (NIPAC) is director of the Directorate. The NIPAC's office supports the country's participation in the macro-regional strategies and EU programmes and coordinates cross-border, transnational and interregional cooperation programs.

BiH PFM system is characterised by the functioning of four independent budgetary systems, each with an individual practice for the implementation of its budget calendars. **A country-wide public financial management (PFM) reform strategy** has yet to be developed and adopted in BiH to ensure a common reform direction on PFM. During 2020, BiH authorities have committed to developing new PFM strategies for the period through to 2025. It is envisaged that country-wide PFM strategy will be prepared at first half of 2021. The challenge continues to be that PFM reform programmes at various levels of government need to be further aligned with international standards on budget formulation and execution procedures, monitoring, transparency of budget data and forecasting. Further PFM related reforms in internal audit and control, dealing with payment arrears and managing better public investments, as well as budget transparency are needed.

Key indicators of level of economic development point to BiH lagging behind the EU Member States, e.g. its GDP per capita is only one third of the EU average, private sector employs only 15% of active labour force representing only 65% of the GDP; foreign direct investments are decreasing, social payments are relatively high and administrative procedures for businesses too complex, timely and expensive. In this context, BiH needs to step up its preparations in terms of the strategic, legal and administrative capacities to progress in meeting the socio-economic and territorial cohesion objectives.

2.2. Problem analysis by areas of support

AREA OF SUPPORT #1: Good governance - Regional Development

Short problem analysis

1. **As also indicated in the Commission Bosnia and Herzegovina 2021 Report⁷, weaknesses in the administrative capacity in key institutions managing EU funds still need to be addressed. Human resources should be further developed through relevant trainings. The capacity for programming and**

⁶ Law on Ministries and Other Administrative Bodies of BiH, articles relating to competences of MoFTER, MoCA, MoCT.

⁷ SWD(2021) 291 final /2

managing EU pre-accession funds and introducing cohesion policy needs to be improved. A systematic plan such as a management and control system roadmap to help prepare administrative capacities to implement EU regional policy should be developed already now, in order to avoid an absorption shock at a later stage. The role of the NIPAC as principle coordinator and EU contact point for the management of EU funds needs to be strengthened.

Bosnia and Herzegovina benefited of IPA programmes within financial perspectives 2007-2013, 2014-2020 and is in planning phase for use of IPA III funds in the current financial perspective. While Action Programmes have so far been implemented under the centralised/direct management, there were initiatives and activities to introduce the decentralised/indirect management of IPA, however the process was discontinued⁸. BiH has also benefitted from Cross-Border and Territorial Cooperation Programmes as well as the Multi-Country IPA Programmes, including the Western Balkans Investment Framework. EU financial support vary across institutions, as do staff expertise and experience of management, public procurement, evaluation, financial monitoring and control of funds. The authorities continued to benefit from numerous training opportunities, including to build their capacity through various EU-funded projects, however specialised competences and specific sector knowledge are limited and need to be developed in most institutions. It should be noted that training opportunities referred mainly to IPA however no support has been provided to develop capacities for the Cohesion Policy.

Lack of capacities for Cohesion Policy prevents progress in preparations in Chapter 22 and addressing the other identified gaps such as:

- ✓ **Finalization of the Nomenclature of Statistical Territorial Units.** Namely, while it has been defined that the country as a whole represents the NUTS I level, and the Federation of Bosnia and Herzegovina, Republika Srpska and Brčko District make up the NUTS II level, the NUTS II regions are only provisionally defined and accepted by the European Commission until Bosnia and Herzegovina finalises and agrees the entire classification to include definition of the NUTS III level as well. Regional statistics and socio-economic analytical basis should be improved to ensure consistency and provide for a sound basis for effective regional development planning.
- ✓ **Adoption of the legislative framework for managing Structural and Cohesion Funds** as well as aligning the legal framework in relevant thematic areas. A proper allocation and implementation of future EU structural funds is only possible after key parts of the EU *acquis* have been transposed in all chapters relevant to EU cohesion policy. Relevant budget laws allow for both flexibility and multi-annual budgeting, but the multi-annual programmes need to be included in a more comprehensive manner in the entities' budgets and more consistently so across administrative levels.
- ✓ **Improvement of institutional set up and capacities to perform monitoring and evaluation** of public investment programmes, financed via own funds, IPA, loans, PPP and other sources. In the ministries of finance in BiH at state, entity and the Brčko District level, there are organisational units dealing with public investments with certain experience. They have been supported by the EU and other donors to improve their capacities. In order to improve the monitoring and evaluation of investment programs, it is necessary to analyse the results achieved and institutional arrangements in light of the future cohesion policy at all governmental levels and make recommendations for their improvement. The Monitoring and Evaluation Department within the NIPAC Office, responsible for the overall coordination of monitoring activities for IPA, has insufficient capacity and experience, while there are currently no concrete plans to build such a capacity at state-level and create an efficient system that could constitute the basis for monitoring and evaluation of future cohesion policy programmes⁹. Development of capacities of NIPAC Office for the coordination of monitoring activities will be supported within the current EU technical assistance project for IPA. Besides the NIPAC Office, capacities of other beneficiary institutions in BiH are also insufficient and should be

⁸ BiH started preparations for establishing the indirect/decentralised system for the IPA 2007-2013 by establishing the basic functions and structures that this system required, as follows: (1) Decision on the nomination of the National Aid Coordinator for EU assistance (NAC); (2) Decision on the establishment of the Central Financing and Contracting Unit within the DIS system for management of EU programmes in BiH, (3) Decision on establishment of the National Fund, (4) Decision on a consent for nomination of NAO, (5) Decision on the consent for nomination of the Programme Authorising Officer (PAO) - Official Gazette No 26/06; (6) Decision on the establishment of NIPAC, (7) Decision on the nomination of NIPAC, (8) Decision on the establishment of NAO; Decision on the nomination of NAO - Official Gazette 62/10

⁹ Source: Commission's Analytical Report on BiH for 2019

strengthened in line with their specific roles and responsibilities in the monitoring, evaluation and reporting system, yet to be established.

