1. Basic information

1.1 CRIS Number:

1.2 Title: Improving active labour markets in Bosnia and Herzegovina

1.3 ELARG Statistical code: 02.19 – Social Policy and Employment

1.4 Location: Bosnia and Herzegovina

Implementing arrangements:

1.5 Contracting Authority: (EC) European Commission

1.6 Implementing Agency: (ECD) Delegation of European Commission in BiH

1.7 Beneficiary (including details of project manager):
Ministry of Civil Affairs (Sector for Labour, Employment, Social Protection and Pensions) as well as relevant entity Labour Ministries, State and Entity Employment Agencies, Sub-entity agencies and social partners as appropriate

Responsible person for managing the project from Ministry of Civil Affairs is: Slavica Vučić, Head of Department for Labour and Employment
Address: Vilsonovo šetalište 10
71 000 SARAJEVO
Phone: 00387 33 713 935      fax: 00387 33 713 936
Mail: slavica_vucic@mcp.gov.ba

Financing:

1.8 Overall cost: 1,200,000 Euro

1.9 EU contribution: 1,200,000 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:
Economic regeneration of B&H

2.2 Project purpose:
To introduce active labour market policy development in the B&H

2.3 Link with AP/NPAA / EP/ SAA:
European Partnership with B&H - Program of Realisation of Priorities, Chapter 13f. - Implement the policies aimed at reduction of unemployment, particularly the long-term unemployment & Improve coordination between employment agencies in the country and make the efforts to reduce fragmentation of labour market.

2.4 Link with MIPD:
MIPD Compliance with 2.2.2.1 -2.2.2.2- 2.2.2.3. Employment is the key MIPD priority.
- Developing Active Labour Market Measures to combat unemployment, in particular long-term unemployment, to reduce fragmentation of labour markets and improve mobility
- A national Action Plan on Employment will be adopted and implementation started
- Policy coordination and decision making structures will be improved
- Assistance to draft and implement a national Action Plan on Employment
- Above capacity and institution building programmes will be complemented by support to improve policy coordination and decision making structures

2.5 Link with National Development Plan (where applicable) :
Item 231 of MTDS & Chapter I 7.4. Increase employment and improve links between human resources and Labour market & Chapter II 2.7 Measures for Improving active Labour markets in BiH

2.6 Link with national/ sectoral investment plans(where applicable) :
Not applicable

3. Description of project

3.1 Background and justification:
A key priority for the MIPD 2007-9 is employment policy.

Following a phasing-out of the post war assistance culminating the expected signing of the SAA, there is a transition from the reconstruction agenda to the newer BiH agenda for embedding of institutions and processes for stability and sustainability. In this process the development of employment, labour market and associated institutions and processes to deliver employment and successful labour markets now takes priority.

In addition, the need to develop the foundations for ownership of these in the BiH institutions has become urgent, not least in view of the decentralization of assistance to BiH institutions which is anticipated in the course of this IPA Programme. It is therefore important to secure critical mass for the technical assistance to this sector in the first two to three years.

This project has been discussed with other donors, the state and entity bodies, the BiH Department of Economic Planning and other stakeholders and it is designed to ensure that there is no duplication of other initiatives currently underway or in the planning process. The project is designed so as to lay the foundations of a truly sectoral approach with the aim of engaging related Ministries such as Finance and (at entity level), education.

The project addresses the dynamic aspects/functions of the labour market with a view to provide options for problem solving in some of the identified rigidities and obstacles to effective labour markets. It is therefore complementary to the more structurally focused projects on twinning and IT and employment agency and "strategy" development based project that are running in parallel. The basis of the project is the idea of options assessment and tailoring of recommendations and solutions to problems at the level and point at which they can be solved whether regional local or national and entity.
3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable):

The past projects in the employment fields have consisted of a Sector Review, which recommended the reform of the Sub-entity level delivery institutions. A further project seeks to devise and employment “strategy”, and also provides IT hardware to the beneficiaries to improve the information flow mechanisms. This project puts in place the determination of key groups and some labour market categories that can activate the “strategy” in real terms, and provides the competences to sensitise the beneficiaries to the need for prioritising activation measures based on maximising labour market outcomes and making the best use of funds available. A further twinning light project will expose the beneficiaries to how other countries manage active labour market policies.

