

CARDS Assistance to Bosnia and Herzegovina:
Multi-annual Indicative Programme 2005-6

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Abbreviations

BiH	Bosnia and Herzegovina
CAFAO	Customs and Fiscal Assistance Office
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CFSP	Common Foreign and Security Policy
CIDA	Canadian International Development Agency
CRA	Communication Regulatory Agency
DEI	Directorate of European Integration
EBRD	European Bank for Reconstruction and Development
EC	European Community
EIB	European Investment Bank
ESDP	European Security and Defence Policy
ETF	European Training Foundation
EU	European Union
EUPM	European Union Police Mission
FIPA	Foreign Investment Promotion Agency
FVO	(EC) Food and Veterinary Office
fYRoM	former Yugoslav Republic of Macedonia
GEF	Global Environment Facility
GFAP	General Framework Agreement for Peace
HJPC	High Judicial and Prosecutorial Council
IC	International Community
IOM	International Organisation for Migration
ISO	Independent Systems Operator (of BiH electricity industry)
ITA	Indirect Tax Authority
LIFE	Financial Instrument for the Environment
MIP	Multi-annual Indicative Programme
MOFTER	Ministry of Foreign Trade and Economic Relations
MS	(EU) Member States
OHR	Office of the High Representative
OSCE	Organisation for Security and Co-operation in Europe
PAR	Public Administration Reform
PBS	Public Broadcasting System
PRSP	Poverty Reduction Strategy Paper
REReP	Regional Environmental Reconstruction Programme
SAA	Stabilisation and Association Agreement
SAP	Stabilisation and Association Process
SBS	State Border Service
SIPA	State Investigation and Protection Agency
SOPs	Standard Operating Procedures
SUTRA	Sustainable Transfer to Return-related Authorities
TEMPUS	Trans European Mobility Scheme for University Studies
TRANSCO	Transmission Company (of BiH electricity industry)
UNHCR	United Nations High Commissioner for Refugees
VET	Vocational Education and Training
WTO	World Trade Organisation

1. Background

1.1 Preamble

The objective of the CARDS programme as defined by Regulation 2666/2000 is to support the participation of its beneficiary countries in the Stabilisation and Association Process.

The Thessaloniki Agenda, approved by the Council in June 2003, confirmed that the Stabilisation and Association Process remains the framework for relations between the Balkan countries and the European Union.

The strategic framework of Community assistance therefore remains unchanged; the review of country strategies undertaken in 2003, notably in the light of the annual reports, led to the conclusion that the areas and priorities identified remained relevant. One of the main tasks for future implementation of MIPs shall be the achievement of a higher degree of local ownership of projects and project management.

The Thessaloniki Agenda also provided for the creation of European Partnerships for each country, which set out priority actions on which the countries should act in order to move closer to the European Union.

The European Partnerships provide guidance for financial assistance, and the priorities identified therein constitute the basis for CARDS assistance programming.

The European Partnership, based on the 2004 annual SAP report, which examines the political and economic situation in Bosnia and Herzegovina and its progress within the Stabilisation and Association Process, confirmed the validity of the priorities set out in the strategic programming framework.

The present Multi-annual Indicative Programme takes due account of the priorities set out in the European Partnership agreed through Council Decision 9375/04 of 9 June 2004.

1.2 Introduction

This Multi Annual Indicative Programme sets out the priorities for Community assistance for Bosnia and Herzegovina in the period 2005-2006. These priorities will form the basis for project identification and annual Action Programmes. The assistance will be delivered through a number of sectoral interventions in support of the five areas identified in Section Five of the Country Strategy Paper, now regrouped under three headings:

- Democratic Stabilisation
- Good Governance and Institution Building (including Administrative Capacity and Justice and Home Affairs)
- Economic and Social Development (including Environment)

The **overall objective** of the Multi Annual Indicative Programme is to support the participation of Bosnia and Herzegovina in the Stabilisation and Association Process (SAP).

The **specific objectives** of the assistance are to:

- Help consolidate the state of Bosnia and Herzegovina as a democratic country in which the rule of law and good governance apply thereby enabling it to participate in the SAP and build on the General Framework Agreement for Peace;
- Support the development of functioning State institutions capable of acting as reliable counterparts for the international community and representing the entire country's interests effectively;
- Support economic reform and transition to a market economy, in order to facilitate sustainable economic growth, trade and employment, and to facilitate the integration of the Bosnia and Herzegovina economy into EU structures and those of the wider international community;
- Support the development of an environmental framework in BiH based on the *acquis*;
- Facilitate and encourage cooperation between BiH and the other countries of the region as part of the SAP.

As a SAP tool, the European Partnership identifies priorities for action in order to support Bosnia and Herzegovina's efforts to move closer to the European Union within a coherent framework. In supporting the SAP, the Multi Annual Indicative Programme aims to focus CARDS support on helping BiH take the medium-term priority actions identified in the European Partnership.

The fight against corruption is addressed as an underlying objective within the SAP: a central theme of the European Partnership, and thus of the present MIP which supports BiH in addressing it, is helping BiH improve the transparency, efficiency and effectiveness with which its authorities intervene in the economic and social life of the country. Such progress helps reduce both motive and opportunity for corruption. Planned interventions in the areas of public administration, customs and taxation, judicial and police reform will also be of particular importance in this regard.

1.3 Consultation

With Member States in Country

Meetings were held in Sarajevo during the development of the present MIP to which all Member States were invited and at which the priorities of the present MIP were presented in order to ensure complementarity with Member States' bilateral assistance plans.

The input of the EC Delegation in Sarajevo into the development of the present MIP has benefited from the co-ordination which the Delegation undertakes continuously with Member States and other donors.

Consultation regarding individual assistance projects will be conducted subsequently during the preparation of Annual Programmes.

With the Government

BiH authorities were consulted through the BiH Directorate of European Integration (DEI) at a number of stages during the drafting of the present document on its priorities and detailed scope. BiH authorities were consulted formally through the DEI in the margin of the Consultative Task Force meeting of June 2004 and expressed their agreement with the priorities set out in the document.

With Civil Society

The views of civil society actors in BiH were taken into account through consultation with the BiH NGO Forum on the priorities and detailed scope of the present MIP. NGOs expressed their general appreciation and endorsement of the orientations of the MIP.

With other stakeholders

The Office of the High Representative was consulted on the priorities set out in the present MIP during its development in order to ensure complementarity with OHR's Mission Implementation Plan.

The implementation of the present MIP will be undertaken with due regard for co-ordination with CFSP/ESDP activities such as EUPM and Operation ALTHEA.

A co-ordination meeting with IFIs and other stakeholders was held in Sarajevo, attended by UNDP, EBRD (also representing EIB) UNHCR, OSCE, CIDA and USAID, and further co-ordination via video conference was conducted with both the World Bank and with the United States.

Co-ordination with the World Bank encompassed BiH's Poverty Reduction Strategy Paper and confirmed that the SAP agenda - as reflected in the European Partnership - and the PRSP are complementary and have the potential to be mutually reinforcing. Progress on key elements of the SAP agenda – notably public administration reform and co-ordination of economic policy - are preconditions for progress in the wider areas of economic and social development addressed by the PRSP.

The priorities set out in the present MIP complement interventions planned by the World Bank, with for example planned EC support to BiH's State Regulatory Commission for Electricity and its Independent System Operator and its Transmission Company helping

increase the benefit to BiH of World Bank-financed electricity infrastructure improvements, and mutual support to the Economic Policy Planning Unit helping BiH develop its own economic policy, taking account of both the SAP and the PRSP.

2. Summary of the MIP 2005-2006 with indicative budgets

Priorities	Programmes	Financial Allocations (€m)			
		2005	2006	2005-6	
				Min	Max
1. Democratic stabilisation				5.0	6.2
	1.1 Return and Re-integration of Refugees and IDPs			2.7	3.3
	1.2 Civil Society and Media			2.3	2.9
2. Good governance and institution building				48.7	59.5
	2.1 Justice and Home Affairs				
	2.1.1 Judicial Reform			8.6	10.6
	2.1.2 Police, Organised Crime, Terrorism			8.1	9.9
	2.1.3 Integrated Border Management			3.6	4.4
	2.1.4 Asylum and Migration			2.7	3.3
	2.2 Public Administration Reform			18.5	22.6
	2.3 Customs and Taxation			7.2	8.8
3. Economic and social development				34.0	41.6
	3.1 Investment Climate			12.6	15.4
	3.2 Trade			3.6	4.4
	3.3 Infrastructure			7.2	8.8
	3.4 Environment			3.6	4.4
	3.5 Education and Employment				
	3.5.1 Higher Education: TEMPUS			4.3	5.3
	3.5.2 Vocational Education and Training			2.7	3.3
4. Opening of Community programmes				3.5	
5. Reserve				1.0	
TOTAL		51.0	51.0	102.0	

3. Priorities and actions

3.1 Democratic Stabilisation

3.1.1 Return and Re-integration of Refugees and IDPs

Background and past assistance

The European Partnership calls for BiH to complete the refugee return process, facilitating refugees' economic and social reintegration. (*Human rights and the protection of minorities*).

