



Bosnia and Herzegovina
Ministry of Finance and Treasury

**DONOR
MAPPING
REPORT
2013**

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| ACIPS | Association Alumni of the Centre for Interdisciplinary Postgraduate Studies |
| ADA | Austrian Development Agency |
| ADC | Austrian Development Cooperation |
| AECID | Spanish Agency for International Development Cooperation |
| APOSO | Agency for Pre-school, Primary and Secondary Education |
| BATA | Institute for Accreditation of Bosnia and Herzegovina |
| BHMAC | BiH Mine Action Centre |
| BiH | Bosnia and Herzegovina |
| BHDCA | BiH Directorate of Civil Aviation |
| CARDS | Community Assistance for Reconstruction, Development and Stabilization |
| CCI | Centres for Civil Initiatives |
| CCSP | Center for Civil Society Promotion |
| CDS | Country Development Strategy |
| CEB | Council of Europe Development Bank |
| CEDAW | Committee on the Elimination of Discrimination Against Women |
| CEE | Central and Eastern Europe |
| CEEN | Central and Eastern European Network |
| CEFTA | Central European Free Trade Agreement |
| CHU | Central Harmonisation Units |
| CIP | Centre for Information and Recognition of Documents in the Area of Higher Education |
| CoE | Council of Europe |
| CoEM | Conference of Ministers of Education |
| CoM | Council of Ministers |
| CRA | Communications Regulatory Agency |
| CREDO | Competitive Regional Economic Development |
| CRS | Catholic Relief Services |
| CS | Civil Society |
| CSOs | Civil Society Organisations |
| DAC | Development Assistance Committee |
| DCF | Donor Coordination Forum |
| DEI | Directorate for European Integration |
| DEP | Directorate for Economic Planning |
| DFID | UK Department for International Development |
| DIA | Deposit Insurance Agency of Bosnia and Herzegovina |
| DIS | Decentralised Implementation System |
| DRG | Diagnosis Related Groups |
| EBRD | European Bank for Reconstruction and Development |
| EC | European Commission |
| ECD | Early Childhood Development |
| ECSEE | Energy Community of South East Europe |
| EEC | European Energy Community |
| EFSE | European Fund for South East Europe |
| EIB | European Investment Bank |
| EQF | European Qualifications Framework for Lifelong Learning |
| ERDF | European Regional Development Fund |
| ETF | European Training Foundation |
| EU | European Union |
| EUFOR | European Union Forces |
| EUPM | European Union Police Mission |
| EUROST | Statistical Office of the European Communities |
| FAO | Food and Agriculture Organisation |
| FBiH | Federation of Bosnia and Herzegovina |
| FDIs | Foreign Direct Investments |
| FIGAP | Funding Mechanism for the Implementation of the Gender Action Plan of BiH |
| FARMA | Fostering Agricultural Markets Activity |
| FCO | Foreign and Commonwealth Office |
| FIRMA | Fostering Interventions for Rapid Market Advancement |
| GAVI | Global Alliance for Vaccines and Immunization |
| GDP | Gross Domestic Product |
| GEF | Global Environmental Facility |
| GFATM | Global Fund to Fight Aids, Tuberculosis and Malaria |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit |
| GINI | Gross National Income |
| HEA | Agency for Development of Higher Education and Quality Assurance |
| HJPC | High Judicial and Prosecutorial Council |
| IBM | Integrated Border Management |
| IBRD | International Bank for Reconstruction and Development |
| IC | Italian Cooperation |
| ICMP | International Commission on Missing Persons |
| ICT | Information and Communication Technology |
| IDA | International Development Association |
| ICTY | International Criminal Tribunal for the Former Yugoslavia |
| IFC | International Finance Corporation |
| IFAD | International Fund for Agricultural Development |
| IFIs | International Financial Institutions |
| ILO | International Labour Organisation |
| IMAP | Integrated Mine Action Programme |
| IMF | International Monetary Fund |
| INTERPO | International Police Organisation |
| IOM | International Organisation for Migration |
| IPA | Instrument for Pre-accession Assistance |
| IPARD | Instrument for Pre-accession Assistance for Rural Development |

| | | | |
|---------------|---|----------------|--|
| IT | Information Technology | SAP | Stabilisation and Association Process |
| ITF | International Trust Fund for Demining and Mine Victims | SCIA | Sector for Coordination of International Economic Aid |
| JICA | Japan International Cooperation Agency | SDC | Swiss Agency for Development and Cooperation |
| JSRS | Justice Sector Reform Strategy | SEE | South-East Europe |
| KfW | Kreditanstalt für Wiederaufbau | SEETO | South East Europe Transport Observatory |
| KM | Convertible Mark | SERC | State Electricity Regulatory Commission |
| LEAP | Local Environmental Action Plan | Sida | Swedish International Development Cooperation Agency |
| MAP | Membership Action Plan | SIPA | State Investigation and Protection Agency |
| MDGs | Millennium Development Goals | SIPPO | Swiss Import Promotion Programme |
| MIPD | Multi-Annual Indicative Planning Document | SIS | Social Inclusion Strategy |
| MoCA | Ministry of Civil Affairs | SMEs | Small and Medium-Sized Enterprises |
| MoCT | Ministry of Communications and Transport | SPPD | Strategic Planning and Policy Development |
| MoD | Ministry of Defence | SSPACEI | Sector for Strategic Planning, Aid Coordination and European Integration |
| MoFT | Ministry of Finance and Treasury | TA | Technical Assistance |
| MoFTER | Ministry of Foreign Trade and Economic Relations | TAIEX | Technical Assistance Information Exchange Office |
| MHRR | Ministry for Human Rights and Refugees | TIR | Transports Internationaux Routiers |
| MoJ | Ministry of Justice | UK | United Kingdom |
| MoS | Ministry of Security | UN | United Nations |
| MoU | Memorandum of Understanding | UNCT | UN Country Team |
| MSME | Micro, Small and Medium Enterprises | UNDAF | United Nations Development Assistance Framework |
| MTS | Municipal Training System | UNDP | United Nations Development Programme |
| NATO | North Atlantic Treaty Organisation | UNEP | United Nations Environmental Programme |
| NEAP | National Environmental Action Plan | UNESCO | United Nations Educational, Cultural and Scientific Organisation |
| NERDA | Northeast Regional Development Association | UNFCCC | UN Framework Convention on Climate Changes |
| NGOS | Non-Governmental Organisations | UNFPA | United Nations Population Fund |
| ODA | Official Development Assistance | UNICEF | United Nations Children's Fund |
| OECD | Organisation for Economic Cooperation and Development | UNIDO | United Nations Industrial Development Organisation |
| OHR | Office of the High Representative and EU Special Representative | UNIFEM | United Nations Development Fund for Women |
| ORF | Open Regional Fund | UNIFEM | United Nations Development Fund for Women |
| OSA | Intelligence Security Agency | CEE | Office for Central and Eastern Europe |
| OSCE | Organization for Security and Cooperation in Europe | UNSCR | United Nations Security Council Resolution |
| PAR | Public Administration Reform | UNV | United Nations Volunteers |
| PARCO | Public Administration Reform Coordinator's Office | UWWT | Urban Waste Water Treatment |
| PFM | Public Financial Management | USA | United States of America |
| PIFC | Public Internal Financial Control | USAID | United States Agency for International Development |
| PIMIS | Public Investment Management Information System | VET | Vocational Education and Training |
| PIP | Public Investment Programme | WB | World Bank |
| REDAH | Regional Economic Development Agency for Herzegovina | WBIF | Western Balkans Investment Framework |
| REZ | Regional Development Agency for Central BiH Region | WHO | World Health Organisation |
| RS | Republika Srpska | WTO | World Trade Organisation |
| SAA | Stabilisation and Association Agreement | | |
| SALW | Small Arms and Light Weapons | | |

Donor Mapping Report 2013 (DMR 2013) was prepared by the Ministry of Finance and Treasury / Sector for Coordination of the International Economic Aid in cooperation with representatives of Institutions of BiH and donors, members of Donor Coordination Forum (DCF) in Bosnia and Herzegovina.

DMR reflects the interest of Bosnia and Herzegovina and the International Community to exchange the knowledge and enhance joint activities directed towards the socio-economic development of BiH, and also is the instrument for improvement of mutual cooperation and partnership between BiH Institutions and donors in Bosnia and Herzegovina.

DMR provides comprehensive overview and the analysis of the Development Assistance which donors/DCF members had channelled to Bosnia and Herzegovina in 2013, as well as their future activities. Information and statistical data presented in the DMR are based on the financial data of projects/programs, entered in the database by DCF members, research work of the MoFT/SCIA staff as well as the responses to the questionnaires, provided by BiH Institutions and donors in BiH.

The DMR 2013 is the first edition that provides a comprehensive overview of projects and programs, financed by the DCF members in the one calendar year, in comparison with previous reports that were prepared for one and a half year period. This methodological change was enabled through implementation of the new PIMIS/DMD system, developed as a tool for facilitation of aid management in Bosnia and Herzegovina.

Also, the Donor Mapping Report for 2013 is based on IPA Multi-annual Indicative Planning Document (MIPD), the EU priorities for assistance to Bosnia and Herzegovina 2011-2013, while previous DMR Reports was based on the ten sectors, defined in former BiH Mid – Term Development Strategy (MTDS).

In that regard, the DMR 2013 analyses the following sectors:

- Justice and Home Affairs;
- Public Administration Reform;
- Private Sector Development;
- Transport and Energy Infrastructure Sector;
- Environment and Climate Change;
- Social Development;¹ and
- Cross – Cutting Sector²

¹ More information can be found at: http://ec.europa.eu/enlargement/pdf/mipd_bih_2011_2013_en.pdf

² The Cross – Cutting Sector changed previously called Temporary , for projects which donors where not able to classify within the sectors existing in the DMD.

In order to take the ownership and manage the Secretariat of the DCF in its full capacity, SCIA conducted migration of the DCF website from previously leased external server to the server of the Ministry, while the UNDP provided assistance for the upgrading of the website. As a result, the DCF website is now fully owned and financed by the Ministry of Finance and Treasury and as such represents the unique channel of cooperation and a tool for improved joint institutions – donors partnership and coordination in Bosnia and Herzegovina.

Donor Coordination Forum was enlarged in 2013 with Republic of Croatia as a new DCF member.

Finally, Ministry of Finance and Treasury would like to express gratitude to the representatives of Institutions in BiH and DCF members, whose active participation and support enabled the preparation of the Donor Mapping Report 2013.

Bosnia and Herzegovina has been facing numerous serious economic, governance and social challenges over a last decade. Highly complex system of governance and high unemployment, combined with the global and regional economic downturn in 2009 and 2012, negatively affected the BiH economy, putting social services, pensions, and healthcare systems under stress. The modest progress in economic activity in 2013, led by industrial production and exports, was hampered by the weak demand caused by high unemployment and tight fiscal policies³ together with rise in external and internal public debt.

The absence of Foreign Direct Investments (FDIs) inflow resulted in higher borrowing by governments from all levels in BiH for financing of their current expenditures, resulting in the rise of the country overall indebtedness. The largest portion of spending was channelled to three categories: (i) salaries in the Public Sector; (ii) transfers and subsidies; and (iii) the procurement of goods and services, for Public Sector. The massive governmental structure at the State, Entity and Cantonal levels is a reason that public salaries had reached 13% of GDP, among the highest percentage not only in the Region, but Europe and Central Asia⁴, too. This opens the issue of structure of spending, requesting necessary improvements through higher allocation of resources in the real sector, in order to reach long-term growth.

Also, the structural issues like low rate of labour market activity and high unemployment rate, low level of competitiveness of BiH companies and business climate that is not favourable towards entrepreneurship initiatives should be addressed and resolved as soon as possible. Although, according the IMFs Fifth review under the Stand – By Arrangement (SBA), BiH authorities had enabled steady progress in implementation structural reforms, it would be necessary to accelerate the labour market reform and improve coordination among all stakeholders⁵ in the next period.

DCF members active in BiH are aware of all afore mentioned, which is also evident from their sectoral allocations of ODA. The Private Sector Development (29%), Transport and Energy Infrastructure (29%) and Environment and Climate Change (25%) in 2013 were sectors that received the highest proportion of international support, followed by more or less equal distribution of funds to the Justice and Home Affairs, Public Administration Reform and Social Development sectors.

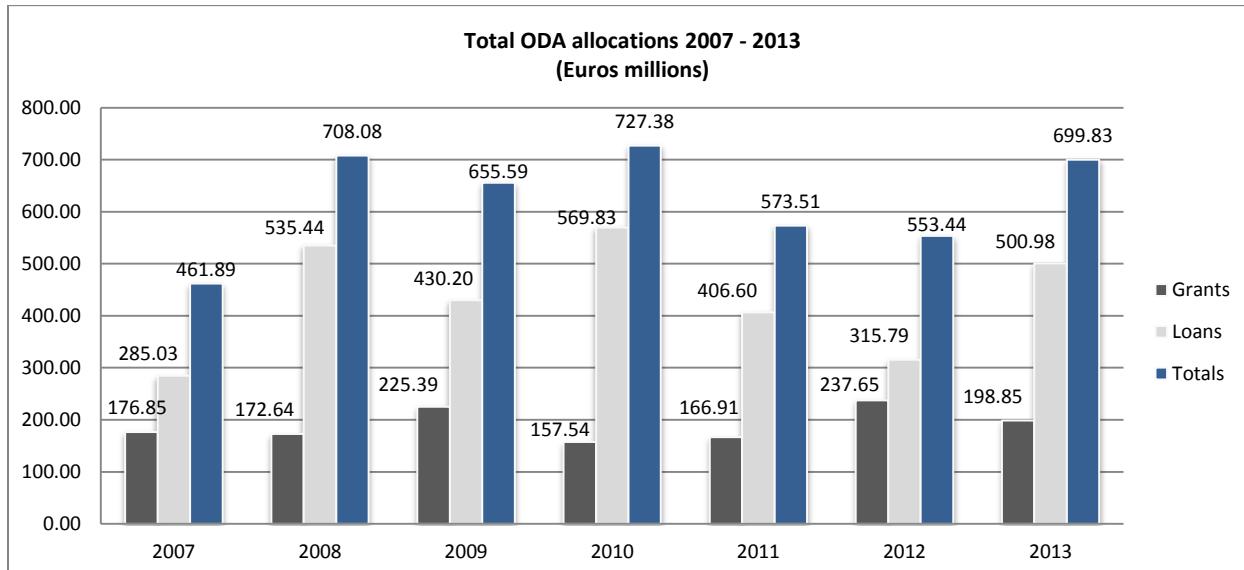
Total allocations of Official Development Assistance (ODA), which DCF members channelled to BiH in 2013 amounted to €699,83 million, out of which €198,85 million was in the form of grants and €500,98 million in the form of loans. As could be noticed, proportion between grant-based and loan-based ODA indicates that loans considerably prevailed over grants in 2013. The international financial institutions EIB, EBRD, International Finance Corporation (IFC) and the World Bank, as well as bilateral donor, Germany, provided the highest amounts of loans. The EU, USA, Sweden, Germany, UNDP and Norway provided the largest amounts of grant aid in 2013.

³IMF Fifth Review under the Stand – By Arrangement and Request for Waivers of Applicability and Extensions and Augmentation of the Arrangement, IMF Country Report No.14/39, February 2014

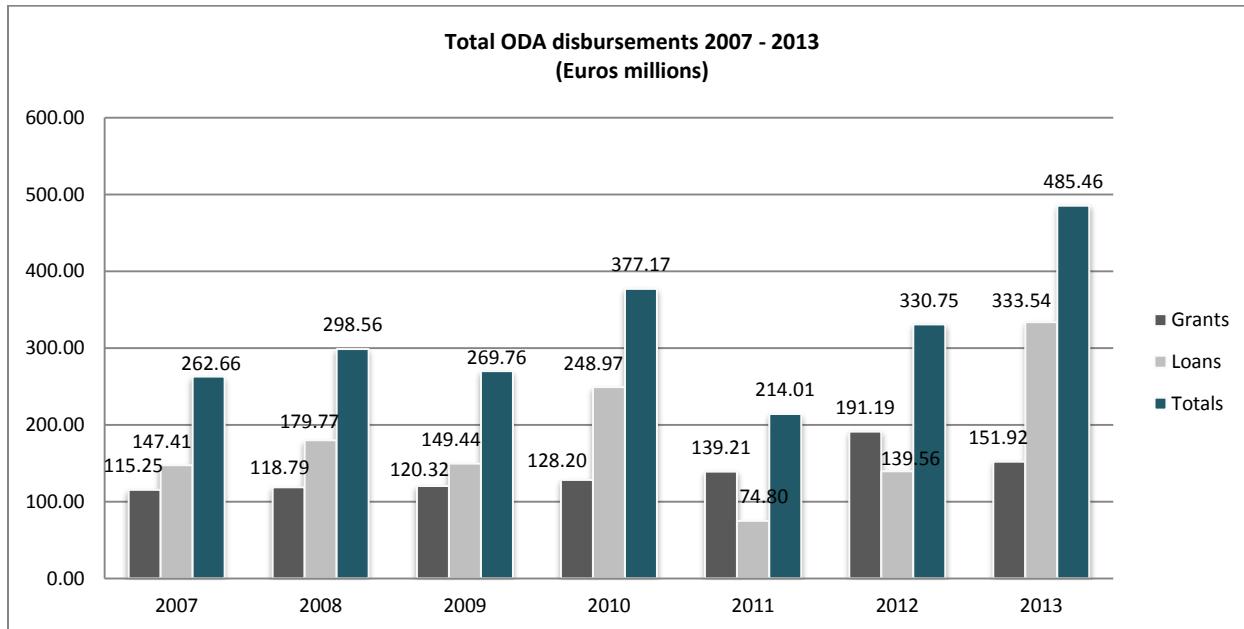
⁴More information can be found in „Political, Economic and Social Crisis in BIH 2012 – 2013“, Initiative for Better and Humane Inclusion (IBHI), Sarajevo, April, 2013

⁵IMF Fifth Review under the Stand – By Arrangement and Request for Waivers of Applicability and Extensions and Augmentation of the Arrangement, IMF Country Report No.14/39, February 2014

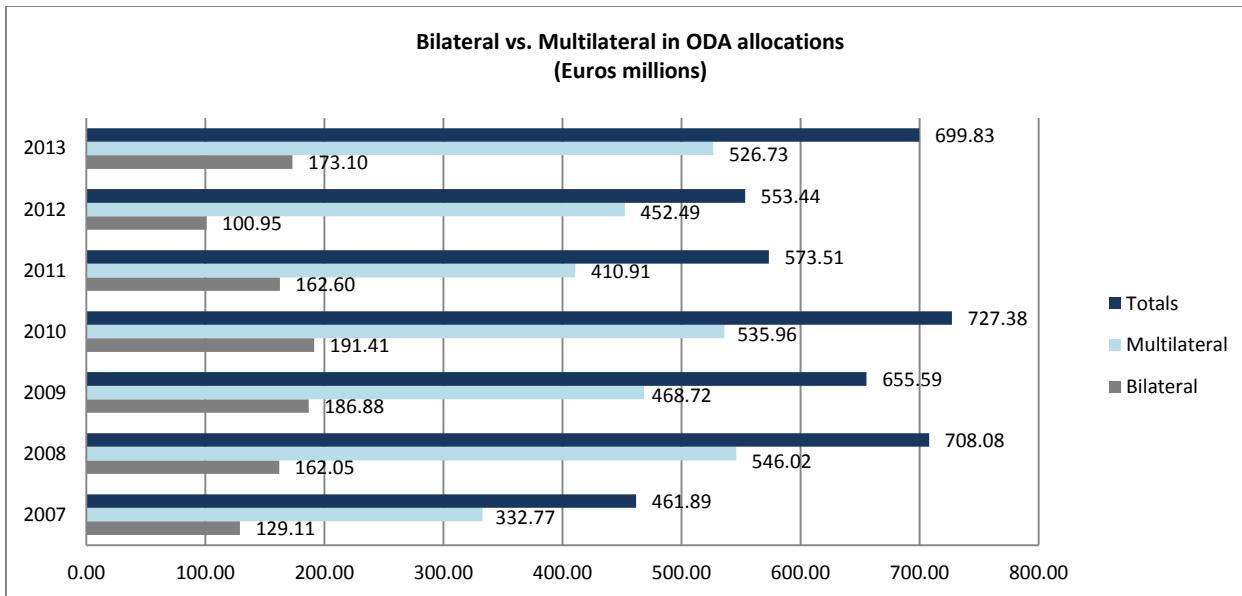
The following chart provides historical overview of total ODA allocations in period 2007-2013 in BiH. In 2013, total ODA allocations amounted to **€699,83 million** out of which **€198,85 million** was in the form of grants and **€500,98 million** in the form of loans indicating a significant rise if compared to the previous period, i.e. an overall increase of **€146,39 million** if compared to 2012.



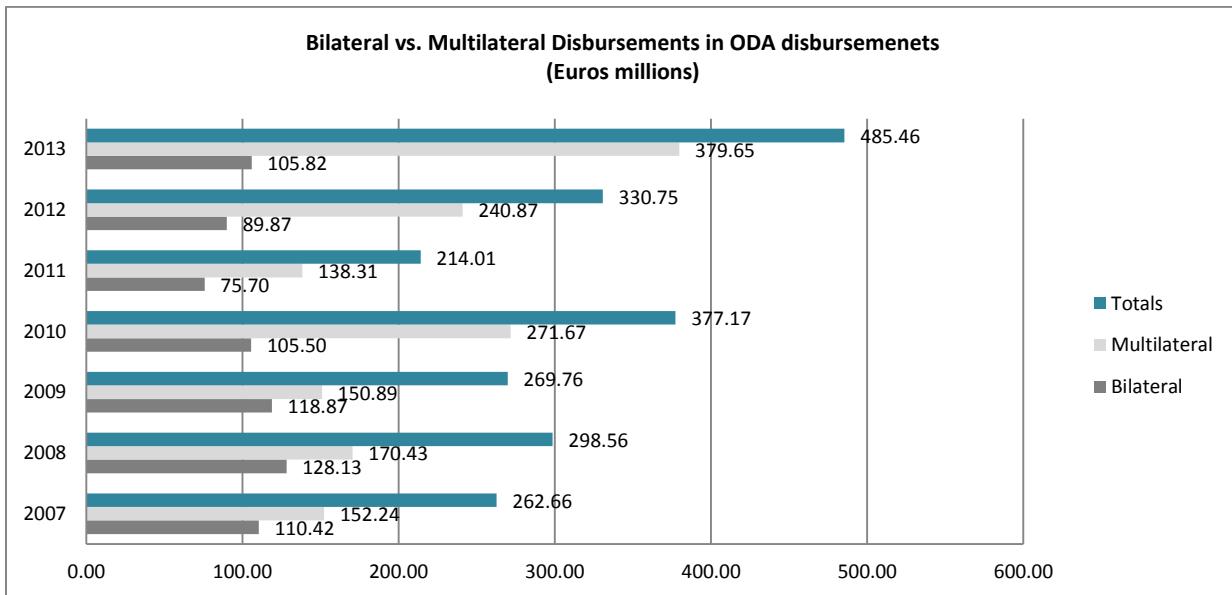
The following chart provides historical overview of total ODA disbursements in period 2007-2013 in BiH. In 2013, total ODA disbursements amounted to **€485,46 million** out of which **€151,92 million** was in the form of grants and **€333,54 million** in the form of loans, indicating a significant rise if compared to the previous period, i.e. an overall increase of **€154,71 million** if compared to 2012.



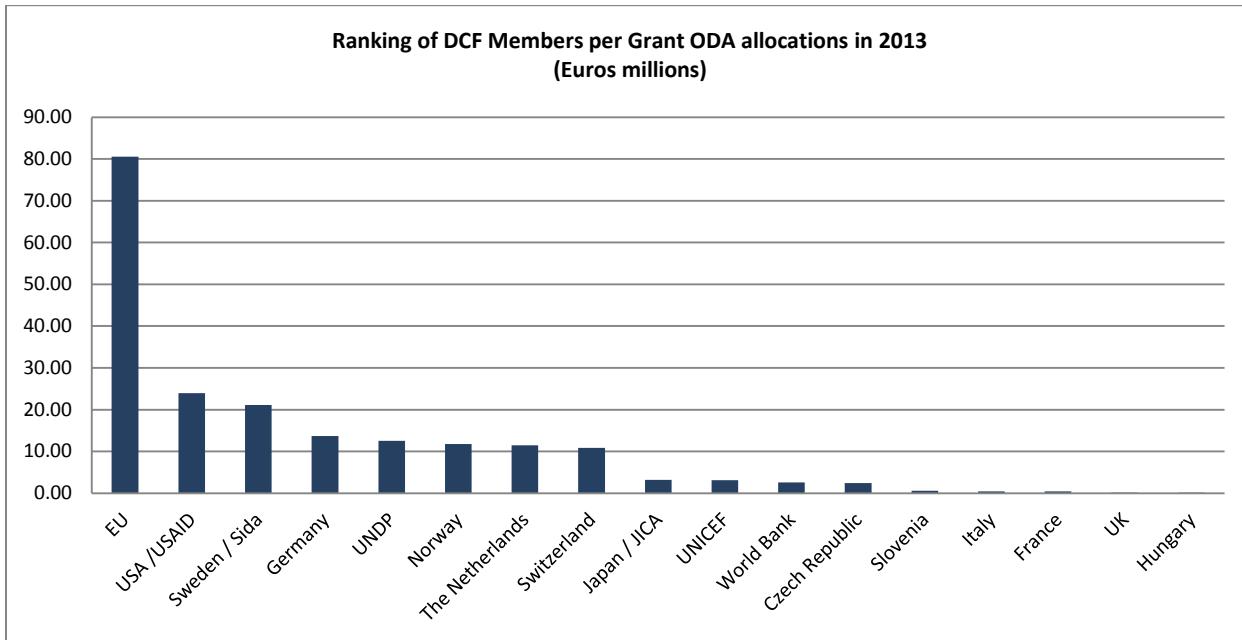
The following chart provides historical comparison of bilateral and multilateral ODA allocations in period 2007 – 2013. In 2013, total allocated ODA amounted to **€699,83 million** out of which **€173,10 million (25%)** from bilateral donors and **€526,73 million (75%)** from multilateral financers.



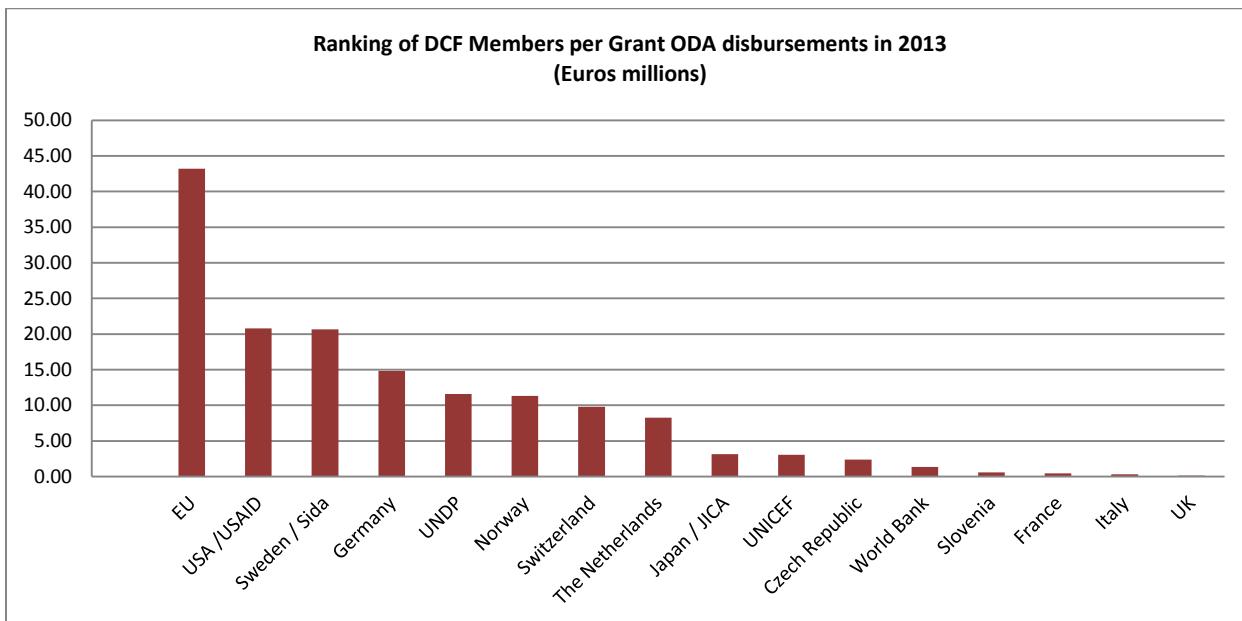
The following chart provide historical comparison of bilateral and multilateral ODA disbursements in period 2007 – 2013, where out of total **€485,46 million** disbursed ODA, bilateral donors disbursed **€105,82 million (22%)**, while multilateral financers disbursed **€379,65 million (78%)**.



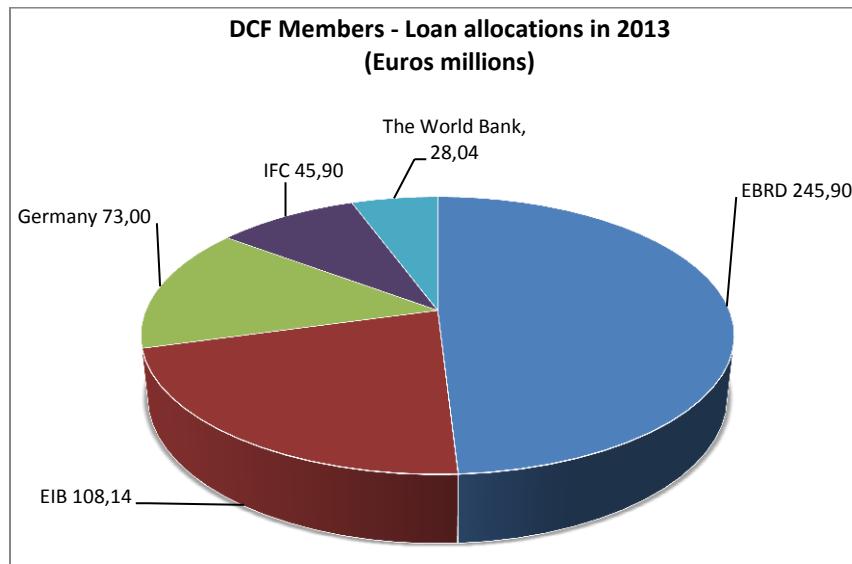
The following chart provides a ranking of DCF members according to their allocations in 2013. EU, USA/USAID, Sweden/Sida, Germany and UNDP provided the largest amounts of grant aid, followed by Norway, the Netherlands, Switzerland, Japan/JICA, UNICEF, The World Bank, Czech Republic, Slovenia, Italy, France, UK and Hungary.



