

**Project Fiche – IPA Annual Action Programme 2007 for Bosnia and Herzegovina**

**Sustainable Capacity Building of the Insurance Agency of Bosnia and Herzegovina and the Federation and Republika Srpska Insurance Supervisory Agencies.**

**1. Basic information**

**1.1 CRIS Number:**

**1.2 Title:** Sustainable Capacity Building of the Insurance Agency of Bosnia and Herzegovina and the Federation and Republika Srpska Insurance Supervisory Agencies.

**1.3 ELARG Statistical code:** 03. 09

**1.4 Location:** Bosnia and Herzegovina

**Implementing arrangements:**

**1.5 Contracting Authority (EC):** EC Delegation Bosnia and Herzegovina

**1.6 Implementing Agency:** EC Delegation Bosnia and Herzegovina

**1.7 Beneficiary** (including details of project manager):

Direct: Insurance Agency Bosnia and Herzegovina, Samir Omerhodzic,  
Director of Insurance Agency of Bosnia and Herzegovina, phone  
number 00 387 621 428 – 396.

Indirect: Entity Insurance Supervisory Agencies

**Financing:**

**1.8 Overall cost:** 800,000 EURO

**1.9 EU contribution:** 800,000 EURO

**1.10 Final date for contracting:** N+2

**1.11 Final date for execution of contracts:** N+4

**1.12 Final date for disbursements:** N+5

**2. Overall Objective and Project Purpose**

**2.1 Overall Objective:**

Contribute to development of a single insurance market in BiH.

**2.2 Project purpose:**

The purpose of this project is to provide for the sustainable capacity building of the Agency and its Entity-level counterparts (jointly referred to as “agencies”) to support the implementation and enforcement of the sectoral (i.e. insurance market) policies, including development of procedures to ensure compatibility with EU standards, laws and regulations.

### **2.3 Link with AP/NPAA / EP/ SAA:**

A short-term goal of the European Partnership under European Standards, internal market, free movement of people, services and rights is that a State Agency for Insurance must be established and it must be ensure that the Agency becomes fully operational.

### **2.4 Link with MIPD :**

Supervision of the financial sector remains fragmented. Banking supervision remains conducted by two separate entity banking agencies and is coordinated by the Central Bank. This approach has limitations in the increasingly integrated banking sector; however, it lacks political will to merge the banking supervision. Supervision for other parts of the financial system, such as insurance, is fragmented and still developing. Bosnia and Herzegovina (“BiH”) needs to establish functioning State-level agencies, capable to regulate and supervise the banking and insurance sector as well as the capital markets...”

“...The institutional set-up of key market actors, particularly ... the (State) Insurance Agency and the BiH Central Bank, will be improved. BiH will have a single financial market, with a functioning State-level Banking Supervisory Agency, (State) Insurance Agency and the establishment of State body for the regulation of the capital markets.

### **2.5 Link with National Development Plan**

The BiH Medium Term Development Strategy requires that a functional insurance market in BiH needs to be built, harmonization of entity legislation and overall improving the regulations for licensing of insurance companies. The BiH authorities have established the BiH Insurance Agency, have provided funding for staff and premises.

### **2.6 Link with national/ sectoral investment plans. Not applicable**

## **3. Description of project**

### **3.1 Background and justification:**

To ensure a single economic space in Bosnia and Herzegovina a functioning regulated financial market must be in place. This includes a growing and developing insurance sector which needs to be regulated and supervised in accordance to European standards. Bosnia and Herzegovina has three insurance agencies. At the Entity level there are two Supervisory Agencies and at the State-level a regulatory and coordinating Agency. The State-level Insurance Agency of Bosnia and Herzegovina was established in 2006 by the Council of Ministers of BiH. The Director was appointed in August when the Agency began its operations. The Agency's tasks and responsibilities are defined by the Law on

Insurance Agency of BiH (“Law”) and it is funded by appropriations from the State Budget of BiH. The Civil Service Agency is currently recruiting the staff of eleven that will enable the Agency to become fully operational. The Agency is expected to be fully staffed by mid 2007.