The Country Strategy Paper for BiH emphasises that an important element of the EC strategy will be to develop the capacity of the local authorities in relation to return and to transfer ownership of the process to them.

EC assistance in this field was substantially front-loaded, with a large volume of assistance supporting an initial focus on the reconstruction of homes and infrastructure. Since 2002 EC assistance has focused on capacity building programmes, which have smaller budgets and aim to support the sustainable transfer of responsibility for the sector to the domestic authorities.

In early 2004 the SUTRA (Sustainable Transfer to Return-related Authorities) project delivered an assessment (mid term review) of the Ministry for Human Rights and Refugees (MHRR) with recommendations on how to address its new responsibilities following its take over of the OHR Reconstruction and Return Task Force functions at the end of 2003.

By the end of 2004 the functional review of the return sector will issue recommendations which will be included in the BiH Action Plan for public administration reform.

Assistance under the MIP 2005-6 aims to contribute to helping BiH establish the appropriate capacity to address the European Partnership priority mentioned above.

Objective

1. To ensure that BiH authorities have the capacities required to fulfil their role in the return and re-integration (the latter requiring notably return of rights) of refugees and internally displaced persons in accordance with the Annex VII of the GFAP, subsequent PIC decisions, domestic legislation, and best EU standards and practices;
2. To ensure that BiH creates an environment conducive to sustainable return as targeted in Annex VII of the GFAP.

Expected results

1. The Ministry for Human Rights and Refugees, and other levels of government where appropriate, are capable of fulfilling their responsibilities in a manner appropriate to the domestic and international commitments of BiH;

2. Diminished discrimination against returnees, in particular of those returning to an area administered by a different constituent people.

Programmes to be implemented

1. Capacity building assistance to the Ministry for Human Rights and Refugees, and where necessary to other levels of government to enhance their capacity to facilitate return/return of rights, and in particular to allow the implementation of the recommendations of the functional review in the return sector and the mid-term review of SUTRA;
2. Support to non-governmental actors promoting the social reintegration of returnees and fighting discrimination practices.

Indicators of achievement

1. Oversight by IC bodies (e.g. OSCE and UNHCR) confirms that the process of return of refugees and internally displaced persons is being conducted a fair and legal manner;
2. People returning to areas administered by a different constituent people are supported in their efforts to fully exercise their rights.
3. The level of “secondary displacement” (i.e. returnees who go back to the place to which they were initially displaced) decreases.

Cross-cutting issues

1. A more effective Ministry for Human Rights and Refugees could interact more effectively with other parts of public administration structure, including the judiciary and the asylum and migration departments in the Ministry of Security, and with the governments of neighbouring countries;
2. Effectively managed return promotes stability, a precondition for economic development;
3. A more effective Ministry for Human Rights and Refugees could ensure improved protection of human rights for vulnerable groups of people, minorities and asylum seekers.
4. The programmes implemented will be designed in such a way as to ensure that they will equally benefit both men and women, particularly where they impact access to employment, education, health care, pensions, and other key areas of social inclusion.

Link to regional strategy and other EC interventions

These activities are designed to complement the support being provided to Croatia, fYRoM, Serbia and Montenegro and Bosnia and Herzegovina in the area of return, protection of human rights and institution building under the regional programme.

The assistance provided under the present MIP in this sector reinforces and extends the assistance being provided under **Administrative Capacity, Economic and Social Development** and **Justice and Home Affairs**.

The European Partnership priorities calling on BiH to ensure a satisfactory level of human rights protection (in particular of minority rights, including those of Roma), and to ensure comprehensive implementation of the Law on the Rights of National Minorities will be addressed by the European Initiative for Democracy and Human Rights programme, with which activities under the above priority will be fully co-ordinated.

Risks and assumptions

1. That appropriate financial resources are provided from domestic (state, Entity and Brcko District) budgets for the BiH Return Fund;
2. That other levels of government co-operate in a timely and appropriate manner with the Ministry of Human Rights and Refugees and with each other in the implementation of the Annex VII of the GFAP and the Action Plan for public administration reform.

3.1.2 Civil Society and Media

Media

Background and past assistance

The European Partnership calls for BiH to fully implement agreed Public Broadcasting System (PBS) reforms, and to maintain the independence of the Communications Regulatory Agency. (*Sectoral policies*).

The Country Strategy Paper for BiH emphasises the importance of media reform, and prioritises strategic support designed to bring about durable change in the electronic media landscape.

Since 2000 the EC has provided assistance to help move public broadcasting towards EU standards, by supporting the development in BiH of a more technically capable, well-managed and sustainable public broadcasting service through the provision of equipment and technical assistance.

Assistance under the MIP 2005-6 aims to extend this approach to the regulatory sphere, helping BiH establish the appropriate capacity to address the European Partnership priority mentioned above.

Objectives

1. To ensure that the citizens of BiH have access to professional and impartial media in order to increase the mutual understanding among the constituent peoples of BiH;
2. To ensure proper regulation of the broadcasting and telecommunication sectors.

Expected results

3. Full implementation of the Public Broadcasting System law and the Public Broadcasting Service law;

4. Assurance of the long-term viability of a financially and editorially independent single state-wide public broadcasting system for Bosnia and Herzegovina, whose constituent broadcasters share a common infrastructure allowing efficiency and quality improvements;
5. Effective empowerment of the Communication Regulatory Agency (CRA) as the regulator of the communications market in BiH.
6. Assurance of the independence of the CRA.

Programmes to be implemented

1. The provision of capacity-building assistance to strengthen technical and management capacities of the PBS;
2. The provision of capacity-building assistance to the CRA.

Indicators of achievement

1. Financial audits of PBS indicate progress toward self-sustainability;
2. Increased BHTV1 viewer satisfaction as measured by the CRA's Annual report;
3. PBS fully complies with the requirements of the licenses issued by the CRA;
4. Yearly financial audits indicate the proper use of funds allocated to the CRA.

Cross-cutting issues

An optimally functioning PBS and CRA would be more financially sustainable, lessening the load of public sector expenditure and interact more effectively with other parts of public administration structure.

Link to regional strategy and other EC interventions

Wider issues of public administration reform tackled in the present MIP under **Public Administration Reform** are linked with the issues addressed in this sector.

Risks and assumptions

1. Launch of news and programming on BH TV1;
2. PBS internal reform plan implemented;
3. State and Entity laws on public broadcasting adopted.
4. Implementation of proper subscription fee collection

3.2 Good Governance and Institution Building

3.2.1 Justice and Home Affairs

3.2.1.1 Judicial Reform

Background and past assistance

The European Partnership calls for BiH to:

- Ensure equal standards of appointment, promotion, discipline and training for judicial and prosecutorial staff throughout BiH. (*Democracy and the rule of law*)
- Demonstrate full implementation of all measures agreed in the Action Plan against Organised Crime presented at the Brussels JHA ministerial meeting of November 2003.
- Increase international co-operation and implement relevant international conventions on terrorism, and prevent the financing and preparation of acts of terrorism. (*Co-operation in Justice and Home Affairs*)

The Country Strategy Paper for BiH emphasises the importance of an independent, impartial and professional judiciary and a well regulated legal profession, in order to foster defence rights in judiciary procedures.

Previous assistance to the judiciary has focused on the process of selection of judges and the restructuring of the courts and subsequently on strengthening the HJPC (High Judicial and Prosecutorial Council) and the Judicial and Prosecutorial Training Centres. It has also targeted legislative aspects of the fight against organised crime and terrorism. Recent CARDS funding to the sector focuses on strengthening courts and prosecutors' offices. In addition, support has been provided to the BiH Human Rights Ombudsman, and the BiH Constitutional Court was assisted in taking over from of the Human Rights Chamber. Recent assistance has been allocated the War Crimes Chamber to be established within the State Court.

Planned assistance under the MIP 2005-6 aims to contribute directly to helping BiH address the European Partnership priorities mentioned above.

Objectives:

1. To strengthen the effectiveness and the impartiality of the judiciary in BiH and in particular the BiH Court and Prosecutor's Office, thereby reinforcing the rule of law and respect for human rights. The rule of law is an essential precondition for economic development.
2. To bring the legal framework for fighting terrorism and organised crime fully into line with the *acquis* and with relevant international conventions.
3. To foster training capacities of the judiciary in new investigative techniques in order to fight more efficiently against organised crime and terrorism.