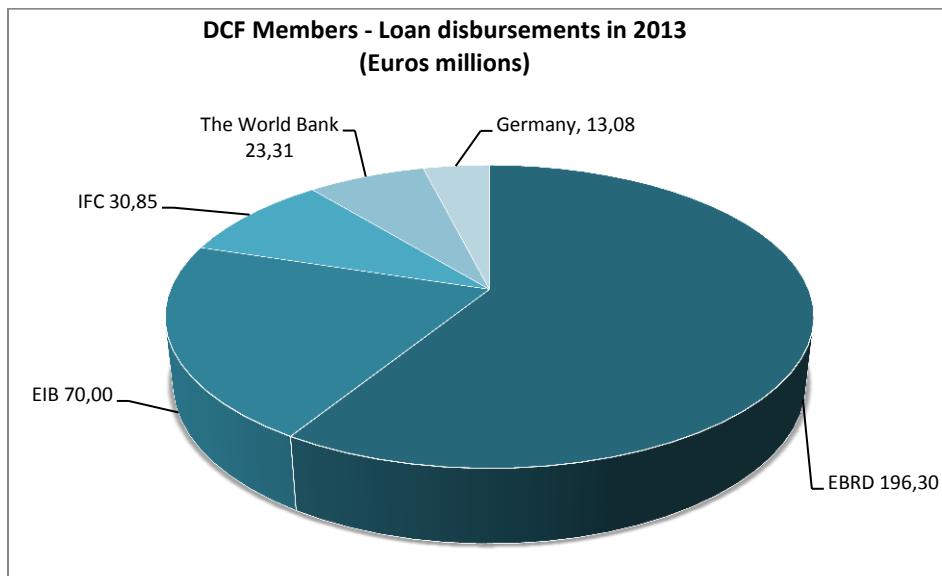
The following chart provides a ranking of DCF members according to their disbursements in 2013. Slight difference is noticeable within the chart presenting ranking of DCF members according to grant ODA disbursements.



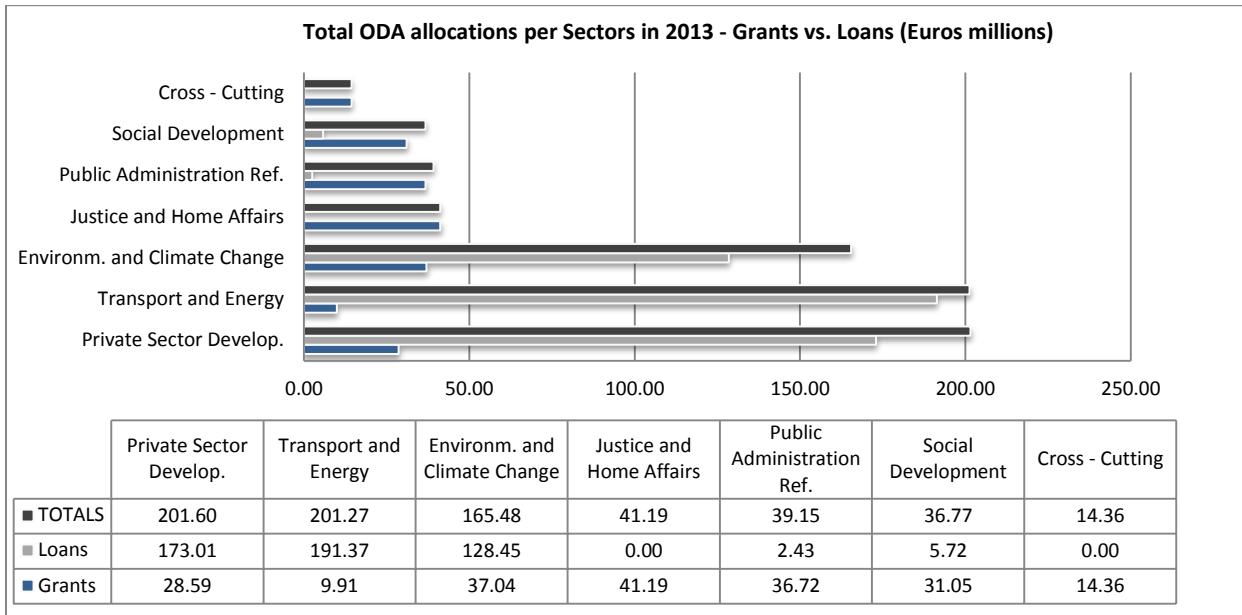
The following chart presents loan allocations of DCF members in 2013 in Bosnia and Herzegovina. The largest multilateral financiers were EBRD, EIB, IFC and the World Bank, together with Germany as bilateral financier. The EBRD and EIB loans primarily supported Private Sector Development and Transport and Energy Infrastructure sectors, while IFC and the World Bank loans supported the Private Sector Development, Transport and Energy Infrastructure and Environment and Climate Change sectors. Germany provided loans to the Transport and Energy Infrastructure sector.



The following chart presents loan disbursements of DCF members in 2013 in Bosnia and Herzegovina, showing a slight difference within the chart presenting the ranking of DCF members according to loan disbursements if compared with chart presenting the loan allocations.

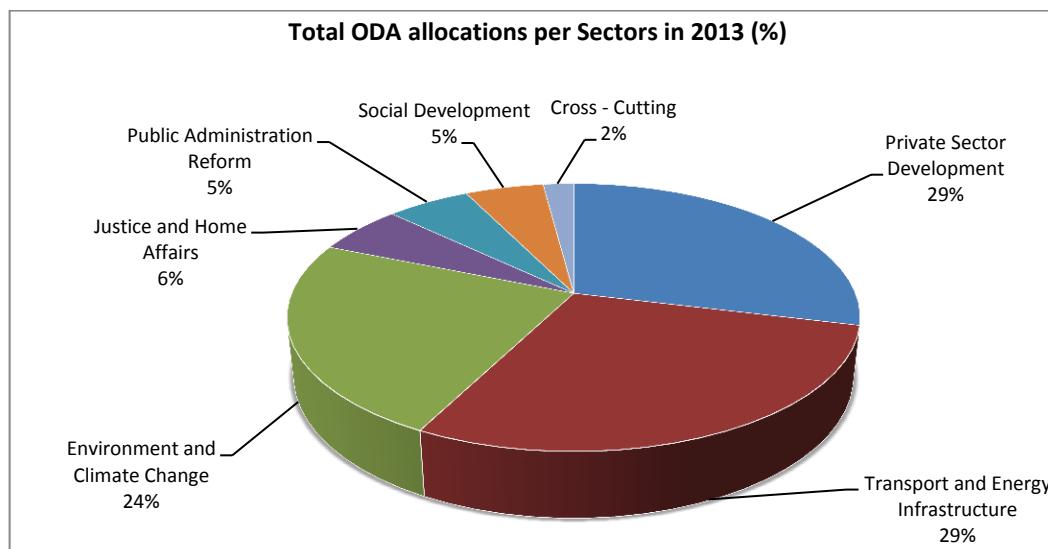


The following chart provides an overview of total ODA sectoral allocations in 2013, where the Private Sector Development, Transport and Energy Infrastructure and Environment and Climate Change sectors received the highest proportion of international support, followed by the Justice and Home Affairs, Public Administration Reform and Social Development sectors.

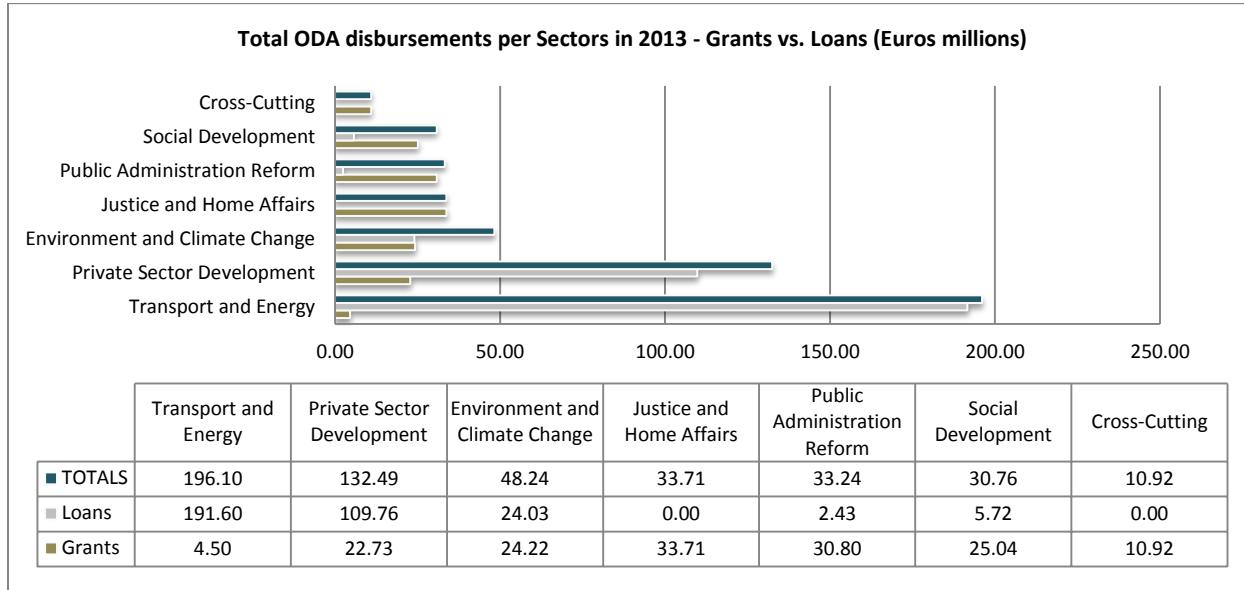


Please note that 2% of total ODA was assigned to the Cross - Cutting Sector, previously called Temporary, which was defined for projects which donors were not able to classify within the DMD sectors.

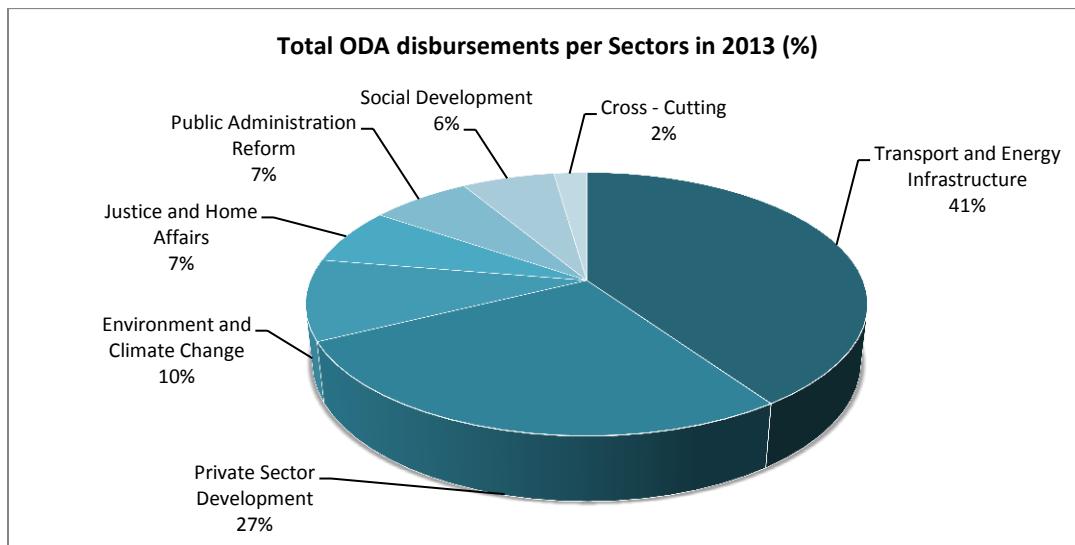
The following chart provides a ranking of the sectoral share of allocated ODA in 2013 expressed in percentages. The highest percentage of allocated ODA in 2013 was assigned to Private Sector Development (29%) followed by Transport and Energy Infrastructure (29%) and Environment and Climate Change (24%), while the least resources were allocated to Social Development (5%) and Cross - cutting (2%) sectors.



The following chart provides an overview of total ODA sectoral disbursements in 2013, showing some smaller differences in ODA disbursements per sectors. Transport and Energy Infrastructure sector received the highest proportion of disbursed funds, followed by the Private Sector Development and Environment and Climate Change sector.



The following chart provides a ranking of the sectoral share of disbursed ODA in 2013 expressed in percentages. The highest percentage of ODA disbursed in 2013 was channelled to Transport and Energy Infrastructure sector (41%), followed by Private Sector Development (27%) and Environment and Climate Change (10%), while the least resources were allocated to Social Development (6%) and Cross-cutting (2%) sectors.



Some sectors had shown higher level of disbursed ODA in comparison with the level of allocated ODA, based on disbursements of undisbursed ODA resources from previous period, while Environment and climate change Sector had very low level of ODA disbursement for 2013.

- I. Justice and Home Affairs**
- II. Public Administration Reform**
- III. Private Sector Development**
- IV. Transport and Energy Infrastructure Sector**
- V. Environment and Climate Change Sector**
- VI. Social Development Sector**
- VII. Cross – Cutting Sector⁶**

⁶ The Cross – Cutting Sector, previously called Temporary, for projects which donors were not able to classify within the DMD sectors.

| | |
|--|--|
| DCF members active in the sector in 2013 | EU, USA / USAID, Norway, Sweden / Sida, The Netherlands, Switzerland, Japan/JICA, UNDP, Germany, UNICEF, France, Slovenia. |
| Other Key international organizations (IOs) | The Organization for Security and Cooperation in Europe (OSCE), Council of Europe (CoE), Interpol Sarajevo, International Criminal Investigative Training Assistance Program (ICITAP), Office of the High Representative (OHR), International Trust Fund for Demining and Mine Victims (ITF), European Union Forces (EUFOR), Foundation „World without Mines“ (WOM), Catholic Relief Services (CRS), Save the Children |
| Key government partners | <p>Judiciary: BiH Ministry of Justice; RS Ministry of Justice; FBiH Ministry of Justice, Cantonal Ministries of Justice, BiH Prosecutor's Office; High Judicial and Prosecutorial Council; the BiH Court, Cantonal and District courts and Prosecutors offices</p> <p>Penitentiary: BiH Ministry of Justice, Entity Ministries of Justice, Cantonal Ministries of Justice and Judicial Commission of Brcko District</p> <p>Law Enforcement: BiH Ministry of Security, State Investigation and Protection Agency, Border Police; Directorate for Coordination of Police Bodies, The Indirect Taxation Authority</p> <p>Civil Society Organizations: NGO Council, Bar Associations in FBiH and RS, Human Rights House Sarajevo, Helsinki Committee for Human Rights in BiH</p> |
| Total allocation / disbursement to the sector in 2013 by DCF members | 2013: Total allocated €41.19 million – all in a form of grants Total disbursed €33,71 million – all in a form of grants |
| Legal framework and Sector strategies | <p>Legal framework and sector strategies (adopted in 2013)</p> <p><i>Law on Change and Amendments to the Law on Administrative Procedure; Law on Changes and Amendments to the Law on Litigation Procedure before the BiH Court; Law on Nuclear Damage Liability; Law on changes and amendments to the Law on implementation of the Convention on the Prohibition on the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction; Law on Changes and Amendments to the Law on Execution of Criminal Sanctions, Pretrial Detention and Other Measures; Law on Change and Amendments to the Law on Unified Citizen's Identification Number; Law on Change and Amendments to the Law on BiH Citizenship; Law on Change and Amendments to the Law on Travel Documents of BiH; Law on Change and Amendments to the Law on Free Access to Information in BiH; Law on Protection of Persons who Report Corruption in BiH Institutions; Law on Change and Amendments to the Law on International Legal Assistance in Criminal Matters; Law on Changes and Amendments to the Law on BiH Court Police; Law on Change and Amendments to the Law on Agency for the Prevention of Corruption and Coordination of the Fight against Corruption; The Law on Changes of the Law on BiH Criminal Proceedings; Law on Changes and Amendments to the Law on Courts in the FBiH; Law on Changes and Amendments to the Law on Criminal Proceeding of FBiH; FBiH Law on Protection Against Domestic Violence; Law on Changes and Amendments to the Law on FBiH Bar Exam; Law on Electronic Document in FBiH; Law on Changes and</i></p> |

| | |
|--------------------|--|
| | <p><i>Amendments to the Law on Salaries and Other Allowances of Judges and Prosecutors in the FBiH; Law on Actual Rights in FBiH; Law on Changes and Amendments to the Law on Agencies and Internal Services for Protection of People and Property in FBiH; The Law on Amendments to the Law on Internal Affairs of the FBiH; Law on Changes of the Law on Actual Rights in FBiH; RS Law on Changes and Amendments to the Law on Protection Against Domestic Violence; Law on Changes and Amendments to the Law on Execution of Criminal Sanctions of RS; RS Law on Changes and Amendments to the Law on Free Legal Aid; RS Law on Changes and Amendments to the Law on Court Taxes; RS Law on Change and Amendments to the Law on Executive Procedure; Law on Changes and Amendments to the Law on Criminal Code of RS; Law on Amnesty for Illegal Possession of Mines, Explosive Devices and Weapons in the RS; RS Law on Changes and Amendments to the Law on Litigation Procedure; RS Law on Changes and Amendments to the Law on Protection and Treatment of Children and Juveniles in Criminal Procedure; Law on Changes and Amendments to the Law on Registries in RS; RS Law on Protection and Rescue in State of Emergency Situations; Criminal Code of Brcko District BiH; Law on Executive Procedure in Brcko District BiH; Brcko District BiH Law on Criminal Proceedings, revised text; Law on Changes to the Law on Weapons in Brcko District BiH; Brcko District BiH Law on Changes and Amendments to the Law on Judiciary Officials and Employees; Strategy to Counter Trafficking in Human Beings in BiH and Action Plan 2013 – 2015; Strategy for Small Arms and Light Weapons Control in BiH 2013 – 2016.</i></p> <p>Previously adopted legal framework and sector strategies are available on http://www.donormapping.ba/index.php/donor-mapping-reports/dmr-2011-2012</p> |
| Donor coordination | <p>Judiciary: Quarterly coordination meetings organised by the BiH Ministry of Justice/Sector for Strategic Planning, Aid Coordination and European Integration and in particular Structural Dialogue in the Justice Sector between the institutions in BiH and the EU Delegation.</p> <p>Penitentiary: Project-based bilateral meetings.</p> <p>Law Enforcement: Project-based bilateral meetings.</p> <p>Civil Society: Informal ad-hoc coordination.</p> <p>Donors active in the sector regularly attended Donor Coordination Forum quarterly meetings hosted by BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid.</p> |

Overview

The rule of law is at the centre of the EU enlargement policy and as such represents one of the key issues in Bosnia and Herzegovina. **The Justice and Home Affairs Sector** described in this Report refers to the wide area of human rights such as independency, impartiality and accountability of the judicial system, effective battle against corruption and against organized crime, together with civil, political, and economic rights adherence for ordinary citizens, as well as persons belonging to minorities.

The Justice and Home Affairs Sector described in this Report is based on the sector classification from the Multi-Annual Indicative Planning Document (MIPD) programming and differs from the previous sector classification defined in former BiH Mid – Term Development Strategy (MGDS), in a way that includes elements of Good Governance and Institutional Building Sector and the Conflict Prevention and Resolution, Peace and Security Sector used in the previous reports.

The Justice and Home Affairs sector consists of the four sub-sectors:

- Judiciary,
- Penitentiary,
- Law Enforcement and
- Civil Society Organizations (CSOs)⁷.

Reform of the judicial system has achieved limited progress during the year 2013. The Structured Dialogue on Justice between BiH and EU included implementation of recommendations, which resulted in a number of positive outcomes, although the Justice Sector Reform Strategy (JSRS) 2009-2013 has not been fully implemented yet. The new Strategy for period of 2014 – 2018 and its Action plan is prepared and submitted to the CoM of BiH for adoption together with the changes to the Laws on Courts of BiH, High Judicial and Prosecutorial Council (HJPC), Infringement, State Attorney's Office, on Free Legal Aid in BiH, which also were prepared and submitted for adoption.

The efficiency of current operations in Judicial Sector in BiH is improved. Introduced measures by HJPC had resulted in reduced backlog of cases and with establishment of fully functional judicial information and communication system. However, the backlog still remains very high. Diverging practices on the applicability of different criminal codes between courts at different levels is still high while the access to justice is still fragmented in this area and require establishment of harmonized legal and institutional framework.

The enforcement of criminal sanctions and compliance with international human rights standards are crucial components of the Sector's overall functionality, and imply an effective and credible system of criminal sanctions execution, individual rights of incarcerated persons, the public's safety, and the citizen's confidence in the justice sector as a whole. In that regard, ***the prison system*** reform should

⁷ More information can be found at: http://ec.europa.eu/enlargement/pdf/mipd_bih_2011_2013_en.pdf

have same importance as the reforms of criminal justice system, police and the judiciary system. Sustainable reform of the police and the judiciary systems involves simultaneous reform of prison systems and execution of criminal sanctions as a whole, which is currently not the case in BiH. In order to harmonize with the international standards, changes of the Law on execution of criminal sanctions have been adopted in the BiH. To overcome overcrowding of prisons in BiH, investing in infrastructure and promoting alternative sanctions were reinforced during 2013. Still, an effective coordination among 15 prison administrations, prison inspections, the backlogs in criminal sanctions execution (especially in FBiH) and the delays in the construction of the high – security State prison are issues which require more attention in the coming period. ***The law enforcement*** is a crucial for citizens' confidence in the justice sector as a whole.

In 2013, fight against organized crime and fight against corruption have made limited progress in BiH. The progress was made in the areas of visa policy, border management, asylum and migration. The adoption of amendments to the Law on Movement and Stay of Aliens and Asylum has further aligned the legal framework with the *acquis*. The improvements were made in the border crossing and implementation of the revised integrated border management (IBM) strategy. In the fight against money laundering, the Strategy and the Action plan for the prevention of money laundering and financing of terrorist activities 2009 – 2013 is still under implementation. The country remains subject to Moneyval Compliance Enhancing Procedures, while the amendments of the Law on Money Laundering and Financing of Terrorism and the Law on Criminal Code in BiH are still in the adoption procedure. Unremarkable progress was made in this area, as well as in the area of cooperation and coordination among law enforcement agencies in BiH. Although, there were a number of large-scale joint police operations, cooperation between police agencies and prosecutors' offices requires further structural improvements in the country, while regional and International cooperation is much better. That confirms signing of the Protocol on establishment and functioning of Joint Police Cooperation Center between BiH, Serbia and Montenegro, as well as the signing the Contract on Border Crossing and Agreement on Frontier Trade with Croatia, both harmonized with EU standards and regulating the border crossing and its control. In regard with human beings trafficking (THB), the new Strategy to Counter Trafficking in Human Beings in BiH and Action Plan 2013 – 2015 has been adopted, but its implementation is financed mainly by donors. The fight in THB is in its early stage of implementation in BiH and need further efforts.

In the area of demining, the implementation of the Mine Action Strategy is lagging behind schedule, where only half of the demining targets set for the previous three years period have been met. The Law on anti-mines actions still needs to be adopted. To meet the goal of clearing the country of mines by 2019, issues of jurisdiction, necessary administrative and management capacities as well as the coordination of demining need to be resolved.

In accordance with Multi – annual Indicative Planning Document (MIPD) 2011 – 2013 for BiH, the specific objective for the **CSOs** is to increase awareness of the rights of citizens and to enhance their confidence in the judiciary and law enforcement institutions. The document suggests the CSOs are supposed to have twofold role: to act as a watchdog and as an advisory capacity, for monitoring of progress. During 2013, various CSOs were involved in systematic tracking of the state of human rights in

BiH and current judicial status in BiH. Majority of them is gathered around Justice Network in Bosnia and Herzegovina⁸. The Justice Network in BiH is an informal network of 64 non-governmental organizations, operating in the field of rule of law and human rights protection, with the aim to support efficiency, independence, and accountability of the judiciary system of Bosnia and Herzegovina, as well as quality information, education, and to advocate citizens' interests in the justice sector. For continuous monitoring of the Human Rights status as well as for call for accountability in case of their violation, the United Nations (UN) produced the Universal Periodic Review (UPR) as a new international instrument in the promotion of human rights, applied by the UN Human Rights Council in the process of monitoring of human rights in the UN member states. The Justice Network in BiH uses an UPR as a tool to fill the both roles, the one defined by the UN and the one defined by the MIPP document. In its fourth Report - Human Rights and Judiciary in Bosnia and Herzegovina 2013-2014, Justice Network in BiH again pointed issue of public policies in the justice sector and stagnating reform processes over the period of monitoring⁹.

It can be concluded that Justice and Home Affairs Sector in BiH have noted various degrees of progress in all four observed sub-sectors, but to speed up reforms in the sector as a whole it will be necessary to make additional efforts in the coming period.

Donor activities in 2013

DCF members active in Justice and Home Affairs sector in 2013 are the EU, USA / USAID, Norway, Sweden / Sida, the Netherlands, Switzerland, Japan/JICA, UNDP, Germany, UNICEF, France and Slovenia.

Total allocations in 2013 to the Justice and Home Affairs sector provided by DCF members were €41, 19 million, while total disbursements amounted €33,71 million, all in the form of grants.,

Figure 1.1 indicates the leading donors in the Justice and Home Affairs sector in 2013 were the EU and USA/USAID, followed by the Norway, Sweden/Sida, the Netherlands, Switzerland, Japan/JICA, UNDP, Germany, UNICEF, France and Slovenia. According to the disbursements in the chart below, slight difference in the ranking is noticeable.

⁸ More information can be found at <http://www.mrezapravde.ba/mpbh/latinica/index.php>

⁹ More information can be found at http://adi.org.ba/wp-content/uploads/2014/08/ljudska_prava -2013-2014.pdf

Figure 1.1. Ranking of DCF Members per Grant ODA contributions in the Justice and Home Affairs Sector in 2013 (Euros Millions)

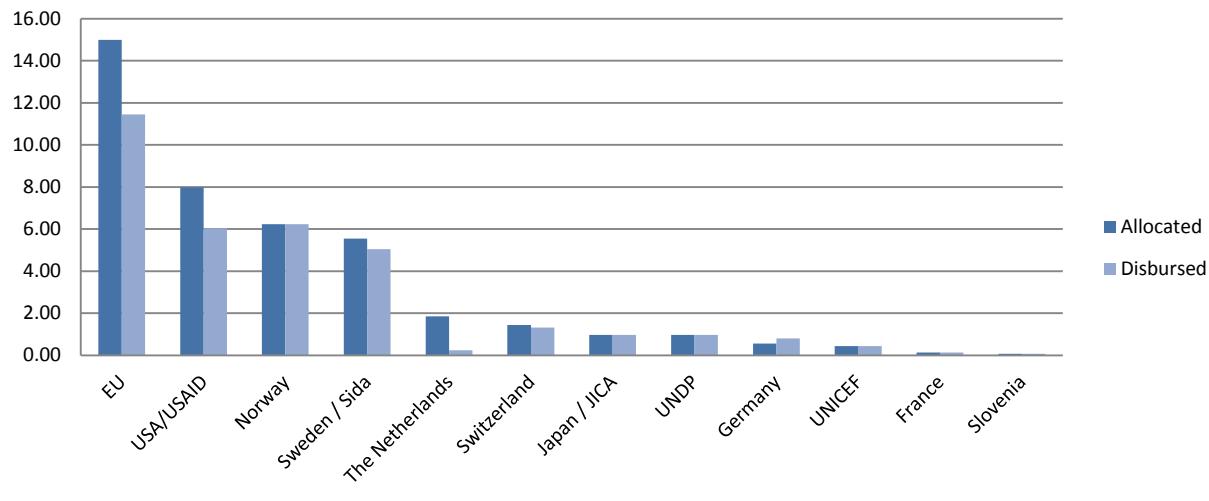
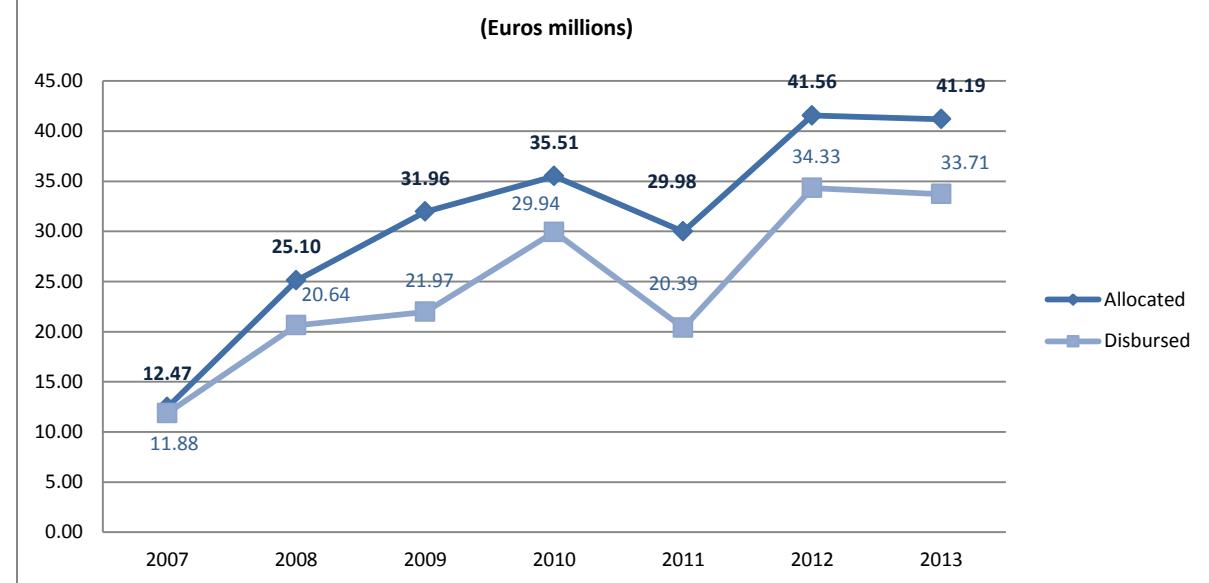


Figure 1.2 shows historical trend of ODA distribution to the Justice and Home Affairs Sector, indicating a steady increase from 2007 to 2010 and a sharp decrease of donor contributions in 2011. Reason for this is that the most of the partner countries were hit by the debt crisis, which caused fiscal tightening and budget austerity in the domestic and foreign policies. However, the lack of resources from the previous year was compensated in 2012, when this Sector had recorded a peak of foreign aid inflows. That trend continued in 2013.