The Agency is facing numerous challenges as it begins its operations. It is working to establish efficient channels of communications with counterparts in the Entity agencies, to build strong relationships with counterparts in the region, the EC, and with other international organizations. The Agency needs to develop its human capital (staff training), draft official procedures for dealing with a number of issues under its responsibilities including arbitration procedures, management of issues related to insurance of export credits, development of reporting templates for EU and other international organizations. These challenges and tasks will place considerable demands that will require additional resources, beyond those of the national budget, to develop the capacity of the Agency's staff to undertake and effectively implement tasks. Furthermore, there is a clear requirement for the Agency and its Entity counterpart agencies to develop transparent and efficient communication channels for intra-agency information sharing and reporting to the European Commission (“EC”) and other international organizations. Finally, looking ahead to mid-2007 sector consolidation is expected, at which time a number of existing insurance companies will face the risk of losing their licenses. The Agency is well aware of the consequences of such changes in the sector and the need to act as a transparent and trustworthy regulator in the market to preserve and increase public trust in the sector.

This project will:

- Provide technical assistance to develop and harmonize appropriate legislation required to move towards establishment of a single insurance market in BiH. To reconcile and harmonize existing Entity-level insurance legislation, procedures and regulations in order to provide uniform insurance coverage in Bosnia and Herzegovina.
- Provide for the agencies’ sustainable human capital development (capacity, skills, expertise) through focused training and attendance of insurance-industry seminars or educational programs at educational and insurance industry-oriented institutions in the member State countries.

### **3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)**

Through the provision of technical assistance including focused training this project will build the capacities within the Agency to enable it to act as a trustworthy and stable regulator in the insurance market, undertaking advisory, arbitration and other roles assigned to it by the Law of Insurance Agency of Bosnia and Herzegovina. Furthermore, the project will ensure that mechanisms are in place for continual training of Agency staff

and the entire sector, ensuring that the Agency staffs are able to keep abreast of the latest trends in the insurance industry and regulatory developments.

Specific returns from the project include the development of clear and tangible official procedures, guidelines, document-sets, protocols and/or regulations by and for the agencies with respect to each of the project's activities, all contributing to the sustainability of the Agency. Finally, a transparent and professional archival and international reporting mechanism will be developed in accordance to accepted EU standards.

### **3.3 Results and measurable indicators:**

Results and measurable indicators in relation with activity 1

Result:

The agencies' staffs are able to implement insurance regulations, conduct monitoring, coordinating, arbitrage and other activities in accordance with the Agency's tasks.

Indicator:

- Insurance Agency staff are completing required international reports
- Training strategy developed and accepted
- Relevant insurance regulations are drafted and adopted
- Employee manuals developed including detailed job descriptions.
- Agency staff has conducted training for the entity Insurance Agencies and the insurance sector.

Results and measurable indicators in relation with activity 2

Result:

A sustainable and efficient reporting and archival mechanism will be developed to provide up-to-date insurance market and regulatory information to the Government of BiH, European Commission, and other international organizations.

Indicators:

- Statistical Service is set-up
- Operational database and a website of the state-level Agency is set up.

Results and measurable indicators in relation with activity 3

Result:

The Agency has developed guidelines, procedures or other regulatory documents for export credits in accordance with its obligations under the law

Indicators:

- Guidelines and relevant regulatory documents developed.
- In-country counterparts (e.g. IGA) have been identified and clear communication lines and information sharing protocols defined.

Results and measurable indicators in relation with activity 4

Result:

The Agency has guidelines for arbitration procedures in the case of cross-Entity litigation in the insurance industry in BiH.

*Indicators:*

- Guidelines accepted by the Agency
- Drafted protocols and/or guidelines for the Administrative Board of the Agency's activities in case of a litigation arbitration.
- Defined arbitration reporting guidelines to the COM, EU, and other international organizations.

### **3.4 Activities:**

#### Activity 1

- Complete assessment of training needs for the Agency and the Entity agencies.
- Define list of seminars, training, and study tours and develop multi-annual training strategy for the Agency.
- Organize and/or conduct seminars/Training/Study Tours (supervision, insurance of export credits, arbitration) for Agency and Entity Agencies staff in accordance with the training strategy.
- Develop employee manuals for the Agency including detailed job descriptions.
- Train Agency staff to conduct further training for Entity agencies and insurance sector.

Input: Technical Assistance

#### Activity 2

- Customized the Entity database for the state-level Agency to pool the reports and data collected from the entity-level insurance and statistical agencies.
- Draft reporting templates.

- Design and publish the (state-level) Agency website, which will include an area with the Statistical Service reports.
- Develop guidelines and other regulatory documents for the statistical and other reporting.