- ✓ **Development of a sound financial management, control and audit system** for EU funds.

2. **There is no progress on the preparation of regional development strategies or policies serving as the basis for investment planning towards reduction of socio-economic and territorial disparities.** Bosnia and Herzegovina has adopted countrywide strategies¹⁰ including priorities at state, entity and Brčko District levels in some fields relevant to cohesion policy, namely transport (2016), environmental approximation (2017), climate change adaptation and low emission development (2013), information society development policy and related action plan (2017), framework energy strategy (2018), public administration reform strategy (2020), framework strategic plan for rural development (2018), gender action plan (2018). Revised strategy for implementation of Annex VII of Dayton Peace Agreement is in place, while countrywide sectoral planning and strategic documents on social inclusion, human rights, anti-discrimination, public finance management, employment, education and SME competitiveness have not been adopted.

Notably, the cross-cutting horizontal strategies include Joint Socio-Economic Reform Agenda, Strategic Framework for BiH and Economic Reform Programme which is updated annually on the 3-year roll-on basis. However, quality and consistency of the strategies should be improved in particular to align with the requirements of the EU Regional Policy allowing for the measurement, planning and ultimately reduction of regional disparities among the BiH regions and those of the EU Member States. There is lack of the sound country wide regional development policy (and consistent regional development policies in BiH), with accompanying institutional structure and performance monitoring framework, that would allow for the effective channelling of public investments and progress towards meeting the social, economic and territorial cohesion objectives. It has in particular to ensure an efficient coordination among the levels of government in the preparation and implementation of relevant sector strategic and planning documents thus improving the process of prioritisation of planned intervention in the context of programming EU funds.

Description of main stakeholders

While key coordinating beneficiary is BiH Directorate for European Integration (DEI), key beneficiaries include DEI, Ministry of Finance and Treasury of Bosnia and Herzegovina (MFT BiH), Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina (MoFTER), Ministry for European Integration and International Cooperation of Republika Srpska (MEIO RS), EU Integration Office of the Government of the Federation of Bosnia and Herzegovina, and Brčko District of BiH Department for European Integration and International Cooperation.

Other action beneficiaries include relevant institutions at BiH central, entity, canton and Brcko District level, in particular statistical offices on state and entity levels, ministries of finance and institutions in charge of EI and IPA programming and monitoring¹¹; as well as civil society organisations in BiH. Precise identification of institutions to be involved in activities such as consultations on documents preparation and/or capacity building activities will be done in course of the action implementation.

DEI has a unique role in coordinating the process of EU integration and use of EU financial assistance in BiH as well as the core capacity and experience in capacity building, EU assistance planning, programming, monitoring and reporting, partnering with civil society and managing complex inter-institutional consultative mechanisms and processes.

MFT BiH is inter alia responsible for the overall macroeconomic stability, financial planning on BiH central level, internal control system including the Central Harmonisation Unit, and was appointed the functions of NAO and CFCU for pre-accession funds under decentralised/ indirect management, however the system was never formally accredited and operational. Since 2011 in the Ministry of Finance and Treasury of BiH there has been a First Level Control Body responsible for expenditure verification and certification for the BIH partners in Interreg and CBC programmes.

¹⁰ The Commission's BiH 2020 Report gives recommendation for Chapter 22 to adopt pending countrywide strategies in the fields relevant to the regional policy

¹¹ Cantonal offices for EU integration (or in some cantons EU coordinators) are governmental institutions having the coordinating role in the implementation of activities and obligations arising from the EU integration process including coordination of implementation and programming of IPA and other EU programmes at the cantonal level.

MoFTER is among other competent for the foreign trade policy and customs tariff policy of BiH; Business environment, single economic space; Development and promotion of entrepreneurship; Competition; tasks and duties falling within the jurisdiction of the State of BiH including defining policies and basic principles, co-ordinating activities and consolidating entity plans with those of international institutions in the following areas: Agriculture; Energy; Protection of environment and use of natural resources; and Tourism. MoFTER also coordinated preparation of proposal of NUTS regions. As the institution in charge of coordinating activities in a number of thematic areas relevant for the cohesion policy objectives, MoFTER is a key partner in development of the country-wide regional development strategy.

The aforementioned institution in the Federation of Bosnia and Herzegovina, the Republika Srpska and the Brčko District of Bosnia and Herzegovina coordinate tasks of EU integration process and of EU assistance utilisation in relation to their administrative level. In addition, the ten cantonal governments in the Federation of Bosnia and Herzegovina have all nominated EU integration coordinators, whereas certain cantonal governments have established specific European integration units.

Complementarity with national strategies

There is no country-wide regional development strategy in place nor NUTS levels regional development strategies. Action aims to create preconditions for effective policy planning in this area. It will take into account the existing strategic framework notably the Joint Socio-Economic Reform Agenda for 2019-2022, Strategic Framework for BiH and Economic Reform Programme 2021-2023. Further elaboration is under section 2.3.

2.3. Relevance and complementarity with strategies supported by key national stakeholders

There is lack of the sound countrywide regional development policy, with accompanying institutional structure and performance monitoring framework that would allow for the effective channelling of public investments and progress towards meeting the social, economic and territorial cohesion objectives. It has in particular to ensure an efficient coordination among the levels of government in the preparation and implementation of relevant sector strategic and planning documents thus improving the process of prioritisation of planned intervention in the context of programming EU funds. Action is precisely envisaged to address this problem by supporting creation of preconditions for strategic planning of regional development - notably defining the regions at NUTS levels and ensuring consistency of statistics and analytical basis.