Figure 1.2. Total ODA to the Justice and Home Affairs Sector 2007 - 2013



In 2013, 6% of total ODA was allocated, while 7% was disbursed to the Justice and Home Affairs sector.

Major projects in the Justice and Home Affairs sector in BiH are listed below¹⁰:

| Project Title | Donor/Financial Institution | Total Project Value (Euros millions) |
|--|-----------------------------|--------------------------------------|
| Establish adequate system for efficient processing of war crime cases in all relevant judicial institutions in BiH | EU | 7,44 |
| (SGIP) Strengthening Governing Institutions and Processes | USA / USAID | 4,35 |
| Explosive Ordnance and Remnants of War Destruction Project in Bosnia and Herzegovina (EXPLODE) | EU | 3,84 |
| Improving Judicial Efficiency Project | Sweden / Sida | 3,65 |
| Completion and delivery of functional Brcko District Police Headquarters | EU | 3,50 |
| Srebrenica Missing Persons | The Netherlands | 3,22 |
| Trust-Understanding-Responsibility for the Future | USA / USAID | 2,65 |
| NPA Mine Action Programme Bosnia and Herzegovina 2011-2015 | Norway | 2,02 |
| Improvement of the Indirect Taxation Authority's (ITA) operational capacity through the full implementation of ASYCUDA World | EU | 2,00 |
| BBS Lot 1, 2 and 4 – Supply – Support to E-Justice in BiH | EU | 1,34 |
| Peacing the Future Together | USA / USAID | 1,28 |
| Assistance to the judiciary in BiH | Norway | 1,00 |

All projects are available in the Donor Coordination Forum Database, via following link:

http://dmd.donormapping.ba/dmd/faces/dmdPublicStart?_afrWindowMode=0&_afrLoop=342677494085424&_adf.ctrl-state=mk4nl7ill_4

Legal framework and sector strategies adopted in 2013

In December 2012 the National Assembly of RS adopted the Law on Protection and Rescue in State of Emergency Situations¹¹.

In January 2013 the Law on Changes and Amendments to the Law on Courts in FBiH¹² was adopted, as well as the Law on Changes and Amendments to the Law on Criminal Proceeding of FBiH¹³, while in **February 2013**, Parliamentary Assembly of BiH adopted the Law on Changes and Amendments to the Law on BiH Court Police¹⁴.

In March 2013 the Parliamentary Assembly of FBiH adopted the Law on Protection on Domestic Violence¹⁵, while the Parliamentary Assembly of the Brcko District of BiH adopted the Law on Changes on the Law on weapons and Ammunition¹⁶, and **in April 2013** the National Assembly of RS adopted the Law on Changes and Amendments to the Law on Registries¹⁷.

¹⁰Due to large number of the projects in the Justice and Home Affairs sector, only some projects are mentioned in this report. All projects classified under the Sector are accessible in the DCF database (www.donormapping.ba).

¹¹ Official Gazette of RS no. 121/12

¹² Official Gazette of FBiH no. 7/13

¹³ Official Gazette of FBiH no. 8/13

¹⁴ Official Gazette of BiH no. 18/13

¹⁵ Official Gazette of FBiH no.20/13

¹⁶ Official Gazette of Brcko District of BiH no. 06/13

¹⁷ Official Gazette of RS no. 43/13

Parliamentary Assembly of BiH adopted the Law on Change and Amendments to the Law on Administrative Procedure¹⁸ in May 2013.

During June 2013 the Parliamentary Assembly of FBiH adopted the Law on Changes and Amendments to the Law on Bar Exam¹⁹, while the National Assembly of RS adopted the Law on Changes and Amendments to the Law on Litigation Procedure²⁰, together with the Law on Changes and Amendments to the Law on Protection and Treatment of Children and Juveniles in Criminal Procedure²¹.

In July 2013 the Law on Electronic Document in FBiH²² and the Law on Changes and Amendments to the Law on Salaries and Other Allowances of Judges and Prosecutors in the Federation of BiH²³ were adopted. In the same time, the National Assembly of RS adopted The Law on Changes and Amendments to the Law on Court Taxes²⁴, together with the Law on Changes and Amendments to the Law on Executive Procedure²⁵, the Law on Changes and Amendments to the Law on Criminal Code of RS²⁶ and the Law on Amnesty for Illegal Possession of Mines, Explosive Devices and Weapons in the RS²⁷.

Also, in July 2013 the Law on Change and Amendments to the Law on Agency for the Prevention of Corruption and Coordination of the Fight Against Corruption²⁸ was adopted by the Parliamentary Assembly of BiH, which more fully defines the roles of the Parliamentary Committee for Election and Monitoring of the Agencies' work and procedures for nomination of its members. At the same time, the Parliamentary Assembly of BiH adopted the Law on Changes and Amendments to the Law on Litigation Procedure before the BiH Court²⁹, as well as the Law on Change and Amendments to the Law on Travel Documents of BiH³⁰, together with the Law on Change and Amendments to the Law on International Legal Assistance in Criminal Matters³¹.

Parliamentary Assembly of FBiH adopted the Law on Actual Rights³² and the Law on Changes and Amendments to the Law on Agencies and Internal Services for Protection of People and Property³³ in August 2013.

In September 2013 the Law on changes and amendments to the Law on implementation of the Convention on the Prohibition on the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction³⁴, together with the Law on Changes of the Law on BiH Criminal

¹⁸ Official Gazette of BiH no. 41/13

¹⁹ Official Gazette of FBiH no.43/13

²⁰ Official Gazette of RS no. 61/13

²¹ Official Gazette of RS no.61/13

²² Official Gazette of FBiH no. 55/13

²³ Official Gazette of FBiH no.55/13

²⁴ Official Gazette of RS no. 67/13

²⁵ Official Gazette of RS no. 67/13

²⁶ Official Gazette of RS no. 67/13

²⁷ Official Gazette of RS no. 67/13

²⁸ Official Gazette of BiH no. 58/13

²⁹ Official Gazette of BiH no. 58/13

³⁰ Official Gazette of BiH no. 60/13

³¹ Official Gazette of BiH no. 58/13

³² Official Gazette of FBiH no. 66/13

³³ Official Gazette of FBiH no. 67/13

³⁴ Official Gazette of BiH no. 72/13

Proceedings³⁵, were adopted by the BiH Parliamentary Assembly, while the Law on Changes and Amendments to the Law on FBiH Internal Affairs³⁶ was adopted by the Parliamentary Assembly of FBiH.

In October 2013 the National Assembly of RS adopted the Law on Changes and Amendments to the Law on Execution of Criminal Sanctions of Republika Srpska³⁷, together with the Law on Changes and Amendments to the Law on Free Legal Aid³⁸, while the Parliamentary Assembly of Brcko District of BiH adopted the consolidated text of the Criminal Code of Brcko District BiH³⁹, as well as the consolidated text of the Law on Criminal Proceedings of Brcko District of BiH⁴⁰.

In November 2013 the Parliamentary Assembly of BiH adopted the Law on Nuclear Damage Liability⁴¹ was adopted, together with the Law on Change and Amendments to the Law on Unified Citizen's Identification Number⁴² and the Law on Change and Amendments to the Law on BiH Citizenship⁴³, while the National Assembly of RS adopted the Law on Changes and Amendments to the Law on Protection Against Domestic Violence⁴⁴. At the same time, the Parliamentary Assembly of the Brcko District of BiH adopted the Law on Executive Procedure⁴⁵.

In December 2013 Parliamentary Assembly of BiH adopted the Law on Change and Amendments to the Law on Free Access to Information in BiH⁴⁶ and the Law on Changes and Amendments to the Law on Execution of Criminal Sanctions, Pre-trial Detention and Other Measures⁴⁷. At the same time, Parliamentary Assembly of BiH adopted the Law on Protection of Persons who Report Corruption in BiH Institutions⁴⁸ that for the first time in BiH defines status of persons who report corruption in BiH institutions and legal entities established by the BiH institutions, procedures for reporting, institutional responsibilities regarding the reporting of corruption, a method of protecting individuals who report corruption, and stipulates penalties for violations of the provisions of this Law.

During **December 2013** the Parliamentary Assembly of FBiH adopted the Law on Changes of the Law on Actual Rights⁴⁹.

Donor coordination

During 2013 the donor coordination mechanisms in the Justice and Home Affairs Sector was implemented divergently, depending on the sub-sector and the levels of governments involved.

³⁵ Official Gazette of BiH no. 72/13

³⁶ Official Gazette of FBiH no. 75/13

³⁷ Official Gazette of RS no. 98/13

³⁸ Official Gazette of RS no.89/13

³⁹ Official Gazette of Brcko District of BiH no. 33/13

⁴⁰ Official Gazette of Brcko District of BiH no. 33/13

⁴¹ Official Gazette of BiH no. 87/13

⁴² Official Gazette of BiH no. 87/13

⁴³ Official Gazette of BiH no. 87/13

⁴⁴ Official Gazette of RS no. 108/13

⁴⁵ Official Gazette of Brcko District of BiH no. 39/13

⁴⁶ Official Gazette of BiH no. 100/13

⁴⁷ Official Gazette of BiH no. 100/13

⁴⁸ Official Gazette of BiH no. 100/13

⁴⁹ Official Gazette of FBiH no. 100/13

In the **Judiciary** sub-sector, BiH Ministry of Justice/Sector for Strategic Planning and Aid Coordination and European Integrations (MoJ/SSPACEI) is regularly organising quarterly meetings for monitoring and harmonization of donor efforts in the Legal and Judicial Reform sub-sector. The BiH MoJ maintained the coordination mechanisms established during the implementation of the Justice Sector Reform Strategy 2008 – 2013, with intention to keep them in the forthcoming draft Strategy 2014 – 2018. Also, the Structural Dialogue in the Justice Sector was considered as a good coordination mechanism between the institutions in BiH and the EU Delegation.

In the **Penitentiary** sub-sector, coordination meetings are *ad hoc*, project-based and mostly bilateral.

In the **Law Enforcement** sub-sector main coordination was in the form of inter-institutional coordination. Cooperation between security institutions, dealing with the immigration issues, has been formally strengthened through adoption of the Decision on establishing the Coordination body on BiH immigration issues, by the Council of Ministers of BiH. Besides, the Monitoring Team for constant monitoring and evaluation of Strategy to Counter Trafficking in Human Beings in BiH and Action Plan 2013 – 2015 was nominated, while the cooperation of the regional monitoring teams dealing with this issue was verified as good. In the field of **protection and rescue** the lack of efficient and swift reaction was noted, implying lack of horizontal and vertical coordination among all BiH institutions involved, while the coordination between domestic institutions and donors was verified as satisfactory. It can be concluded that the formal coordination body in this sub-sector is still not formalized and is in the setup phase.

In the **Civil Society** sub-sector there is informal coordination between CSOs on ad-hoc basis in order to avoid overlapping activities. The BiH MoJ established the Sector for Civil Society to ensure the preconditions for adoption of legislation and strategies more favourable for the development of the civil society.

Donors active in the Justice and Home Affairs sector regularly attended the Donor Coordination Forum (DCF) meetings hosted by the BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid (MOFT/SCIA).

Future activities

As mentioned previously, limited progress was identified in the Justice and Home Affairs Sector in BiH during the 2013. In the forthcoming period an increased attention should be given to the rule of law, including judicial reform and the fight against corruption and organized crime in order to improve the Sector development.

Having in mind that the Justice and Home Affairs was the only sector in BiH that have clearly defined capacity building as priority for its further development, most of the future activities should be focused on the capacity building of all BiH stakeholders in all sub-sectors as well as their better equipping. Common denominator for limitations in all four sub-sectors is a lack of harmonized approach within the Sector and lack of financial resources.

Improvement of ***the Judiciary*** sub-sector should include further decrease of the number of backlog cases in the enforcement procedure, harmonization of the laws and bylaws on prosecutors in FBiH, improvement of criminal sanctions execution, improved overall access to justice and support to economic growth, especially in the fields of development of Alternative Dispute Resolution (ADR), mediation and land administration.

Regarding the ***the Penitentiary*** sub-sector, future activities should be focused on aligning the penitentiary system with European standards, including activities in proposing laws and by-laws on alternative criminal sanctions, on establishing of BiH probation service, as well as developing training and education programs for penitentiary staff and development of the treatment program for specific categories like minors, elderly prisoners, persons under obligatory treatment and persons with disability.

Considering ***the Law Enforcement***, the future activities should be focused on deepening the cross-border cooperation in joint border management and supervision, strengthening of police institutions and their overall coordination in BiH as well as protection of human trafficking witnesses and victims, and strengthening of all supporting activities. The systematic improvement of protection and rescue system, with special emphasis on need for introducing the single European number for emergency situation (112) should be done alongside with improvement in the field of disclosure of all kinds of corruptive actions in BiH society.

The general conclusion for the Justice and Home Affairs sector in BiH would be that the additional efforts and the engagement of both domestic and international stakeholders are necessary in order to speed up of the reform processes within this Sector.

| | |
|---|--|
| DCF members active in the sector in 2013 | EU, Sweden / Sida, USA / USAID, Norway, The World Bank, Switzerland, The Netherlands, Germany, UNDP, Czech Republic, UNICEF, Italy, Slovenia, France and Hungary. |
| Other Key international organizations (IOs) | Organization for Security and Cooperation in Europe (OSCE); Office of the High Representative and EU Special Representative (OHR); United Nations Educational, Cultural and Scientific Organization (UNESCO); European Training Foundation (ETF). |
| Key government partners | <p>Capacity to align with <i>acquis</i> and Civil Service: BiH Council of Ministers, together with the entity and DB governments; BiH Ministry of Civil Affairs; BiH Ministry of Justice; Public Administration Reform in BiH Coordinator's Office together with entity and DB coordinators; BiH and entity Agencies for Civil Service; Agency for Development of Higher Education and Quality Assurance; Agency for Pre-Primary, Primary and Secondary Education; Directorate for European Integration</p> <p>Public procurement and financial control: BiH Public Procurement Agency; BiH Procurement Review Body; Ministry of Finance and Treasury of BiH; Central Harmonization Units (CHUs) in the Ministries of Finance of the State and the Entities; State, entity and DB Audit Institutions</p> <p>Statistics: the Central Bank of BiH; BiH Agency for Statistics</p> <p>Civil Society Organizations: Transparency International BiH (TI BiH); Center for Investigative Reporting (CIN); Association Alumni of the Center for Interdisciplinary Postgraduate Studies (ACIPS); Center of Civil Initiatives (CCI); Association of Citizens „Why not?“</p> |
| Total allocation / disbursement to the sector in 2013 by DCF members | 2013: Total allocated €39,15 million – €36,72 million in a form of grants and €2.43 million in a form of loans Total disbursed €33,24 million – €30,81 million in a form of grants and €2.43 million in a form of loans |
| Legal framework and Sector strategies | Legal framework and sector strategies (adopted in 2013) <i>Law on Amendments to the Law on Official Gazette of BiH; Law on Change and Amendments to the Law on Free Access to Information; Law on Change and Amendments to the Law on BiH Foreign Trade Chamber; Law on Change and Amendments to the Law on Conclusion and Implementation of International Agreements; Law on Change and Amendments to the Law on Salaries and Allowances in Institutions of BiH; Law on Change and Amendments to the Law on Financing Institutions of BiH; Law on Change and Amendments to the Law on Conflict of Interest in Government Institutions of BiH; Law on Change and Amendments to the Law on the Indirect Taxation System in BiH; Law on Budget of BiH Institutions and International Obligations of BiH for 2014; Law on Change and Amendments to the Law on the Federal Administrative Fees and Tariffs; Law on Changes and Amendments to the Law on Tax Administration of the FBiH; Law on Debts Settlement of FBiH towards</i> |

| | |
|----------------------------------|--|
| | <p><i>The Federal Office of Pension and Disability Insurance; Law on Amendments to the Law on the Default Interest Rate on Public Revenues; Law on Change and Amendments to the Law on Wages and Other Allowances of Judges and Prosecutors in FBiH; Law on Change and Amendments to the Law on Ministerial, Government and Other Appointments of the FBiH; Law on Agricultural Advisory Services in FBiH; Law on Budget of FBiH for 2014; Law on the FBiH Budget Execution in 2014; Law on Budgets in FBiH; Law on Execution of RS Budget for 2014; RS Law on Change and Amendments on the Law on Local Self-Government; Law on Change and Amendment to the Law on the Status of Officials of Local Government Units in RS; Law on Technical Regulations of RS; RS Law on Change and Amendments to the Law on Pension and Disability Insurance; RS Law on Changes to the Law on Electronic Signature; Law on Change and Amendments to the Law on Intermediary Agency for IT and financial services a.d. Banja Luka; Law on RS Tax Procedure; RS Law on Change and Amendments to the Law on Administrative Fees; Law on Banking Agency of RS; RS Law on Concessions; Law on Amendments to the Law on the Organization and Implementation of Population, Households and Dwellings Census in 2013 in the RS; Law on Change and Amendments to the Law on the Restitution Fund of RS; RS Law on the Treasury; RS Law on Communal Police; Law on Amendments to the Law on the Fund for the Development of the Eastern Part of the RS; Law on Change and Amendments to the Law on Administrative Fees in Brcko District BiH; Law on Electronic Signature of Brcko District BiH; Law on Amendments to the Law on Archives in Brcko District BiH; Law on Changes and Amendments to the Law on Inspections in Brcko District BiH; Law on Execution of the Budget of Brcko District BiH for 2013, and its Changes; Law on Execution of the Budget of Brcko District BiH for 2014; Law on Changes to the Law on Public Administration in Brcko District BiH; Law on Changes and Amendments to the Law on Allowances and Salaries of Budget Users in Brcko District Assembly; Law on Changes and Amendments to the Law on Salaries of Employees in Public Administration of Brcko District BiH; Strategy for Regulatory Reform 2013-2016 in FBiH with its Action Plan.</i></p> <p>Previously adopted legal framework and sector strategies are available on http://www.donormapping.ba/index.php/donor-mapping-reports/dmr-2011-2012</p> |
| <p>Donor coordination</p> | <p>Capacity to align with <i>acquis</i> and civil service including DIS: PAR Fund stakeholders' regular meetings organised by Public Administration Reform Coordinator's Office.</p> <p>Public Procurement and Financial Control: Project-based bilateral meetings.</p> <p>Statistics: Informal <i>ad-hoc</i> coordination.</p> <p>Civil Society: Informal <i>ad-hoc</i> coordination.</p> <p>Donors active in the Sector regularly attended DCF quarterly meetings hosted by BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid.</p> |

Overview

The **Public Administration Reform Sector (PAR)** described in this report is based on the sector classification from the Multi-Annual Indicative Planning Document (MIPD) programming, and refers mainly to soft support, through sharing of information, interchange of good practices and co-ordinated approaches for solving similar or transnational problems and differs from the sectors classification from the Mid – Term Development Strategy (MTDS) of BiH used in the previous reports, in a way that includes elements of Good Governance and Institutional Building Sector and the Local Governance Sector.

The PAR Sector consists of four sub-sectors:

- Capacity to align with *acquis* and Civil Service including Decentralized Information System (DIS),
- Public Procurement and Financial Control,
- Statistics, and
- Civil Society Organizations (CSOs)⁵⁰.

The reform of Public Administration Sector, initiated in 2004 in the aim of creating the efficient, responsible and cost effective civil service in Bosnia and Herzegovina, had achieved a limited progress in the year 2013. The reform process implies development of reformed public administration capable to implement EU *acquis communautaire*, to serve to the best interest of citizens as well as to be a driver of the sustainable socio-economic development of BiH on its way towards EU integrations. The lack of sufficient funds for comprehensive implementation, complexity of the administrative structure, government's inefficiency as well as the limited administrative capacities at all levels of government in BiH that are able to harmonise and implement the *acquis*, hampered this process and diminished results of the reform in this Sector during the reporting period.

The main task of the **Capacity to align with *acquis* and civil service including DIS sub-sector** is the harmonization of BiH legislation with the European standards and the implementation of such legislation within the country, which is possible to achieve only with support of strong, professional and efficient public administration. In line with this, some progress was achieved in 2013 in implementation of the Revised Action Plan 1 of the PAR Strategy, but it was slower than expected. Future activities within this sub-sector should be focused on acceleration of establishing of professional, responsible and efficient civil service, based on merits and competence.

The public procurement and financial control sub-sector has not registered significant progress in 2013. Public Procurement Agency (PPA) prepared Register of all contracting authorities and suppliers in Bosnia and Herzegovina, i.e. database that should alleviate better and efficient presentation and communication between the bidders, as well as organised trainings and upgrade of its GO-PROCURE IT system. But, although PPA prepared the new, EU-adjusted, Public Procurement Law and its by-laws, BiH is still the only country in the region which has not transposed the 2004 EU public procurement legislative whole package. Also, the formal and bureaucratic nature of procurement practices in BiH adds to the cost of participation in public tenders for suppliers, and in that way further reduces their

⁵⁰ More information can be found at: http://ec.europa.eu/enlargement/pdf/mipd_bih_2011_2013_en.pdf

mutual competition. The quality, integrity and transparency of public procurement processes need to be improved in BiH, where PPA and the Procurement Review Body (PRB) needs further capacity building, as well as capacity building of the staff in institutions which conducts the public procurements and involved suppliers.

The **Public Internal Financial Control (PIFC)** sub-sector has achieved some progress in 2013. At the State level, the Law on Financing of the Institutions of Bosnia and Herzegovina has been amended, introducing provisions that cover activities and procedures of the budget users in the case of temporary financing of BiH institutions, together with the responsibility of the Ministry of Finance and Treasury of BiH to secure sufficient funds for BiH foreign debt servicing. Further, new Budget Management Information Systems have been implemented in the State and two Entities (BPMIS). Central Harmonisation Units (CHUs) in the State and Entity Ministries of Finance have prepared, and after the conciliation at the Coordination Board of the CHUs, have implemented the standards and methodologies for internal audit within BiH institutions and have provided approvals on the internal rulebooks of institutions that are establishing Internal Audit Units (IAUs). Besides, the CHU within the BiH Ministry of Finance and Treasury helped in establishing the two new IAUs, one in the Indirect Taxation Authority and the other in the BiH Ministry of Human Rights and Refugees, so now the overall number of IAUs in BiH institutions has risen to 7. Regarding the **external audit**, the independence of the State Audit Institution (SAI) was strengthened by adopted Amendments to the Law on Ministries and Other Bodies of Administration of Bosnia and Herzegovina. In the forthcoming period, more efforts should be undertaken in order to fully implement the relevant legal framework, together with capacity building of the IAUs within all institutions at all levels of governance in BiH.

The **Statistics sub-sector** in Bosnia and Herzegovina in 2013 was focused on implementation of the first post-war population and housing census and public announcement of the preliminary results. The data processing and census results dissemination remains the priority in the forthcoming period. Improved cooperation between BiH Agency for Statistics and the Entity institutes for statistics is a positive outcome of the census preparation process. Also, coordination among all stakeholders in the BiH statistical system were improved, that resulted in the jointly prepared *Strategy for the development of statistics in Bosnia and Herzegovina 2020*, adopted in December 2013⁵¹. The Strategy defines the long-term goals as well as general principles, guidelines and criteria for operation and further development of the statistical system in BiH. It also represents the basis for statistical activities defining and setting of statistical indicators harmonized with the statistical requirements of the European Union. Also, in the forthcoming period the actions should be undertaken on the further improvements within the sectoral statistics such as national accounts, business and agricultural statistics.

The cooperation with the **CSOs** as a sub-sector, achieved some minor progress during 2013. It can be noticed that the cooperation between the Civil Society and the Public Sector has been improved at the municipal level, while the cooperation between these sectors is still in the initial phase at the cantonal, entity and the state level in Bosnia and Herzegovina. Lack of communication between higher levels of government and the **CSOs** had created the negative public opinion in the country.

⁵¹ More information can be found at: <http://europa.ba/News.aspx?newsid=6024&lang=EN>

It can be noticed that certain progress was made in the Public Administration Reform Sector as a whole in 2013. However, the implementation of the reform processes in all sub-sectors were challenging, mostly because of the complex administrative structure in Bosnia and Herzegovina, as well as the need for further professional skills improvement of all stakeholders. Fragmentation and complexity of the public administration in BiH slows the implementation of the reforms in this Sector. For acceleration of the process further political support is necessary.

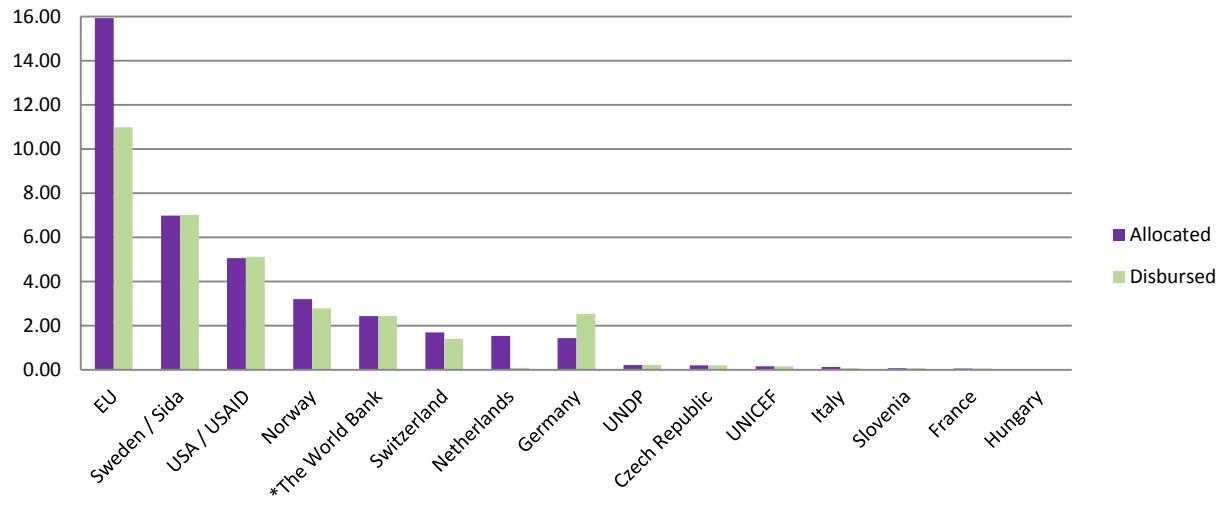
Donor Activities in 2013

DCF members active in the Public Administration Reform sector in 2013 are the EU, Sweden / Sida, USA/USAID, Norway, The World Bank, Switzerland, The Netherlands, Germany, UNDP, Czech Republic, UNICEF, Italy, Slovenia, France and Hungary.

In 2013, total allocations of DCF members to the Public Administration Reform sector was €39,17 million, out of which €36,74 million was in a form of grants, and €2,43 million in the form of a loan (the World Bank). Total disbursements to the Sector in the observed period amounted €33,24 million, out of which €30,81 million was disbursed in a form of grants and €2,43 million in a form of a loan.

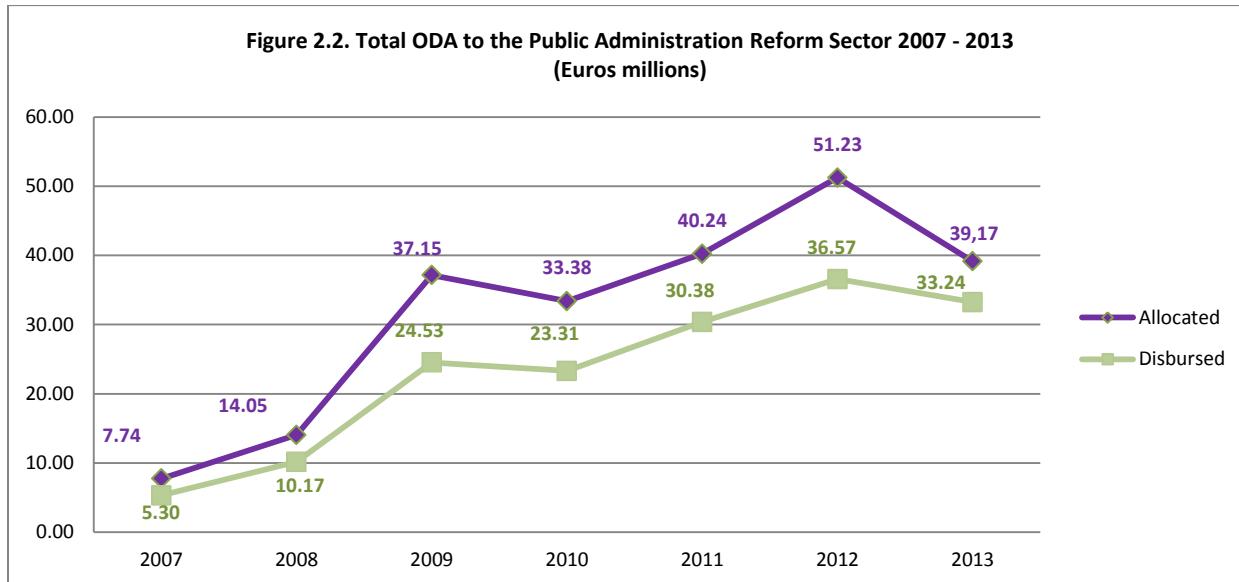
Figure 2.1. compares grant ODA allocations and disbursements per donors provided to the Public Administration Reform Sector in 2013. The leading donors in the Sector in 2013 were the EU and Sweden/Sida, followed by USA/USAID, Norway, the World Bank, Switzerland, the Netherlands, Germany, UNDP, Czech Republic, UNICEF, Italy, Slovenia, France and Hungary according to the ODA allocations. ODA disbursements to this Sector follow the same pattern with the exception of Germany, which had higher disbursements than allocations.