Competence building, implementation of systematic information and intelligence development, as well as development of evidence based policy making, along with development of confidence that labour market challenges can be rationally managed will deliver sustainability. The project aims to deliver a cross functional and multi ministry engagement in assessing options for measures e.g. including where appropriate and feasible, benefit and tax measures. In so doing there will be both joined up policy making as well as catalytic effects across the key ministries.

In additional to reduce the informal economy and increase employment, to ensure equal rights of citizens, strengthen the single economic space, increase the mobility of labor force and sustainability of returns.

This project addresses to increase the number of employees, reduce the informal economy, financially strengthen budgets and funds and open possibilities for employers to create new jobs.

3.3 Results and measurable indicators:

1. Several key categories for activating labour market identified and measures assessed
   - Benchmark report on policy development

2. Legislative and regulatory assessment concluded
   - Existence of reports detailing options for regulatory and legislative solutions

3. Policy and instrument development identified
   - Benchmark report on policy development

4. Capacity Building to state/entity/sub-entity level for implementing active labour market for key groups concluded
   - Personnel training programmes concluded an assessment rating of “good” or better, with planned numbers of trainees participating.

5. Communications and consultative strategy developed
   - Acceptance of communication and consultative strategy by Ministry of Civil Affairs, with consensus of state and entity level players

6. Coherence of links with planning, budgetary and expenditure framework improved
   - Recommendations accepted for core framework for labour market structures and processes and instruments in place with the appropriate internal mechanisms for permanent review and improvement
3.4 Activities:

1.1. The nature scope and extent of key supply side obstacles identified for key groups for use in defining activation measures.

1.2. Consultative process undertaken with key experts as well as agency policy makers at state and entity levels in working groups to develop a final list of groups with estimates of costs for options for activation measures. Ministry of Civil Affairs B&H and Agency for Labour and Employment B&H are responsible sides, the entities have consulting role in this activities.

2.1. Legislative and non legislative parameters determined to focus on key groups for whom activation measures can be started with soft law agreements in cohort with social partner private sector and others.

2.2. List of activation measures requiring legislative or regulatory change drawn up and two laws drafted for two possible activation measures that show promise as “quick win” measures. About those analysis, responsible institutions from Entity level and Brčko District with consultation with agencies, institutes and services for employment in entities.

3.1 Identify key categories for development of policy at the appropriate levels and draw up policy for prioritising active measures. Responsible institutions will be Ministry of Civil Affairs B&H, Agency for Labour and Employment B&H, and entities' ministries and Brčko District.

4.1. Using the process adopted so far develop the necessary training and capacity building materials, programme and practices.

4.2. Consolidate a training framework and the requisite modules to embed in the state and entity level agencies to sustain the cycle of assessment, costing and evidence based policy making.

4.3. Undertake the requisite training at state/entity/sub-entity level.

5.1. Design the core promotion and communications strategy for the introduction and roll out of activation measures on a case by case or cross B&H basis, depending on costs and impact.

5.2. Identify the steps and coverage for the promotion and communication strategy and draw up a communications plan for implementation. Based on the analysis/review of current labour market situations in different agencies will be chosen specific areas/agencies/bureaus for pilot measures.

6.1. Deliver report on options for active labour market policies and activation measures as well as feedback to the EPPU on budgetary and fiscal implications of active labour market policies and implementation of activation measures. Institutionalize the consultative groups as appropriate into review or monitoring mechanisms. Identify at least two groups for future funding for high impact activation measures.