The existing cross-cutting horizontal strategies to be taken into account include Joint Socio- Economic Reform Agenda, Strategic Framework for BiH and Economic Reform Programme which is updated annually on the 3-year roll-on basis.

Joint Socio-Economic Reform Agenda for 2019- 2022 underlines the accession to the EU as the key strategic priority and identifies the key reform objectives in the following areas: sustainable and accelerated economic growth, increased competitiveness and improved business environment; depolitisation, improved sustainability and efficiency of public enterprises; improved quality of the health system; improved opportunities for youth, women and other vulnerable groups.

Strategic Framework for BiH singled out the set of specific objectives related to macroeconomic stability, further development of a competitive economic environment, human resource strengthening, enhancement of industrial competitiveness, balanced regional development, improvement of environmental management with increasing resistance to climate change, boost in employment opportunities which are directly linked with sustainable growth and improvement of competitiveness as specific objective of TP1. Further the strategic framework identified sets of development areas and objectives such as integrated growth – promotion of regional trade and mutual investment; smart growth – represents innovation, digitalisation and mobility of young people; sustainable growth – balanced regional development and improved efficiency and sustainability; inclusive growth – increasing employment, skills development and growth management that increase the capacity of the administration in applying the principles of good governance at all levels of government. Hence, all enumerated is aligned with overall objective under Window 2 – promotion of good governance, EU best practices and standards as well as EU values.

Economic Reform Program 2021-2023 as a rolling programme contains a medium-term macroeconomic and fiscal policy framework, including fiscal measures and a comprehensive structural reform program to improve the country's growth and competitiveness what largely address the specific objective of W2 and TP1. Moreover, ERP 2021-2023 contains 18 structural reforms which will assist the country to overcome many structural weaknesses, inefficient and rigid markets, low productivity, limited access to finance, complex regulatory environment what leads the country to

low competitiveness and high unemployment. The structural measures constituted in the BiH ERP, will yield to strengthen BiH economic governance, and thus contribute to sustainable growth and improved competitiveness.

2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

The overall objective of the EU's assistance is to promote good governance, increase the compliance with Union's values and their alignment with the Union's rules, standards and practices in the relevant areas. Under thematic priority 1, following key priorities have been identified, of relevance for the proposed action:

- ✓ Under public financial management, as an integral part of public administration reform, the key priority will be to support IPA III beneficiaries to implement and upgrade their reform strategies to ensure fiscal sustainability and sound management of public finances as applicable in the EU. There will notably be a focus on improving the capacity for domestic revenue mobilisation and **effective management of public funds**, including through upgrading the revenue administration, budget reliability, transparency of public finances, public investment planning, selection and management, management of assets and liabilities, policy-based fiscal strategy and budgeting, public procurement and concessions, internal control, accounting and reporting, and external audit.
- ✓ The quality of **governance at sub-national levels** is very important in the enlargement context, as regional and local governments are closest to the citizens and play a key role in providing public services as well as in building citizens' trust in public institutions. The local level is the place where direct democracy and civic representation are exercised, where services are provided, and where social and economic development takes place. Local governments should play a more critical role in shaping and developing the social and economic life of their territories, bringing communities together, and providing local solutions to local problems. The performance of local government and how it interacts with citizens, will affect the latter's behaviour as well as cohesion and trust within and among communities; this will legitimise the local government's efforts and drive sustainable development. Inadequate local governance would affect all citizens, but especially the vulnerable, often enhancing exclusion.

Planned impact is to help overall preparedness for assuming the obligations of membership, while the specific objectives will contribute to strengthened capacity, analytical and statistical basis for the Regional Policy as the main EU's investment policy ensuring sustainable and inclusive growth and reduction of disparities between regions. Thus, all levels of governance will be better equipped and capacitated to understand, shape and implement the social and economic policy objectives aligned to those of the EU.

Stabilisation and Association Agreement between the European Communities and their Member States and Bosnia and Herzegovina Article 110 provides that the Parties shall seek to strengthen regional and local development cooperation, with the objective of contributing to economic development and reducing regional imbalances. Specific attention shall be given to cross-border, trans-national and interregional cooperation. Cooperation shall take due account of the priorities of the EU *acquis* in the field of regional development.

Commission Analytical Report 2019 Accompanying the document Commission Opinion on Bosnia and Herzegovina's application for membership of the European Union states that Bosnia and Herzegovina has insufficient administrative capacity to deal with the requirements of EU regional policy.

As stated in the Problem Analysis section, **the Commission's Bosnia and Herzegovina 2021 Report** indicates that Bosnia and Herzegovina remains at an early stage of preparation in the area of regional policy.

2.5. Lessons learned and links with previous financial assistance

In the past period, EU has supported the authorities to carry out the IPA programming and coordination tasks. Relevant previous EU assistance includes technical assistance and framework contracts supporting the NIPAC Office and other relevant institutions in planning, programming and building capacities for use of the IPA, mainly aimed at directly supporting development of programming documents (Sector Planning Documents, Action and Project Fiches/ Documents) but also introducing the programming procedures, improving inter-institutional structure and communication; streamlining and strengthening capacity building and knowledge specialisation across administration. Such projects include among other: *"Support to IPA 2019-2020 Programming in Bosnia and Herzegovina"* via FwC, *"Support to the NIPAC in the programming of IPA II"* via Service Contract, *"Support to Bosnia and Herzegovina for preparation of IPA Sector Planning Documents 2016-2017"* via FwC, *"Support to Bosnia and Herzegovina for IPA II programming"*, via FwC (*SPDs preparation and programming of IPA 2015*), *"Support to Bosnia and Herzegovina for IPA II preparations"* via FwC (*programming of IPA 2014*).