Input: Technical Assistance

### Activity 3

- Research and define a set of best practices and methodologies on managing the issues related to the insurance of export credits.
- Develop a comprehensive document-set (of regulatory documents) for the Agency's responsibilities for the export credits.
- Define the list of in-country organizations the Agency needs to coordinate this work with and support the Agency in drafting protocols with the counterparts.
- Propose reporting template requirements for the Government of BiH, EU, and other international organizations.

Input: Technical Assistance

### Activity 4

- Define the list of arbitration-related topics and procedural/legislative requirements.
- Develop clear instruction/guidelines for management of the arbitration process by the Agency and its Administrative Board.
- Draft the protocol and guidelines for selection of the arbitrageurs and management of the arbitration process by the Administrative Board of the Agency.
- Define reporting requirement for the Government of BiH, EU, and other international organizations.

Input: Technical Assistance

### **3.5 Conditionality and sequencing:**

All conditions are in place for this activity to take place, The Agencies are established and staff are employed.

### 3.6 Linked activities

The EC Delegation to Bosnia and Herzegovina funded an activity to support the insurance sector: Technical Assistance to the Reform and Modernization of the Insurance Sector in BiH (TARMIS). The objective of TARMIS was to ensure that public policy does not prevent the equitable operation of a single economic space in the insurance sector of BiH by reason of law, supervisory practice or tax policy and promote stability, integrity and effective operation of insurance companies. This two-year activity, which is set to end April 2007, provided technical assistance to the Entity Insurance Agencies. Limited support was also provided to the Insurance Agency of Bosnia and Herzegovina due to the late establishment of the Agency.

### 3.7 Lessons learned

Lessons learned from previous activities showed that the Agencies must be closely involved in the design and planning of training activities. This will ensure that the trainings are suited to the qualifications, skills and knowledge level of the staff. Under the proposed project a training strategy will be developed together with the State Agency (the Entity Agencies will also be consulted) and implementation of the strategy will be conducted in close cooperation with the Agency(ies).

## 4. Indicative Budget (amounts in €)

Activities	TOTAL COST	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION				PRIVATE		
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *
Activity 1					=							
Contract 1.1	800 000	800 000	100%		=							
<b>TOTAL</b>	<b>800 000</b>	<b>800 000</b>	<b>100%</b>		=							

\* expressed in % of the Total Cost

## 5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1	1 <sup>st</sup> Quarter of 2008	2 <sup>nd</sup> quarter of 2008	4 <sup>th</sup> quarter of 2009

Contract 1.2			
Contract 2.1			
Contract 2.2			
.....			

All projects should in principle be ready for tendering in the 1<sup>ST</sup> Quarter following the signature of the FA

**6. Cross cutting issues (where applicable)**

**6.1 Equal Opportunity**

Equal opportunity for participation of men and women will be assured in all aspects of the project implementation.

**6.2 Environment**

The project will not have negative environmental effects.

**6.3 Minorities**

Participation in the project activities will be guaranteed on the basis of racial or ethnic origin, religion or belief, disability, sex of sexual orientation.



**ANNEXES 1- Log frame in Standard Format**

LOGFRAME PLANNING MATRIX FOR Project Fiche	Programme name and number: Sustainable Capacity Building of the Insurance Agency of Bosnia and Herzegovina and the Federation and Republika Srpska Insurance Supervisory Agencies		
	Contracting period expires		Disbursement period expires
	Total budget : 800,000,00 Euro		IPA budget: 800,000,00 Euro
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
Contribute to development of a single insurance market in BiH.	An insurance company is able to operate throughout all of BiH once licensed by one Entity Supervisory Agency	Progress reports on Bosnia and Herzegovina	
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
Improved institutional set-up of the Agency and Agency staff are able to conduct their tasks.	<ul style="list-style-type: none"> <li>▪ Statistical Service is operational and providing structured information about the insurance sector in BiH</li> <li>▪ Agency staff are able to conduct the tasks of the insurance agency including: statistical reporting, EU and international reporting, manage issues related to insurance of export credits - in accordance with established procedures and Employee manual.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statistical Service is operating and the Agency website is online.</li> <li>▪ Staff has successfully completed at least three trainings in the three areas covered by this project.</li> <li>▪ Employee Manual is developed</li> <li>▪ Procedures for the insurance of export credits and for official appointment of arbitrars have been developed..</li> <li>▪ EU and other international reports</li> </ul>	
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Result 1</b> <ul style="list-style-type: none"> <li>▪ The agencies' staff are able to implement insurance regulations, conduct monitoring, coordinating,</li> </ul>	<b>Result 1</b> <ul style="list-style-type: none"> <li>▪ Insurance Agency staff are completing required international reports</li> </ul>	<b>Result 1</b> <ul style="list-style-type: none"> <li>▪ Training programs for study tours and in-country seminars</li> <li>▪ Train-the-trainer reports</li> </ul>	