3.6 Conditionality and sequencing:
This project has been discussed with other donors, the state and entity bodies, the Economic Planning unit and others and it is designed to ensure that there is no duplication. The project is designed so as to lay the foundations of a truly sectoral approach with the aim of engaging related Ministries related with Finance and Education and others. There are no sequencing outside the project management.

3.7 Linked activities:

- SOSAC I - Social Sector Structural Adjustment Credit; "Social Protection and Labour Markets"; Project of the World Bank
- SOSAC II - Second Social Sector Structural Adjustment Credit, Project of The World Bank
- Twining light project “Assistance to Ministry of Civil Affairs BiH in its internal organization and improvements on administrative capacity to undertake European integration tasks”
- Project: "Vertical Review of the Labour and Employment Sector in Bosnia and Herzegovina", financed by European Commission under the framework contract AMS/451-LOT 8;
- Project of Agency for Labour and Employment B&H: "Employment Policy Reform and Establishment of Labour Market Information System" for IPA 2007-09

The project will expand on the other projects on institutional and employment strategy development, and add a tangible basis for targeting of key groups for implementing active labour market policies and detailed activation measures.

An ongoing EC funded project has as part of its remit to draft a State-Level Framework Law on Employment. A further project proposed for funding from IPA 2007 Programme envisages assistance to Minister of Civil Affairs and Social Partners to establish a State-Level Economic and Social Committee in order to assist BiH to comply with its ILO commitments.

3.8 Lessons learned:

Twining light project “Assistance to Ministry of Civil Affairs BiH in its internal organization and improvements on administrative capacity to undertake European integration tasks”, implemented on 2005-06, thematic treated:
- European Labour and Social Security Law
- European Employment Services
- Social Dialogue
- Transfer of acquis communautaire into the national law

Previous projects in this field have dealt with providing capacity-building to the state-level employment agency and to the employment section of the Ministry of Civil Affairs (twinning light). A vertical review of the employment sector in BiH was recently completed. It advocated a greater emphasis on the policy-making role of the relevant ministries at the expense of the Agencies, which should concentrate on their executive role as well as suggesting a change in the role of Cantonal Employment Bureaux to that of service-provider. The review also highlighted the need for the Bureaux to concentrate on their core functions rather than acting as intermediaries in maintaining social security rights for long-term unemployed.

These recommendations form part of the basis for the present project.
The key recommendations were

1. Strengthen the State level functions in this sector
2. Strengthen and rationalise labour and employment related functions of the Ministry of Labour War Veterans and Invalids protections of the RS and modernise its employment service.
3. Strengthen and rationalise the labour and employment related functions of the Ministry of Labour and social policy of the FBiH, and modernise public employment services of the FBiH.
4. Prepare existing administrative structure for and enable them to administer EU funds related to the employment area, and reform the financing of the employment Service system, and strengthen the HR system and its management.
5. Rationalise the organisation of the municipal employment Bureaus.

4. Indicative Budget (amounts in €)

<table>
<thead>
<tr>
<th>Activities</th>
<th>TOTAL COST</th>
<th>SOURCES OF FUNDING</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EU CONTRIBUTION</td>
<td>NATIONAL PUBLIC CONTRIBUTION</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>% *</td>
</tr>
<tr>
<td>Activity 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>contract 1.1</td>
<td>Technical assistance</td>
<td>1,200,000 Euro</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,200,000 Euro</td>
<td></td>
</tr>
</tbody>
</table>

* expressed in % of the Total Cost
5. Indicative Implementation Schedule (periods broken down per quarter)

<table>
<thead>
<tr>
<th>Contracts</th>
<th>Start of Tendering</th>
<th>Signature of contract</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1.1</td>
<td>QTR 1 2008</td>
<td>QTR 4 2008</td>
<td>END QTR 2. 2010</td>
</tr>
</tbody>
</table>

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

6. Cross cutting issues (where applicable)

6.1 Equal Opportunity :

A key goal will be to improve the engagement in the labour market and promote equal access to measures for women. In this respect the aspects of the legal and de facto environment acting as barriers to women's access to the workforce will be examined. The percentage of women workers in BiH is significantly below the targets of the EU. (John – can you check the percentage and the target). Employment prospects for the disabled are also difficult and the law of former Yugoslavia obliging employers to take on a percentage of disabled personnel has been abrogated.