Figure 2.1. Ranking of DCF Members per Total ODA contributions in the Public Administration Reform Sector in 2013 (Euros millions)



***Note:** ODA assistance provided to the Public Administration Reform Sector was mainly in the form of grants, with exceptions of the World Bank, which provided aid in a form of loan.

Figure 2.2. indicates continuous increase in the received foreign aid until 2010, when slight decrease occurred because of the debt crisis experienced in most of partner countries. Improvement started in 2011, recording in 2012 the highest allocations during the observed period 2007-2013. However, in 2013 sharp decline in investments in this Sector was registered, mostly because of the lack of proper conditions for implementing the reforms.



In 2013, 5% of total ODA was allocated, while 7 % was disbursed in the Public Administration Reform sector.

Major projects in the Public Administration Reform sector in BiH are listed below⁵²:

| Project Title | Donor/Financial Institution | Total Project Value (Euros millions) |
|---|-----------------------------|--------------------------------------|
| Srebrenica Regional Recovery Programme III | The Netherlands | 9,01 |
| Strengthening of Public Institutions | Germany | 8,7 |
| Grant to BHAS | EU | 7,5 |
| (CSSP) Civil Society Sustainability Project | USAID | 6,52 |
| Public Administration Reform. Support for PARCO | Norway | 3,06 |
| Public Administration Reform Fund 2 | Sweden / Sida | 3,0 |
| Statistics in BiH 3 | Sweden / Sida | 1,6 |

All projects are available in the Donor Coordination Forum Database, via following link:

http://dmd.donormapping.ba/dmd/faces/dmdPublicStart?_afrWindowMode=0&_afrLoop=342677494085424&_adf.ctrl-state=mk4nl7ill_4

⁵²Due to large number of the projects in the Public Administration Reform sector, only some projects are mentioned in this report. All projects classified under the Sector are accessible in the DCF database (www.donormapping.ba).

Legal framework and sector strategies adopted in 2013

In January 2013, the FBiH Parliamentary Assembly adopted the Law on Changes and Amendments to the Law on Tax Administration of the FBiH⁵³, while the Parliamentary Assembly of Brcko District of BiH adopted the Law on Electronic Signature of Brcko District BiH⁵⁴

In February 2013, the Parliamentary Assembly of BiH adopted the Law on Change and Amendments to the Law on Census of Population, Households and Dwellings in BiH⁵⁵, while the Parliamentary Assembly of FBiH adopted the Law on Debts Settlement of FBiH towards the Federal Office of Pension and Disability Insurance⁵⁶. Parliamentary Assembly of Brcko District of BiH adopted the Law on Changes and Amendments to the Law on Salaries of Employees in Public Administration of Brcko District BiH⁵⁷

In March 2013, the National Assembly of the RS adopted the Law on Change and Amendments to the Law on the Restitution Fund of RS⁵⁸, the Law on the Treasury⁵⁹, the Law on Communal Police⁶⁰ and the Law on Amendments to the Law on the Fund for the Development of the Eastern Part of the RS⁶¹, while the Parliamentary Assembly of Brcko District of BiH adopted the Law on Execution of the Budget of Brcko District BiH for 2013⁶² and the Law on Changes and Amendments to the Law on Allowances and Salaries of Budget Users in Brcko District Assembly⁶³

In April 2013, the Parliamentary Assembly of BiH adopted the Law on Change and Amendments to the Law on Conclusion and Implementation of International Agreements⁶⁴, as well as the Laws on Change and Amendments to the Law on the Indirect Taxation System in BiH⁶⁵ and the Change and Amendments to the Law on Financing Institutions of BiH⁶⁶. At the same time, the Parliamentary Assembly of FBiH adopted the Law on Amendments to the Law on the Default Interest Rate on Public Revenues⁶⁷, while the National Assembly of RS adopted the Law on Amendments to the Law on the Organization and Implementation of Population, Households and Dwellings census in 2013 in the RS⁶⁸. The Parliamentary Assembly of Brcko District of BiH adopted the Law on Change and Amendments to the Law on Administrative Fees⁶⁹.

During **May 2013**, the Law on Changes to the Law on Public Administration in Brcko District BiH⁷⁰ was adopted by the Parliamentary Assembly of Brcko District BiH.

⁵³ Official Gazette of FBiH no. 7/13

⁵⁴ Official Gazette of Brcko District of BiH no. 1/13

⁵⁵ Official Gazette of BiH no. 18/13

⁵⁶ Official Gazette of FBiH no. 14/13

⁵⁷ Official Gazette of Brcko District of BiH no. 3/13

⁵⁸ Official Gazette of RS no. 39/13

⁵⁹ Official Gazette of RS no. 28/13

⁶⁰ Official Gazette of RS no. 28/13

⁶¹ Official Gazette of RS no. 28/13

⁶² Official Gazette of Brcko District of BiH no. 6/13

⁶³ Official Gazette of Brcko District of BiH no. 5/13

⁶⁴ Official Gazette of BiH no. 32/13

⁶⁵ Official Gazette of BiH no. 32/13

⁶⁶ Official Gazette of BiH no. 32/13

⁶⁷ Official Gazette of FBiH no. 28/13

⁶⁸ Official Gazette of RS no. 39/13

⁶⁹ Official Gazette of Brcko District of BiH no. 8/13

⁷⁰ Official Gazette of Brcko District of BiH no. 9/13

In June 2013, the FBiH Parliamentary Assembly adopted the Law on Change and Amendments to the Law on the Federal Administrative Fees and Tariffs, while the National Assembly of RS adopted the Law on Banking Agency of Republika Srpska⁷¹, as well as the Law on Concessions⁷².

In July 2013 the Law on Change and Amendments to the Law on Wages and Other Allowances of Judges and Prosecutors in FBiH⁷³ was adopted, while the National Assembly of RS adopted the Law on Changes to the Law on Electronic Signature⁷⁴, together with the Law on Change and Amendments to the Law on Intermediary Agency for IT and Financial Services a.d. Banja Luka (abbreviated APIF)⁷⁵, Law on Change and Amendments to the Law on RS Tax Procedure⁷⁶ and the Law on Change and Amendments to the Law on Administrative Fees⁷⁷. Also, FBiH Government adopted Strategy for Regulatory Reform 2013-2016 in FBiH with its Action Plan including institutionalization of regulatory quality mechanisms in FBiH⁷⁸.

The Parliamentary Assembly of Brcko District BiH adopted the Law on Change and Amendments to the Law on Inspections⁷⁹ and the Changes to the Law on Execution of the Budget of Brcko District BiH for 2013⁸⁰.

During **August 2013**, the Parliamentary Assembly of FBiH adopted the Law on Change and Amendments to the Law on Ministerial, Government and Other Appointments of the FBiH⁸¹, together with the Law on Agricultural Advisory Services in FBiH⁸²

In September 2013, the Parliamentary Assembly of BiH adopted the Law on Change and Amendments to the Law on BiH Foreign Trade Chamber⁸³, while the National Assembly of RS adopted the Law on Change and Amendments to the Law on Pension and Disability Insurance⁸⁴. At the same time, the Parliamentary Assembly of Brcko District of BiH adopted the Law on Amendments to the Law on Archives⁸⁵

In October 2013 the National Assembly of RS adopted the Law on Change and Amendments on the Law on Local Self-Government⁸⁶, as well as the Law on Change and Amendment to the Law on the Status of Officials of Local Government Units⁸⁷, together with the Law on Technical Regulations of RS⁸⁸.

⁷¹ Official Gazette of RS no. 59/13

⁷² Official Gazette of RS no. 59/13

⁷³ Official Gazette of FBiH no. 55/13

⁷⁴ Official Gazette of RS no. 68/13

⁷⁵ Official Gazette of RS no. 68/13

⁷⁶ Official Gazette of RS no. 67/13

⁷⁷ Official Gazette of RS no. 67/13

⁷⁸ FBiH Government Session nr. 30, from 01.07.2013.

⁷⁹ Official Gazette of Brcko District of BiH no. 20/13

⁸⁰ Official Gazette of Brcko District of BiH no. 19/13

⁸¹ Official Gazette of FBiH no. 65/13

⁸² Official Gazette of FBiH no. 66/13

⁸³ Official Gazette of BiH no. 72/13

⁸⁴ Official Gazette of RS no. 82/13

⁸⁵ Official Gazette of Brcko District of BiH no. 29/13

⁸⁶ Official Gazette of RS no. 98/13

⁸⁷ Official Gazette of RS no. 98/13

⁸⁸ Official Gazette of RS no. 98/13

In November 2013 the Parliamentary Assembly of BiH adopted the Law on Change and Amendments to the Law on Salaries and Allowances in Institutions of BiH⁸⁹, together with the Law on Change and Amendments to the Law on Conflict of Interest in Government Institutions of BiH⁹⁰, while the FBiH Parliamentary Assembly adopted the Law on Changes to the Law on Debts Settlement of FBiH towards the Federal Office of Pension and Disability Insurance⁹¹.

In December 2013, the Parliamentary Assembly of BiH adopted the Law on Amendments to the Law on Official Gazette of BiH⁹², as well as the Law on Change and Amendments to the Law on Free Access to Information⁹³, together with the Law on Budget of BiH Institutions and International Obligations of BiH for 2014⁹⁴. At the same time, the Parliamentary Assembly of FBiH adopted the Law on Budget of FBiH for 2014 and the Law on the FBiH Budget Execution in 2014⁹⁵, while the National Assembly of RS adopted the Law on Execution of RS Budget for 2014⁹⁶ and the Parliamentary Assembly of the Brcko District BiH adopted the Law on Execution of the Budget of Brcko District BiH for 2014⁹⁷.

Besides, at the **end of December 2013**, the Parliamentary Assembly of FBiH adopted the Law on Budgets in FBiH that defines planning, development, adoption and implementation of the budget of the FBiH, the budget of the cantons, cities and municipalities in FBiH and financial plans of extra-budgetary funds, budgetary principles, borrowing, guarantees and debt management, public investment program, the rules of fiscal responsibility, accounting, reporting, control and audit of the budget and other budget users⁹⁸.

Donor coordination

Donors of PAR Fund meet with representatives of BiH authorities more or less regularly, differently in each of four sub-sectors within the PAR sector.

Within the **Capacity to align with acquis and civil service including DIS** sub-sector, the PAR Fund members meet regularly with representatives from the state, entity and DB BiH levels, in order to coordinate donor activities and discuss progress in implementation of their activities.

In the **Public procurement and financial control** sub-sector there are internal coordination boards between relevant institutions (CHUs, SAIs, etc.), but the sectoral coordination between domestic institutions and donors is still to be established/ formalized.

In the **statistics** sub-sector, coordination meetings are organized *ad hoc*, project-based and mostly bilateral.

⁸⁹ Official Gazette of BiH no.87/13

⁹⁰ Official Gazette of BiH no.87/13

⁹¹ Official Gazette of FBiH no. 91/13

⁹² Official Gazette of BiH no. 100/13

⁹³ Official Gazette of BiH no. 100/13

⁹⁴ Official Gazette of BiH no. 104/13

⁹⁵ Official Gazette of FBiH no. 99/13

⁹⁶ Official Gazette of RS no. 107/13

⁹⁷ Official Gazette of Brcko District of BiH no. 41/13

⁹⁸ Official Gazette of FBiH no. 102/13

In the **CSO** sub-sector there is informal coordination between CSOs on *ad-hoc* basis in order to avoid overlapping activities. The BiH Ministry of Justice established the Sector for Civil Society to ensure the preconditions for adoption of legislation and strategies more favourable for the development of the civil society.

PARCO, as well as donors active in the Public Administration Reform sector regularly attended the Donor Coordination Forum (DCF) meetings hosted by the BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid (MOFT/SCIA).

Future activities

The Public Administration Reform sector in BiH achieved limited progress in 2013. Common denominator for limitations in all four sub-sectors was lack of financial resources as well as of implementation capacities, meaning it will be necessary to secure financial support, as the key for all future goals and developments. Future activities should be focused on the capacity building of all involved stakeholders in BiH and enhancement of particular skills specific for each sub-sector, in order to create accountable, transparent and efficient civil service based on merit and competence, capable to lead the sustainable socio-economic development of Bosnia and Herzegovina on its way towards EU integrations.

In ***the capacity to align with acquis and civil service including DIS*** sub-sector, it is necessary to conduct the analysis on effects and results of the PAR reform from previous period, in order to recognize activities and measures that will be the basis for further reform in the future mid-term period (2020). Hereby, it should be noted that financial sustainability is the key for all future goals and developments.

The public procurement and financial control legislative framework should follow the fast-paced environment in both areas. The Public Procurement Agency and the Procurement Review Body, responsible for implementation of the BiH public procurement system, need further enhancement of its staff professional skills, as well as capacities for education of the bidders. Also, the quality, integrity and transparency of both institutions internal and external operations need to be improved in the forthcoming period.

Although the cooperation between the Agency of Statistics of BiH and the Entity institutes for statistics has improved in the ***statistics*** sub-sector, sectoral statistics such as national accounts, business and agricultural statistics need to be further developed, together with the classifications and registers issues, as well as the cooperation, coordination and decision-making processes.

| | |
|--|--|
| DCF members active in the sector in 2013 | EBRD, IFC, EIB, The World Bank, USA / USAID, EU, Sweden/Sida, The Netherlands, Germany, Japan/JICA, Norway, Czech Republic, Switzerland, United Kingdom (FCO), UNDP. |
| Other Key international organizations (IOs) | International Monetary Fund (IMF), International Labour Organisation (ILO), International Organization for Migration (IOM), Food and Agriculture Organization of the UN (FAO), Switzerland Global Enterprise (SIPPO). |
| Key government partners | <p>Institutional and Legal Framework, European Charter for Small Enterprises, Small Business Act, Competitiveness: BiH Ministry of Foreign Trade and Economic Relations, BiH Ministry of Finance and Treasury, BiH Ministry of Civil Affairs, BiH Ministry of Human Rights and Refugees, BiH Directorate for Economic Planning, BiH Directorate for European Integration, Labour and Employment Agency of BiH BiH Export Promotion Agency, Foreign Investment Promotion Agency of BiH, BiH Deposit Insurance Agency, BiH Food Safety Agency, Central Bank of BiH, FBiH Ministry of Labour and Social Policies, FBiH Ministry of Development, Entrepreneurship and Craft, FBiH Ministry of Agriculture, Water Management and Forestry, RS Ministry of Labour and Veterans Affairs, RS Ministry of Agriculture, Forestry and Water Management.</p> <p>Business Environment and Land Management: BiH Ministry of Foreign Trade and Economic Relations, BiH Ministry of Finance and Treasury, BiH Ministry of Civil Affairs, BiH Ministry of Human Rights and Refugees, BiH Directorate for Economic Planning, BiH Directorate for European Integration, Labour and Employment Agency of BiH BiH Export Promotion Agency, Foreign Investment Promotion Agency of BiH, BiH Deposit Insurance Agency, BiH Food Safety Agency, Central Bank of BiH, BiH Indirect Tax Administration, FBiH Ministry of Finance, FBiH Ministry of Justice, FBiH Ministry of Labour and Social Policies, FBiH Ministry of Development, Entrepreneurship and Craft, RS Ministry of Finance, RS Ministry of Spatial Planning, Construction and Ecology, RS Ministry of Industry, Energy and Mining, RS Ministry of Economic Relations and Regional Coordination, RS Ministry of Labour and Veterans Affairs.</p> |
| Total allocation / disbursement to the sector in 2013 by DCF members | <p>2013: Total allocated €201,60 million – €28,59 million in a form of grants and €173,01 million in a form of loans</p> <p>Total disbursed €132,49 million – €22,73 million in a form of grants and €109,76 million in a form of loans</p> |
| Legal framework and Sector strategies | <p>Legal framework and sector strategies (adopted in 2013)</p> <p><i>BiH Law on Change and Amendments to the Law on Settlement of Obligations from Old Foreign Currency Savings; BiH Law on Changes to the Law on Indirect Taxation Procedure; Law on Change and Amendments to the Law on BiH Public Procurement; Law on Change and Amendments to the Law on Deposit Insurance in Banks in BiH; Law on the Amendment to the Law on the System of Indirect Taxation in BiH; FBiH Law on Amendments to the Law on Agriculture; Law on Change and Amendments to the FBiH Law on Income Tax; FBiH Law on Changes and Amendments to the Law on Leasing; Law on Change and Amendments to the FBiH Law on Income Tax; Law on Changes and Amendments to the Law on Banks in</i></p> |

FBiH; Law on Livestock Farming in FBiH; Law on Changes and Amendments to the Law on Commercial Companies in FBiH; Law on Changes to the Law on Settling of Commitments based on Foreign Currency Savings in the FBiH; Law on Protection of Guarantors in the FBiH; FBiH Law on Changes and Amendments to the Law on Administrative Fees and Tariffs; Notary Tariff in FBiH; Law on the use of Renewable energy sources and efficient cogeneration FBiH; RS Law on Changes to the Law on Income Tax; Law on Change and Amendments to the Law on Securities Market in RS; RS Law on Services; RS Law on Changes to the Law on Foreign Investments; Law on Change and Amendments to the Law on Catering Industry in RS; RS Law on Change and Amendments to the Law on Trade; Law on Registration of Businesses in RS; Law on Change and Amendments to the Law on Crafts and Entrepreneurial Activities in RS; RS Law on Changes and Amendments to the Law on Tourism; Law on Changes and Amendments to the Law on Commercial Companies in RS; Law on Changes and Amendments to the Law on Privatization of Commercial Buildings, Business Premises and Garages in RS; Law on Changes and Amendments to the Law on Privatization of Private Apartments in RS; Law on Change and Amendments to the Law on Tax Procedure of RS; RS Law on Special Ways of Settlement of Tax Debt; Law on Classification of Occupations of RS; Law on Change and Amendments to the Law on Takeover of Shareholders Companies in RS; Law on Change and Amendments to the Law on Banks of RS; RS Law on Concessions; RS Law on By-products of Animal Origin; Law on Development of Small and Medium Enterprises in RS; RS Law on Changes and Amendments to the Law on Hunting; Law on Changes to the Law on the Fund for Development and Employment of RS; RS Law on Change and Amendments to the Law on Internal Debt; RS Law on Change and Amendments to the Law on Privatization of the State Capital in the Companies; Law on Change and Amendments to the Law on Investment-Development Bank of RS; Law on the Fund for Managing of Real Estate and (Outstanding) Debts of RS; Law on the Investment Fund of RS; Law on Housing Fund of RS; RS Law on Spatial Planning and Construction; RS Law on Changes and Amendments to the Court Administrative Fees; RS Law on Concessions; Changes to the Law on Settling of Old Foreign Currency Savings in Brcko District of BiH; Law on Amendments to the Law on Tax Administration in Brcko District BiH; Law on Change and Amendments to the Law on Communal Activities in Brcko District of BiH; Law on Changes and Amendments to the Labour Law in Brcko District of BiH.

Previously adopted legal framework and sector strategies are available on <http://www.donormapping.ba/index.php/donor-mapping-reports/dmr-2011-2012>

| | |
|---------------------------|--|
| Donor coordination | <p><i>Institutional and Legal Framework, European Charter for Small Enterprises, Small Business Act and Competitiveness:</i> MoFTER is regularly organizing meetings of the Working Group for planning and coordination of international aid in Agricultural, Food and Rural Development Sector in the Agriculture sub-sector, and formed the Working Group for coordination of activities in BiH Tourism sub-sector.</p> <p><i>Business Environment and Land Management:</i> Project-based bilateral meetings.</p> <p>Donors active in the Sector regularly attended DCF quarterly meetings hosted by BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid.</p> |
|---------------------------|--|

Overview

The Private sector development (PSD) described in this Report is based on the sector classification from the Multi-Annual Indicative Planning Document (MIPD), and differs from the sectors classification based on the Mid – Term Development Strategy (MTDS) of BiH used in the previous reports, in a way that includes elements of Economic Development and Social Protection Sector.

Private Sector Development consists of two sub-sectors:

- Institutional and Legal Framework, European Charter for Small Enterprises, Small Business Act and Competitiveness, and
- Business Environment and Land Management⁹⁹.

Economic development is the sustained, concerted actions of policy makers and communities that promote the standard of living and economic health of a country, while **Economic growth**, as one of its aspects, is an increase in the amount of goods and services produced per head of the population over the observed period. Economic growth has traditionally been attributed to the accumulation of human and physical capital, and increased productivity arising from technological innovation, but the growth of an economy is thought also as an improvement in the quality of life to the people of that economy.

Therefore, development of **Private Sector Development (PSD)** is crucial for promoting economic growth and reducing poverty in developing countries by building private enterprises, membership organizations to represent them, and competitive markets that are stronger and more inclusive.

The expansion of the businesses could be a powerful engine of economic growth and the main source of employment in developing countries, including the transformation of informal into the formal sector. Over the last decade the private sector has increasingly left its mark on development as an alternative to

⁹⁹ More information can be found at: http://ec.europa.eu/enlargement/pdf/mipd_bih_2011_2013_en.pdf

government action in an international context characterised by poor results in the fight against poverty and a chronic decline in official development aid.

In 2013 the majority of DCF members focused its activities in Bosnia and Herzegovina on improving the regulatory framework, with special focus on SME Sector development, as well as to accelerating recovery from the economic crisis consequences. In overall attempt to assist the country in the long term perspective to prepare its economy to cope with competitive pressure and market forces within the EU, DCF members supported activities aimed at stimulating economic growth and employment generation, by increasing the role of the private sector, creating a better business environment and strengthening the business support infrastructure and services, in particular at local level. Still, little progress was recorded in PSD Sector within the reporting period.

Despite some positive trends in overall economic recovery of the country, a limited progress was achieved in the reform of the *Institutional and Legal Framework, European Charter for Small Enterprises, Small Business Act and Competitiveness* sub – sector. The regulatory environment in Bosnia and Herzegovina remains complex. There is no official definition of SMEs at the State-level, so the entities use their own SME criteria based on Entity laws. A comprehensive SME strategy for BiH still needs to be adopted. Certain reforms have been initiated in the attempt to simplify doing business in both Entities, through introduction of a countrywide unified business register, one-stop shops and electronic registries of administration procedures. However, the business registration and start-up process costs are still long-lasting and expensive. Enterprises are still facing obstacles and administrative barriers (such as double registration of the company, the local court and municipality) and they are forced to personally spend all notification procedures in order to conduct business across Entities.

In the forthcoming period, policy actions in this sub-sector need to be more focused and coordinated, addressing the issue of business support services. Despite that the regional and local agencies received financial support from both donors and the local public sector, the quality of SME support services remained unsatisfying. Besides, the informal sector and unemployment remain important challenges which need to be addressed. Further activities should be focused on decreasing of barriers which are facing private sector enterprises, especially in the areas of mining, construction and agriculture.

In the area of Agriculture, it is noticeable that Rural Development Strategy of BiH does not exist. Both, the Rural Development Strategy of RS with its Action plan and the Harmonization Program for Agriculture, Food and Rural Development in FBiH are still in the process of harmonization with the State-level framework. The Entities' budgets for agriculture and rural development are insufficient. Subsidies to farmers are mostly product-based and alignment with the *acquis* is still very weak. Efforts to improve productivity and competitiveness are hampered by the lack of an efficient administration, advisory services and effective rural credit schemes. Agricultural statistics and the agricultural information system need to be improved, with the special focus on harmonizing of the existing systems. The adoption of Agricultural Information Strategy in BiH and the Law on the Agricultural Census remain pending.

In the Food Safety area, Bosnia and Herzegovina adopted new legal provisions regarding hygiene rules for food and feed and microbiological criteria for foodstuffs. Residue monitoring plans for honey, dairy,

poultry and eggs were positively evaluated by the European Commission, thus allowing export of honey from BiH into the EU.

In the area of Veterinary, the relevant legislation on movement of pets and control of animal diseases was adopted and is regularly implemented. The progress was made in the reduction of infected with brucellosis and rabies, but deficiencies in the existing control system of animal identification and movement do not allow proper planning and implementation of animal health measures. In that regard, the existing Legal Framework for animal health requires further upgrading, with simultaneous improvement of general measures implementation, which will secure complying with the EU import requirements.

Within the *Phytosanitary sub-sector*, support was focused on implementing the legislation harmonized with the *acquis* in an integrated manner throughout the country. In that regard, issuing Phytosanitary Certificates in line with the International Standard for Phytosanitary Measures (ISPM) Number 12 was commenced on 1st July 2013. The training of agricultural producers in the use of plant protection products and application of maximum residue limits was organized during 2013 as well. In the forthcoming period it will be necessary to focus on expanded application of principles of integrated pest management.

In the area of Fisheries, Bosnia and Herzegovina must speed up the efforts in the implementation of *acquis* in order to achieve increased exports of fish and fishery products to the EU.

In 2013 no progress was registered in ***the Business Environment and Land Management sub-sector***, so in the next period it will be necessary to improve Harmonization of Land Registration Systems as well as to strengthen the Land Management System.

The Private Sector in BiH needs to be supported by a sound business environment, primarily by further improvement of contract enforcement and through establishment of a single economic space in the country. It can be noticed that in 2013 very limited progress was achieved within the PSD in Bosnia and Herzegovina. In the attempt to accelerate recovery and generate future growth, certain issues need to be resolved within the country.

IFC emphasized that although access to financing remains as the main challenge, some progress has been made in 2013 since entities' governments established free legal services for citizens in debt¹⁰⁰. Still, it will be necessary to develop efficient mechanisms for raising competitiveness, improve human capacity competence, improve the business environment (in order to attract FDI) and to facilitate the trade, including better marketing, as well as to clearly regulate access to different markets. It is achievable only through the offer of specialized, high quality and high valued services and products, meaning that Public and Private Sector need to make joint efforts in the strengthening of their capacities in the area of research and innovation, in order to expand their potential for socio-economic development.

¹⁰⁰ Free legal services had been established at cantonal level in FBIH, at the level of RS and in 20 municipalities throughout the country; the rate of resolving the cases where customers were overdebt has reached 65%.

Donor activities in 2013

DCF members active in the Private Sector Development in 2013 are EBRD, EIB, the World Bank, USA/USAID, EU, Sweden/Sida, the Netherlands, Germany, Japan/ JICA, Norway, Czech Republic, Switzerland, United Kingdom (FCO) and UNDP.

In 2013, total allocations of the DCF members to the Private Sector Development was €201,60 million, out of which the amount of €173,01 million was in a form of loans, while €28,59 million was in the form of a grants. Total disbursements to the Sector in the observed period amounted €132,49 million, out of which €109,76 million was disbursed in a form of loans, while €22,73 million was disbursed in a form of a grants.

Figure 3.1. compares grant ODA allocations and disbursements per donors provided to the Private Sector Development in 2013. The leading grant-providing donors in 2013 were USA/USAID and EU, followed by Sweden/Sida, The Netherlands, Germany, The World Bank, Japan / JICA, Norway, Czech Republic, Switzerland, United Kingdom (FCO) and UNDP. ODA disbursements to this Sector follow the similar pattern with the exception of EU, which disbursed lower amount of allocated resources.

Figure 3.1. Ranking of DCF Members per Grant ODA contributions in the Private Sector Development in 2013 (Euros millions)

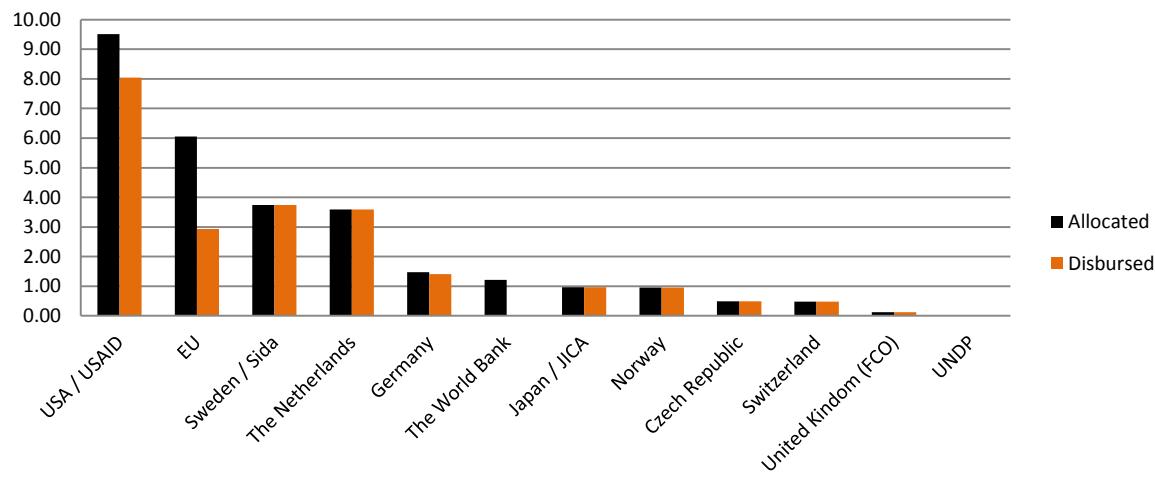


Figure 3.2. compares loan ODA allocations and disbursements per financiers provided to the Private Sector Development in 2013. Leading IFIs were EBRD, IFC, EIB and the World Bank, followed by the Germany, which combined both type of assistance.