Expected results

1. The HJPC, the BiH Court and the BiH Prosecutor's Office effectively implement their respective mandates under BiH legislation;
2. Judges and Prosecutors are provided with adequate support by the Centres for Judicial and Prosecutorial Training, leading to the greater financial and institutional sustainability of the judiciary;
3. Reformed Ministries of Justice provide adequate material and financial support to the Judiciary;
4. Ministries of Justice develop methodologies and training programmes for the establishment of a State-level penitentiary system;
5. Reformed Law Faculties and Bar Associations adequately prepare members of the legal profession and effectively support attorneys-at-law;
6. The restructuring of Courts (Minor Offences Courts in particular) is completed;
7. BiH legislation in the field of terrorism and organised crime fully complies with the *acquis* and key international conventions.

Programmes to be implemented

1. Capacity building assistance to the HJPC, and other BiH judicial bodies where appropriate, including peer collaboration with similar EU judicial institutions. This will include the creation and effective implementation of an IT case-management system for Courts and Prosecutor's Offices;
2. Curriculum development (primarily in commercial and civil legislation) and 'train the trainers' programmes with the Judicial and Prosecutorial Training Centres;
3. Assistance in the implementation of the Action Plan for the reform of the Ministries of Justice, including aspects relating to penitentiary services, and in following up the review of the law faculties;
4. Assistance to the bar associations in providing more effective legal services i.a. via a more effective legal aid scheme;
5. Follow-up assistance where necessary to ensure that legislation tackling terrorism and organised crime, including the trade in drugs, is complete, consistent with the *acquis* and key international conventions, and fully implemented.

Indicators of achievement

1. The HJPC has proceeded with the restructuring of Minor Offences Courts and the reselection of the Judges affected to these Courts;
2. The HJPC is ruling over disciplinary cases and is proceeding with the adoption of curricula for the judicial training of Judges and Prosecutors;
3. The HJPC plays a key role in Courts' and Prosecutors' Offices' budgeting and administration, thus ensuring transparency and equal access to justice throughout BiH;
4. Reduction in delays before Entity, Canton and Municipal courts, number of judges and

officials trained, and higher rates of execution of judgements both in civil and criminal matters;

5. The Action Plan for the reform of Ministries of Justice is implemented;
6. The number of UN counter-terrorism conventions ratified and implemented.
7. BiH legislation allows successful prosecution in the fields of terrorism, organised crime and the trade in drugs.

Cross-cutting issues

1. A more effective judiciary is better able to contribute to ensuring a physically and legally secure environment property and thus encourage economic activity, especially investment;
2. A more effective judiciary is better able to interface with other services, in particular the police services in the follow up of criminal procedures, and to play its part in customs and tax enforcement actions and back up effective property law implementation;
3. The reform of the Judiciary has helped achieve a more balanced representation of women in senior positions in the Judiciary and should continue to do so. This issue will continue to be addressed through technical assistance for training and professional development.

Link to regional strategy and other EC interventions

Interventions under the CARDS regional programme, particularly as regards training and the fostering of regional judicial co-operation, will complement assistance under the present MIP.

The assistance provided to **Judicial Reform** under the present MIP reinforces and extends the support being given to **Administrative Capacity, Refugee Return and Economic and Social Development**.

Risks and assumptions

BiH authorities need to ensure an appropriate level of funding to the HJPC, the BiH Court and the BiH Prosecutor's Office, and courts and prosecutor's offices at other levels, to allow them to effectively implement their respective mandates.

3.2.1.2 Police, Organised Crime, Terrorism

Background and past assistance

The European Partnership calls for BiH to:

- Implement recommendations of functional and strategic reviews of the police sector and ensure co-operation among law enforcement agencies. (*Democracy and the rule of law*)
- Increase international co-operation and implement relevant international conventions on terrorism. Improve co-operation and exchange of information between police and intelligence services within the State and with other states. Prevent the financing and preparation of acts of terrorism.

- Proceed with structural police reform with a view to rationalising police services.
- Demonstrate full implementation of all measures agreed in the Action Plan against Organised Crime presented at the Brussels JHA ministerial meeting of November 2003. (*Co-operation in Justice and Home Affairs*)

The Country Strategy Paper for BiH prioritises support to help BiH achieve effective and democratically accountable policing in which all citizens have confidence. It emphasises in particular capacity building to help the police to fight crime, particularly organised or drug-related crime and trafficking in human beings.

Previous CARDS assistance has focused on training of police officers at all levels in management and investigation techniques and supporting the establishment of modern information storage, exchange and communication systems, in close co-ordination with EUPM. Recent assistance is focused specifically on supporting measures set out in BiH's Action Plan to fight organised crime, and will also tackle part of the follow-up to the CARDS-funded functional review of the police services.

Planned assistance under the MIP 2005-6 aims to contribute, either directly or by establishing appropriate institutional preconditions, to helping BiH address the European Partnership priorities mentioned above. Design and delivery of assistance projects in the area of policing will be closely co-ordinated where appropriate with the EU's CFSP and ESDP elements present in BiH.

Objectives

BiH Police Forces are better capable of supporting the rule of law and thereby helping ensure security and stability in BiH, in particular as regards the fight against organised crime and terrorism.

Expected results

Restructured police services, which are financially sustainable and organisationally fit to conduct their tasks as defined by the law, with state-wide coherence in tackling crime and public security issues and with the full respect of human rights.

Programmes to be implemented

Capacity building assistance to BiH police and related security services, including in the context of their structural reform with a view to rationalisation. Assistance will focus in particular on implementing priority recommendations from the financial and organisational assessment of the BiH Police Forces, including SIPA and the SBS, and follow the approach developed and agreed between the BiH Authorities, and OHR and EU actors including EUPM, within the framework of the Police Restructuring Commission.

As such assistance targets may include:

- Support for the reorganisation of the operational and administrative functional structures of the police forces;

- Assistance to improve administrative capacity with respect to the formulation, execution and accounting of budgets and the efficient management of human resources;
- Support in analysing the amount and type of revenues generated by the Ministries of Interior at Entity and cantonal level as well as SBS and the Police forces themselves and an appraisal of their role in budgetary provision for these services;
- Building State-level capacity for some key functions, such as special interventions and investigations, criminal intelligence (strategic and operational), procurement, human resources as regards education, and management staff, in order to ensure a common professional culture, and to increase efficiency;
- Building the capacity of the various levels of police services, following the restructuring, to deliver the services with which they are tasked, including in particular state-level capacity to fight key crime areas such as organised crime, terrorism and drugs, i.a. by improving capacity of relevant organs;
- Improving co-ordination and co-operation between police and other law enforcement agencies, both domestically and with regional and other EU and international partners;
- Support to the Financial Intelligence Unit and other agencies to combat terrorist financing and money laundering.

Indicators of achievement

1. Levels of crime reporting and rate of detection increase, leading to an increase in the sense of security of BiH citizens as measured by public opinion surveys;
2. The number of cases of organised crime brought before the Courts and resulting in successful prosecution.
3. The budget allocated to the Police demonstrates a capacity to meet not only salary costs, but also capital expenditure.
4. Number of successful investigations by FIU and other bodies.

Cross-cutting issues

1. In restructuring, the police services should become more effective in their co-operation and exchange of information with intelligence services within the State and with other states, in order to prevent serious crime, including organised crime and the financing and preparation of acts of terrorism;
2. More effective police forces would be better able to contribute to ensuring a physically and legally secure environment property and thus encourage economic activity, especially investment;
3. The restructuring process will help eliminate discrimination in recruitment / promotion, be it on gender or constituent-people criteria, improve the representation of women and take into consideration the specific needs of women and possible family/social constraints.

Link to regional strategy and other EC interventions

Interventions under the CARDS regional programme, particularly as regards training and the fostering of regional police cooperation, will complement assistance under the present MIP.

The assistance provided under **Police, Organised Crime and Terrorism** under the present MIP reinforces and extends the support being given to **Judicial Co-operation, Administrative Capacity, Refugee Return and Economic and Social Development**.

Risks and assumptions

BiH domestic authorities fully support the implementation of the recommendations of the Police Restructuring Commission.

3.2.1.3 Integrated Border Management

Background and past assistance

The European Partnership calls for BiH to:

- Implement international commitments made at the May 2003 Ohrid Conference on security and border management and the measures presented at the EU – Western Balkans ministerial forum on JHA of November 2003.
- Endorse and implement an Integrated Border Management Strategy.
- Facilitate regional co-operation and trade by improving border management and transport facilities.
- Further develop co-operation between the State Border Service, the customs service, the police and the Prosecutor's Office to interdict and prosecute trafficking and other cross-border crime.
- Further implement the national anti-trafficking plan. (*Co-operation in justice and home affairs*)

The Country Strategy Paper for BiH states that the inter-linkage of border management problems dictates that only a comprehensive solution will be effective in strengthening controls at the border and facilitating cross border trade, pointing to the importance of the implementation of an integrated border management strategy.