6.2 Environment :

Where environmental programmes offer opportunities for job generation they will be mainstreamed into the activation measures. BiH has a number of polluting industries which will require to change their practices in order to come into line with EU standards.

6.3 Minorities :

All employment activation measures will be designed with non discrimination between minorities or ethnicity. Unemployment amongst the Roma minority in particular is endemic and most Roma are excluded from the workforce by a combination of active and passive exclusion. The project should pay particular emphasis to this group, bearing in mind the link between social exclusion, unemployment and lack of education.
**LOGFRAME PLANNING MATRIX**

FOR Project Fiche

<table>
<thead>
<tr>
<th>Programme name and number: Improving active labor markets in B&amp;H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting period expires Disbursement period expires</td>
</tr>
<tr>
<td>Total budget : 1.200.000 Euro IPA budget: 1.200.000 Euro</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic regeneration of B&amp;H</td>
<td>Unemployment falls in targeted sectors. Adoption of laws and measures to revise labour and employment policies and practices.</td>
<td>BiH Statistical Sources; Ministry of Civil Affairs reports EC Annual progress report</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To introduce active labour market policy development in the B&amp;H</td>
<td>Publication or report detailing of key revisions to labour market policy, including targeting policy. Existence of policy document or plans detailing specific policy options and an optimal mix of policies to maximise impact on the labour market of instruments for labour market management identified.</td>
<td>BiH government reports, documents or minutes of meetings EC Reports etc List to be supplied</td>
<td>An absence of equivalent and mutual commitment between key players to being able to address the problems in a holistic way is a risk.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Several key categories for activating labour market identified and measures assessed</td>
<td>Benchmark report on policy development detailing key categories Existence of reports detailing options for regulatory and legislative solutions Benchmark report on policy development detailing policy options</td>
<td>Benchmark report Report of the regulatory and the legislative assessment</td>
<td>That the BiH authorities are committed to the improvement of the workings of the labour market and its institutions</td>
</tr>
</tbody>
</table>
3. Policy and instrument development identified. Options for policies, instruments, institutional, and capacity changes necessary to activate responsiveness delivered.

4. Capacity Building to state/entity/sub-entity level for implementing active labour market for key groups concluded

5. Communications and consultative strategy developed

6. Coherence of links with planning, budgetary and expenditure framework improved

Personnel training programmes concluded an assessment rating of “good” or better, with planned numbers of trainees participating.

Acceptance of communication and consultative strategy by Ministry of Civil Affairs,

Recommendations accepted for core framework for labour market structures and processes and instruments in place with the appropriate internal mechanisms for permanent review and improvement

Commitment to cross department workings with the B and H authorities

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Costs</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. The nature scope and extent of key supply side obstacles identified for key groups for use in defining activation measures</td>
<td></td>
<td>1,200,000 Euro</td>
<td>Assumptions</td>
</tr>
<tr>
<td>1.2. Consultative process undertaken with key experts as well as agency policy makers at state and entity levels in working groups to develop a final list of groups with estimates of costs for options for activation measures</td>
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<tr>
<td>2.1. Legislative and non legislative</td>
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</tbody>
</table>
parameters determined to focus on key groups for whom activation measures can be started with soft law agreements in cohort with social partner private sector and others

2.2. List of activation measures requiring legislative or regulatory change drawn up and two laws drafted for two possible activation measures that show promise as “quick win” measures.