Figure 3.2. Ranking of DCF Members per Loan ODA contributions in the Private Sector Development in 2013 (Euros millions)

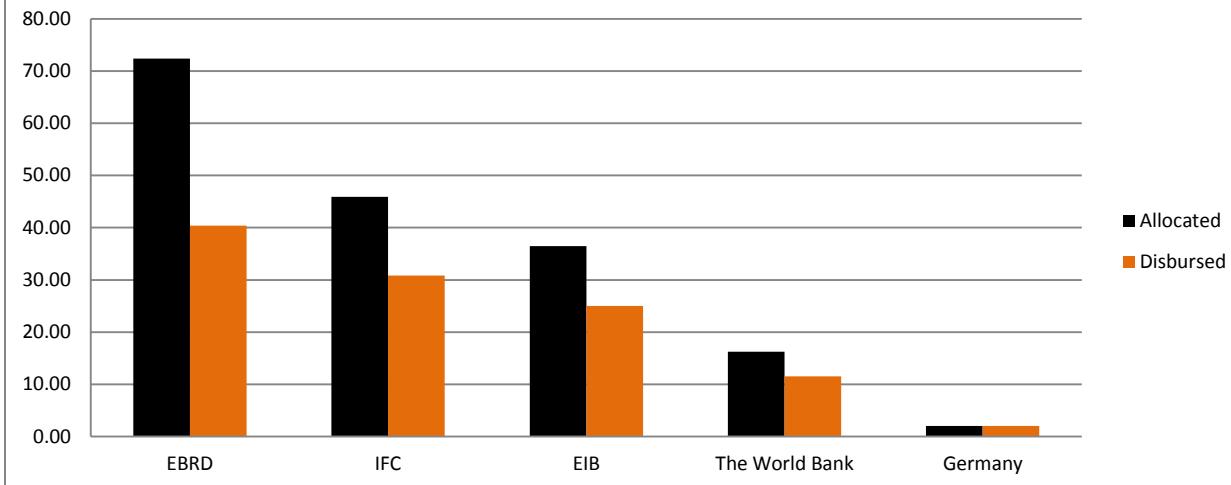
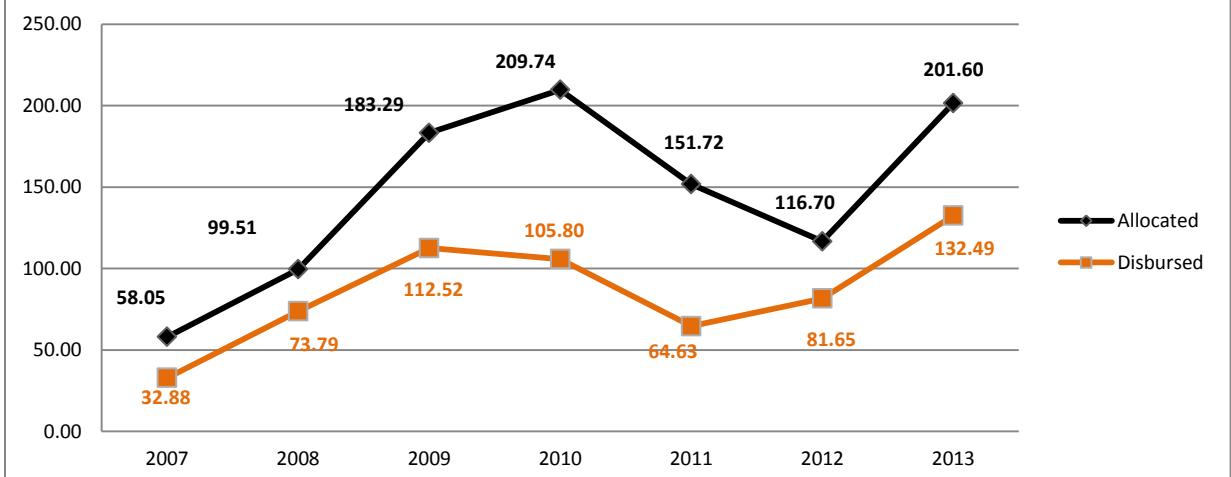


Figure 3.3. indicates a constant increase of total ODA allocation to the Private Sector Development from between 2007 and 2010, and a sharp decline from 2010 to 2012. Reason for that could be the gradual phasing out some bilateral donors, the global financial crisis which was reflected in BiH through shrinking of BiH export markets (EU) as well as because of slow and uneven post crisis recovery. Also, sharp fall of investments in PSD in BiH during the reported period was inevitable, since most the EU countries were facing their own problems in a form of a very high public debts and budget deficits while on BiH side the expected improvements in this area related to the EU integration processes had not been reached. However, the lack of resources from the previous year was compensated in 2013, when again was noticed increased ODA allocation and disbursements.

Figure 3.3. Total ODA to the Private Sector Development 2007 - 2013 (Euros millions)



In 2013, 29% of total ODA was allocated, while 27 % was disbursed to the Private Sector Development.

Major projects in the Private Sector Development in BiH are listed below¹⁰¹:

| Project Title | Donor/Financial Institution | Total Project Value (Euros millions) |
|--|-----------------------------|--------------------------------------|
| Enhancing SME Access to Finance (Loan) | The World Bank | 132,57 |
| SSL Bosnia III | IFC | 52,68 |
| ISP LOAN FOR SMES & PRIORITY PROJECTS II (Loan) | EIB | 60,00 |
| Real Estate Registration Project (Loan) | The World Bank | 24,60 |
| STSPK LOAN FOR SMES & PRIORITY PROJECTS (Loan) | EIB | 20,00 |
| GTFP SBERBANK BO (Loan) | IFC | 17,63 |
| BINGO II (Loan) | EBRD | 17,00 |
| EFSE III (Loan) | EIB | 11,47 |
| Sberbank BH SME Credit Line (Loan) | EBRD | 10,00 |
| Bekto Precisa (Loan) | IFC | 8,00 |
| Municipal Infrastructure Development Fund (Loan) | EBRD | 8,00 |

All projects are available in the Donor Coordination Forum Database, via following link:

http://dmd.donormapping.ba/dmd/faces/dmdPublicStart?_afrWindowMode=0&_afrLoop=342677494085424&_adf.ctrl-state=mk4nl7ill_4

Legal Framework and sector strategies adopted in 2013

In January 2013 the FBiH Parliamentary Assembly adopted the Law on Amendments to the Law on Agriculture¹⁰², together with the Law on Change and Amendments to the Law on Income Tax¹⁰³, while the National Assembly of RS adopted the Law on Organic Food Production¹⁰⁴

In March 2013 the RS Parliamentary Assembly adopted the Law on Changes to the Law on the Fund for Development and Employment of RS¹⁰⁵, the Law on Change and Amendments to the Law on Internal Debt¹⁰⁶, the Law on Change and Amendments to the Law on Privatization of the State Capital in the Companies¹⁰⁷, together with the Law on Change and Amendments to the Law on Investment-Development Bank of RS¹⁰⁸, the Law on the Fund for Managing of Real Estate and Outstanding Debts of RS¹⁰⁹, the Law on the Investment Fund of RS¹¹⁰ and the Law on Housing Fund of RS¹¹¹. The Parliamentary Assembly of Brcko District BiH adopted the Law on Amendments to the Law on Tax Administration¹¹²

¹⁰¹Due to large number of the projects in the Private Sector Development, only some projects are mentioned in this report. All projects classified under the Sector are accessible in the DCF database (www.donormapping.ba).

¹⁰² Official Gazette of FBiH, no. 7/13

¹⁰³ Official Gazette of FBiH, no. 7/13

¹⁰⁴ Official Gazette of RS, no. 12/13

¹⁰⁵ Official Gazette of RS, no. 28/13

¹⁰⁶ Official Gazette of RS, no. 28/13

¹⁰⁷ Official Gazette of RS, no. 28/13

¹⁰⁸ Official Gazette of RS, no. 28/13

¹⁰⁹ Official Gazette of RS, no. 28/13

¹¹⁰ Official Gazette of RS, no. 28/13

¹¹¹ Official Gazette of RS, no. 28/13

¹¹² Official Gazette of Brcko District of BiH, no. 06/13

In April 2013 the Parliamentary Assembly of BiH adopted the Law on the Amendment to the Law on the System of Indirect Taxation in BiH¹¹³. Also, the RS National Assembly adopted the Law on Spatial Planning and Construction¹¹⁴.

In May 2013 the National Assembly of RS adopted the Law on Development of Small and Medium Enterprises¹¹⁵ and the Law on Changes and Amendments to the Law on Hunting¹¹⁶. At the same time the Parliamentary Assembly of Brcko District BiH adopted the Law on Change and Amendments to the Law on Communal Activities¹¹⁷.

In June 2013 the RS National Assembly approved the Law on Change and Amendments to the Law on Internal Debt of RS¹¹⁸, the Law on Changes and Amendments to the Law on Takeover of Shareholders Companies¹¹⁹, together with the Law on Change and Amendments to the Law on Banks of RS¹²⁰, Law on Changes and Amendments to the Law on Securities Market¹²¹ and the Law on Concessions¹²², as well as the Law on By-products of Animal Origin¹²³. At the same time, Parliamentary Assembly of FBiH adopted Law on Changes and Amendments to the Law on Administrative Fees and Tariffs¹²⁴.

In July 2013 the Parliamentary Assembly of BiH adopted the Law on Change and Amendments to the Law on Deposit Insurance in Banks in BiH¹²⁵, while at the same time the Parliamentary Assembly of Brcko District BiH adopted the Law on Changes and Amendments to the Labor Law¹²⁶ and the Law on Changes to the Law on Settling of Foreign Currency Savings¹²⁷.

At the same time, the National Assembly of RS adopted the Law on Changes to the Law on Foreign Investments¹²⁸, the Law on Change and Amendments to the Law on Catering Industry in RS¹²⁹, the Law on Change and Amendments to the Law on Trade¹³⁰, together with the Law on Registration of Businesses in RS¹³¹, the Law on Change and Amendments to the Law on Crafts and Entrepreneurial Activities¹³², the Law on Change and Amendments to the Law on Tourism¹³³ and the Law on Changes and Amendments to the Law on Commercial Companies¹³⁴.

¹¹³ Official Gazette of BiH, no. 32/13

¹¹⁴ Official Gazette of RS, no. 40/13

¹¹⁵ Official Gazette of RS, no. 50/13

¹¹⁶ Official Gazette of RS, no. 50/13

¹¹⁷ Official Gazette of Brcko District of BiH no. 09/13

¹¹⁸ Official Gazette of RS, no. 59/13

¹¹⁹ Official Gazette of RS, no. 59/13

¹²⁰ Official Gazette of RS, no. 59/13

¹²¹ Official Gazette of RS, no. 59/13

¹²² Official Gazette of RS, no. 59/13

¹²³ Official Gazette of RS, no. 60/13

¹²⁴ Official Gazette of FBiH, no. 43/13

¹²⁵ Official Gazette of BiH, no. 58/13

¹²⁶ Official Gazette of Brcko District of BiH no. 20/13

¹²⁷ Official Gazette of Brcko District of BiH no. 20/13

¹²⁸ Official Gazette of RS, no. 68/13

¹²⁹ Official Gazette of RS, no. 67/13

¹³⁰ Official Gazette of RS, no. 67/13

¹³¹ Official Gazette of RS, no. 67/13

¹³² Official Gazette of RS, no. 67/13

¹³³ Official Gazette of RS, no. 67/13

¹³⁴ Official Gazette of RS, no. 67/13

Besides, in July 2013 the RS National Assembly adopted the Law on Changes and Amendments to the Law on Privatization of Commercial Buildings, Business Premises and Garages¹³⁵, the Law on Changes and Amendments to the Law on Privatization of Private Apartments¹³⁶, the Law on Change and Amendments to the Law on Tax Procedure of RS¹³⁷, together with the Law on Special Ways of Settlement of Tax Debt¹³⁸ and the Law on Classification of Occupations of RS¹³⁹ and the Law on Changes and Amendments to the Law on Court Administrative Fees¹⁴⁰.

In August 2013 the FBiH Parliamentary Assembly adopted the Law on Changes and Amendments to the Law on Leasing¹⁴¹, as well as the Law on Change and Amendments to the Law on Income Tax¹⁴², the Law on Change and Amendments to the Law on Banks¹⁴³ and the Law on Livestock Farming¹⁴⁴.

The FBiH Parliamentary Assembly adopted the Law on Changes and Amendments to the Law on Commercial Companies in FBiH¹⁴⁵ **in September 2013**, while in **October 2013** the National Assembly of RS adopted the Law on Services¹⁴⁶.

In November 2013 the Law on Change and Amendments to the Law on BiH Public Procurement¹⁴⁷ was adopted by the Parliamentary Assembly of BiH, while in FBiH the Law on Changes to the Law on Settling of Commitments based on Foreign Currency Savings in the FBiH¹⁴⁸ and the Authentic interpretation of the provisions from Article 5 of the Law on Commission for Securities ("FBiH Official Gazette", no. 39/98, 36/99 and 33/04)¹⁴⁹ were adopted. At the same time, the National Assembly of RS adopted the Law on Change and Amendments to the Law on Securities Market in RS¹⁵⁰.

In December 2013 the Parliamentary Assembly of BiH adopted the Law on Change and Amendments to the Law on Settlement of Obligations from Old Foreign Currency Savings¹⁵¹, together with the Law on Changes to the Law on Indirect Taxation Procedure¹⁵².

At the same time, the Parliamentary Assembly of FBiH adopted the Law on Protection of Guarantors in the FBiH¹⁵³, while the National Assembly of RS adopted the Law on Changes to the Law on Income Tax¹⁵⁴.

¹³⁵ Official Gazette of RS, no. 67/13

¹³⁶ Official Gazette of RS, no. 67/13

¹³⁷ Official Gazette of RS, no. 67/13

¹³⁸ Official Gazette of RS, no. 66/13

¹³⁹ Official Gazette of RS, no. 66/13

¹⁴⁰ Official Gazette of RS, no. 67/13

¹⁴¹ Official Gazette of FBiH, no. 65/13

¹⁴² Official Gazette of FBiH, no. 65/13

¹⁴³ Official Gazette of FBiH, no. 66/13

¹⁴⁴ Official Gazette of FBiH, no. 66/13

¹⁴⁵ Official Gazette of FBiH, no. 75/13

¹⁴⁶ Official Gazette of RS, no. 89/13

¹⁴⁷ Official Gazette of BiH, no. 87/13

¹⁴⁸ Official Gazette of FBiH, no. 91/13

¹⁴⁹ Official Gazette of FBiH, no. 92/13

¹⁵⁰ Official Gazette of RS, no. 108/13

¹⁵¹ Official Gazette of BiH, no. 100/13

¹⁵² Official Gazette of BiH, no. 100/13

¹⁵³ Official Gazette of FBiH, no. 100/13

¹⁵⁴ Official Gazette of RS, no. 107/13

Donor coordination

During 2013 donor coordination mechanisms in the Private Sector Development were implemented divergently, depending on the sub-sector and the levels of governments involved.

Although, sector wide donor coordination mechanism in the Private Sector Development still does not exist, there is still relatively effective division and harmonized approach among stakeholders in the Sector.

In order to respond to growing demands for coordination, domestic stakeholders have formed various and fragmented coordination bodies, to coordinates between institutions and donors.

In that sense ***in the Institutional and Legal Framework, European Charter for Small Enterprises, Small Business Act and Competitiveness*** sub-sector, Ministry of Foreign Trade and Economic Relations formed the Working Group for coordination of activities in BiH Tourism sub-sector, and the Working Group for planning and coordination of international aid in Agricultural, Food and Rural Development Sector.

In ***the Business Environment and Land Management*** sub-sector, coordination meetings are *ad hoc*, project-based and mostly bilateral.

Donors active in the Private Sector Development regularly attended the Donor Coordination Forum (DCF) meetings hosted by the BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid (SCIA).

Future Activities

The Private Sector Development is of crucial importance for achieving progress in economic, political and social development in the country.

All stakeholders emphasized the importance of strengthening institutional capacities and development of institutional and legislative framework, which will enable better access to finance, enable raise in the competitiveness and improve business environment. Considering that in this Sector loans prevail over grants, with expectation of similar trend in the future, raise in competitiveness and higher export are of vital importance for future economic growth and development of Bosnia and Herzegovina.

According to the EU Commission BiH 2013 Progress report¹⁵⁵, adoption of the new SME strategy for BiH could play important role in the development of the ***Institutional and Legal Framework, European Charter for Small Enterprises, Small Business Act and Competitiveness*** sub-sector. Although a good sign is that awareness on the EU Small Business Act, an EU document for SME development and EU Agenda 2020 is rising in Bosnia and Herzegovina, there are lot improvements in regard to defining clear country priorities, state-level coordination and improvement of business and investment climate, that need to be done in this area. Weak absorption capacities of domestic stakeholders, as well as lack of stronger support to the reform processes in this sub-sector is the challenge that needs to be solved through joint efforts of all involved actors.

¹⁵⁵ More information can be found at: http://ec.europa.eu/enlargement/pdf/key_documents/2013/package/ba_rapport_2013_en.pdf

The same is mentioned in the Foreign Investors Council's recommendations published in the White Book 2012/13¹⁵⁶ considering the ***Business Environment and Land Management*** sub-sector. BiH needs to improve its competitiveness and business environment, to support the private sector with various pro-business acts, in order to reduce unemployment. Improvement of business environment includes further measures to tackle the weak rule of law and corruption. Also, it is necessary to address the process of privatization as soon as possible.

All stakeholders active in this Sector agree that implementation of the existing development strategies needs to be synchronized, harmonized and coordinated at all institutional levels of governance in BiH, as well as with donors, in order to accelerate progress in economic, political and social development of Bosnia and Herzegovina.

¹⁵⁶ More information can be found at: http://www.fic.ba/pdf/White_Book_2012-13.pdf

| | |
|---|--|
| DCF members active in the sector in 2013 | EBRD, EIB, EU, Czech Republic and Norway |
| Other Key international organizations (IOs) | Energy Community, South East Europe Transport Observatory (SEETO). |
| Key government partners | <p>Strategic, Institutional and Regulatory Framework: BiH Ministry of Communications and Transport; BiH Ministry of Foreign Trade and Economic Relations; Directorate for Civil Aviation; BiH Railways Public Corporation; FBiH Ministry of Transport and Communications; FBiH Directorate for Civil Aviation; FBiH Directorate for Building, Managing and Maintaining Motorways; FBiH Ministry of Energy, Mining and Industry; FBiH Ministry of Agriculture, Water and Forestry; RS Ministry of Economy, Energy and Development; RS Ministry of Agriculture, Forestry and Water Management.</p> <p>Transport Infrastructure: BiH Ministry of Communications and Transport; BiH Ministry of Foreign Trade and Economic Relations; Directorate for Civil Aviation; FBiH Ministry of Transport and Communications; FBiH Directorate for Civil Aviation; FBiH Directorate for Building, Managing and Maintaining Motorways; FBiH Ministry of Energy, Mining and Industry; FBiH Ministry of Agriculture, Water and Forestry; RS Ministry of Economy, Energy and Development; RS Ministry of Agriculture, Forestry and Water Management; Public Enterprise Railroads of FBiH; Public Enterprise Road Directorate of FBiH; Public enterprise Motorways of FBiH; Public Enterprise Railroads of RS; Public Enterprise Roads of RS; Public Enterprise Motorways of RS.</p> |
| Total allocation / disbursement to the sector in 2013 by DCF members | <p>2013: Total allocated €201,27 million – €9,91 million in form of grants and €191,36 million in form of loans</p> <p>Total disbursed €196,10 million – €4,50 million in a form of grants and €191,60 million in a form of loans</p> |
| Legal framework and Sector strategies | <p>Legal framework and sector strategies (adopted in 2013)</p> <p><i>Law on Change and Amendments to the Law on the Basics of Traffic Safety on Roads in BiH; FBiH Law on Corridor Vc Motorway; Law on Change and Amendments to the Law on Roads of the FBiH; Law on Electricity Energy in the FBiH; FBiH Law on Use of Renewable Sources of Energy and Efficient Cogeneration; Law on the Research and Exploitation of Oil and Gas in FBiH; Law on Changes and Amendments to the Law on Road Traffic in RS; Law on Renewable Sources of Energy in RS; RS Law on Spatial Development and Construction; Law on Energy Efficiency in RS; Law on Change and Amendments of the Law on Radio-Television of RS; Law on Public Roads in RS; RS Law on the Cableway for Transportation of Persons; Law on Waste Management in RS; Law on Renewable Sources of Energy and Efficient Cogeneration in RS; Law on Change and Amendments to the Law on Roads in Brcko District BiH; Law on Changes and Amendments to the Law on Electrical Energy in Brcko District BiH; Law on Abolition of the Law on General Conditions</i></p> |

| | |
|---------------------------|---|
| | <p><i>for Distribution of Electrical Energy in Brcko District BiH; Law on Changes to the Law on Transportation in Road Traffic in Brcko District BiH; Law on Changes and Amendments to the Law on Communal Activities in Brcko District BiH; Law on Survey and Cadaster of Real Estate in Brcko District BiH;</i></p> <p>Previously adopted legal framework and sector strategies are available on http://www.donormapping.ba/index.php/donor-mapping-reports/dmr-2011-2012</p> |
| Donor coordination | <p>Strategic, Institutional and Regulatory Framework: Project-based, informal bilateral meetings</p> <p>Transport Infrastructure: Project-based, informal bilateral meetings</p> <p>Donors active in the sector regularly attended Donor Coordination Forum quarterly meetings hosted by the BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid.</p> |

Overview

The Transport and Energy Infrastructure sector plays a very important role in the economic development of each country. Investments in transport, energy, including energy efficiency, water and waste management as well as social infrastructure hold the key to sustainable socio-economic development. Such investments, whether public, private or donated, should help the potential candidate countries to comply with the EU standards, in particular environmental and climate standards and to improve the service quality. In the aftermath of the global economic crisis, the recovery of Bosnia and Herzegovina and even of the entire region could be accelerated with more investments mobilized in the new, as well as maintenance and upgrading of the existing infrastructure. In that regard, increasing economy and social development of BiH must include simultaneous rehabilitation of existing and construction of new transport and energy infrastructure, together with the efforts on harmonization of BiH legislative framework with the EU *acquis*.

The Transport and Energy Infrastructure Sector described in this Report differs from the classification used in previous reports, which was based on the sectors defined in former BiH Mid – Term Development Strategy (MTDS) in a way that includes elements of Infrastructure sector.

The Transport and Energy Infrastructure sector consists of the two sub-sectors:

- Strategic, Institutional and Regulatory Framework, and
- Transport Infrastructure¹⁵⁷.

In 2013, limited progress was made in the Transport and Energy Infrastructure sector in Bosnia and Herzegovina. Although, transport related strategies at the entity level are adopted, legal framework and transport infrastructure strategy at the State level still needs to be conciliated and institutionalized.

Strategic, Institutional and Regulatory Framework sub-sector recorded an uneven and very slow pace of progress. The State-level Transport Policy 2013 – 2020 was prepared, but is still in the adoption procedure, delaying consequently the adoption of other key strategic and policy documents for all transport sub-sectors. Also, legislation for rail, road, maritime and inland waterways transport modes has not yet been aligned with the *acquis*.

Regarding trans-European transport networks, BiH is actively participating in the South-East Europe Transport Observatory Network (SEETO) and contributing to the implementation of the Memorandum of Understanding on the development of the South-East Europe Core Regional Transport Network. Together with the advancement in building of the Corridor Vc, some progress has been made in the road transport. But, the road safety is still a major concern, because the rate of fatalities in road accidents in BiH is among the highest in Europe. The further activities should be focused on the road safety improvement.

¹⁵⁷ More information can be found at: http://ec.europa.eu/enlargement/pdf/mipd_bih_2011_2013_en.pdf

The opening of the rail market is still at an early stage, as well as section of inland waterways. The demining and rehabilitation of the River Sava waterway has not yet been addressed while planned introduction of a river information system has been delayed. Relevant inland navigation regulations still have to be issued and aligned with the *acquis*.

Concerning air transport, implementation of the first phase of the European Common Aviation Area has progressed. Still, BiH ratified the Agreement on the establishment of functional airspace blocks of Central Europe (FAB CE).

In the area of Energy, BiH still has not developed countrywide energy strategy. Strategic planning in entities is still not harmonized, particularly in the area of oil supply, gas and electricity, as well as in conciliating a common approach to investment priorities. The country is lagging behind in meeting its obligations under the Energy Community Treaty. Cooperation and coordination between the entities in the energy sector is in the initial phase, resulting in an unremarkable progress in that area. Taking into account that the energy area within the Sector poses strong investment potential, it is of crucial importance to improve all its functional and regulatory aspects, with particular focus on the areas of supply, the electricity transmission company effective functioning, integrated energy markets and full independence of regulatory bodies.

In the Transport Infrastructure sub-sector, upgrading of transport infrastructure needs to be intensified and in line with the agreed comprehensive network of the SEETO. Some progress was made in building and equipping of the Corridor Vc and in continued rehabilitation of rail tracks. However, the bottleneck at Ivan Tunnel and Bradina ramp, which prevents the transit of Ro-La trains and 40ft containers from the port of Ploce, are hampering further development of combined transport. In the area of maritime transport, Bosnia and Herzegovina is still not a party to any of the most important International Maritime Organization (IMO) conventions.

Donor Activities in 2013

DCF members active in the Transport and Energy Infrastructure sector in 2013 are EBRD, EIB, EU, Czech Republic and Norway.

In 2013, total allocations of the DCF members to the Transport and Energy Infrastructure was €201,27 million, from which €191,37 million was provided in a form of loans, and €9,90 million in the form of a grants. Total disbursements to the Sector in the observed period amounted €196,10 million, out of which €191,60 million was disbursed in a form of loans, while €4,50 million was disbursed in a form of grants.

Figure 4.1. compares grant ODA allocations and disbursements per donors channelled to the Transport and Energy Infrastructure Sector in 2013. The leading grant-providing donors in 2013 were EU, Czech Republic and Norway.

Figure 4.1. Ranking of DCF Members per Grant ODA contributions in the Transport and Energy Infrastructure Sector in 2013 (Euros millions)

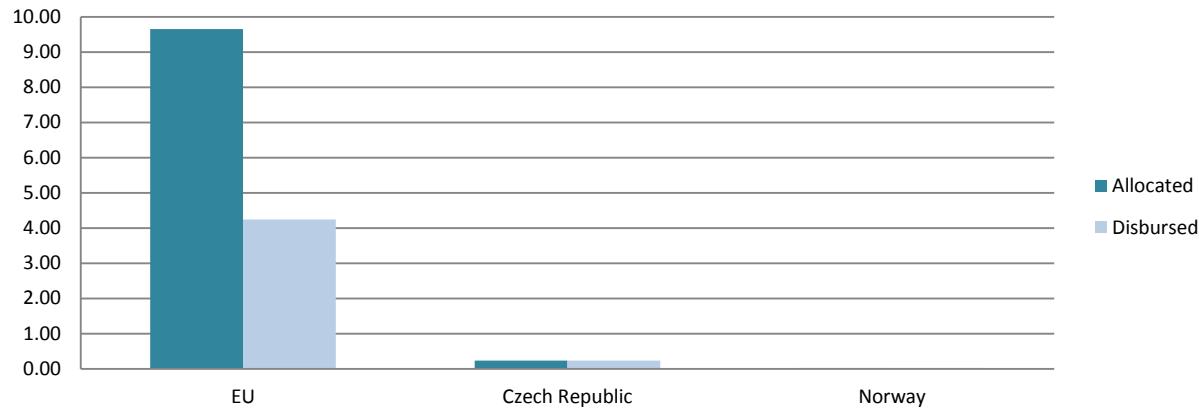


Figure 4.2. compares loan ODA allocations and disbursements per financiers provided to the Transport and Energy Infrastructure sector in 2013. It can be noticed that multilateral IFIs (EBRD and EIB) provided the majority of aid in a form of loans, while grants were provided by bilateral donors (EU, Czech Republic and Norway).

Figure 4.2. Ranking of DCF Members per Loan ODA contributions in Transport and Energy and Infrastructure Sector in 2013 (Euros millions)

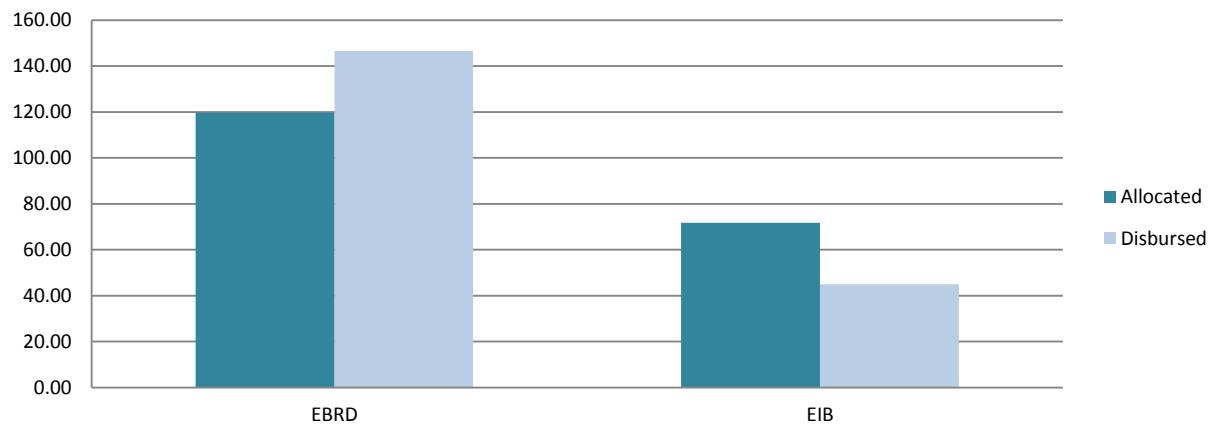
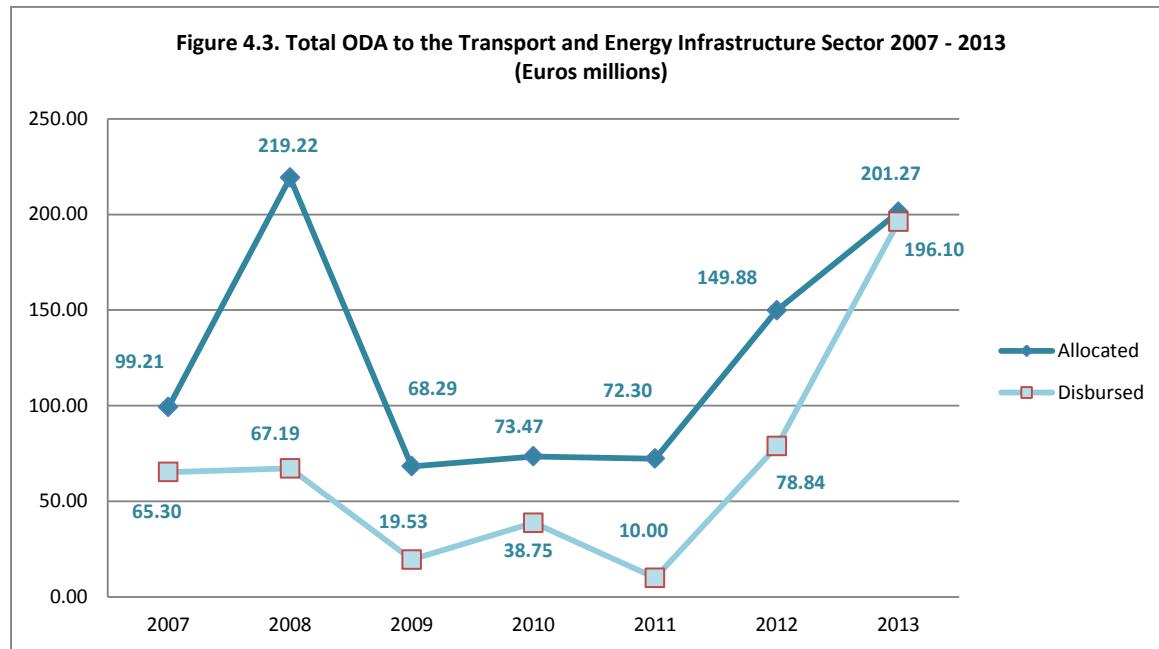


Figure 4.3 indicates an increase of donor contributions in the period from 2007 to 2008 and sharp decline in 2009 (when the economic crisis was at its peak in the partner countries). After 2009, gradual increase of funds is obvious, but from 2011 the investments in this Sector have doubled. Majority of the funds are realized in a form of loans for building of Corridor Vc motorway sections and that trend continued in 2013.