Additionally, NIPAC Office and other relevant institutions have been supported through the EU funded framework contract “*Support to the NIPAC Office with the establishment of National Investment Committee (NIC) Framework in Bosnia and Herzegovina*”.

Furthermore, EU has supported the preparations for introduction of the indirect/ decentralised system for management of IPA funds (IPA 2007- 2013) by establishing the basic functions and structures that this system required. However, the process was discontinued. Namely, with the EU technical assistance, the legal framework was adopted based on which the DIS structures were established in the BiH Ministry of Finance and Treasury; key training was provided in the areas of accounting, public procurement, public finance, financial monitoring, reporting, internal control and revisions, for newly recruited staff, with the aim of the established bodies gradually taking over the obligations of contracting and financial implementation and control, in accordance with the planned progress from the DIS Roadmap. Ministry of Finance and Treasury of BiH has further established the function of the first level of control and performs the function of the control body in IPA cross-border and EU transnational cooperation programmes implemented in a shared and indirect management system.

Multilateral and bilateral donors have provided support relevant to the action in past years. Several on-going projects comprise the broader UNDP local governance & local development portfolio, offering integrated support to local and cantonal governments in the areas of strategic planning and strategies’ operationalisation and implementation; local public finance and assets management; advancement and modernisation of public services and public infrastructure; economic development and job creation; tourism development; sustainable urban development; energy efficiency; disaster risk reduction; citizen participation and engagement in public affairs; strengthening interaction between local governments and civil society. The total volume of the financial resources for this portfolio amounts to approximately USD 77 million for the next 5 years, ensured by the Government of Switzerland, the Government of Sweden, the EU, the Government of Norway, UNDP, governments, etc. The Swiss Government and UNDP, through the Integrated Local Development Project (ILDP), have provided support in both BiH entities for the establishment of the Financial Mechanism to support local development. These mechanisms are established at the entity level with the objective to build the capacities of the governments at entity and local levels in BiH to prepare and implement projects, in line with the standards applied for structural and investment funds of the EU.

3. DESCRIPTION OF THE ACTION

3.1. Planned results and intervention logic (describing causal links between impact, outcome(s) and output(s) and including assumptions)

The expected impact of the action is to help prepare BiH for assuming obligations of the EU membership, specifically in the Chapter 22 Regional Policy and Coordination of Structural Instruments. Given the above presented problems and gaps that mainly pertain to the lack of administrative capacity for cohesion policy as well as the sound strategic framework for regional development, it is expected that interventions addressing those issues will positively affect the overall ability of the administration at all levels of authority in BiH to plan, implement and progress in the level of preparedness in this Chapter. The improved knowledge and capacities of the administration at all levels as well as partners involved in the process, is the key precondition for advancing in meeting the requirements of the cohesion policy. Thus, the planned outcomes include:

1. Level of knowledge and understanding on EU Regional Policy at all levels of governance and civil society increased;
2. Preconditions for sound regional development planning improved;
3. Improved planning for meeting the requirements of the EU Regional Policy.

The interlinkage between the outcome 1 and outcomes 2 and 3 is notable, given that the improved level of understanding and knowledge of the requirements of the EU Regional Policy is a precondition for preparatory activities of strategy development in the area of regional development as well as meeting the Cohesion Policy requirements. Thus, it is crucial to carefully design and plan the capacity building interventions for all relevant institutions from different levels of governments as well as other stakeholders, so that maximum impact is achieved in implementation of activities envisaged under outcomes 2 and 3.

Improvement of the statistical and analytical basis (including definition of NUTS regions) will help develop sound strategic framework for cohesion policy, allowing for national investment funding, IPA and other donor and financial

institutions instruments to be properly channelled towards reducing the regional disparities and achieving the inclusive and smart growth and better-connected regions. Along with better financial management, monitoring the performance and partnership with stakeholders, overall capacities and readiness for the EU Regional Policy shall be improved. This foresees proper data and analytical tools for evidence based decision making, but also multiannual financial planning necessary to complement the EU investment policy and strategic framework and policy as the basis for future planning and programming of the structural and cohesion funds.

EU accession process will increasingly require that Bosnia and Herzegovina improve capacities of public administration at all levels of authority both in terms of developing adequate institutional structures as well as ensuring sufficient number of qualified and competent civil servants and experts. While DEI is the key institutions entrusted with coordination of planning, programming, monitoring and evaluation of EU funds for the country, a number of other institutions at all governance levels have roles in this process in line with their competences. Structures and capacities in place for management of pre-accession financial instruments at all levels of authority in BiH represent core of the capacities to be further developed and engaged in preparations for the EU Regional Policy under Chapter 22, as well as relevant institutions in charge of various horizontal and thematic policies relevant for the cohesion policy.

Level of knowledge and understanding of the EU Regional Policy needs to be improved in order to have sound planning of actions to advance in preparations for aligning and implementing the EU *acquis* in this area. There is a need to ensure capacity building and support administrative development of public institutions at all levels of authority as well as the wider society in order to develop the core capacity for planning, implementing and monitoring the progress in meeting the requirements of the Regional Policy.

Given that the overall planned impact of the action is to help prepare BiH for assuming obligations of the EU membership in particular in Chapter 22, the underlying assumption is that if capacities and knowledge on EU Regional Policy at all levels is improved, preconditions created for preparing sound strategic framework for regional development and Roadmap produced outlining key steps, responsibilities and timeframe for progressing towards meeting the requirements of the Regional Policy, BiH would be availed key preconditions to achieve the desired impact. This of course given that the key identified assumptions hold true, notably the political commitment to EU integration process as well as good inter-institutional cooperation and commitment.