Planned assistance under the MIP 2005-6 aims to contribute directly to helping BiH address the European Partnership priorities mentioned above. Design and delivery of assistance projects in the area of border management will be closely co-ordinated where appropriate with the EU's CFSP and EDSP elements present in BiH.

Previous EC assistance focused on training and equipping the State Border Service and in particular on the development of border crossing infrastructure. Recent assistance also supports the development of a national Integrated Border Management Strategy.

Objective

Legitimate movement of people and goods at the border is facilitated, and border security ensured.

Expected results

1. Increased capacity of the agencies and services involved in cross border control and facilitation activities to perform effectively and in a structured and cooperative manner, internally and at regional and international level;
2. Increased efficiency of border control, executed under systematic procedures and cooperation between the participants in the process, internally and regionally.

Programmes to be implemented

1. Capacity building support to increase the integration, efficiency and sustainability of the services and agencies participating in border management including information systems and regional links;
2. Support for the establishment of Standard Operating Procedures (SOPs) for the services and agencies participating in border management, in order to clarify of areas of responsibility thus help provide a coordinated and structured approach to integrated border management.

Indicators of achievement

1. Increase in cross-border freight and passenger traffic;
2. Adoption of regionally coordinated IBM agreements with neighbouring countries;
3. Adopted Standard Operating Procedures on border management coordinated at the regional level.
4. Diminished levels of smuggling, trafficking and illegal border transit.

Cross-cutting issues

1. Improved border controls will not only facilitate trade and ensure revenue, but will also enable the State to meet its obligations under international security and policing conventions.
2. Reduced level of trafficking will decrease threats to targeted groups, in particular women.

Link to regional strategy and other EC interventions

Interventions under this priority will be developed taking into account the recommendations set out in the Guidelines for the Development of Integrated Border Management Strategies and other recommendations produced through the CARDS regional programme. The regional programme will support a review of the national IBM strategies of Western Balkans countries which will foster their increased coherence and consistency.

This MIP priority is closely connected with the **Economic and Social Development, Asylum and Migration, Police, Organised Crime and Terrorism** and **Judicial Reform** interventions under the present MIP as well as with **Trade** interventions in particular in the areas of veterinary and phyto-sanitary control.

CARDS **Customs and Taxation** assistance will play a key role in supporting co-ordination aspects of integrated border management, as well as building capacity in customs and taxation itself, as part of the wider IBM picture.

Risks and assumptions

BiH authorities endorse a BiH IBM strategy which fulfils the requirements of the European Commission-approved regional IBM guidelines.

3.2.1.4 Asylum and Migration

Background and past assistance

The European Partnership calls for BiH to:

- Consistently enforce the Law on the Movement and Stay of Aliens and Asylum.
- Demonstrate effective national management of asylum and migration policies and monitor and report on operations.
- Improve the administrative capacity of the visa issuing regime, particularly the checking of visa applications.
- Continue to negotiate and conclude readmission agreements. (*Co-operation in justice and home affairs*)

The Country Strategy Paper for BiH states that the EC will help BiH to fulfil its commitments under the Sarajevo Declaration of March 2001 (through which BiH undertook to align its legislation with international conventions and to work towards European standards) and provide assistance for the development of BiH's immigration and asylum policy and legislation.

Planned assistance under the MIP 2005-6 aims to contribute, either directly or by establishing appropriate institutional preconditions, to helping BiH address the European Partnership priorities mentioned above. Design and delivery of assistance projects in the area of asylum and migration will be closely co-ordinated where appropriate with the EU's CFSP and EDSP elements present in BiH.

Previous CARDS assistance implemented through UNHCR and IOM support asylum and migration management capacities within the Ministry of Security.

Objectives

To develop the State's capacity to formulate and implement an asylum and migration policy consistent with consistent with the EU *acquis* and European and international best practice.

Expected results

1. The BiH Ministry for Security is effectively implementing its asylum and migration policy, including the Law on Movement and Stay of Aliens and Asylum in close coordination with other competent authorities, in particular the State Border Service, the Ministry of Foreign Affairs, the BiH Prosecutor's Office and the BiH Court;
2. The BiH Ministry for Security shall in particular effectively proceed with refugee status determination and the country-wide issuance of all administrative decisions related to the entry, stay and deportation of third country nationals.

Programmes to be implemented

1. Capacity-building assistance to the departments of the Ministry of Security, State Border Service and Ministry for Foreign Affairs respectively responsible for handling migration and asylum issues;
2. Capacity building assistance to BiH judiciary bodies including the BiH Court and the BiH Prosecutor's Office for related issues;
3. Support for the establishment of an integrated Migration and Asylum IT case-management system.

Indicators of achievement

1. Increase in the estimated proportion of third country nationals entering/exiting BiH territory in a regulated manner;
2. Increase in the number of asylum-seekers assisted in accordance with the new legislation, including possible grant of asylum.

Cross-cutting issues

1. More effective asylum and migration departments in the Ministry of Security would be able to interact more effectively with other rule of law bodies and the Ministry for Human Rights and Refugees, especially at the border;
2. Fair treatment of women from third countries is in particular addressed in the context of the fight against human trafficking. In this context, specific legislative and administrative measures such as issuance of temporary humanitarian residence permits have been foreseen. The treatment of women will also receive special attention in the context of the refugee status determination procedure.

Link to regional strategy and other EC interventions

The assistance is complemented by, and will be closely co-ordinated with, regional programmes in support of integrated border management; asylum, migration and visa issues; and the fight against drugs, organised crime and trafficking in persons.

Risks and assumptions

That adequate numbers of appropriately-trained staff are put in place in the relevant BiH institutions.

That due account is given to data protection issues when developing an integrated IT migration and asylum system

3.2.2 Public Administration Reform

Administrative Capacity

Background and past assistance

The European Partnership calls for BiH to:

- Work towards full national responsibility for policy formulation and decision-making. All State-level ministries should be adequately financed and operational plans in place for institutions required by a future SAA and further European integration
- Ensure proper policy-making co-ordination between all levels of government
- Implement the consolidated Action Plan on public administration reform and improve administrative procedures. Improve policy-making and co-ordination capacities and build a training capacity for civil servants within BiH (including those dealing with European integration issues) (*Democracy and the rule of law*)
- Incorporate (currently) off-budget resources into budgets and maintain reasonable budgeting based on realistic revenue projections. Strengthen budget preparation processes in all ministries. (*Management of public finances*)
- Develop the ITA Governing Board into a Fiscal Council with a policy-setting capacity.
- Further strengthen the implementation of a consistent and effective public procurement regime, including the functioning of the Public Procurement Agency and the Procurement Review body. (*Internal market and trade*)
- Further develop State-level capacities in statistics - elaborate and implement a multi-annual activity plan for statistics and produce regular, sound estimates of nominal and real GDP, including coherent data on (un)employment, inflation, balance of payments, wages and industrial production. Ensure co-operation with Eurostat. (*Existence of a free market economy and structural reforms*)
- Implement a European integration strategy and develop the capacity for progressive legal harmonisation with the *acquis* and expand BiH's role in CARDS programming and implementation with the long-term aim of allowing the decentralisation of assistance. (*European Standards*)
- Ensure harmonisation of the regulatory environment for energy and the establishment of a single State regulatory body, including the implementation of the law on the formation of

ISO and TRANSCO, and implement the commitments in the 2003 Athens Memorandum of Understanding. (*Sectoral policies*)

- Comply with Thessaloniki commitments in terms of co-operation in matters of [...] energy. (*Regional and international co-operation*)

The Country Strategy Paper for BiH points to the need to help BiH authorities to build the capacity of BiH's public administration, to build a reliable counterpart for the EC in relation to all aspects of the SAP, including Community assistance, to develop BiH's capacity to ensure coherence between government policy and legislation and SAP obligations, notably regarding legal approximation, and to help BiH improve co-ordination amongst and between the State institutions and the Entities.

Past EC assistance in the sector has focused on support to BiH for:

1. The establishment of the BiH Council of Ministers and its Ministries;
2. The implementation of the BiH Civil Service Law and the effective functioning of the BiH Civil Service Agency;
3. Functional reviews of a number of areas of the BiH public administration (see below) following the adoption of the PAR pledges in March 2003 by the BiH authorities. The recommendations of these functional reviews will serve as a basis for the BiH PAR Strategy, which will be implemented over the next five years;
4. Initial support for the reform of the BiH statistical system;
5. Support for establishing the legislative basis for an EU-standard public procurement system in BiH;
6. Strengthening BiH's capacity to devise and implement economic policies through the establishment of the Economic Policy Planning Unit;
7. Building the capacities of the DEI in the areas of its strategy, legal harmonisation and aid co-ordination and strengthening its capacity for effective co-ordination of the SAP process in BiH;
8. Improving financial management in the Elektroprivreda, and support for the effective set-up of an Independent System Operator and Transmission Company.