In 2013, 29% of total ODA was allocated, while 41 % was disbursed in the Transport and Energy Infrastructure.

Major projects in the Transport and Energy Infrastructure sector are listed below¹⁵⁸:

| Project Title | Donor/Financial Institution | Total Project Value (Euros millions) |
|--|-----------------------------|--------------------------------------|
| Corridor Vc - loan increase (Loan) | EBRD | 205,00 |
| CORRIDOR VC - SECOND PHASE (Loan) | EIB | 166,00 |
| BANJA LUKA-DOBOJ MOTORWAY (Loan) | EIB | 160,00 |
| Banja Luka to Doboj Tranche II (Loan) | EBRD | 150,00 |
| Improvement of Regional Transport Infrastructure Core Network in Bosnia and Herzegovina - Railways | EU | 9,00 |
| Rehabilitation and construction of the Waste Water Treatment Plant "Butila" in Sarajevo | EU | 8,00 |
| Mahovljani Highway Exchange | EC | 5,00 |

All projects are available in the Donor Coordination Forum Database, via following link:

http://dmd.donormapping.ba/dmd.faces/dmdPublicStart?_afrWindowMode=0&_afrLoop=342677494085424&_adf.ctrl-state=mk4nl7ill_4

Legal framework and sector strategies adopted in 2013

In January 2013, the Parliamentary Assembly of FBiH adopted the Law on Corridor Vc Motorway¹⁵⁹, while the National Assembly of RS adopted the Law on Changes and Amendments to the Law on Road Traffic in RS¹⁶⁰.

¹⁵⁸ Due to large number of the projects in the Transport and Energy Infrastructure sector, only some projects are mentioned in this report. All projects classified under the Sector are accessible in the DCF database (www.donormapping.ba).

In **February 2013** the Parliamentary Assembly of BiH adopted the Law on Change and Amendments to the Law on the Basics of Traffic Safety on Roads in BiH¹⁶¹, while the Parliamentary Assembly of Brcko District adopted the Law on Changes and Amendments to the Law on Electrical Energy¹⁶² and the Law on Abolition of the Law on General Conditions for Distribution of Electrical Energy¹⁶³.

In **April 2013** the National Assembly of RS adopted the Law on Renewable Sources of Energy¹⁶⁴, together with the Law on Spatial Development and Construction¹⁶⁵, while in **May 2013**, Parliamentary Assembly of Brcko District BiH adopted the Law on Change and Amendments to the Law on Roads in Brcko District¹⁶⁶, together with the Law on Changes and Amendments to the Law on Communal Activities¹⁶⁷.

In **June 2013** the National Assembly of RS adopted the Law on Energy Efficiency¹⁶⁸.

In **August 2013** the Parliamentary Assembly of FBiH adopted the Law on Change and Amendments to the Law on Roads of the FBiH¹⁶⁹, together with the Law on Electricity Energy in the FBiH¹⁷⁰

In **September 2013** the Law on Use of Renewable Sources of Energy and Efficient Cogeneration in FBiH¹⁷¹ was adopted by the Parliamentary Assembly of FBiH, while at the same time Brcko District Parliamentary Assembly adopted the Law on Survey and Cadastre of Real Estate in Brcko District BiH¹⁷² and the Law on Changes to the Law on Transportation in Road Traffic¹⁷³.

In **October 2013** the Parliamentary Assembly of FBiH adopted the Law on the Research and Exploitation of Oil and Gas in the FBiH¹⁷⁴, while the National Assembly of RS adopted the Law on Change and Amendments to the Law on Radio- Television of RS¹⁷⁵ and the Law on Public Roads in RS¹⁷⁶.

In **November 2013** the National Assembly of RS adopted the Law on the Cableway for Transportation of Persons¹⁷⁷ together with the Law on Change and Amendments to the Law on Renewable Sources of Energy and Efficient Cogeneration¹⁷⁸ and the Law on Waste Management¹⁷⁹.

¹⁵⁹ Official Gazette of FBiH no. 8/13

¹⁶⁰ Official Gazette of RS no. 12/13

¹⁶¹ Official Gazette of BiH no.18/13

¹⁶² Official Gazette of Brcko District of BiH no. 4/13

¹⁶³ Official Gazette of Brcko District of BiH no. 4/13

¹⁶⁴ Official Gazette of RS no. 39/13

¹⁶⁵ Official Gazette of RS no. 40/13

¹⁶⁶ Official Gazette of Brcko District of BiH no. 9/13

¹⁶⁷ Official Gazette of Brcko District of BiH no. 9/13

¹⁶⁸ Official Gazette of RS no. 59/13

¹⁶⁹ Official Gazette of FBiH no. 66/13

¹⁷⁰ Official Gazette of FBiH no 66/13

¹⁷¹ Official Gazette of FBiH no. 70/13

¹⁷² Official Gazette of Brcko District of BiH no. 31/13

¹⁷³ Official Gazette of Brcko District of BiH no. 31/13

¹⁷⁴ Official Gazette of FBiH no. 77/13

¹⁷⁵ Official Gazette of RS no. 89/13

¹⁷⁶ Official Gazette of RS no. 89/13

¹⁷⁷ Official Gazette of RS no. 108/13

¹⁷⁸ Official Gazette of RS no. 108/13

¹⁷⁹ Official Gazette of RS no. 111/13

Donor coordination

In order to coordinate their activities and discuss progress made in the reforms within the Transport and Energy Infrastructure Sector, donors and representatives of BiH authorities meet with more or less regularly, depending on sub-sector in question. But, sector wide donor coordination mechanism in this Sector still does not exist, since those meetings are mostly project-based, bilateral and *ad hoc* organized.

Coordination between relevant institutions on various levels of governments in BiH in the **Strategic, Institutional and Regulatory Framework** sub-sector needs further improvements, in order to strengthen their capacity and coordination, as well as the **Transport Infrastructure** sub-sector.

International bodies such as the Sava River Commission¹⁸⁰ and SEETO coordinate activities in the area of transport, while the Energy Community Security of Supply Coordination Group is active in the field of coordination of energy supply.

Donors active in the Transport and Energy Infrastructure sector regularly attended the Donor Coordination Forum (DCF) meetings hosted by the BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid (MOFT/SCIA).

Future activities

Further strengthening and development of the Transport and Energy Infrastructure Sector represents one of the major preconditions for economic growth and development of BiH and its EU convergence.

According to all stakeholders involved in preparation of DMR, future activities in this Sector should be focused on the further development of the entire Sector as well as on the continuation of the reform processes within it. Therefore, the priority of both sub-sectors, **Strategic, Institutional and Regulatory Framework** and **the Transport Infrastructure**, should be further development of the new and upgrading the existing transport and energy infrastructure, with simultaneous development of the legislative framework and financial and human capacities. Taking into account that the loans are prevailing in this Sector, it is important to accelerate reforms which will enable the creation of market - oriented and sustainable infrastructure. All stakeholders emphasized the need for improved coordination amongst all governments' levels, as well as for further improvement and harmonization of regulations within Bosnia and Herzegovina.

Also, infrastructure networks in BiH should be modernized to become foundation for productive, export – oriented economy. Besides, since the investment cost runs into the billions of euros and cannot be funded from national sources alone, they must be jointly funded from both domestic and external resources.

¹⁸⁰BiH, Croatia, Slovenia and Serbia are founders of the Sava River Commission (March, 2003) which aims to regulate and improve Sava River navigation of river boats, water use and tourism . <http://www.savacommission.org/>

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|---|---|
| DCF members active in the sector in 2013 | Germany, EBRD, EU, the World Bank, Sweden / Sida, UNDP, the Netherlands, Czech Republic, USA/USAID, Japan / JICA, Slovenia, Norway, Hungary. |
| Other Key international organizations (IOs) | Global Environment Fund (GEF), United Nations Environmental Program (UNEP), Special Climate Change Fund (SCCF), OSCE. |
| Key government partners | <p>Transposition and implementation of Environmental Acquis and other International Obligations: BiH Ministry of Foreign Trade and Economic Relations; FBiH Ministry of Environment and Tourism; FBiH Ministry of Physical Planning; FBiH Ministry of Agriculture, Water Management and Forestry; RS Ministry of Urban Planning, Civil Engineering and Ecology; RS Ministry of Agriculture, Forestry and Water Management</p> <p>Improve the Environmental Infrastructure: BiH Ministry of Foreign Trade and Economic Relations; FBiH Ministry of Environment and Tourism; FBiH Ministry of Physical Planning; FBiH Ministry of Agriculture, Water Management and Forestry; RS Ministry of Urban Planning, Civil Engineering and Ecology; RS Ministry of Agriculture, Forestry and Water Management</p> |
| Total allocation / disbursements to the sector in 2013 by DCF members | <p>2013: Total allocated €165,48 million – €37,03 million in a form of grants and €128,45 million in a form of loans</p> <p>Total disbursed €48,24 million – €24,22 million in a form of grants and €24,02 million in a form of loans</p> |
| Legal framework and Sector strategies | <p>Legal framework and sector strategies (adopted in 2013)</p> <p><i>Climate Change Adaptation and Low-Emission Development Strategy for BiH; FBiH Law on Protection of Nature; RS Law on Geological Surveys; Law on Waste Management in RS; Law on Changes and Amendments to the Law on Forests in RS.</i></p> <p>Previously adopted legal framework and sector strategies are available on <u>http://www.donormapping.ba/index.php/donor-mapping-reports/dmr-2011-2012</u></p> |
| Donor coordination | <p>Transposition and implementation of Environmental Acquis and other International Obligations: Project-based bilateral meetings.</p> <p>Improve the Environmental Infrastructure: Project-based bilateral meetings.</p> <p>Donors active in the sector regularly attended Donor Coordination Forum quarterly meetings hosted by BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid.</p> |

Overview

According to the climate change projections, it is expected that the frequency of extreme weather and related hazards will very likely increase in the near future. As the effects of climate change become increasingly apparent, transformations in land-use patterns and the growing number of human settlements built in disaster-prone areas are certain to compound the risks associated with weather-related hazards and further increase vulnerabilities.¹⁸¹

The region of South - East Europe (SEE) is prone to the natural disasters, such as earthquakes, floods and forest fires. Also, increased climate oscillations noted in the whole region, resulted in intense and more frequent droughts, floods, extreme heat and cold events, earthquakes and landslides, transcending the regional borders and the ability of each single country to cope with them. Since the level of preparedness and prevention capacities varies considerably from country to country, only through the regional cooperation overcoming of all afore mentioned risks will be possible.

Regional cooperation currently does not fulfil necessary extent of preparedness, to be ready to address effectively eventual future disasters. Therefore, it will be imperative to establish pragmatic preparedness and a response framework, as well as the standardization in language in use, equipment, warning systems and border crossing protocols.

In order to improve environmental conditions at regional as well as at the country and local levels, significant investments in the environmental infrastructure will be necessary, accompanied with institutional reforms and legislation, that will support against climate changes and their impacts, and eventually secure environmentally sustainable future.

The Environment and Climate Change Sector described in this Report is based on the sector classification from the Multi-Annual Indicative Planning Document (MIPD) programming and differs from the previous sector classification defined in former BiH Mid – Term Development Strategy (MGDS), in a way that includes elements of the Environmental Protection sector.

The Environment and Climate Change Sector consists of the two sub-sectors:

- Transposition and implementation of Environmental *Acquis* and other International Obligations; and
- Improvement of the Environmental Infrastructure¹⁸².

In 2013, limited progress was achieved in the Environment and Climate Change Sector in Bosnia and Herzegovina. Regardless the fact that BiH has one of the lowest greenhouse gas emissions per capita in Europe (five tons CO₂ equivalent per capita per year - approximately half of the EU average)¹⁸³, direct impact of climate changes are already noticeable in the Sectors of Agriculture, Forestry and Tourism, which have an important role in the economy of the country. In accordance with that, environmental

¹⁸¹ More information can be found at: <http://www.ipcc.ch/>

¹⁸² More information can be found at: http://ec.europa.eu/enlargement/pdf/mipd_bih_2011_2013_en.pdf

¹⁸³ Climate change adaptation and low-emission development strategy for Bosnia and Herzegovina, July 2013

legislation and development of BiH capacities that can handle and react fast on any change imposed by the climate, should already been well in place, if intended to meet one of the targets from Europe 2020 Strategy addressing the challenges linked to climate change, in particular reduction of greenhouse gas emissions¹⁸⁴ in all relevant sectors of the MIPD.

On the other hand, the compliance to the principles of sustainable development as well as developed capacities to meet the requirements of respective EU environment *acquis* are important precondition for attracting future financial assistance for Bosnia and Herzegovina.

In 2013, a limited progress was notable within the *Transposition and implementation of Environmental Acquis and other International Obligations* sub – sector. The Climate change adaptation and low-emission development strategy for Bosnia and Herzegovina was adopted. The first Report on the state of the Environment for Bosnia and Herzegovina was prepared and published. First steps were undertaken in the harmonization of entities level legislations, while the budget of the Brcko District programmed funding for the preparation of new set of environmental laws. The Environmental Policy of BiH and the BiH Strategy for the Approximation of Environment *Acquis* are in the process of preparation. Although some progress was made in the implementation of the environmental *acquis* at the different levels of governance in the country, full compliance is yet to be achieved through rigorous law enforcement, monitoring of the law appliance and further investment.

Also, in the ***Improvement in the Environmental Infrastructure*** sub-sector, limited progress was made in 2013. While the implementation of the relevant legislation in the sub-sector is at an early stage, as well as its harmonization with *acquis*, the country-wide air monitoring network has yet to be established and air quality planning and monitoring systems to be upgraded.

In the area of waste management, planning for solid waste management infrastructure was intensified through completion of studies for selection of future regional sanitary landfills locations as well as through preparation of municipal waste management plans for number selected regions. However, there is still no countrywide strategic planning for investment in this sector. Efforts and investments in the waste separation and recycling area are at initial phase, while urgent improvements are needed in capacity to manage industrial and hazardous waste.

Besides, administrative capacity in the Environment and climate sector remains weak. A mechanism for comprehensive alignment with EU legislation across the country should be considerably strengthened, as well as the public consultations with civil society and other stakeholders.

Regarding climate changes, substantial efforts are required for awareness raising, setting a more strategic approach for the country, aligning with and implementing the *acquis* and continuing to build up administrative capacity, including inter-institutional cooperation and coordination.

¹⁸⁴More information can be found at: http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/targets/index_en.htm

Donor activities in 2013

DCF members active in the Environment and Climate Change Sector in 2013 are the Germany, EBRD, EU, the World Bank, Sweden / Sida, UNDP, the Netherlands, Czech Republic, USA / USAID, Japan / JICA, Slovenia, Norway and Hungary.

In 2013, total allocations of the DCF members to the Environment and Climate Change Sector was €165,48 million, out of which €128,45 million was provided in a form of loans and €37,03 million in the form of a grants. Total disbursements to the Sector in the observed period amounted €48,24 million, out of which €24,02 million was disbursed in a form of loans, while €24,22 million was disbursed in a form of a grants.

Figure 5.1. compares grant ODA allocations and disbursements channelled to the Environment and Climate Change Sector in 2013. The leading grant-providing donors in 2013 were EU and Germany, followed by Sweden/Sida, UNDP, The Netherlands, The World Bank, Czech Republic, USA / USAID, Japan / JICA, Slovenia, Norway and Hungary.

Figure 5.1. Ranking of DCF Members per Grant ODA contributions in the Environment and Climate Change Sector in 2013 (Euros millions)

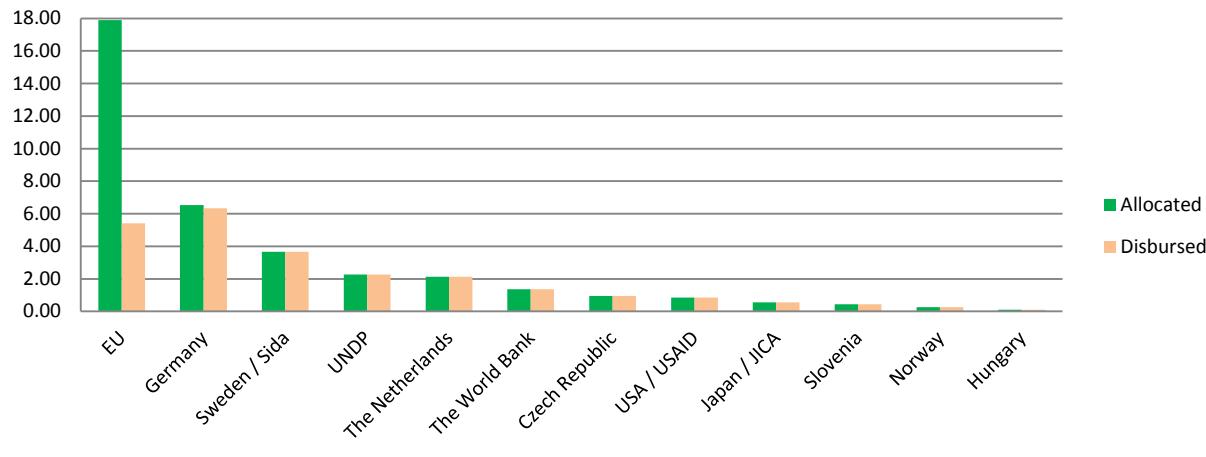


Figure 5.2. compares loan ODA allocations and disbursements per financiers provided to the Environment and Climate Change Sector in 2013. It can be noticed that among IFIs the EBRD, provided majority of aid in a form of loan, grants were provided by EU, UNDP and bilateral donors (Sweden / Sida, the Netherlands, Czech Republic USA/ USAID etc.) while Germany and the World Bank combined both type of assistance.

Figure 5.2. Ranking of DCF Members per Loan ODA contributions in Environment and Climate Change Sector in 2013 (Euros millions)

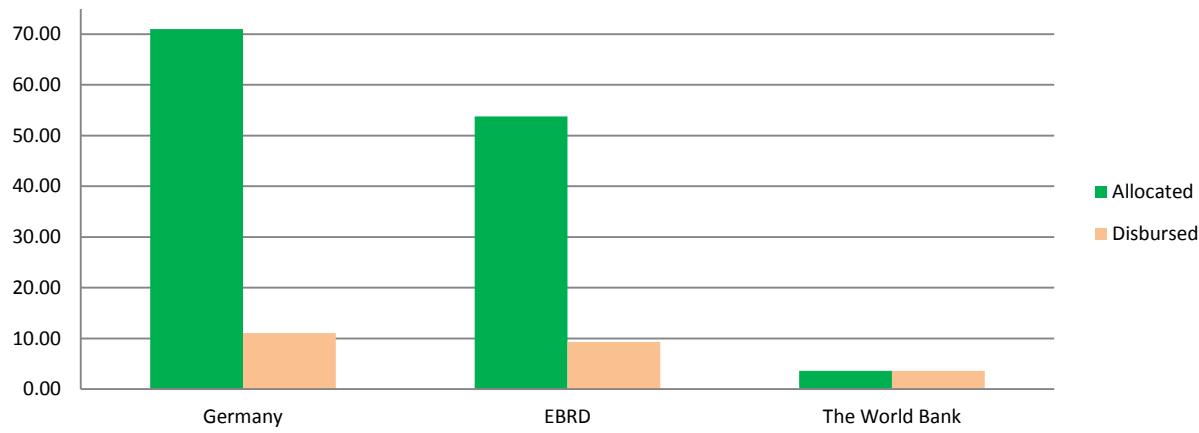


Figure 5.3. indicates a steady increase of ODA inflows in this Sector in period 2007 to 2010, when on its peak. The slight decrease was registered in 2011 and sharp fall in 2012, when lowest since 2008. The contributions to this Sector are again at the ascending trend. According to the comparative advantages existing within the Sector, more support need to be channelled to further improvement of environmental sustainability and green development in BiH.

Figure 5.3. Total ODA to the Environment and Climate Change Sector 2007 - 2013 (Euros millions)



In 2013, 24% of total ODA was allocated, while 10% was disbursed to the Environment and Climate Change Sector.

Major projects in the Environment and Climate Change sector are listed below¹⁸⁵:

| Project Title | Donor/Financial Institution | Total Project Value (Euros millions) |
|---|-----------------------------|--------------------------------------|
| EP BiH – Hydro Power Plants Project (Loan) | EBRD | 35,00 |
| Second Solid Waste Management Project | EU | 33,70 |
| Waste Water Treatment Bihać | Germany | 17,50 |
| Hydro Power Plant (HPP) Rama | Germany | 17,00 |
| Water Supply and Sewage Project in Banja Luka | Germany | 14,00 |
| Co-financing Environmental infrastructure projects with the EIB | Sweden/Sida | 13,00 |
| Municipal solid waste management programme | Sweden/Sida | 10,00 |
| Support to the solid waste sector in BiH | EU | 5,50 |
| Construction of small hydro power plant in Cijevna III | EU | 5,50 |
| Cazin Waste Water Project (Loan) | EBRD | 5,00 |
| Pale District Heating Project (Loan) | EBRD | 4,50 |
| (3E) Enterprise Energy Efficiency | USAID | 3,32 |

All projects are available in the Donor Coordination Forum Database, via following link:

http://dmd.donormapping.ba/dmd/faces/dmdPublicStart?_afrWindowMode=0&_afrLoop=342677494085424&_adf.ctrl-state=mk4nl7ill_4

Legal framework and sector strategies adopted in 2013

In June 2013, the RS National Assembly adopted the Law on Changes and Amendments to the Law on Forests¹⁸⁶, while in August 2013, the FBiH Parliamentary Assembly adopted the Law on Protection of Nature.¹⁸⁷

Climate Change Adaptation and Low-Emission Development Strategy for Bosnia and Herzegovina was adopted by

the Council of Ministers of Bosnia and Herzegovina on **October 2013**.

In November 2013, the RS National Assembly adopted the Law on Geological Surveys in RS¹⁸⁸, as well as the Law on Waste Management¹⁸⁹.

Donor Coordination

There is no formalized donor coordination mechanism or information sharing in the Environment and Climate Change Sector at present.

¹⁸⁵ Due to large number of the projects in the Environment and Climate Change sector, only some projects are mentioned in this report. All projects classified under the Sector are accessible in the DCF database (www.donormapping.ba).

¹⁸⁶ Official Gazette of RS, no. 60/13

¹⁸⁷ Official Gazette of FBiH, no. 66/13

¹⁸⁸ Official Gazette of RS, no.110/13

¹⁸⁹ Official Gazette of RS, no.111/13

In the area of Environment Protection, Ministry of Foreign Trade and Economic Relations (MoFTER) cooperates with Ministries of Environment and Agriculture and Water Management from the entity level and the relevant Water agencies and BD of BiH, throughout the Inter – entity environment body, which has been established in 2006, as an inter-institutional inter-entities coordination body¹⁹⁰.

All institutions from various levels of government organize their own coordination meetings with donors active in this Sector, meaning those coordination meetings are ad hoc, project-based and mostly bilateral.

Donors active in the Environmental Protection sector regularly attended the Donor Coordination Forum (DCF) meetings hosted by the BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid (MOFT/SCIA).

Future Activities

Bosnia and Herzegovina, as a potential EU candidate country and as a signatory of different international multilateral environmental agreements, has obligation to start dealing with unresolved environmental issues. Despite the progress achieved during 2013 in the field of environment and climate change, the next priority activities should include establishment of a harmonized legal framework for environmental protection, adequate administrative capacity and a functioning environmental monitoring system in the country.

Also, horizontal and vertical communication and information exchange on environment and climate change issues among all government levels in Bosnia and Herzegovina need to be further improved.

Despite a certain progress achieved in the ***Transposition and implementation of environmental acquis*** sub-sector, it is necessary to continue further harmonization of domestic environmental legislation with the *acquis*. Full compliance with *acquis* is yet to be achieved by rigorous enforcement, monitoring and investment.

Also, as the issue of sustainable development becoming a top priority, in the very near future particular attention must be paid to disaster risk management and risk mitigation. Besides, adaptation to climate changes and the necessary intervention measures related to them should also be placed higher in the future agenda, particularly in the area of the civil protection.

Almost every segment of the ***Improvement of the Environmental Infrastructure*** sub-sector requires greater engagement, from financial shortages, over preparation and implementation of projects in the solid waste and water management area to monitoring and preservation of soil, air and water. Capacity building in environmental institutions, legislation and approximation to European standards, technical assistance, prioritization of environmental infrastructure investments, should be accompanied by "soft" measures such as awareness-raising, monitoring and information exchange as well as early warning systems, to address just a few.

¹⁹⁰ Reply on sectoral questionnaire filled by the Ministry of Foreign Trade and Economic Relations

All of these challenges need to be tackled, not only at the national, but on regional level with enhanced regional cooperation and harmonized actions and networking. Stronger and better coordinated actions, supported by donors, are necessary to be undertaken in this area as soon as possible.

Although Bosnia and Herzegovina has achieved limited progress in the Environment and Climate Change sector, there is a need for further harmonization of environmental protection measures countrywide, together with sustainable financing from a local / regional / international source, in order to secure long-term environmental protection and sustainable development of the country.

| | |
|---|--|
| DCF members active in the sector in 2013 | EU, The World Bank, Switzerland, Germany, UNICEF, The Netherlands, Norway, Japan / JICA, USA /USAID, Sweden / Sida, Czech Republic, Italy, France, UNDP, Slovenia, Hungary. |
| Other Key international organizations (IOs) | International Labour Organization (ILO), Council of Europe (CoE), World Health Organisation (WHO), United Nations Population Fund (UNFPA), European Training Foundation (ETF), Organization for Security and Co-operation in Europe (OSCE), United Nations Educational, Cultural and Scientific Organisation (UNESCO), World Vision, UN Women. |
| Key government partners | <p>Employment: BiH Ministry of Civil Affairs, Labor and Employment Agency of BiH, FBiH Ministry of Labour and Social Policies, Federal Employment Bureau, FBiH Ministry of Development, Entrepreneurship and Craft, RS Ministry of Labour and Veterans Affairs, Ministry of Economic Relations and Regional Cooperation of RS, RS Employment Bureau, Employment Bureau of Brcko District .</p> <p>Social Inclusion: BiH Ministry of Civil Affairs, BiH Ministry of Human Rights and Refugees, Agency for Drugs and Medical Devices in BiH, Agency for Gender Equality of BiH, FBiH Ministry of Labour and Social Policies, FBiH Ministry of Displaced Persons and Refugees, FBiH Ministry for Issues of Veterans and Disabled Veterans of the Defensive-Liberation War, FBiH Ministry of Health, FBiH Ministry of Culture and Sports, Gender Centre of FBiH, RS Ministry of Labour and Veterans Affairs, RS Ministry of Health and Social Welfare, RS Ministry of Family, Youth and Sport Affairs, RS Ministry of Refugees and Displaced Persons, Gender Centre of RS, RS Centre for Research of War, War Crimes and Missing Persons, Brcko District Department of Health and Other Services, Health Insurance Funds, Public Health Institutes.</p> <p>Education: BiH Ministry of Civil Affairs, BiH Agency for Development of Higher Education and Quality Assurance, BiH Agency for Pre-school, Primary and Secondary Education, BiH Centre for Information and Recognition of Documents in the Area of Higher Education, Ministry of Education and Science of FBiH, RS Ministry of Education and Culture, RS Ministry of Science and Technology, Brcko District Department of Education, Pedagogical Institutes.</p> <p>VET Education: BiH Ministry of Civil Affairs, BiH Agency for Development of Higher Education and Quality Assurance, BiH Agency for Pre-school, Primary and Secondary Education, BiH Centre for Information and Recognition of Documents in the Area of Higher Education, Ministry of Education and Science of FBiH, RS Ministry of Education and Culture, RS Ministry of Science and Technology, Brcko District Department of Education, Pedagogical Institutes, Institute for Adult Education of RS.</p> |
| Total allocation / disbursement to the sector in 2013 by DCF members | 2013: Total allocated €36,77 million – €31,05 million in a form of grants and €5,72 million in a form of loans Total disbursed €30,76 million – €25,04 million in a form of grants and €5,72 million in a form of loans |
| Legal framework and Sector strategies | <p>Legal framework and sector strategies (adopted in 2013)</p> <p><i>FBiH Law on Change and Amendments to the Law on Protection of Persons</i></p> |

| | |
|--------------------|---|
| | <p>with Mental Disorders; Law on Nursing and Midwifery in FBiH; Law on Medical Practice in FBiH; FBiH Law on Amendments to the Law on Health Protection; Law on Changes and Amendments to the Law on Higher Education in RS; Law on the Academy of Sciences and Arts of RS; RS Law on Realization of the Rights for Age Retirement of Professional Servicemen; Law on Safety and Protection of Health of Employees at Work in Brcko District; Law on Changes to the Law on Health Protection in Brcko District; Policy for the improvement of nutrition of children in the FBiH; Measures for Prevention of Corruption in Higher Education in FBiH; Strategic Directions for the Development of Higher Education in FBiH 2012 – 2022; Strategic Plan for Advancement of Early Growth and Development of Children in FBiH 2013-2017; Strategy for preventing and combating domestic violence in FBiH 2013 – 2017; Program to Control Tuberculosis in FBiH 2013 – 2017; Program to Control Tuberculosis in RS from 2013 to 2017.</p> <p>Previously adopted legal framework and sector strategies are available on http://www.donormapping.ba/index.php/donor-mapping-reports/dmr-2011-2012</p> |
| Donor coordination | <p>Employment: Project-based, informal bilateral meetings</p> <p>Social Development: The Conference for the Health sector in BiH acts as a permanent advisory and coordinating body in the field of health and Commission for implementation of International Health Regulations of the World Health Organization (WHO).</p> <p>The Board of Gender Institutional Mechanisms and Coordinating Committee for Monitoring the implementation of the Action Plan for the Implementation of UNSCR 1325</p> <p>Education: The BiH Conference of Education Ministers</p> <p>VET Education: Project-based, informal bilateral meetings</p> <p>Donors active in the sector regularly attended Donor Coordination Forum quarterly meetings hosted by BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid.</p> |

Overview

A level of socio - economic development that is capable to provide an appropriate and fair social assistance, adequate housing and an efficient system of social protection is of paramount importance for each society. This objective defines national policies all over the SEE region as well as the EU policy, which focuses on economic and social development of the enlargement countries. But, after a period of positive economic and social developments the majority of Western Balkan economies since 2009 are facing negative trends caused by the world financial and economic crisis. As a consequence, social conditions in the Region were deteriorating, with high level of unemployment (still increasing) and fiscal constraints and with fiscal sustainability under constant pressure. In that regard, consolidation and the reform of labour markets came in focus and become the most urgent economic priority, while implementation of good governance, the rule of law and further development of administrative capacities continued to be major challenge for BiH as well as all SEE countries.