In order for capacities to be considered improved, a structured, coordinated and effective Capacity Building Programme should be put in place, so that relevant institutions on all levels are properly availed of the knowledge and equipped to actively and efficiently contribute in the alignment with the EU Regional Policy. This includes on one side, institutions to be part of the management and control system for structural and cohesion funds, as well as potential beneficiaries- sectoral institutions in charge of relevant policies design and implementation, but also the civil society organisations contributing as partners in consultative process.

Capacity building Programme has a two-fold purpose:

- To prepare institutions and partner organisations for the accession negotiation process and assuming obligations of the EU Regional Policy,
- To prepare policy makers and implementers for the effective regional development planning and monitoring, capable to deliver on key objectives of the Regional Policy (smarter, greener, more connected, more social and Europe closer to citizens while ensuring reduction of disparities between its regions).

Action thus envisages three outcomes:

- a) Strengthened capacities on all levels to better understand the EU Regional Policy and effectively engage in all other envisioned activities, via design and delivery of the Capacity Building Programme,
- b) Created preconditions for sound and consistent strategic planning for regional development as an instrument for channelling the own, EU and other funds towards the cohesion policy objectives,
- c) Improved planning of the activities aimed at meeting the requirements of the Regional Policy in order to ensure a coordinated and timely efforts of all the institutions included in this process. This action will most notably help Bosnia and Herzegovina streamline its activities and monitor progress towards meeting the requirements of the cohesion policy (including in all relevant chapters of the EU *acquis*).

While project outputs are designed to be specific and feasible with the technical assistance provided, in order for the outcomes to be achieved, active participation and commitment by the relevant institutions is required as well as political agreement and commitment to adopt and pursue the implementation of the key outputs: Capacity Building Programme for Chapter 22; analysis and recommendations in relation to definition of NUTS regions and Guidelines for regional development strategies preparation; recommendations stemming from analysis of the performance measurement framework and data availability; Roadmap for assuming obligations in Chapter 22.

3.2. Indicative type of activities

Outcome 1. Capacities of relevant institutions and organisations at all governance levels for EU Cohesion Policy improved

Output 1.1 Development of Capacity Building Programme for the EU's Regional Policy (technical assistance)

Capacity building Programme will be developed to ensure timely and quality planning and delivery of capacity building activities for institutions (potential future parts of the Management and Control System for Cohesion Policy), beneficiaries and partners/ civil society organisations, as institutions and organisations to be involved in preparations under Chapter 22. Development and delivery of CB Programme will include:

- Introductory Module to EU Cohesion Policy, including specific modules on the objectives and rules of the Structural and Cohesion Fund; institutional aspects and management and control system; Code of Conduct on partnership and multi-level governance; monitoring and evaluation under Cohesion Policy.
- Introducing accession negotiations in Chapter 22, including structure and content of negotiations, organisation and management issues, sharing experiences and lessons learned from other acceding countries. Training should in particular help build capacities for effective engagement of institutions in developing Roadmap for meeting the requirements of Cohesion Policy.

Development of the CB programme and its delivery will take into account the following: requirements of the current EU legal framework and key principles for implementation of the Cohesion Policy; relevant horizontal Union policies and EU *acquis* (e.g. public procurement, state aid, financial control, sectoral policies); experiences of the recently acceded Member States, notably Croatia; analysis of existing capacities and skills, as well as gaps identified in Commission's annual reports. Development of the CB programme will be done in close consultations and participation of all relevant institutions from different levels of authority in BiH and the Working Group for Chapter 22.

Activities include:

- 1.1.1 Mapping of target groups for capacity building activities, taking into account the EU integration institutional structure and EU Funds management system, notably the NIPAC office, other appointed bodies and relevant institutions from all levels of authority, along with key civil society organisations participating in the consultative processes on EU integration and IPA use.
- 1.1.2 Performing the Training Needs Assessment of selected target groups based on assessed level of knowledge and their respective roles in EU integration process and EU funds management system. In this context, a comprehensive assessment (all government levels, as well as civil society organisations) of the "readiness" for the EU Cohesion Policy will be performed. This will enable baseline understanding on the structural knowledge/partnerships gaps and areas where capacities are needed in the entire system (i.e. beyond the future managing authorities only).
- 1.1.3 Design of the CB Programme including defining the courses, developing modules, defining delivery methods (trainings, workshops, study visit) and timeframe for delivery. Design will also take into account possibility to use blended learning, distance teaching, inclusive digital materials and innovative online materials and tools, to adequately respond to needs of various target groups.
- 1.1.4 Review of the CB Programme after one year of its implementation.

Output 1.2 Delivery of capacity building activities

Effective involvement of institutions at all levels of authority in preparations for the accession negotiations in Chapter 22, development of the plan for meeting the requirements of Regional Policy (Outcome 3) and development of the strategic framework for regional development, is highly dependent of level of knowledge and understanding of the requirements of the EU *acquis* under this Chapter. Thus the effective, all inclusive, timely and tailor made

implementation of a set of capacity building activities is crucial for the further integration process and advancement in preparations for the Regional Policy.

In line with the dynamics, target groups and delivery modalities defined under Output 1, activities will include:

- 1.2.1 Preparation of training materials for specific target groups, including their translation,
- 1.2.2 Delivery of trainings and organisation of the study visit to an EU MS Cohesion Policy management structures, in line with the CB Programme, including via innovative tools and training delivery methods,
- 1.2.3 Support in introducing the Regional Policy modules and materials produced on DEI website, including link to/with other relevant institutions' websites, and its regular update,
- 1.2.4 Evaluation of implemented capacity building activities and recommendations for revision of CB Programme if needed.