3.1 Identify key categories for development of policy at the appropriate levels and draw up policy for prioritising active measures

4.1. Using the process adopted so far develop the necessary training and capacity building materials, programme and practices.

4.2. Consolidate a training framework and the requisite modules to embed in the state and entity level agencies to sustain the cycle of assessment, costing and evidence based policy making

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5.1. Design the core promotion and communications strategy for the introduction and roll out of activation measures on a case by case or cross
B&H basis, depending on costs and impact.

5.2. Identify the steps and coverage for the promotion and communication strategy and draw up a communications plan for implementation.

6.1. Deliver report on options for active labour market policies and activation measures as well as feedback to the EPPU on budgetary and fiscal implications of active labour market policies and implementation of activation measures. Institutionalize the consultative groups as appropriate into review or monitoring mechanisms. Identify at least two groups for future funding for high impact activation measures.
ANNEX II: amounts (in €) Contracted and disbursed by quarter for the project

<table>
<thead>
<tr>
<th>Contracted</th>
<th>Qtr 3 2008</th>
<th>Qtr 2 2009</th>
<th>Qtr 4 2009</th>
<th>Qtr 3 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1.1</td>
<td>1.2 mill</td>
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<td></td>
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<tr>
<td>Cumulated</td>
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<td></td>
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<tr>
<td></td>
<td>1.20M</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract 1.1</td>
<td>360 000</td>
<td>360 000</td>
<td>360 000</td>
<td>120 000</td>
</tr>
<tr>
<td>Cumulated</td>
<td>360 000</td>
<td>720 000</td>
<td>1080 000</td>
<td>1200 000</td>
</tr>
</tbody>
</table>
ANNEX III: Reference to laws, regulations and strategic documents:

Reference to laws:

- Law on Labour F BiH
- Law on Labour Republic of Srpska
- Law on Labour of Brcko District
- Law on foreigners' employing F BiH
- Law on employing foreigners and persons without citizenship RS
- Law on foreigners' employing Brcko District
- Law on employment and the right during unemployment Brcko District
- and other cantons' laws on labour and employment

Reference to MIPD – Multi-indicative planning document:

2.2.2 Socio-economic requirements

2.2.2.1 Main areas of intervention, priorities and objectives

Developing Active Labour Market Measures to combat unemployment, in particular long-term unemployment, to reduce fragmentation of labour markets and improve mobility.

Reference to National Development Plan - MTDS - Mid-Term Development Strategy:

Items 230 and 231 of Medium Term Development Strategy requires the establishing and strengthening of the social and economic councils and the development of special employment programmes for those who are in a particularly difficult situation.


Article 100

Social co-operation

The Parties shall co-operate to facilitate the reform of the employment policy in Bosnia and Herzegovina, in the context of strengthened economic reform and integration. Co-operation will also seek to support the adaptation of the social security system of Bosnia and Herzegovina to the new economic and social requirements, and may involve the adjustment of the legislation in Bosnia and Herzegovina concerning working conditions and equal opportunities for women, for people with disabilities and for people belonging to minority groups as well as the improvement of the level of protection of the health and safety of workers, taking as a reference the level of protection existing in the Community. Co-operation will take due account of priority areas related to the Community acquis in this field.
ANNEX IV: Details per EU funded contract (*) where applicable:

For TA contracts: account of tasks expected from the contractor
- Key labour market groups for active labour market measures identified

Options for regulatory and legislative solutions considered with the objective of using a wide range of direct as well as soft law and contract based consensus

- Benchmark report available for consultation on policy development. Personnel trained in the areas of – labour market assessment, management of flows in the labour market, problem identification and resolution, evidence based policy making, cost benefit and other costing methodologies in policy priority setting

A systematic approach to the communications consultations and promotions strategy developed with consensus of state and entity level players

Recommendations for core framework for labour market structures and processes and instruments, with the appropriate internal mechanisms for permanent review and improvements tin development

(*) non standard aspects (in case of derogation to PRAG) also to be specified