To improve conditions in this area, significant reforms supported with substantial investments need to be realized, in order to enable further improvements within the employment, social care and education that will eventually ensure better social protection system in Bosnia and Herzegovina.

The Social Development Sector described in this Report is based on the sector classification from the Multi-Annual Indicative Planning Document (MIPD) programming and differs from the previous sector classification defined in former BiH Mid – Term Development Strategy (MGDS), in a way that includes elements of the Education, Health and Cross - Cutting sector.

The Social Development Sector consists of the four sub-sectors:

- Employment;
- Social inclusion;
- Education and
- VET Education¹⁹¹.

In 2013, an unequal progress was achieved in the sub-sectors within the Social Development sector in Bosnia and Herzegovina. Some improvements are noticeable in harmonization of legislative frameworks that regulating the Sector. However, the systematic implementation of policies that would produce tangible results in the area of employment, social inclusion and education is still in the initial phase and calls for further efforts.

A little progress was made within the *Employment* sub-sector in 2013. The FBiH, RS and BD of BiH Employment Bureaus signed Agreement on monetary compensation for unemployed persons, defining the conditions and harmonised procedures for obtaining rights on monetary compensations among them. But, at the same time, Employment bureaus at municipal level are overloaded with

¹⁹¹ More information can be found at: http://ec.europa.eu/enlargement/pdf/mipd_bih_2011_2013_en.pdf

administration of health insurance of unemployed, which prevents them to perform their genuine tasks to support job seekers (e.g. job counselling). Also, the lack of coordination among labour institutions in the country remains high.

In 2013 the *Social Inclusion* sub-sector recorded progress within the areas of health and gender equality. Through the payment system in secondary healthcare reform, the area of Public Health was further improved. Particularly, RS have implemented a new payment system based on the model of Diagnostic Related Groups (DRGs), improving the efficiency and quality of secondary healthcare. The Federation of BiH is in the phases of introduction of new payment system, too. Also, the improvements were made in the areas of primary health and mental care, together with National Health Accounts reporting system, developed in line with WHO and EUROSTAT requirements. However, in order to enhance sector efficiency, strengthen financial sustainability and improve the quality of the health protection, there are needs for accelerating overall implementation of entity health strategies.

In the area of *Gender Equality* in BiH, The Gender Action Plan 2013 – 2017 was adopted and the Council of Europe Convention on preventing and combatting violence against women and domestic violence was ratified. Federation of BiH adopted the Strategy for Prevention and Combat against Family Violence 2013 – 2017. But, the resources necessary for institutional mechanisms ensuring gender equality and statistical data availability are still insufficient. Implementation of the Action Plan on the UN Security Council Resolution 1325 on Women, Peace and Security has continued, but awareness and financial support for its implementation need to be improved in the forthcoming period. Despite the progress made in above mentioned areas, area of social inclusion and protection had not marked improvements during the reporting period. Vulnerable groups (children, Roma and returnees) remained inadequately protected, at all levels of governance in BiH. Besides, social protection area remained largely inefficient, despite a relatively high level of public expenditure.

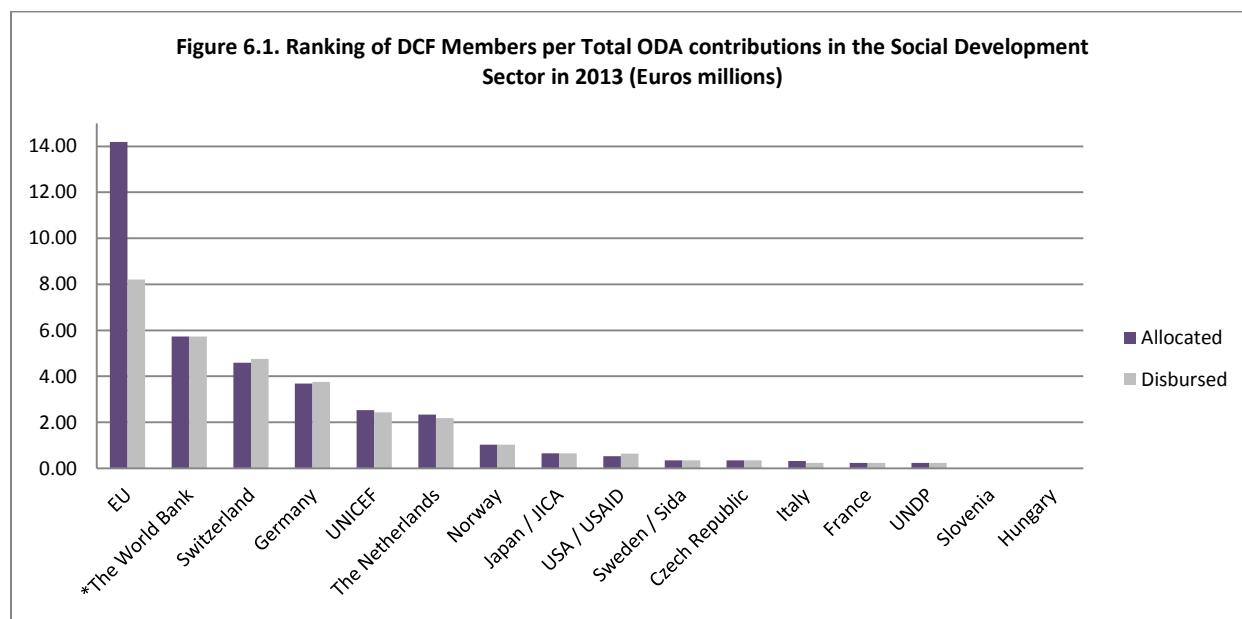
The ***Education and VET Education* sub-sector in BiH recorded slow-paced progress in 2013.** Federation of BiH adopted Strategic Directions for the Development of Higher Education, together with the Measures for Prevention of Corruption in Higher Education and Strategic Plan for Advancement of Early Growth and Development of Children in FBiH 2013-2017. Besides, number of children attending early childhood education has continued to increase, and enrolment rates in higher education increased slightly in the 2013 academic year. But, the major bottlenecks of the education system, namely the mismatch between the qualifications demanded by labour market and the profile of graduates coming out of the education and vocational training systems, are still to be addressed. There has been some progress in the area of Culture, while very little progress was made in the area of Research and Innovation. Participation in the EU research programme has slightly improved, as a result of support from foreign assistance, but insufficient actions were taken in the strengthening research and innovation the capacities at the national level, while In particular the level of investment in research continues to stagnate at a very low level of GDP.

Donor activities in 2013

DCF members active in the Social Development sector in 2013 are the EU, the World Bank, Switzerland, Germany, UNICEF, the Netherlands, Norway, Japan / JICA, USA /USAID, Sweden / Sida, Czech Republic, Italy, France, UNDP, Slovenia and Hungary.

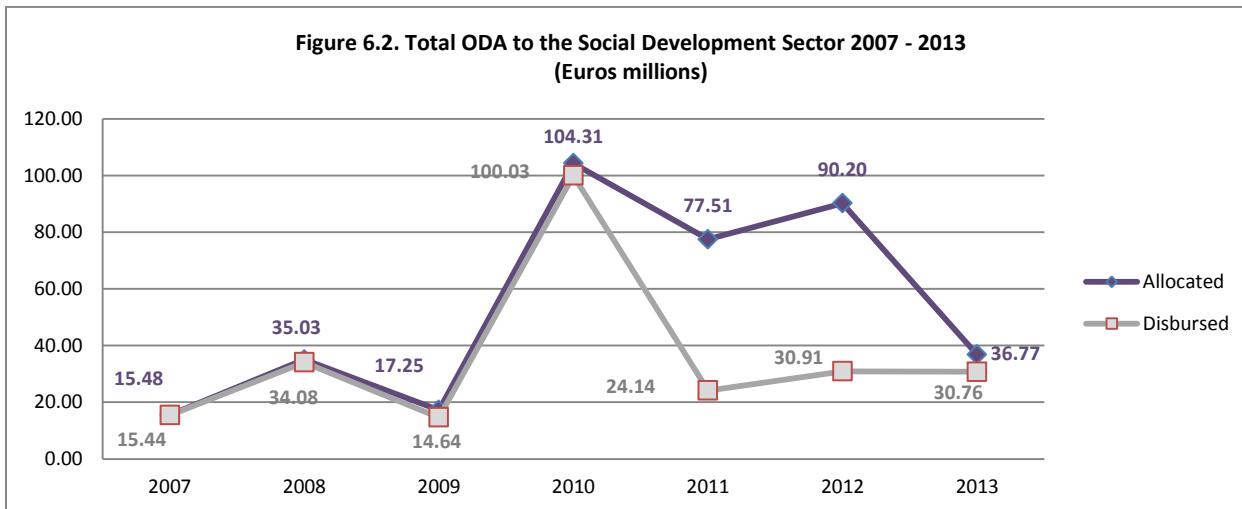
In 2013, total allocations of the DCF members to the Social Development sector was €36,77 million, out of which €31,05 million was in a form of grants, and €5,72 million in the form of a loan (the World Bank). Total disbursements to the Sector in the observed period amounted €30,76 million, out of which €25,04 million was disbursed in a form of grants, and €5,72 million in a form of a loan.

Figure 6.1. shows the leading donors in the Social Development sector in 2013 were EU and the World Bank, followed by Switzerland, Germany, UNICEF, the Netherlands, Norway, Japan / JICA, USA/USAID, Sweden / Sida, Czech Republic, Italy, France, UNDP, Slovenia and Hungary. ODA disbursements to this Sector follow the similar pattern.



***Note:** ODA assistance provided to the Social Development sector was in the form of grants, with exception of the World Bank, which provided aid in a form of loan.

Figure 6.3 indicates a notable increase of ODA contributions between 2009 and 2012, since when the decrease in aid inflows in this Sector started again. Although, the most of the partner countries have been influenced by the debt crisis during that period, the increase in aid flows in the period 2009-2012 was realized through implementation of EU projects, agreed and activated after the signing of SA Agreement in 2008. Also, in 2010 the European Commission finalized the Europe 2020 – Strategy for Smart, Sustainable and Inclusive Growth based on knowledge and innovation in economic development, fuelling additionally inflows in this Sector. However, slow implementation of the Reform activities resulted in the sharp fall of investment in this Sector in 2013.



In 2013, 5% of total ODA was allocated, while 6 % was disbursed in the Social Development Sector.

Major projects in the Social Development sector are listed below¹⁹²:

| Project title | Donor/Financial Institution | Total Project Value (Euros millions) |
|---|-----------------------------|--------------------------------------|
| Health Sector Enhancement Project (Loan) | The World Bank | 19,46 |
| Social Safety Net and Employment Support Project (Loan) | The World Bank | 10,75 |
| Support to durable solutions of Revised Annex VII DPA Implementation Strategy | EU | 7,00 |
| Strengthening of Nursing in BiH, inception phase | Switzerland | 4,56 |
| Market Makers | Switzerland | 4,29 |
| Mental Health Project in Bosnia-Herzegovina, Phase 1 | Switzerland | 3,79 |
| Birac Region Advancement and Cooperation | The Netherlands | 2,15 |
| Reinforcement of Local Democracy Phase III | UNDP/EU | 2,13 |
| Demining projects in 2013 | Germany | 1,58 |
| Entry ticket FP7 first tranche | EU | 1,30 |

All projects are available in the Donor Coordination Forum Database via following link:

http://dmd.donormapping.ba/dmd/faces/dmdPublicStart?_afrWindowMode=0&_afrLoop=342677494085424&_adf.ctrl-state=mk4nl7ill_4

Legal framework and sector strategies adopted in 2013

In January 2013, the Government of FBiH adopted the Strategic Directions for the Development of Higher Education in FBiH 2012 – 2013, together with Measures for Prevention of Corruption in Higher Education in FBiH and Policy for the improvement of nutrition of children in the FBiH.

¹⁹² Due to large number of the projects in the Social Development sector, only some projects are mentioned in this report. All projects classified under the Sector are accessible in the DCF database (www.donormapping.ba).

In February 2013, the Parliamentary Assembly of FBiH adopted the Law on Change and Amendments to the Law on Protection of Persons with Mental Disorders¹⁹³.

In March 2013, the Government of FBiH adopted the Strategic Plan for Advancement of Early Growth and Development of Children in FBiH 2013-2017, together with the Strategy for preventing and combating domestic violence 2013 – 2017. At the same time, the National Assembly of RS adopted the Law on Realization of the Rights for Age Retirement of Professional Servicemen¹⁹⁴.

In May 2013, the Parliamentary Assembly of Brcko District of BiH adopted the Law on Changes to the Law on Health Protection¹⁹⁵.

In June 2013, Parliamentary Assembly of FBiH has adopted the Law on Nursing and Midwifery¹⁹⁶, while the Government of RS adopted the Program to Control Tuberculosis in RS from 2013 to 2017.

In July 2013 the Law on Medical Practice in FBiH¹⁹⁷ was adopted, while the Parliamentary Assembly of Brcko District adopted the Law on Safety and Protection of Health of Employees at Work¹⁹⁸.

In September 2013, FBiH Parliamentary Assembly adopted the Law on Amendments to the Law on Health Protection¹⁹⁹.

In November 2013 the Government of FBiH adopted the Program to Control Tuberculosis in FBiH 2013 – 2017, while at the same time, the National Assembly of RS adopted the Law on Changes and Amendments to the Law on Higher Education²⁰⁰ and the Law on the Academy of Sciences and Arts of RS²⁰¹

Donor coordination

In order to coordinate donor activities and discuss progress in the implementation of reforms, Donors active in Social Development sector meet with representatives of BiH authorities more or less regularly, differently in each of sub-sectors within the Sector. However, sector wide donor coordination mechanism in this Sector still does not exist, except in the area of Health, Gender and Education.

Within the **Employment** sub-sector, internal coordination boards between relevant institutions (Employment Bureaus, State and Entity agencies for employment, etc.) are established and functional, but the formal sectoral coordination between domestic institutions and donors active in this sub-sector is yet to be established.

¹⁹³ Official Gazette of FBiH no. 14/13

¹⁹⁴ Official Gazette of RS no. 26/13

¹⁹⁵ Official Gazette of Brcko District of BiH no.9/13

¹⁹⁶ Official Gazette of FBiH no. 43/13

¹⁹⁷ Official Gazette of FBiH no. 56/13

¹⁹⁸ Official Gazette of Brcko District of BiH no. 20/13

¹⁹⁹ Official Gazette of FBiH no. 75/13

²⁰⁰ Official Gazette of RS no. 108/13

²⁰¹ Official Gazette of RS no. 108/13

There is no formalized donor coordination mechanism or information sharing at the ***Social Inclusion*** sub-sector, at present. However, the Conference for the Health sector in Bosnia and Herzegovina acts as a permanent advisory and coordinating body, established to achieve better insight in donor led activities in this sub-sector. Besides, in the course of 2013, the Council of Ministers established the Commission for implementation of International Health Regulations of the World Health Organization (WHO), as a state contact-point for implementation of the health measures ascertained by the International Health Regulations (2005) of the WHO.

Regarding the gender equality area, the Coordinating Committee for monitoring the implementation of the Action Plan for the Implementation of UNSCR 1325 is successfully fulfilling its role as an inter-institutional mechanism of coordination. Intensive collaboration among donors during the creation of Funding Mechanism for the Implementation of Gender Action Plan 2009-2014 (FIGAP) has strengthened the coordination of the gender mainstreaming process in BiH. The BiH Agency for Gender Equality, the FBiH and RS Gender Centres cooperate very successfully. They coordinate their work through activities and regular meetings of the Coordination Body of the Gender Institutional Mechanisms of BiH and the Steering Committee, established to monitor implementation of FIGAP Program.

Within the ***Education*** and ***VET Education*** sub-sectors, BiH Ministry of Civil Affairs organized and led several sector Working-group meetings, with leading local and international stakeholders in Education sector. The Conference of Ministers of Education (CoEM), as a main coordinating body among the 14 ministries of education in BiH convened only twice in 2013. In the aim to improve coordination in Education sector, all stakeholders expressed the need for a strengthening the role of this body in the forthcoming period.

Donors active in the Social Development sector regularly attended the Donor Coordination Forum (DCF) meetings hosted by BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid (MOFT/SCIA).

Future activities

The Social Development sector in 2013 had registered fragmented and uneven progress in its sub-sectors, caused mainly by lack of financial resources, implementation capacities and insufficient horizontal and vertical communication and exchange of information between relevant institutions from all levels of governance in BiH. In the forthcoming period a strong donor's support will be necessary to enable further improvements within the areas of Employment, Social Care and Education and conduct the reforms which will ensure better Social Protection system in Bosnia and Herzegovina.

The ***Employment*** sub-sector needs donors support to decrease unemployment and improve the Social Protection system, contributing in that way the reduction of poverty in Bosnia and Herzegovina. Besides, the reform process requests further improvement of Public sector capacities responsible for preparation, adoption and application of international labour standards, approximation of the domestic legislation with the *acquis* and constant awareness raising campaigns on skills development, specially focused on youth.

Improvements within the **Social Inclusion** sub-sector, especially in the area of support to vulnerable groups, including Roma, are among others an obligation under the EU enlargement policy. In that regard, an overall formal mechanism of coordination is proposed from various domestic stakeholders in order to speed up the communication and information exchange between all levels of governments in BiH.

In the Health area, future activities should be focused on further improvements in efficiency and quality of Health Services, Public Health System financial sustainability and harmonization of the Legal Framework in Bosnia and Herzegovina with the EU Legislation (*acquis*).

In the Gender Equality area, further improvement of coordination and cooperation among institutions within BiH as well as with donors are needed. Also, the Gender Equality policies in the areas of Labour, Employment and Entrepreneurship (economic empowerment of women) should be harmonized.

The reform of the **Education** sub-sector and the implementation of an Adult Learning System (**VET Education**) need further support in order to fulfil labour market requirements. In that regard, BiH needs to enhance the implementation of the Bologna Process and Baseline Qualifications Framework for BiH, as well as to put more emphasis on improvement of the pre-school, primary and secondary education. Adjustment to demands of labour market is crucial. It should be noted that increased labour market participation, together with promoting social inclusion and fighting poverty is linked to the Europe 2020 agenda and should provide more support from EU funds.

| | |
|--|---|
| DCF members active in the sector in 2013 | UNDP, Switzerland, EU, Sweden / Sida, Czech Republic, Norway, USA / USAID and France. |
| Total allocation / disbursement to the sector in 2013 by DCF members | 2013: Total allocated €14,36 million, Total disbursed €10,92 million – all in a form of grants |
| Legal framework and Sector strategies | Previously adopted legal framework and sector strategies are available on http://www.donormapping.ba/index.php/donor-mapping-reports/dmr-2011-2012 |
| Donor coordination | Donors active in the sector regularly attended Donor Coordination Forum quarterly meetings hosted by BiH Ministry of Finance and Treasury/Sector for Coordination of International Economic Aid. |

As explained previously, in the Introduction and Overview of ODA allocations parts of this document, the Cross – Cutting Sector replaced previously called Temporary, for projects which donors were not able to classify within the sectors existing in the DMD.

In 2013, total ODA allocations of DCF members to the Cross - Cutting Sector were €14, 36 million in a form of grants, while total disbursements during the observed period were €10,92 million.

Figure 7.1. indicates the leading donors in the Cross – Cutting Sector in 2013 were the UNDP, Switzerland, EU, Sweden/Sida, Czech Republic, Norway, USA / USAID and France. Disbursed contributions in the Sector follow the same ranking.

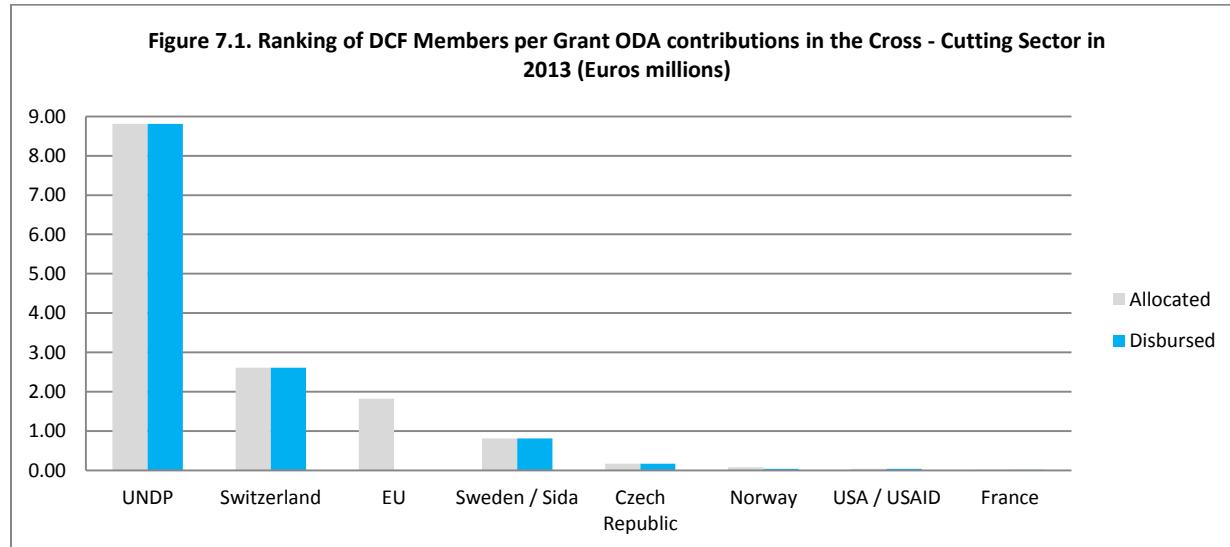
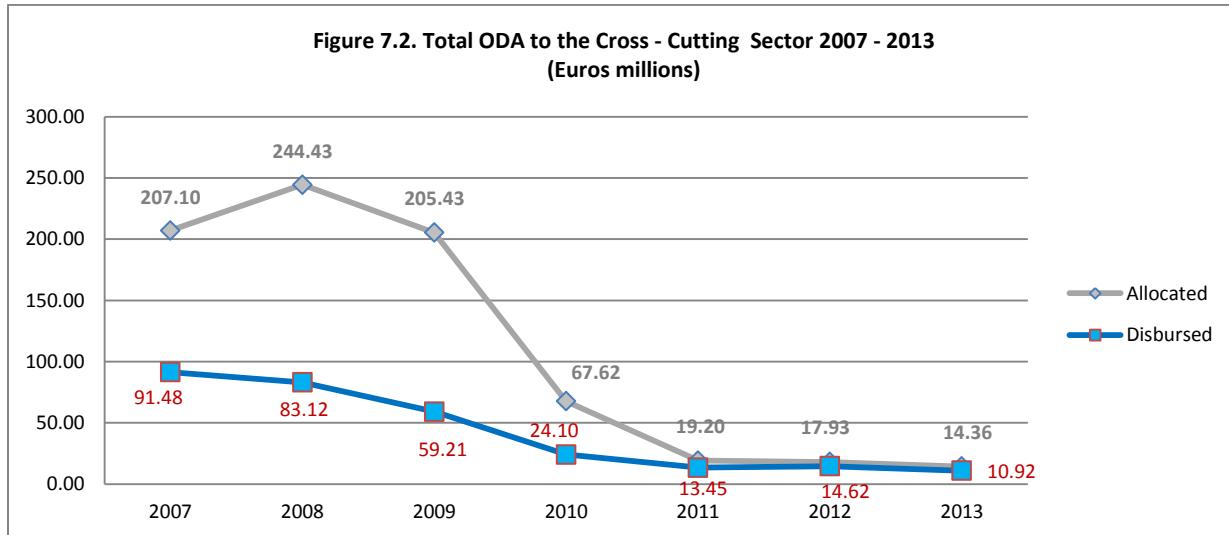


Figure 7.2. shows trends in allocations and disbursements to this Sector during the period 2007-2013. It is noticeable that donors are more aware of the concrete development sectors in BiH needing support, which can be observed within the trend of the curve. However, in 2013 the large amount of aid is still assigned to this Sector.



In 2013, 2% of total ODA was allocated and disbursed in the Cross-Cutting Sector.

- **Croatia²⁰²**
- **Czech Republic**
- **France**
- **Germany**
- **Hungary**
- **Italy/The Italian Development Cooperation (IC)**
- **Japan/Japan International Cooperation Agency (JICA)**
- **The Embassy of the Kingdom of the Netherlands**
- **The Royal Norwegian Ministry of Foreign Affairs**
- **Republic of Slovenia**
- **Sweden/Swedish International Development Cooperation Agency (Sida)**
- **Government of Switzerland**
- **United Kingdom / Foreign and Commonwealth Office (FCO)**
- **United States of America/United States Agency for International Development (USA/USAID)**
- **European Bank for Reconstruction and Development (EBRD)**
- **European Union (EU)**
- **European Investment Bank (EIB)**
- **United Nations Children`s Fund (UNICEF)**
- **United Nations Development Program (UNDP)**
- **The World Bank**
- **International Finance Corporation Bosnia and Herzegovina (IFC)**

²⁰² Republic of Croatia became a member of DCF in July 2013 and has not participated in the survey..

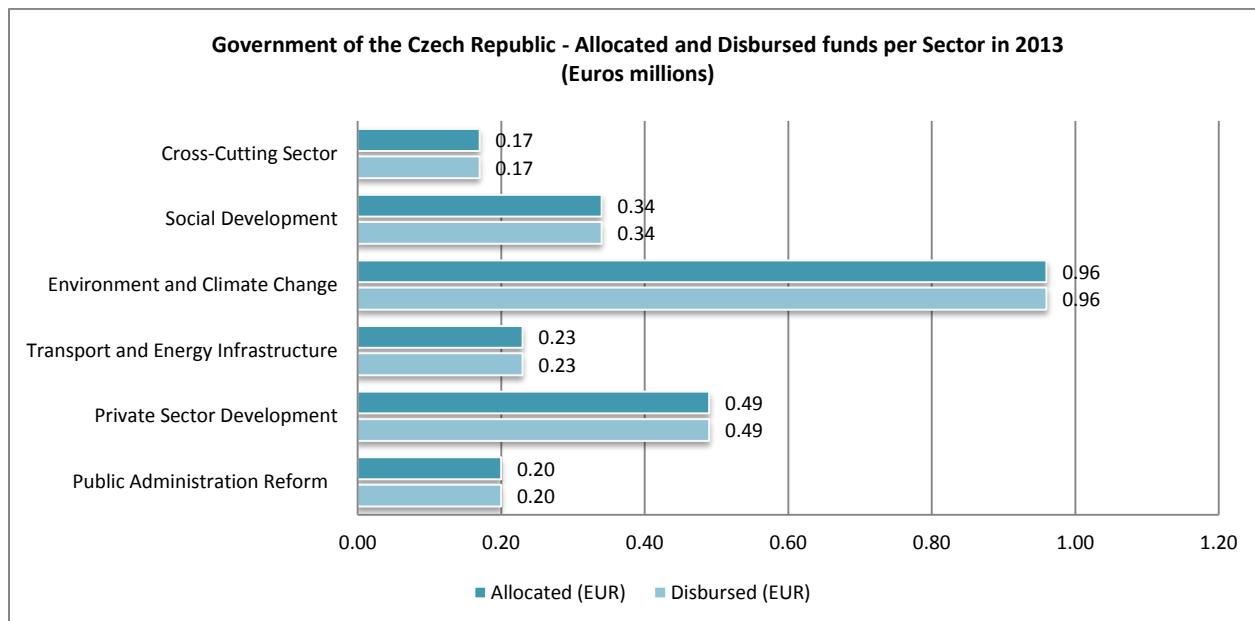
Czech Republic

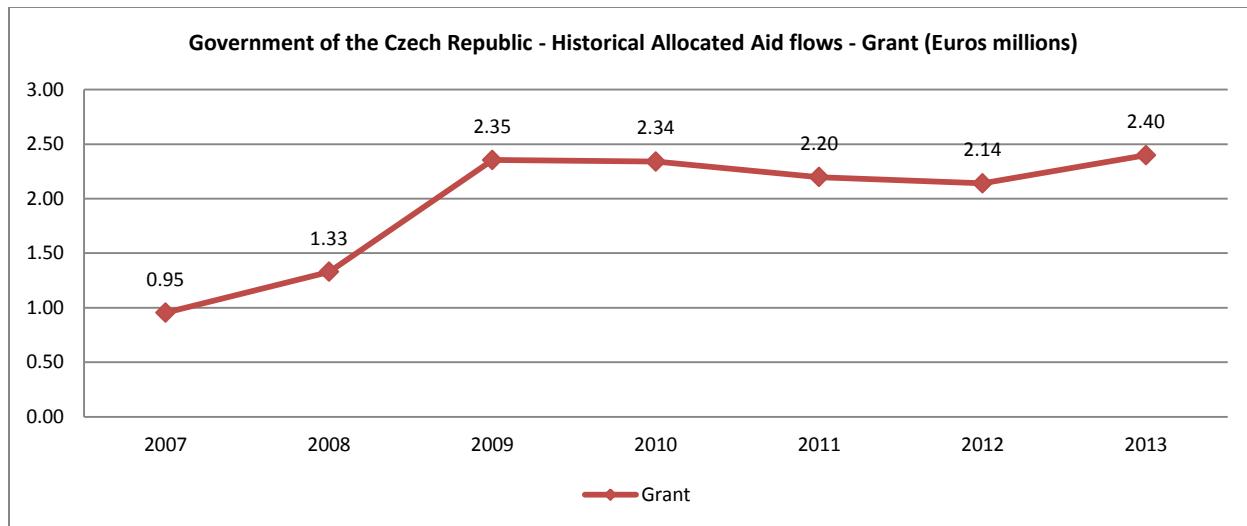
Policy approach

Bosnia and Herzegovina has been among the long-term priorities of the Czech Republic and as such, has been included within the Development Cooperation Strategy of the Czech Republic 2010-2017 among programme priority countries for development cooperation. Current Development Cooperation Programme of the Czech Republic with Bosnia and Herzegovina, launched in 2011, defines the following priority sectors: water supply and sanitation; general environmental protection; energy generation and supply; government and civil society; health; agriculture, forestry and fishing. The cooperation should primarily take advantage of the Czech Republic's experience with the process of post-communist socio-economic transition and European integration, thus bringing additional value added.