Outcome 2: Preconditions for sound and consistent regional development policy planning created

In order to ensure sustainable preparations for the regional policy as well as maximise the impact of the action, following sequencing of activities is proposed: Action will address preparatory activities for strategic planning such as definition of NUTS regions, improvement of statistical and analytical basis and development of methodology for regional development planning. In the following period, as a follow up, NUTS I and II level strategies will be prepared, accompanied with operational plans/ programmes while in parallel the capacities for implementation (including financial instruments) and management of the public investments will be strengthened, and support provided for their implementation.

In that context, Action envisages support to creating preconditions for sound regional development planning through following:

Output 2.1: Definition of NUTS regions and improvement of regional statistics and data availability

- 2.1.1 Elaboration of options for decision making on defining the NUTS I, II and III level regions based on the NUTS classification. Activity includes proposing the options based on analysis of territorial organisational structure, population, socio-economic analysis and other relevant criteria.
- 2.1.2 Support to preparation of proposals of legal documents and operational materials related to establishment of NUTS regions and appropriate institutional set up. Institutional set up/ structures managing the regional development policy planning and implementation will be proposed based on the appropriate NUTS regions definition (link 2.1.1).
- 2.1.3 Raising awareness on regional development for institutions in BiH at all levels of governance
- 2.1.4 Review of regional statistics availability and analytical basis against the requirements of the Cohesion Policy and providing recommendations for ensuring consistency of relevant statistics between the regions as well as improvement of their quality.

Output 2.2: Preparatory analysis and studies for regional development policy planning produced

Activities include:

- 2.2.1 Preparing Guidelines for strategy development on NUTS I and NUTS II levels including timetable, methodological guidelines, including all necessary activities/ steps, methodological framework, responsibilities, and consultative mechanism,
- 2.2.2 Review of the current monitoring and evaluation capacities, including methodologies used, indicators measured for socio-economic analysis of the regions, human capacities and responsibilities, with recommendations for their improvement in view of proper monitoring and evaluation of regional development strategies,
- 2.2.3 Review of existing financing instruments and mechanisms on all levels of authority relevant for financing/ co-financing regional development policy, with recommendations for their improvement

Outcome 3: Improved planning for meeting the requirements of the EU Regional Policy

Output 3.1: Roadmap for preparations to meet the requirements of the Regional Policy developed

In order to carefully plan and carry out the activities related to meeting the requirements of the EU regional Policy, Bosnia and Herzegovina shall be supported in developing the Roadmap specifying the steps to be taken in following areas: legal framework (including monitoring the advancement in aligning with the relevant horizontal Union policies) and strategic framework; institutional set up and administrative capacities; programming and partnership principle; monitoring and evaluation; financial management and control. This will be done with institutions from all levels of authority in line with their competences for regional policy. Roadmap will take into account the requirements of the Cohesion Policy in the current financial perspective, state of play and progress in integration process as well as gaps identified in annual reports. Roadmap shall serve as the basis to the competent institutions to timely undertake actions and ensure advancement in preparing to assume membership obligations in Chapter 22.

Activities include:

- 3.1.1 Development of the structure, methodology and consultative mechanism for preparing the Roadmap
- 3.1.2 Organisation of introductory training/ workshop with key stakeholders
- 3.1.3 Drafting of the Roadmap and organisation of consultations throughout its preparation, including templates for monitoring and reporting on its implementation. It is envisioned that development of the Roadmap will be done within the Working Group for Chapter 22¹².
- 3.1.4 Presentation of the Roadmap to key stakeholders.

3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Risk 1 Uneven level of knowledge across governance level and sectors to engage in definition of NUTS regions, preparation of Guidelines for regional development strategies and Roadmap for meeting requirements of Chapter 22	H	Development of Capacity Building Programme will be based on thorough assessment of training needs of all relevant stakeholders and tailor made to address them. Flexibility should be ensured to address arising gaps in capacities
Risk 2 Insufficient interest of institutions and partner organisations to engage in capacity building activities	L	As risk is assessed as low due to expressed interest and need by the relevant institutions to improve knowledge of Regional Policy, however mitigating measure includes careful identification of target groups and beneficiaries, assessment of their CB needs and timing of training activities aligned with availability of staff to participate

Assumptions (to be reflected in the Logical Framework Matrix above) – grouped by outputs and outcomes

Outcome 1:

- ✓ Mutual cooperation between different levels of government
- ✓ Bosnia and Herzegovina remains committed to the EU accession process

Outcome 2:

- ✓ Good inter-institutional cooperation ensured

Outcome 3:

- ✓ Commitment of competent institutions for Ch 22

Output 1.1:

- ✓ Efficient coordination with other relevant projects and initiatives

Output 1.2:

¹²In line with the provisions stipulated by the Decision on the System of Coordination of European Integration Process in BiH

- ✓ Relevant institutions and stakeholders commit necessary human resources to participate in Project activities and capacity building programme

Outputs 2.1 and 2.2:

- ✓ Beneficiaries ensure timely and with proper quality the necessary data, and inputs for development of analytical documents

Output 3.1:

- ✓ Efficient coordination with other relevant projects and initiatives

3.4. Mainstreaming

There is Gender Action Plan for Bosnia and Herzegovina 2018-2022 (GAP BIH) in place, as a framework strategic document for gender mainstreaming in all areas of social life in both public and private sphere. GAP BIH is in line with gender equality strategic documents of the European Union, Council of Europe, and United Nations. Regional cooperation on gender equality is one of strategic priorities of GAP BIH, including development of regional policies and programmes for the advancement of gender equality, as well sharing of experiences and best practices.