Planned assistance under the MIP 2005-6 aims to contribute directly to helping BiH address the European Partnership priorities mentioned above.

Objectives

1. BiH establishes a sustainable, effective and transparent BiH public administration, with enhanced coordination within and between its various layers.
2. BiH possesses an administrative counterpart to the EU capable of effectively facilitating BiH progress within the SAP.
3. BiH is able to conduct a coherent and autonomous economic policy.
4. BiH has an integrated electricity market operated and regulated in accordance with regional commitments undertaken as part of the Athens process.

Expected results

1. BiH has made substantial progress in implementing its Public Administration Reform Strategy;
2. Policy co-ordination between all levels of government and administration in BiH is improved.
3. A public procurement system is established in BiH which ensures that the principles of efficiency and effectiveness are applied when using public funds and reduces the potential for fraud and misappropriation.
4. BiH has established the institutional elements and linkages, guiding policies and strategies required for further progress towards the EU within the SAP, including the implementation of possible future SAA commitments.
5. BiH has established the statistical tools and the economic and the fiscal expertise required to devise and implement economic policy, including economic reform, and thus promote economic growth.
6. BiH has a fully functioning a single regulatory body and Independent System Operator for the electricity (and possibly gas) market, leading to the effective application of market rules and secure supply of energy to meet demand.

Programmes to be implemented

1. Assistance in ensuring the coordinated implementation of BiH's Public Administration Reform (PAR) Strategy, including:
 - Support in implementing the recommendations of the system review undertaken under previous CARDS assistance. The system review's recommendations will be followed up by capacity building in the cross-cutting fields which it addresses: public finance, human resources, IT networking, legislative drafting, administrative procedure and institutional communication. As regards public finance, actions may also address areas (not necessarily included in the recommendations) such as consolidation of government accounts, improvements of financial and administrative circuits and procedures, reinforcement of budget preparation and further development of a transparent public procurement system in line with the *acquis*;
 - Support in implementing the recommendations of the functional reviews undertaken under previous CARDS assistance. The functional reviews' recommendations will be followed up in particular by institution building and building policy-making capacity in the sectors of agriculture, education, health and the economy. This will be supplemented by support for the development of policy-making capacity in the field of transport;

This assistance will be complemented by assistance to the Office of the National Public Administration Reform Coordinator;

2. Helping BiH to strengthen policy coordination: capacity building assistance to the bodies responsible for policy coordination between ministries at State level and between the State and other levels of government: this assistance will focus in particular on the Council of Ministers General Secretariat;
3. Capacity-building assistance to BiH authorities in relation to the co-ordination and management of the European integration process. Assistance will be centred upon the

Directorate for European Integration but will be made available to other institutions through the DEI in order to tackle issues arising from the BiH EU Integration Strategy and a possible future SAA. Interventions may include measures through the DEI to increase awareness among government, public administration and the public on the SAP and capacity-building assistance to BiH authorities in relation to co-ordination and possible future decentralised management of EU assistance;

4. Helping BiH governments to strengthen capacity to devise and implement economic policies through:
 - Capacity building assistance to the BiH Economic Policy and Planning Unit;
 - Capacity building assistance to BiH authorities to devise and implement sound fiscal policies, focusing on the Governing Board of the Independent Tax Authority/National Fiscal Council;
 - Capacity building assistance to the BiH statistics system to help it provide the timely and reliable statistical data required for the formulation and implementation of macro-economic and fiscal policies;
5. Capacity building assistance to the State Regulatory Commission for Electricity (and possibly gas), the Transmission Company, the Independent System Operator and the department of Energy in the Ministry of Foreign Trade and Economic Relations (MOFTER) to ensure their effective operation.

Indicators of achievement

Public administration reform:

1. Frequency of reports on progress issued and guidance provided by the central body responsible for monitoring the implementation of the PAR Strategy;
2. Consistency of recruitment, promotion and employment conditions across levels of government in the public administration;
3. National representativeness is adequately and transparently ensured at all levels of government and mobility of civil servants between these levels, as measured statistically, is increased;
4. The principles of efficiency and effectiveness are applied when using public funds and potential for fraud, corruption and misappropriation in the use of public funds is reduced;

Policy co-ordination:

1. Council of Ministers operating structure shows capacity for required liaison between ministries and between different layers of government;
2. Policy proposals from BiH authorities demonstrate an increased capacity to take appropriate account of cross-cutting issues.

Technical relations with the EU:

1. The Directorate for European Integration actively informs and coordinates other State and Entity ministries in relation to EU affairs, including assistance, and acts as an effective counterpart for Community institutions and bodies;

2. BiH has established effective mechanisms for the co-ordination of EC Assistance in particular with regards to programming and project design and implementation;
3. Increased awareness of the SAP and the *acquis* demonstrated in policy proposals and a high degree of compatibility between new legislation and the *acquis*;

Capacity for economic policy:

1. Presence and quality of a comprehensive, economic development strategy within BiH government;
2. The degree to which BiH is able to exercise its fiscal sovereignty, measured by the number of fiscal policy decisions taken by the government, based on appropriate advice;
3. The statistics system of BiH demonstrates clear lines of responsibility and co-ordination mechanisms;
4. The number of reliable and internationally recognised macroeconomic indicators produced for BiH and used by International Financial Institutions.

Energy reform:

1. Electricity price tariff policy for electricity is approved;
2. Number of electricity market licenses issued increases;
3. Transparency of electricity market operators is increased;
4. Effectiveness of orchestration of energy dispatching and frequency control increased.

Cross-cutting issues

1. In those sectors for which a sectoral review was undertaken (Health, Education, Refugee Return, Economy, Justice, Police, Environment and Agriculture) planned assistance under the present MIP will strengthen BiH authorities' policy-making capacity and their delivery of service;
2. The entire public administration will benefit from the implementation of recommendations following the system review through the improvement of cross-cutting components (public employment, public finances, information technology, legislative drafting, administrative procedure and institutional communication);
3. The public administration reform process will help towards establishing a civil service which is representative both in constituent-people and in gender terms.
4. The capacity of BiH, through the DEI, to effectively co-ordinate EC assistance supporting the SAP will be a key factor in the impact of the assistance, which will itself have a bearing on BiH's SAP progress.

Link to regional strategy and other EC interventions

1. Public administration reform is a horizontal activity and thus intersects with each of the MIP focal areas, reinforcing and extending the assistance being provided to other sectors.
2. The activities are designed to complement the support under the "Institution Building Facility for the SAP" being provided to Croatia, fYRoM, Serbia and Montenegro and Bosnia and Herzegovina under the CARDS Regional Institution Building Programme.

This includes the SIGMA and TAIEX instruments whose activities will be closely coordinated with those developed at national level;

3. BiH's capacity to conduct a coherent and autonomous economic policy is fundamentally linked to the economic development concerns addressed under **Investment Climate and Trade**.
4. Planned interventions in the energy sector support BiH's participation in the Athens process, covering the region as a whole, and are closely linked to CARDS regional support addressing the South East Europe regional energy market.

Risks and assumptions

1. BiH authorities must continue to implement the BiH and Entity civil service legislation.
2. Following adoption of the new Public Procurement Law, its implementation must be initiated.
3. In so far as one of the Entities is the beneficiary of a programme, effectiveness of assistance to the Entity under the programme will require the active collaboration of the Entity concerned in developing essential State level institutions and adopting legislation required for BiH progress within the SAP.
4. New management structure within the BiH Agency for Statistics operational and the Statistics Council established.
5. The EPPU is operational and organised in a manner enabling it to effectively perform its functions with clear lines of responsibility and authority for effective co-ordination.
6. Adequate funding and staffing is made available from the BiH State for MOFTER, the State Regulatory Commission for Electricity and from the Elektroprivredras for the Independent System Operator and the Transmission Company.

3.2.3 Customs and Taxation

Background and past assistance

The European Partnership calls for BiH to complete the customs merger and ensure full implementation of the customs reform plan, to further strengthen administrative capacity for both customs and taxation, to monitor the implementation of State-level VAT and continue to develop collection and control strategies to reduce progressively the level of tax fraud for both direct and indirect taxation. (*Internal market and trade*)

The Country Strategy Paper for BiH points to a need for EC support for the completion and consolidation of customs and taxation reform in order to improve the business environment for importers and exporters, enhance revenue collection, combat corruption, and facilitate inter-Entity and regional co-operation and trade.

The EC has been delivering customs and fiscal assistance to BiH since 1996, initially focusing on assisting the implementation of the customs-related provisions of the GFAP (General Framework Agreement for Peace) by support modernisation and development of customs services. Following the Bonn Peace Implementation Council meeting of December 1997,

assistance was expanded to include indirect taxation. Recent assistance has focused on supporting first the process of political agreement on the transition to State level customs and the introduction of State-level VAT, and subsequently the start of their implementation.