<p>arbitrage and other activities in accordance with the Agency's tasks</p> <p><b>Result 2</b></p> <ul style="list-style-type: none"> <li>▪ A sustainable and efficient reporting and archival mechanism will be developed to provide up-to-date insurance market and regulatory information to the Government of BiH, European Commission, and other international organizations.</li> </ul> <p><b>Result 3</b></p> <ul style="list-style-type: none"> <li>▪ The Agency has developed guidelines, procedures or other regulatory documents for export credits in accordance with its obligations under the law</li> </ul> <p><b>Result 4</b></p> <p>The Agency has guidelines for arbitration procedures in the case of cross-Entity litigation in the insurance industry in BiH.</p>	<ul style="list-style-type: none"> <li>▪ Training strategy developed and accepted</li> <li>▪ Relevant insurance regulations are drafted and adopted</li> <li>▪ Employee manuals developed including detailed job descriptions.</li> <li>▪ Agency staffs have conducted training for the entity Insurance \agencies and the insurance sector.</li> </ul> <p><b>Result 2</b></p> <ul style="list-style-type: none"> <li>▪ Statistical Service is set-up</li> <li>▪ Operational database and a website of the state-level Agency is set up.</li> </ul> <p><b>Result 3:</b></p> <ul style="list-style-type: none"> <li>▪ Guidelines and relevant regulatory documents developed.</li> </ul> <ul style="list-style-type: none"> <li>▪ In-country counterparts (e.g. IGA) have been identified and clear communication lines and information sharing protocols defined.</li> </ul> <p><b>Result 4</b></p> <ul style="list-style-type: none"> <li>▪ Guidelines accepted the Agency</li> <li>▪ Drafted protocols and/or guidelines for the Administrative Board of the Agency's activities in case of a litigation arbitration.</li> </ul> <p>Defined arbitration reporting guidelines to the COM, EU, and other international organizations.</p>	<ul style="list-style-type: none"> <li>▪ Trainee evaluation reports</li> <li>▪ SoW for staff adopted</li> <li>▪ Reports for IA staff from the study tours.</li> <li>▪ Certificates of completion for relevant attended courses.</li> </ul> <p><b>Result 2</b></p> <p>Reports from the statistical service Website Internationally reports</p> <p><b>Result 3:</b></p> <p>Export credit guidelines and regulatory document accepted MOUs with in-country counterparts signed</p>	
<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>
Activity 1	Twinning	800,000 EUR	

- Complete assessment of training needs for the Agency and the Entity agencies.
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- Organize and/or conduct seminars/Training/Study Tours (supervision, insurance of export credits, arbitrage) for Agency and Entity Agencies staff in accordance with the training strategy.
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**Activity 2**

- Customized the Entity database for the state-level Agency to pool the reports and data collected from the entity-level insurance and statistical agencies.
- Draft reporting templates.
- Design and publish the (state-level) Agency website, which will include an area with the Statistical Service reports.
- Develop guidelines and other regulatory documents for the statistical and other reporting.

**Activity 3**

- Research and define a set of best

<p>practices and methodologies on managing the issues related to the insurance of export credits</p> <ul style="list-style-type: none"> <li>▪ Develop a comprehensive document-set (of regulatory documents) for the Agency's responsibilities for the export credits</li> <li>▪ Define the list of in-country organizations the Agency needs to coordinate this work with; support the Agency in drafting protocols with the counterparts.</li> <li>▪ Propose reporting template requirements to the Government of BiH, EU, and other international organizations.</li> </ul> <p><b>Activity 4</b></p> <ul style="list-style-type: none"> <li>▪ Define the list of arbitration-related topics and procedural/legislative requirements.</li> <li>▪ Develop clear instruction/guidelines for management of the arbitration process by the Agency and its Administrative Board.</li> <li>▪ Draft the protocol and guidelines for selection of the arbitrageurs and management of the arbitration process by the Administrative Board of the Agency.</li> <li>▪ Define reporting requirement to the Government of BiH, EU, and other international organizations.</li> </ul>			
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Pre-conditions