Promoting gender equality is important in reducing regional economic and social disparities and for ensuring the long-term development of the region.

Action contributes to **Gender Equality and Women's and Girls' empowerment** and EU strategic framework in this area.

Environment and Climate Change, Rights Based Approach and Resilience and Conflict Sensitivity, Roma, people with disabilities and other vulnerable groups by adequately and timely preparing the relevant authorities to implement the Regional Policy requirements and manage the future Cohesion Policy funds in line with the objectives and strategic framework of the EU. Also, when developing the analytical basis for regional development planning, relevant EU cohesion indicators in those areas will be taken into account.

Additionally, stakeholders and partner organisations to be included in the consultative mechanism for development of the Guidelines for regional development strategies will include relevant bodies at all levels of authority and civil society organisations engaged in gender equality, human rights, environment and climate change in order to provide input, recommendations and help ensure strategy alignment with the specific policy objectives in those areas. Furthermore, representatives of institutions and civil society will be included in Capacity Building activities as target groups so that they can better understand and contribute to preparations for the Cohesion Policy and development of the strategic framework for regional development.

In line with the key principle on partnership embedded in the EU Regional Policy, action envisages a coordinated, systematic and effective engagement with the civil society throughout its implementation, notably via a) inclusion of representatives of the civil society organisations in capacity building activities as target groups, b) organising regular consultations with the CSOs throughout the process of drafting the Roadmap for meeting the requirements of the EU Regional Policy.

3.5. Conditions for implementation

No specific conditions for the implementation of the action.

3.6. Logical Framework

Results	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Baselines (year)	Targets (year)	Sources of data (1 per indicator)	Assumptions
Impact	To prepare BiH for assuming obligations of the EU membership in Chapter 22 Regional Policy and Coordination of Structural Instruments	Readiness of Bosnia and Herzegovina on EU <i>acquis</i> – KPI 3 of IPA III Proposal	BiH is at an early stage of regional policy preparedness	BiH is at a certain stage of preparation in the field of regional policy	Commission BiH Reports	<i>Not applicable</i>
Outcome 1	Level of knowledge and understanding on EU Regional Policy at all levels of governance and civil society increased	Percentage of increase in knowledge of Regional Policy as measured via survey carried out in inception and final project phase	Not available	50%	Project Reports	Mutual cooperation between different levels of government Bosnia and Herzegovina remains committed to the EU accession process
Outcome 2	Preconditions for sound and consistent regional development planning created	<p>Recommendations provided to improve statistical and analytical basis for cohesion policy</p> <p>Recommendations provided to improve overall monitoring and performance measurement systems</p> <p>Recommendations provided for institutional framework for regional development</p>	<p>No</p> <p>No</p> <p>No</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	Project Reports; DEI website	Good inter-institutional cooperation ensured

Outcome 3	Improved planning for meeting the requirements of the EU Regional Policy	Percentage of implementation of the Roadmap for EU Regional Policy	0	80% of activities planned for respective period	Report on implementation of the Roadmap	Commitment of competent institutions for Ch 22
Output 1.1 related to outcome 1	Capacity Building Programme for Regional Policy for all levels of governance and civil society developed	Training Needs Assessment for identified target groups performed CB programme reviewed Modules and training materials online available	0 0 No	1 1 Yes	TA Project final report; DEI website Project Website	Efficient coordination with other relevant projects and initiatives
Output 1.2 related to outcome 1	Capacity building programme timely implemented	Number of institutions participating in CB activities on all levels Average level of satisfaction with trainings delivered and knowledge transferred on regional policy Evaluation of implemented CB activities completed and lessons learned included in revised CB programme Number of trained civil servants at all governmental levels Number of trained civil society representatives Percentage of CB Programme activities implementation	0 N/A No 0 0 N/A	50 Very satisfied Yes 1000 200 80%	Training materials; Attendance and evaluation lists; Project reports	Relevant institutions and stakeholders commit necessary human resources to participate in Project activities and capacity building programme
Output 2.1 related to outcome 2	Proposal for definition of NUTS regions and improvement of regional statistics and data availability	Number of analysis and studies produced Proposed institutional/ organisational set up for regional development Number of raising awareness events for regional development	0 No 0	2 (Elaboration of options for decision making on defining the NUTS I, II and III level regions; Review of regional statistics	Project Reports; DEI website	Beneficiaries ensure timely and with proper quality the necessary data, and inputs for development

				availability and recommendations for ensuring consistency and quality of data) Yes 4		of analytical documents
Output 2.2 related to outcome 2	Preparatory analysis and guidelines for regional development policy planning produced	Guidelines for strategy development on NUTS I and NUTS II levels produced Review of the current monitoring and evaluation system with recommendations produced Review of the existing financing instruments and mechanisms	0 0 0	1 1 1	Project Reports;	Beneficiaries ensure timely and with proper quality the necessary data, information and inputs for development of strategic document
Output 3.1 related to outcome 3	Roadmap for preparations to meet the requirements of the Regional Policy developed and ready to be implemented	Roadmap under implementation by the institutions preparing to assume membership obligations in Chapter 22	No	Yes	Project Reports	Efficient coordination with other relevant projects and initiatives

4. IMPLEMENTATION ARRANGEMENTS

Introduction of reference to Performance/Results-based Financing if applicable in 4.4 and 4.6
Numbering referred to in chapter 4 will be updated once the structure is final

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with Bosnia and Herzegovina

4.2. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

4.2.1. Direct Management (Procurement)

The Action will be implemented under direct management by the EU Delegation in Bosnia and Herzegovina via single technical assistance contract that contributes to all Outputs of the Outcome 1- Level of knowledge and understanding on EU Regional Policy at all levels of governance and civil society increased, Outcome 2- Preconditions for sound and consistent regional development planning created, and Outcome 3- Improved planning for meeting the requirements of the EU Regional Policy.