Planned assistance under the MIP 2005-6 aims to contribute directly to helping BiH address the customs and indirect taxation aspects of the European Partnership priority mentioned above.

Objectives

To ensure that the BiH Indirect Tax Authority (ITA), through its management of customs and indirect taxation, maximises revenue yield to BiH and minimises impact of organised crime and corruption, including terrorism, in these fields.

Expected results

1. The ITA is in a position to play fully and effectively its role as defined in reformed customs and tax legislation, notably in ensuring targets for the collection of customs duties and indirect taxes are met;
2. The ITA has increased ability to play its part in tackling organised trafficking, including of materials which support terrorist activities.

Programmes to be implemented

Capacity building assistance to the ITA to:

1. Complete the merger of customs services into a single state level service, including development of customs IT systems (the ALICE software) and individual customs regimes such as systems to ensure the effective certification of origin;
2. Continue development and implementation of State-level VAT, including support for migration from sales tax to VAT;
3. Integrate within the ITA the management of excise taxes, both internally and for import goods;
4. Enhance the capacity of customs and tax enforcement services.

Indicators of achievement

1. ITA internal audit, and BiH State audit procedures show that the organisation is functioning in accordance with legislative requirements;
2. Revenue targets are met, measured through regular reporting of ITA to the state ministry of Ministry of Foreign Trade and Economic Relations;
3. Increased number of successful interventions by ITA enforcement units;
4. Effectiveness of IT software covering customs and VAT.

Cross-cutting issues

1. The issue of BiH's revenue is clearly intimately linked with the efficiency and effectiveness with which it uses resources, and thus to the issues of public administration reform;
2. Efficient customs and taxation services make doing business more predictable and thus help provide an attractive investment environment;
3. The fight against crime and corruption, especially organised crime and terrorism, cuts across policing, judicial, border management and security areas;
4. Effective customs regimes with economic impact, for example systems for certification of origin, have a direct impact in terms of facilitating trade.

Link to regional strategy and other EC interventions

No other EC interventions specifically tackle customs and taxation issues but interventions under *Police, Organised Crime and Terrorism, Judicial Reform, Integrated Border Management and Administrative Capacity* are clearly complementary to the assistance planned in the field of customs and taxation.

Risks and assumptions

1. Local staff of an appropriate professional level accept appointment in new national and regional (cross IEBL) structure;
2. Local authorities provide an adequate budget for the ITA;
3. Timely delivery of premises to allow the creation of the new regional organisational structure;
4. Appropriate capacity within the local authority to take on this complex re-organisation in both the Customs and Tax fields;
5. That the Governing Board of the ITA establishes appropriate co-ordination on communication and decision-making within the Government structures.

3.3 Economic and Social Development

3.3.1 Investment Climate

Background and past assistance

The European Partnership calls for BiH to:

- Further develop co-ordination on SME policy and continue to implement the principles of the European Charter for Small Enterprises. (*Existence of a free market economy and structural reforms*)

- Demonstrate the effective functioning of the Competition Council and the Entity Offices for Competition and Consumer Protection.
- Continue to ensure the free movement of goods and services within BiH. (*Internal market and trade*)

The Country Strategy Paper for BiH prioritises EC support to BiH for the development of a single BiH economic space covering goods, services, capital and labour consistent with *acquis*, for the development of the necessary State institutions to support economic integration and for local development initiatives to generate sustainable employment.

Past CARDS assistance in this sector has focused on:

1. Strengthening the capacity of BiH institutions to draft a strategy for the establishment of a single economic space in BiH and its establishment in selected areas of intervention: competition, consumer protection, technical regulation modernization and regulation of the insurance sector;
2. Support to SMEs in the regions of BiH, including grant funding, and development of a national forum for regional development and five functional economic regions;
3. Support for the generation of foreign direct investment through building the capacity of Foreign Investment Promotion Agency (FIPA).

Planned assistance under the MIP 2005-6 aims to contribute either directly, or by establishing essential preconditions, to helping BiH address the European Partnership priorities mentioned above.

Objectives

1. BiH develops a fully functioning internal market which allows economic actors to interact freely and effectively and thus allows enterprise to flourish;
2. Economic growth is stimulated in BiH;
3. Foreign direct investment in BiH is increased.

Expected results

1. Improved functioning of the BiH single market harmonised with the EU leading to greater trade, investment and labour mobility within BiH;
2. The preconditions for progress in implementing the principles embodied in the European Charter for SMEs are established;
3. Within the single BiH market, market actors are able to benefit from organised and effective co-operation, and businesses can benefit from a single business registration system;
4. Increased economic activity, including in underdeveloped areas, leading to greater employment and increased economic integration with surrounding regions.

Programmes to be implemented

1. *Internal market*: sector-by-sector capacity building for the establishment of a single economic space in BiH, in line with the requirements of the EC White Paper on the Internal Market, and capacity building for market organisations such as trade associations, trade unions and employers' organisations;
2. *SMEs*: capacity building for state level co-ordination of enterprise, including SME policy and in particular implementation of the action lines of the European Charter for Small Enterprises and BiH's participation in the annual reporting process; regionally-based grant support for SME development, with particular regard to clusters, networks, training and technology; capacity building based on a functional approach for the actors involved in regional economic development in BiH;

Indicators of achievement

Internal market:

1. Establishment of a legal, regulatory and institutional framework consistent with that of the EU established in those single market aspects benefiting from EC assistance;
2. Continued growth in inter-Entity trade, active monitoring and enforcement on the side of BiH authorities to ensure the proper working of the single economic space;
3. Market actors play a greater role in the economic life of BiH, measured through presence and profile in policy fora.
4. Higher number of companies registered on a yearly basis; reduced time and costs for registration.

SMEs:

1. Institutional capacity to establish co-ordinated policy for enterprise development, including SMEs, is in place;
2. Increase in the number of SME start-ups and the expansion of existing SMEs;
3. Increase in the percentage of the economically active population engaged in formal employment;
4. Increase in the levels of SME activity and the establishment of functioning institutions supporting local development, such as local service providers;
5. Regional Development Agencies are functioning in each region.

Cross-cutting issues

1. Economic development will both lessen the problems which government seeks to address, and provide more fiscal revenue to help tackle them;
2. Economic development creates jobs, facilitating sustainable return;
3. Economic development raises tax revenue potential helping fund public administration.
4. Programmes to be implemented with due attention to their impact on both men and women, particularly in the promotion and support for SME development, increase in employment rates and training opportunities.

Link to regional strategy and other EC interventions

Planned assistance will be effectively complemented by support under the Investment Facilitation programme in the regional MIP 2005-2006, which will promote the dissemination to potential investors of investment sector specific information on opportunities in the Western Balkan region.

Planned intervention in this sector are complementary to the support in **Administrative Capacity** in that they will strengthen the institutional and human resource capacity in the relevant areas at State level, increase inter-Entity and regional co-operation, and improve policy-making and the drafting of legislation. Planned assistance also reinforces and extends the support being provided for **Refugee Return** and **Vocational Education and Training**.

Risks and assumptions

1. Adequate financing must be included in the State budget for existing or future institutions required to ensure the proper functioning of the single economic space;
2. Interventions will only be fully effective if State level policy on SMEs and trade is also developed so as to facilitate setting up and running businesses and remove barriers to trade both within and without BiH.

3.3.2 Trade

Background and past assistance

The European Partnership calls for BiH to:

- Ensure the full functioning of the institutes for standards, metrology and intellectual property and facilitate links / information flows with public / private enterprises, and ensure consistent implementation of related legislation (especially on intellectual property).
- Reinforce policy planning and negotiation capacities in the Ministry of Foreign Trade and Economic Relations.
- Further develop the capacity of the State Veterinary Office and ensure the full functioning of the Phyto-sanitary Office with a view to reaching EU standards, and create a regulatory environment for technical standards, intellectual and industrial property rights in line with international and EU standards. (*Internal market and trade*)

The Country Strategy Paper for BiH prioritises EC support on addressing deficiencies in norms, standards, certification and other controls in order to help BiH to assume international obligations and to stimulate trade.

On-going assistance focuses on trade policy formulation, export and investment promotion, regulations for technical standards and initial support in preparing for WTO accession.

Planned assistance under the MIP 2005-6 aims to contribute either directly, or by establishing essential preconditions, to helping BiH address the European Partnership priorities mentioned above.

Objective

1. BiH authorities develop and implement effective trade policy and thus stimulate economic development;
2. BiH authorities effectively regulate and thus facilitate trade.