**ANNEX II: Amounts (in €) Contracted and disbursed by quarter for the project**

<b>Contracted</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q5</b>	<b>Q6</b>	<b>Q7</b>	<b>Q8</b>
Sustainable Capacity Building of the IA of BiH and the Federation and RS ISAs.		533.333,28				186.666,72		80.000
.....								
<b>Cumulated</b>		<b>533.333,28</b>				<b>186.666,72</b>		<b>80.000</b>
<b>Disbursed</b>								
Sustainable Capacity Building of the IA of BiH and the Federation and RS ISAs.								
.....								
<b>Cumulated</b>								

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**ANNEX III: Law of insurance agency of Bosnia and Herzegovina**

- The law on Insurance agency in Bosnia and Herzegovina; Official Gazette of the Bosnia and Herzegovina No.12/04 as of 14<sup>th</sup> of April 2004,
- The law on insurance agencies in the area of private assurance; Official gazette of the Federation BiH No.24/05,
- The law on intermediary activities in private assurance; Official gazette of the Federation BiH No.24/05,
- The law on assurance for responsibilities; Official gazette of the Federation BiH No.24/05,
- The law on insurance agencies in the area of private assurance; Official gazette of the Republika Srpska No.17/05,
- The law on intermediary activities in private assurance; Official gazette of the Republika Srpska No.17/05,
- The law on assurance for responsibilities; Official gazette of the Republika Srpska No.17/05.

**ANNEX IV:** Details per EU funded contract (\*) where applicable

Activity 1

- Complete assessment of training needs for the Agency and the Entity agencies.
- Define list of seminars, training, and study tours and develop multi-annual training strategy for the Agency.
- Organize and/or conduct seminars/Training/Study Tours (supervision, insurance of export credits, arbitrage) for Agency and Entity Agencies staff in accordance with the training strategy.
- Develop employee manuals for the Agency including detailed job descriptions.
- Train Agency staff to conduct further training for Entity agencies and insurance sector.

Input: Technical Assistance

Activity 2

- Customized the Entity database for the state-level Agency to pool the reports and data collected from the entity-level insurance and statistical agencies. ;
- Draft reporting templates.
- Design and publish the (state-level) Agency website, which will include an area with the Statistical Service reports.
- Develop guidelines and other regulatory documents for the statistical and other reporting.

Input: Technical Assistance

Activity 3

- Research and define a set of best practices and methodologies on managing the issues related to the insurance of export credits
- Develop a comprehensive document-set (of regulatory documents) for the Agency's responsibilities for the export credits
- Define the list of in-country organizations the Agency needs to coordinate this work with; support the Agency in drafting protocols with the counterparts.
- Propose reporting template requirements to the Government of BiH, EU, and other international organizations.

Input: Technical Assistance

#### Activity 4

- Define the list of arbitration-related topics and procedural/legislative requirements.
- Develop clear instruction/guidelines for management of the arbitration process by the Agency and its Administrative Board.
- Draft the protocol and guidelines for selection of the arbitrators and management of the arbitration process by the Administrative Board of the Agency.
- Define reporting requirement to the Government of BiH, EU, and other international organizations.

Input: Technical Assistance

**The profile of the Resident Twinning Adviser (Long-term expert) is as follows:**

##### General professional experience

- University degree in law, economics or political science;
- At least 15 years of experience in the insurance regulatory sector;
- To demonstrate management experience or to possess experience in senior positions in projects in developing economies / transition countries.

##### Specific professional experience

- To possess a strong and in depth knowledge in organizing the insurance sector in countries with federal structure, or in countries with the similar constitutional framework as in BiH or in transition economies,
- To possess an experience in drafting manuals, organizing training and on job coaching, as well as organizing monitoring to track performance of the insurance sector in transition economies.
- Demonstrated ability to quickly engage ST experts when ever there is a need for intervention, and this would be demonstrated through ability to quickly draft TORs on the basis of which would be possible to pick the required ST expert.
- Knowledge on arbitration would be considered as an asset.

The resident twinning advisor would be required to spend at least 16 months in the country.

Pool of ST term experts would include experts with expertise in the following area:

- Drafting insurance regulations
- Arbitration procedures / developing guidelines and manuals on arbitration procedures
- Developing and maintaining an operational insurance database.