Subject	Indicative type (works, supplies, services)	Indicative trimester of launch of the procedure
Technical Assistance project EU4 Regional Development	Service	Q2 2022

4.2.2. Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

If the implementation modality under direct management cannot be implemented due to circumstances outside of the Commission's control, the Action may be implemented through indirect management with an entrusted entity selected by the Commission's services on the grounds of the following criteria: financial and operational capacity; technical capacity such as experience in implementation of capacity building projects and support to the implementation of the Cohesion Policy.

In this case, indirect management will be implemented with one/more entrusted entities (i.e., Member State Organisation, third donor country, EU specialised (traditional/regulatory) agency, international organisation), in which the following criteria for selection of the entrusted entity will be applied: financial and operational capacity; technical capacity such as experience in implementation of capacity building projects and support to the implementation of the Cohesion Policy.

Implementation under indirect management may be used as an alternative modality for the following outcomes:

Outcome 1. Capacities of relevant institutions and organisations at all governance levels for EU Cohesion Policy improved – activities 1.1.1 to 1.1.4 and 1.2.1 to 1.2.4

Outcome 2: Preconditions for sound and consistent regional development policy planning created - activities: 2.1.1 to 2.1.4 and 2.2.1 to 2.2.3

Outcome 3: Improved planning for meeting the requirements of the EU Regional Policy - activities: 3.1.1 to 3.1.4

4.3. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply as per IPA III regulation and implementing acts.

4.4. Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in EUR
Outcome 1: Capacities of relevant institutions and organisations at all governance levels for EU Cohesion Policy improved		
Outcome 2: Preconditions for sound and consistent regional development policy planning created		
Outcome 3: Improved planning for meeting the requirements of the EU Regional Policy, composed of		
Direct Management (Procurement) – cf. section 4.2.1.	N/A	N/A
Procurement – total envelope under section 4.2.1.	2 000 000	N/A
Evaluation - (cf. section 5.3)	will be covered by another decision	N/A
Audit/Expenditure verification - (cf. section 6)	will be covered by another decision	N/A
Communication and visibility - (cf. section 7)	N/A	N/A
Contingencies	N/A	N/A
TOTAL	2 000 000	N/A

4.5. Organisational set-up and responsibilities

A Steering Committee will be established to monitor implementation of the Action and will be composed of the representatives of key beneficiaries from all levels of authority.

5. PERFORMANCE/RESULTS MONITORING AND REPORTING

5.1. Internal monitoring

There is currently no internal monitoring system in place to track progress in meeting the requirements of the EU Regional Policy. Reporting is done by collecting available data from the responsible institutions and compiling them on an ad hoc basis and per need of the EU integration process. Project aims to introduce a more structured approach by defining the Roadmap for meeting the requirements of the EU Regional Policy, accompanied by the performance monitoring framework, specifying timeframe, data, indicators and responsible institutions for tracking progress.

5.2. Roles & responsibilities for data collection, analysis & reporting

A Steering Committee will be established to monitor implementation of the Action and will be composed of the key beneficiaries and relevant reform institutions in BiH. The Action will be regularly monitored by the EU Delegation to BiH.

In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

5.3. Evaluation

Having regard to the nature of the actin, a mid-term and/or final evaluation will not be carried out for this action or its components.

In case an evaluation is not foreseen for some action's components, the Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

Evaluation services may be contracted under a framework contract.

The financing of the evaluation shall be covered by another measure constituting a financing Decision

6. AUDIT

Without prejudice to the obligations applicable to contract concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

The recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the public administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.)

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegation. The European Commission and the EU Delegation will be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

If the Action includes Union programmes, visibility and communication measures shall be implemented in accordance with the EU communication and visibility requirements in force and the specific rules of each Union programme. The relevant programme managing entity shall be responsible for monitoring the visibility and communication activities. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities.

8. SUSTAINABILITY

The key planned impact and outcomes of the Action refer to strengthening institutional capacities for assuming the obligations of the EU membership in the area of cohesion policy. Thus activities have been tailored to provide for the structured, coordinated and efficient capacity building of identified relevant stakeholders, allowing for the maximum and sustainable impact in terms of the increase in knowledge and understanding of cohesion policy, notably by a) targeting relevant institutions and staff employed therein, b) carefully designing topics and timetable in line with the training needs assessment, c) availing training materials, best practices and examples, ensuring thus transfer of knowledge from EU MSs, d) availing online modules and materials, e) developing capacities of civil society and thus creating wider outreach and spreading of knowledge on cohesion policy. Towards the end of action implementation, Capacity Building programme will be reviewed and owned by the beneficiaries for continued efforts and activities on raising knowledge.

Improving knowledge and understanding will be crucial for delivery of outcomes 2 and 3, related to defining the NUTS regions, strengthening of the analytical basis and developing Guidelines for regional development planning, as well as planning of alignment with the EU *acquis* in the Chapter 22 Regional Policy and Coordination of Structural Instruments.

Thus, action will carry out a number of analysis and provide recommendations for the authorities to take on board in improving the institutional, strategic framework, monitoring and evaluation, financial control and audit, relevant for the implementation of the EU Regional Policy. By taking a systematic approach, project will ensure that activities are not carried out on an isolated, ad hoc basis but rather give the overall framework of cohesion policy requirements and time-bound actions across a number of relevant areas for the country to effectively progress in this Chapter.

It is expected that final outputs and outcomes will equip the relevant authorities at all levels of government in BiH with the strategic basis for regional development and Roadmap for assuming obligations in this Chapter, accompanied by a fully fledged Capacity building programme and improved capacities across administration on all levels.