Expected results

1. BiH has established the regulatory and institutional framework required for WTO accession and alignment with the *aquis*, particularly in the fields of industrial standards, veterinarian and phyto-sanitary control, food safety and industrial and intellectual property.
2. Increased the ability of BiH enterprises to benefit from trade opportunities, particularly exports.

Programmes to be implemented

1. Further capacity building where necessary for the development and implementation of trade policy;
2. Support to technical institutes and agencies responsible for regulating, controlling and implementing technical standards and norms for industrial and agricultural (plant and animal) products;
3. Strengthening BiH capacity for the enforcement of industrial and intellectual property rights, including strengthening the Institute of Industrial and Intellectual Property.

Indicators of achievement

1. BiH makes progress in WTO accession negotiations and implements bilateral free trade agreements successfully;
2. An increase in BiH exports, particularly to markets previously closed due to BiH's limitations in relations to standards, certification and controls. Specific milestones are:
 - Veterinary sector: by 2006 FVO allows export of animals and animal products from BiH to the EU and confirms this in subsequent controls;
 - Phyto-sanitary sector: export procedures recognised by 2006.
3. BiH makes progress in effectively safeguarding IPR by strengthening the necessary administrative capacity in this area.
4. Awareness of economic operators of IPR issues has been increased;
5. law enforcement bodies and the judiciary have received the appropriate training in the area of IPR.

Cross-cutting issues

An improved environment for trade both within and without BiH should lead to economic growth and increased employment opportunities, which are preconditions for the alleviation of poverty and in particular for sustainable refugee return.

Link to regional strategy and other EC interventions

Interventions under the present MIP are designed to increase BiH's capacity to make full use of autonomous trade preferences granted by the EU, and are designed to complement the support being provided to Croatia, fYRoM, Serbia and Montenegro and Bosnia and Herzegovina under the trade facilitation component of the Regional Integrated Border Management Programme.

Activities developed under the CARDS regional programme are designed to strengthen the impact that actions programmed at national level produce in terms of the countries' capacity to make full use of autonomous trade preferences granted by the EC, to implement regional and/or bilateral free trade agreements and to achieve greater regional and multilateral trade liberalisation.

Planned interventions in this sector are complementary to the support under the present MIP in **Administrative Capacity** in that they will strengthen the institutional and human resource capacity in the relevant areas at State level, increase inter-Entity and regional co-operation, and improve policy-making and the drafting of legislation.

Risks and assumptions

1. A state level phyto-sanitary agency must be established;
2. A consistent and reliable policy on free zones, respecting EU standards, including competition and state aid rules, must be in place.

3.3.3 Infrastructure

Co-operation with IFIs

Background and past assistance

The Country Strategy Paper for BiH points to the importance of sustainable economic development within the SAP, and emphasises both the country's very considerable needs in terms of economic development assistance, and IFIs' continuing commitment to this issue, which has in great part taken the form of infrastructure financing.

Past EC assistance programming in BiH has complemented IFI financing on a case-by-case basis: for example the EC provided c. €19m as an interest rate subsidy for road, road-bridge and railway reconstruction projects financed by the European Investment Bank, and €2m for assistance in financial management to state-owned electricity companies as part of the c.€200m Power III project principally financed by the World Bank, EBRD and EIB.

The present MIP foresees a specific envelope for support to facilitate and leverage the provision of infrastructure funding to BiH by IFIs.

Should it not be possible to use allocations under this priority for this purpose, support may be reallocated either to the reserve or directly to other MIP priorities for measures of a nature comparable to those addressed under this priority.

Objective

The economic and social development of BiH is accelerated by improved infrastructure.

Expected results

IFIs, particularly the World Bank, the EBRD and the EIB, make greater and/or more effective investments in BiH, principally in the infrastructure sector.

Programmes to be implemented

Technical assistance to support/enable specific IFI finance operations, which may include capacity building to establish the preconditions for the IFI-financed project, project identification and preparation. Specific infrastructure projects will be defined in Annual Programmes. Infrastructure sectors targeted may include: road, river and rail transport, air navigation control, waste water treatment, solid waste treatment and energy.

Indicators of achievement

1. Timely and effective establishment of preconditions for IFI-financed operations, thereby accelerating their implementation.
2. Greater volumes of IFI financing are available to support infrastructure projects.

Cross-cutting issues

1. Cross cutting issues will depend on the nature of the specific IFI project being facilitated; however, a common feature of infrastructure projects is that they are intended to improve social and economic conditions in the country and to stimulate investment, leading to further improvement in environmental, social and economic conditions.
2. Analysis of economic and social effects on men and women will be included where appropriate in the design of the programmes to be implemented and appropriate measures will be taken to ensure non-discrimination and adjustments will be made where appropriate to avoid undesired effects.

Link to regional strategy and other EC interventions

Activities supported at national level under this programme will be closely co-ordinated with those having a regional dimension and supported under the regional programme through the Regional Infrastructure Development facility.

Risks and assumptions

3. For each project, additionality of the EC assistance component to the IFI-financed element financed by must be ensured;
4. BiH authorities must have in place appropriate policies and capacities to make informed and rational decisions on planning IFI-financed projects, both in domestic terms and from a regional perspective.

3.3.4 Environment

Background and past assistance

The European Partnership calls for BiH to strengthen State-level capacity in the field of environment by ensuring the full functioning of a State Environment Agency. (*Sectoral policies*)

The Country Strategy Paper for BiH points to need for a sound environmental framework in BiH and makes measures to develop BiH authorities' capacity to deal with environmental issues and to better manage water resources and solid waste a priority for EC assistance.

Initial assistance to the sector supported the drafting environmental legislation which was adopted at Entity level. Subsequent assistance supported the development of secondary legislation through the definition of a policy, the introduction of market-based concepts, support to environmental monitoring, and development of public participation and awareness strategies within the Ministries. Support is also provided for the reform of the management of the water and solid waste sectors. Recent assistance supports waste recycling, air quality monitoring, and developing an environmental fund and environmental inspectorates.

Planned assistance under the MIP 2005-6 aims to contribute directly to helping BiH address the European Partnership priority mentioned above.

Objectives

1. To strengthen the capacity of the ministry and agency at State level responsible for environment, water and waste management, particularly in relation to meeting international obligations;
2. To contribute to a more rational and sustainable use of BiH's natural resources;
3. To enhance environmental protection whilst fostering rural development.

Expected Results

1. Capacity at the State level in the field of natural resources will increase;
2. The responsible institution (the future State Environment and Water Agency) will start to

assume an active role in the management of the environment, notably in preparing implementation plans related to the implementation of national legislation and international Conventions (also with GEF - Global Environment Facility - support), streamlining contacts with the European Environment Agency and securing appropriate cooperation with all relevant partners in BiH, coordinating Entity legislation, and defining a BiH environment policy, including water related issues.

3. Responsible authorities develop and implement innovative techniques for agro-environmental development and waste management in partnership with non-state actors.

Programmes to be implemented

1. Institutional capacity building and support to legislative reform in the environment sector, including assistance in implementing the recommendations of the functional review in the environment sector and strengthening the institutional and human resource capacity of the state institutions, support for the development of an environmental policy encompassing the whole of BiH, and the harmonisation of legislation and standards with the *acquis*.
2. Building institutional capacity in the water sector: including support for the further development of State-Entity and inter-Entity harmonisation of legislation, the integration of BiH into regional initiatives at Danube and Mediterranean level, and the signature of relevant bilateral and multilateral agreements and conventions.
3. Support for pilot projects in the agro-environmental and waste recycling fields.

Indicators of achievement

Environment sector generally:

1. State level regulatory framework developed and by-laws adopted by end of 2007;
2. Aarhus Convention signed and applied by end of 2007;
3. Identical application of environmental legislation in both Entities.

Water sector:

1. Water resources are managed at the river basin level;
2. BiH has ratified International Convention on the Protection of the Danube River by 2006.

Pilot projects:

Demonstration effect of innovative techniques for agro-environmental development and waste management.

Cross-cutting issues

Strengthening the institutional capacity to deal with environmental issues at State level will facilitate inter-Entity and regional co-operation, and potentially contribute to mainstreaming environmental issues in wider policy-making in the fields of rule of law, economic development and civil society development.

Link to regional strategy and other EC interventions

The assistance provided under the present MIP will be co-ordinated with interventions financed through the LIFE Third Countries Programme and the Regional Environmental Reconstruction Programme (REReP), in collaboration the European Environment Agency (Copenhagen) and the Regional Environmental Centre (Budapest).

The assistance provided to the **Environment** sector reinforces and extends the support being given to **Administrative Capacity**.

Risks and assumptions

A State-level law on the environment providing for the establishment of the potential State Environment and Water Agency must be adopted by the Ministry in charge of natural resources at State level and submitted for the approval of the Council of Ministers.

3.3.5 Education and Employment

3.3.5.1 Higher Education: TEMPUS

Background and past assistance

The Country Strategy Paper for BiH points to the need for economic reform to be accompanied by measures designed to support the process and mitigate its adverse consequences. In this respect a priority is supporting improvements in the university sector: reform and modernisation in this sector will, in time, lead to a better qualified work force and reduced unemployment.

Past assistance has supported the development of higher education through the TEMPUS Community Programme.

Objectives

1. To support the country's efforts to achieve the objectives of the Bologna Declaration which aims establish a common European higher education space by 2010. The Declaration requires inter alia structural reforms of university governance, management and finance, in particular the strengthening of the strategic management capacities of universities through institutional integration, efficient control over standards, and the set up of a system to test compatibility across faculties or universities;
2. To support the development of the higher education system in the country through balanced co-operation between higher education institutions in the country and those of Member States of the European Union.

Expected results

1. Increased synergy between higher education legislation and policy and reforms at the institutional level;

2. Strengthened strategic management capacities of higher education institutions;
3. Modernisation of management and administration of the participating higher education institutions;
4. Teaching and learning according to revised curricula and study courses in line with changes social and economic needs;
5. Improved skills of non-academic staff relevant for public administration reform and civil society development;
6. Increased mobility of students and academic staff;
7. Closer co-operation and sharing of resources and experience between higher education institutions at a regional level.

Programmes to be implemented

1. Support to promote the reform of higher education institutions in view of improving the quality of academic teaching and learning in line with changing political, social and economic needs. Increase synergies between higher education institutions at an international level.
2. Support to strengthen management and administrative capacity of higher education institutions taking part in the programme.
3. Promotion of the development of curricula which are more in tune with the current needs of employment markets at a national and international level.

These activities will be implemented through the TEMPUS programme. The support provided through TEMPUS may in due course be replaced support for by participation in another appropriate Community programme. Preparation for participation in Community programmes, which may include capacity building preparation for participation in programmes in the area of education, is addressed under priority 3.4 of the present MIP.

Indicators of achievement

1. Number of exchange programmes successfully implemented;
2. Number of applications received annually;
3. Number of new and revised university curricula successfully implemented;
4. Number of students having followed new curricula;
5. Time needed by students having followed new curricula to find employment.

Cross-cutting issues

Improvements in the area of higher education have clearly have repercussions on employment generation.

Risks and assumptions

The programme is based on the assumption that the country's authorities will remain committed to addressing and solving the problem of the fragmentation of the institutional, legal and financial framework of the higher education sector.

3.3.5.2 Vocational Education and Training

Background and past assistance

As in the case of university education, the Country Strategy Paper for BiH points to the need to support improvements in vocational education and training (VET) as a way of both supporting economic reform and mitigating its adverse consequences.

An effective system of VET is a precondition for BiH's economic development, leading to direct benefit in terms of increased prosperity, and also helping provide the increased revenue the government needs in order to ensure that BiH fully takes on its responsibilities a state, including the pursuit of its European Partnership goals within the SAP.

The vocational education system in BiH needs to become less rigid, its occupational profiles need to be broadened, curricula and equipment need to be modernised and pathways to link VET with other educational and labour market actors need to be developed. Initial assistance under past programmes has begun to address these issues. Planned assistance under the MIP 2005-6 aims to continue to help BiH address these aims.

Objectives

1. To improve the quality of vocational and related education in BiH in line with BiH's Copenhagen Declaration commitments;
2. To support the economic regeneration of BiH by increasing employment by linking the vocational education system more closely with the requirements of the labour market.

Expected results

1. BiH's Vocational Education framework and institutions will be more capable of meeting the needs of the labour market, enhancing the relevance of training thereby better meeting the needs of the BiH economy;
2. BiH's Adult Learning strategy and policies are developed in line with European employment and social strategies leading to increased social stability and security.

Programmes to be implemented

1. Support to BiH authorities, in particular the Ministry of Civil Affairs for VET reform at system level, including reform of classification of occupations at national level, teacher training, the upgrading of equipment and the establishment of better linkages between the VET system, post-secondary education, higher education, adult education and labour market actors;
2. Capacity building support to increase the quality and transparency of the VET Standards and Assessment Agency and enable national and EU-wide recognition of skills;
3. Assistance to BiH authorities in the development of an adult learning policy in line with EU social and employment strategies.

Indicators of achievement

1. An increase in the number of vocational education and training and adult learning graduates in employment;
2. BiH adult education policy is demonstrably in line with EU social and employment strategies.

Cross-cutting issues

1. A better educated workforce will tend to improve BiH's economic competitiveness;
2. Better vocational/adult education potentially improves returnee employability.

Link to regional strategy and other EC interventions

BiH benefits from the regular monitoring of vocational education and training by the European Training Foundation.

The assistance provided under the present MIP under **Vocational Education and Training** reinforces and extends the support being provided to **Refugee Return and Economic and Social Development**.

Risks and assumptions

1. The BiH Standards and Assessment Agency is adequately resourced to be able to lead VET reform;
2. The BiH Education Reform Agenda is implemented fully and in a timely manner.

3.4 Community Programmes

Background and past assistance

The EU agreed in the Thessaloniki Agenda to open participation in Community programmes to the Western Balkan countries, following the approach used in the candidate countries. The Commission proposed concrete steps to make this possible in its Communication of 3 December 2003¹, underlining the need for a selective and gradual approach. A framework agreement with the European Community laying down the general conditions for BiH's participation in Community programmes will be concluded and is expected to enter into force early 2005.

As Community programmes are in origin EU internal action programmes based on internal budget headings, partner countries outside the Union must pay a financial contribution ('entry ticket') to cover the expenses of participation of its nationals in such a programme. For a given programme, this entry ticket will be determined in a corresponding Memorandum of Understanding (MoU) between BiH and the Commission.

As participation in Community programmes can represent a large investment for a partner country, CARDS support may be used to co-finance entry tickets. The following principles for co-financing by CARDS were defined in the Communication:

- To encourage a gradual and selective approach to participation in Community programmes, CARDS co-financing will be limited to 3-5 new programmes per programming year;
- Co-financing of the participation in programmes of a given country will be specified in the corresponding CARDS Annual Programme and must not exceed 5% of the total annual budget. It can take the form of a financial support over up to three years;
- To encourage ownership, co-financing may not exceed 75% of the national contribution to any given programme and this proportion must be steadily reduced over a three-year programming period.

A number of Community programmes require the existence of a substantial administrative structure to allow a country's full participation. For this reason, allocations planned in the present MIP to support BiH's participation in Community programmes may be used for accompanying measures such as: building capacity to implement specific Community programmes in the medium term, communication related to Community programmes and to training for potential participants.

Should it not be possible to use allocations under this priority either to co-finance Community programme 'entry ticket' contributions or to build institutions in preparation for Community programme participation, support may be reallocated either to the reserve or directly to other MIP priorities for measures of a nature comparable to those addressed under Community programmes.

Objectives

Participation in Community programmes will:

¹ Communication of the Commission "Preparing for the participation of the Western Balkan countries in Community programmes and agencies" [COM (2003) 748 of 3.12.03] – accessible on the internet at: http://europa.eu.int/comm/external_relations/see/docs/com03_748_en.pdf

1. Support BiH's efforts towards European integration by facilitating transfer of know-how and good practice, particularly in those areas of the *acquis* that serve as key reference points for its reform process;
2. Help BiH and its citizens to familiarise themselves with the Union's policies and working methods.

Expected Results

1. To initiate gradual participation of BiH in a selection of Community programmes by co-financing its financial contribution to these programmes;
2. To facilitate administrative preparations and raise awareness of the new opportunities among target participants of the programmes.

Programmes to be implemented

1. Co-financing over up to three consecutive years of BiH's financial contribution to a selection of Community programmes;
2. Co-financing of accompanying measures such as administrative preparations, communication, and training of potential applicants in the preparation of proposals.

Indicators of achievement

1. Number of applicants to specific programmes and number of selected projects;
2. Set up of reliable network of officials in responsible bodies; information dissemination including reference material on Community programmes.

Cross-cutting issues

As well as targeting specific intervention areas themselves, individual Community programmes will have the potential to interact with and reinforce other aspects of BiH's reform and development within the Stabilisation and Association Process

Link to regional strategy and other EC interventions

BiH is involved in both Community programme activities already open to third countries, and in comparable actions in other EU programmes both within CARDS (TEMPUS, VET) and outside CARDS (LIFE, 6th Framework Programme for Research and Development).

Risks and assumptions

1. Appropriate inter-ministerial coordination and sustained commitment on the BiH side will be vital in ensuring successful participation;
2. Capacity to mobilise the target participants of the programmes is critical.

3.5 Reserve

The purpose of the reserve is to cover priority expenditures within the components of the Multi-annual Indicative Programme which may arise in the course of its implementation and which were unforeseeable at the time of its preparation.