Key activities in 2013

The Government of the Czech Republic allocated **€ 2.40 million** and disbursed **€ 2.40 million** in 2013 in **the form of grant** to the following sectors: Water supply and sanitation, General environmental protection, Energy generation and supply, Government and civil society, Health and Agriculture, forestry and fishing specified through the MIPD sectors in the table below.





Medium and long-term approach

The aim of the present Development Cooperation Programme for the period of 2011 to 2017 is to improve the economic and social standing of Bosnia and Herzegovina in the context of the country's integration into the EU. Czech development cooperation in Bosnia and Herzegovina will therefore increasingly focus on the transfer of knowledge and provision of assistance in building the administrative capacities that are necessary for EU membership as well as on approximation of legislation and provision of technical assistance. The status of Bosnia and Herzegovina as a programme priority country, as well as the scope and value of projects implemented in the country within the framework of Czech development cooperation will depend on the pace of the country's integration into the EU.

The Czech Republic will promote direct coordination and cooperation (e.g. joint programming, project implementation or evaluation) with selected donors so as to maximise the potential of development cooperation of the Czech Republic. In this respect Czech Development Agency signed a memorandum of understanding with USAID and Sida 2011 in the field of agriculture with a possibility of extension to other sectors.

Czech development cooperation with Bosnia and Herzegovina takes place in the following forms:

Major development cooperation projects managed by the Czech Development Agency - These are usually 2-3 year-long projects, whose implementing bodies are selected by the Czech Development Agency. The cooperation should primarily take advantage of the Czech Republic's experience with the process of post-communist socio-economic transition and European Integration, thus bringing additional value added.

Small local projects, which allow small and targeted development activities - Unlike the major projects, small local projects are implemented by local organizations selected by the Embassy of the Czech Republic in Sarajevo and their implementation must take place within the year for which they were approved.

Transition programme, aimed at support to democracy and human rights, using the Czech Republic's recent experience with social transition and democratization of the country. Applicants for this Program must be Czech organisations, which, in the course of the implementation of the project, have to cooperate with their Bosnian counterparts.

Scholarship programme, offers several scholarship programs for Bosnian students who intend to study at Czech public universities (in Czech or English languages). Programmes in Czech language cover the majority of fields of study and all three stages of university studies.

Donor coordination efforts

Apart from the DCF chaired by the BiH Ministry of Finance and Treasury, the Czech Republic takes part in the sectoral donor coordination meetings in the field of agriculture, organized by the BiH Ministry of Foreign Trade and Economic Relations, and in donor meetings on youth organized by USAID. Furthermore, it participates in meetings organized by the Delegation of the EU in Sarajevo which are primarily related to IPA projects.

Contact information:

Embassy of the Czech Republic in Sarajevo

Address: Franjevačka 19

71000 Sarajevo, BiH

Phone: +387 33 447 525; 446 966

Fax: +387 33 447 526

Email: sarajevo@embassy.mzv.cz

Web address: <http://www.mzv.cz/sarajevo>

France

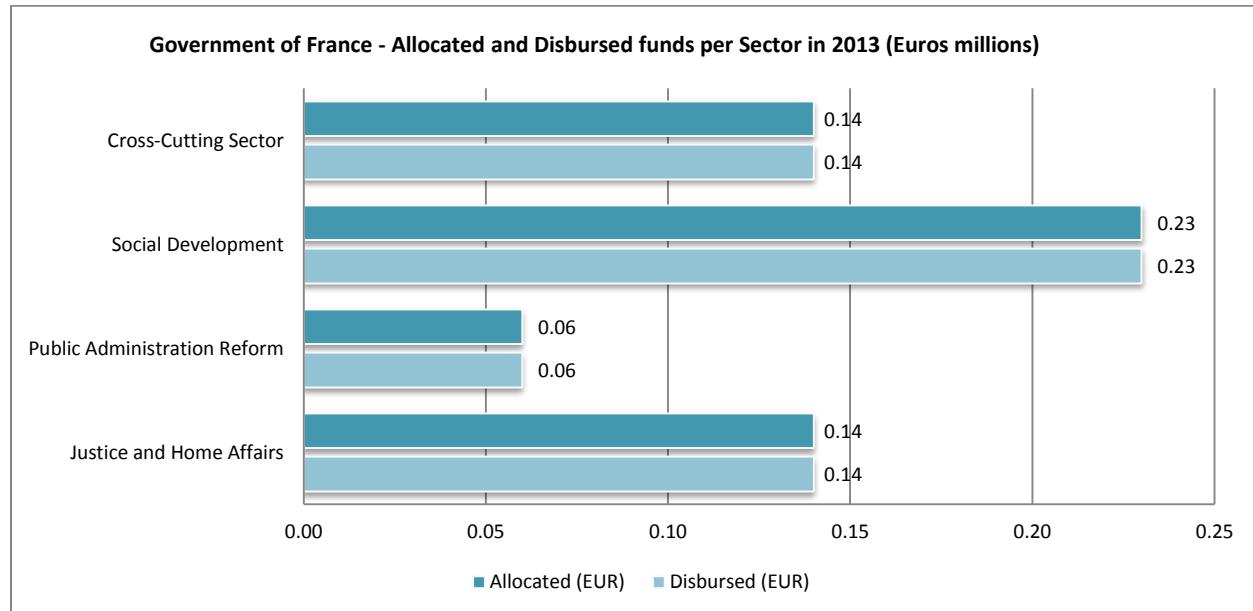
Policy approach

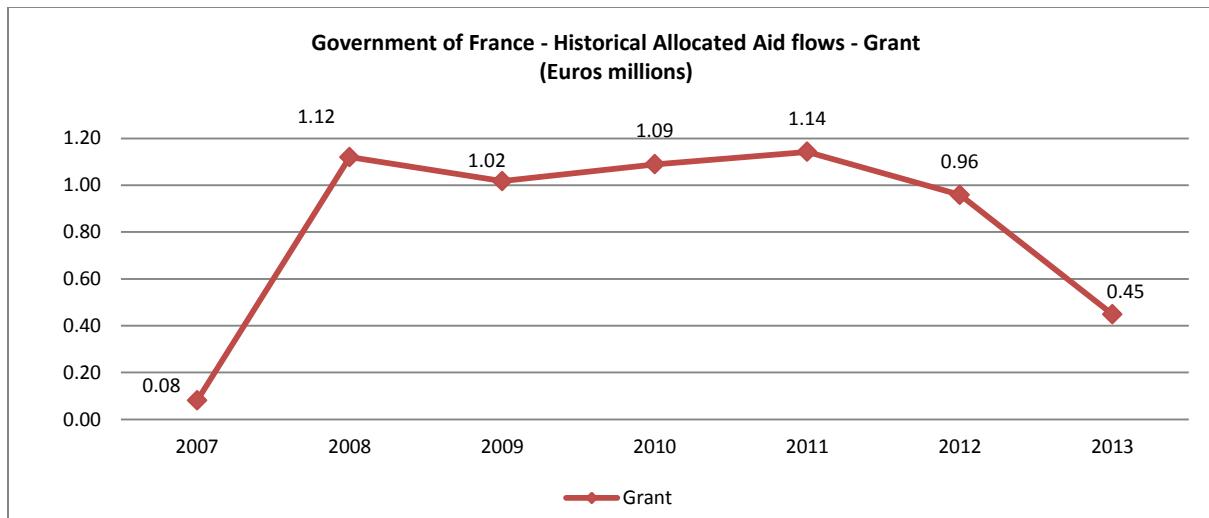
The French Embassy in Bosnia and Herzegovina is implementing different programs, following priorities designed by the French Ministry of Foreign Affairs in order to support the country in its efforts towards European integration. The work is carried out according to four main links, with an integrated approach: Interior security, technical cooperation including governance and high education and scientific cooperation, culture and civil society including Francophonie, reprise de l'*acquis*.

Some of the activities are financed with a large support of the European Union (including Taiex), some others are financed directly by French government and French local collectivises.

Key activities in 2013

The Government of France allocated **€ 0.45 million and disbursed € 0.45 million in 2013** in order to support and drive bilateral and multilateral cooperation projects linked to the following sectors: Justice and Home Affairs, Public administration reform, Social Development and Cross – Cutting Sector.





Medium and long-term approach

Basically the French cooperation is organized with the goal of getting the Bosnian people always more implicated in a socio-economical project for their country. Key points are the promotion of the concept of sustainable development and the highlighting of the interest of working on a local level, using all the possibilities offered by decentralized cooperation and twinning strategies and links between universities and enterprises. The actual trend is to build networks and partnerships in order to mobilize co-financing from private sector and other international donors. Direct funding with no counterpart will disappear.

Donor coordination efforts

French government is of course participating to all donor coordination efforts, including sector working groups. The main coordinator is European Delegation in BiH. UN and Regional Cooperation Council (RCC) are also efficient as well as several Bosnian ministries. Donors like USAID are also analysing and sharing priorities with other local funders. French Embassy works simultaneously with groups like Foreign Investors Council/Vijece stranih investitora – FIC.

Contact information:

Cooperation and Culture Office, French Embassy

Address: Mehmed-bega Kapetanovića Ljubušaka 16

71000 Sarajevo, BiH

Phone: +387 33 282 700

Fax: +387 33 282 711

Email: catherine.constant@diplomatie.gouv.fr

Web address: www.ambafrance-ba.org

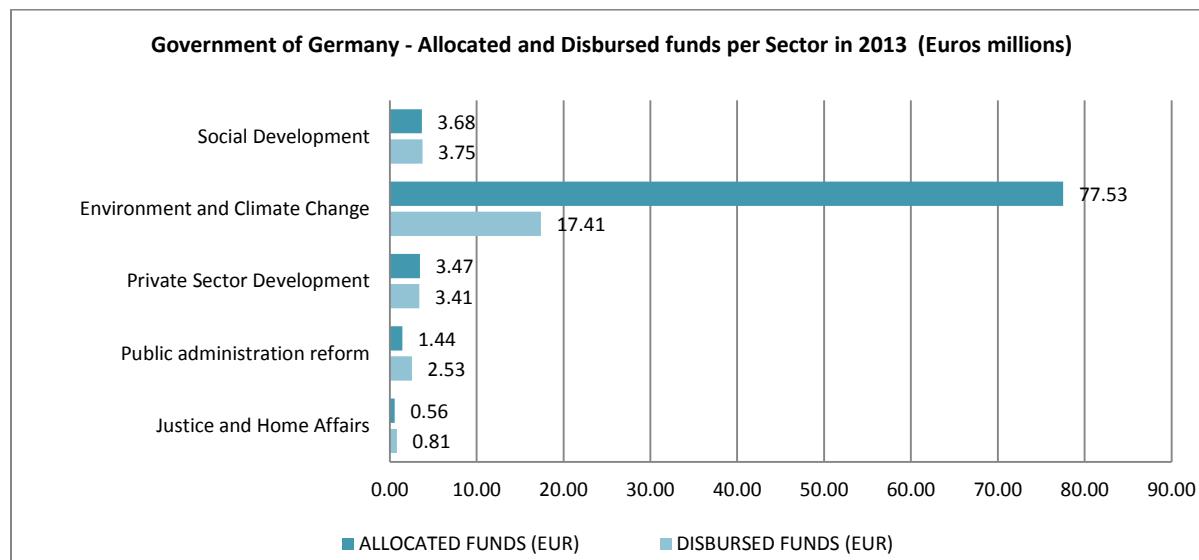
Germany

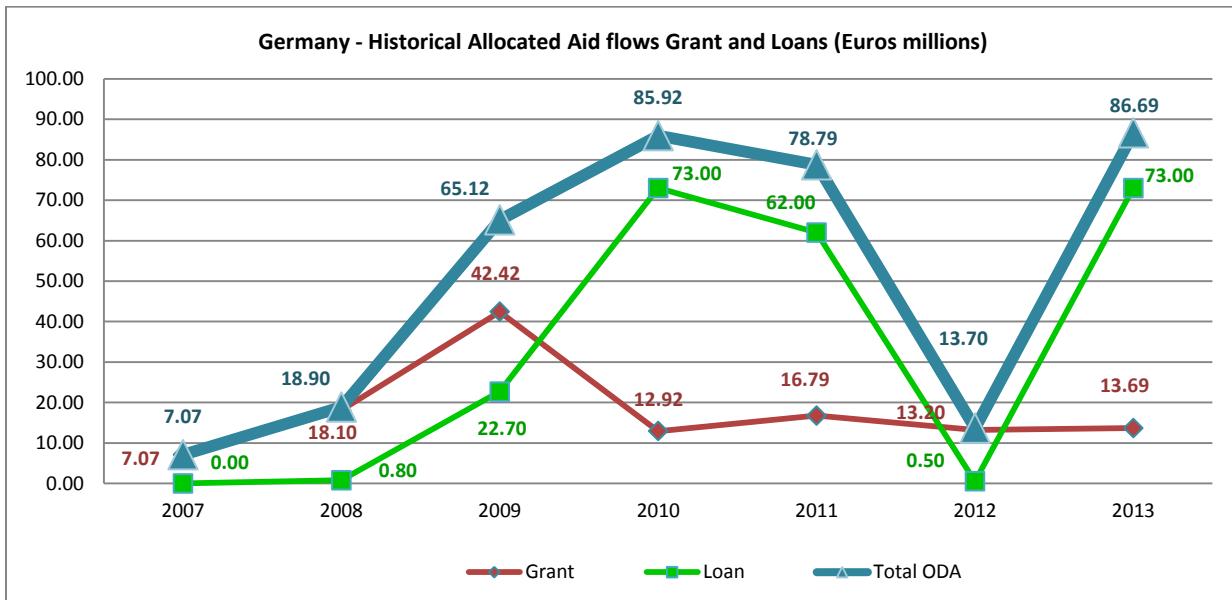
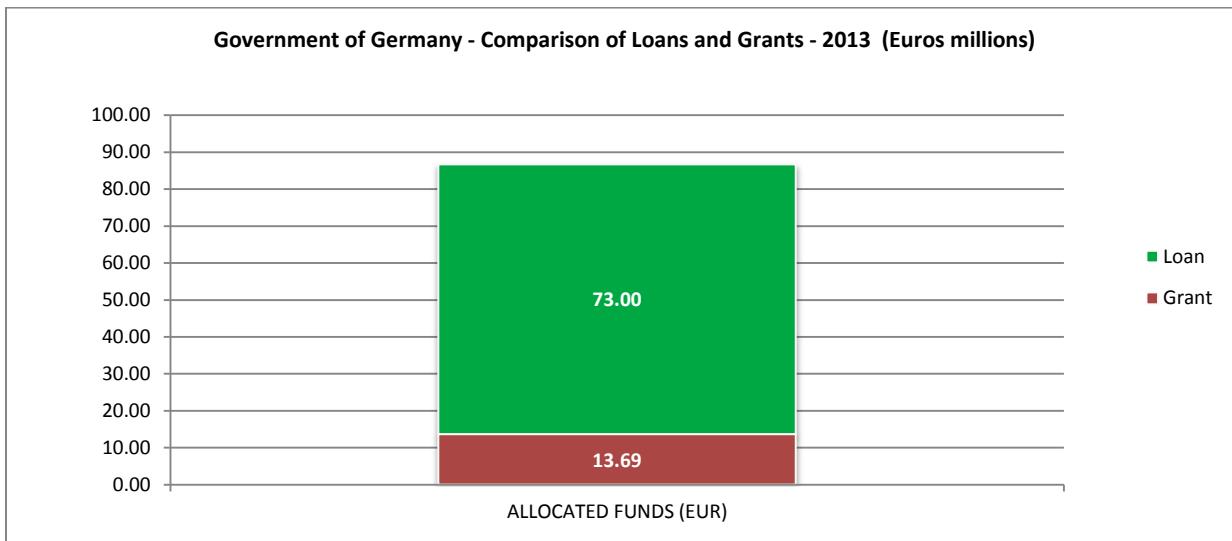
Policy approach

Germany is committed to assist BiH in developing into a functioning market economy, in aligning its legal system with the EU *acquis* and in overcoming the consequences of the war and the recent flooding. For this the German government has mandated several implementing agencies to conduct its development assistance in BiH. The most prominent are the Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) and the KfW-Entwicklungsbank (Development Bank). Projects are also implemented through integrated experts, twinning projects, political foundations and other German institutions represented in BiH. The Embassy coordinates these efforts and implements directly funds from the Stability Pact for South Eastern Europe as well as small-scale projects.

Key activities in 2013

The Government of Germany allocated **€ 86.69 million** and disbursed **€ 27.92 million** in 2013 in the form of grant and loan to the following sectors: Justice and Home Affairs, Public administration reform, Private Sector Development, Environment and Climate Change, Social Development.





Environment and climate change:

- *Water supply and waste water*

Various ongoing projects of KfW in RS and Federation BiH. No new projects started in 2013.

- *Renewable energies*

Various large-size projects of KfW ongoing both in RS and Federation BiH; both greenfield projects and rehabilitation of existing hydro power plants, furthermore financing of two wind farm projects, one each in RS and Federation BiH. Signing of two new loan agreements to finance (a) wind farm in Podvelezje - loan amount € 65 million and (b) phase III of rehabilitation of hydro power plant Trebinje.

- *Energy efficiency*

Ongoing GIZ supported project aims at capacity development for energy efficiency at municipal and entity level. Energy efficiency is also subject of a regional project.

Private sector development

KfW supports the private business sector by providing funds to one specialized SME-lending institution thus contributing to a stronger capital funding base of that institution.

The ongoing program implemented by GIZ builds capacities in public and private sector for strengthened competitiveness of selected business locations (groups of neighboring municipalities) and their respective small and medium enterprises. Supported sectors in this program as well as second project include agricultural value chains (fruits, berries, soy bean). Advisory services on foreign trade are offered through a regional project. Adult education targets better employability.

Public administration reform

Program cooperating with PARCO and public institutions at state level to increasingly fulfil the standards of the Public Administration Reform Strategy. Justice affairs are dealt within a regional GIZ-project for South Eastern Europe.

A regional project works on improved municipal services.

Medium and long-term approach

Within the framework of Financial Cooperation the Government of Germany through the Ministry of Economic Cooperation and Development intends to focus its activities on projects in the sector of Renewable Energies, i.e. the financing of greenfield investments in hydro power plants and wind farms as well as the rehabilitation of existing hydro power plants. KfW will be in charge of financing such projects on behalf of the German Government.

There will be continuity regarding GIZ's fields of intervention. In all projects requirements of the EU integration process are taken into account.

Donor coordination efforts

German Embassy, GIZ and KfW participate in the DCF. KfW does not participate in sector working groups but has, where needed, bilateral contacts with other donor agencies. German Embassy, GIZ and KfW also coordinate within the EU Member States Aid Coordination Meeting organized by the EU-Delegation.

GIZ participates in several sector coordination groups with those donors and implementing agencies that have interventions in the sector, e.g. public administration reform, local governance, energy efficiency.

Contact information:**Embassy of the Federal Republic of Germany in Bosnia and Herzegovina**

Address: Skenderija 3
71000 Sarajevo, BiH
Phone: +387 33 565 300
Fax: +387 33 212 400
Email: wi-1@@sarj.diplo.de
Web address: www.sarajewo.diplo.de

GIZ Office Bosnia and Herzegovina

Address: Zmaja od Bosne 7-7a, Importanne Centar O3/IV
71 000 Sarajevo, BiH
Phone: +387 33 957 500
Fax: +387 33 957 501
Email: Brigitte.Heuel-Rolf@giz.de
Web address: www.giz.de

KfW-Office Bosnia and Herzegovina

Address: Zmaja od Bosne 7-7a, Importanne Centar O3/V
71 000 Sarajevo, BiH
Phone: +387 33 592 415/416
Fax: +387 33 592 517
Email: stephan.leudesdorff@kfw.de



Hungary

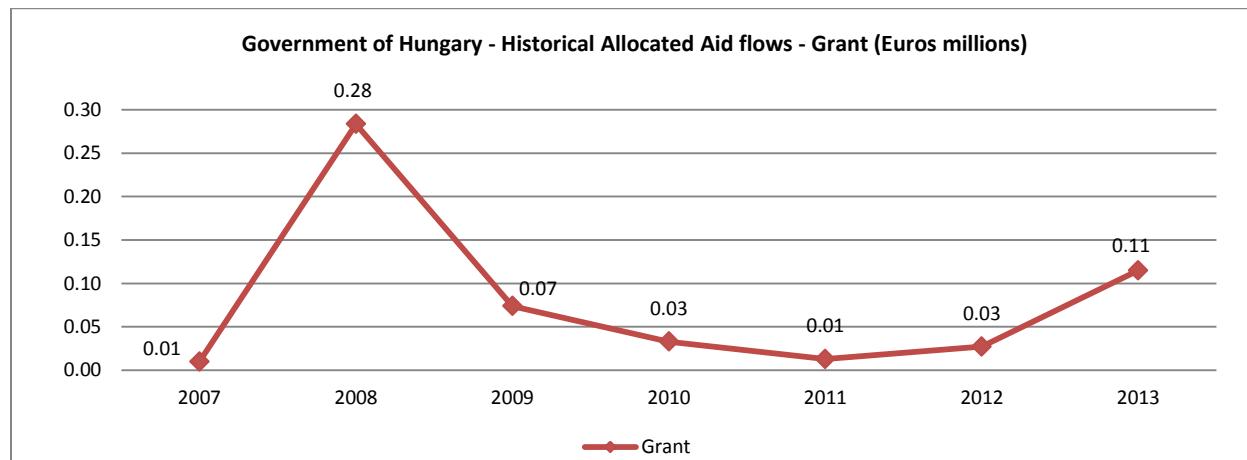
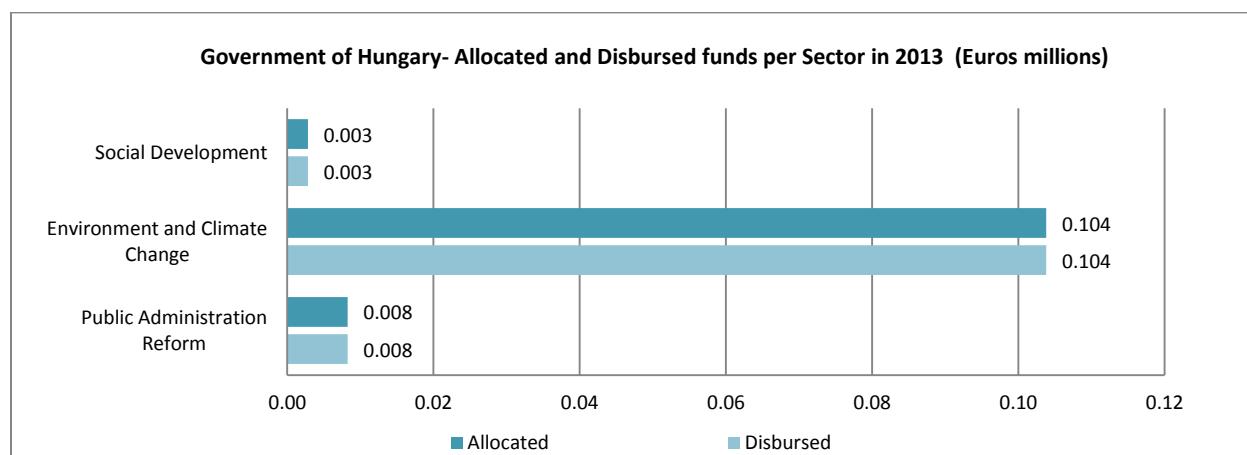
Policy approach

A key element of the Hungarian approach is to use the specific experience gained during Hungary's democratic transition (i.e. to market economy, to democratic functioning state) and its Euro-Atlantic integration (i.e. EU-integration, NATO-integration, regional cooperation) processes.

Due to the general budgetary situation in Hungary, only limited funds could be devoted to bilateral development assistance activities in the reporting period. On the other hand, Hungary is actively participating in EU IPA projects (support of law enforcement, census).

Key activities in 2013

The Government of Hungary allocated **€ 0.11 million and disbursed € 0.11 million in 2013 in the form of grant** to the following sectors: Public administration reform, Environment and Climate Change, Social Development.





Medium and long-term approach

The Government of Hungary expect to evolve in medium - and long-term role in BiH.

The Government of Hungary positive approach is based on the following considerations;

- Hungary's stabilizing economy opens wider possibilities also in international development cooperation.
- Western-Balkan countries, including Bosnia and Herzegovina constitute a region of outstanding importance and of strategic partnership.
- The relevant policy Strategy adopted by the Government of Hungary, provides the framework of a more streamlined development activity.

Target sectors of The Government of Hungary activities:

- Institutional development (reinforcement of democracy and rule of law, good governance, sharing our experience and best practices regarding transition and EU-integration process, capacity building, institution building/development, reinforcement of civil society)
- Green economy, green energy, environment- and climate protection, (rural and urban development, food safety, development of sustainable capacities in agricultural production, sustainable water management, sanitation, protection against and preparations for the negative impacts of climate change)
- Development of human resources and capacities (education, culture, equal opportunities, protection of minority- and vulnerable groups, development of social institutions, scientific network and information)

The Government of Hungary targeting an increased participation in Twinning and TAIEX programs, main areas are agriculture and rural development, institution building and good governance.

Donor coordination efforts

Government of Hungary does not participate in any donor coordination efforts.

Contact information:

Embassy of Hungary to Bosnia and Herzegovina

Address: Splitska 2

71000 Sarajevo, BiH

Phone: +387 33 205 302

Fax: + 387 33 268 930

Email: mission.sjj@mfa.gov.hu

Web addresses: www.mfa.gov.hu/emb/sarajevo

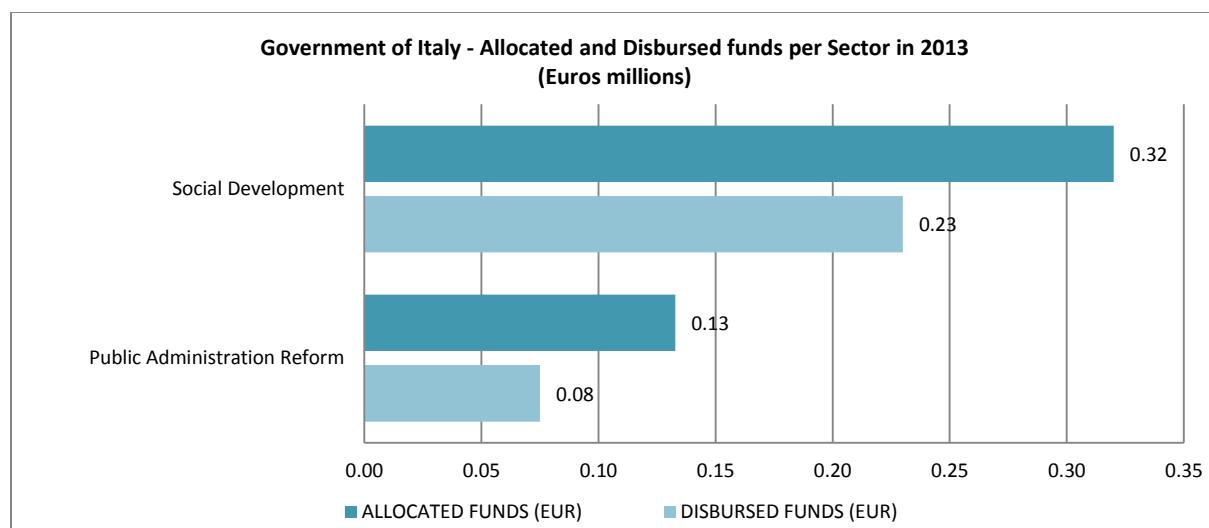
Italy/The Italian Development Cooperation (IC)

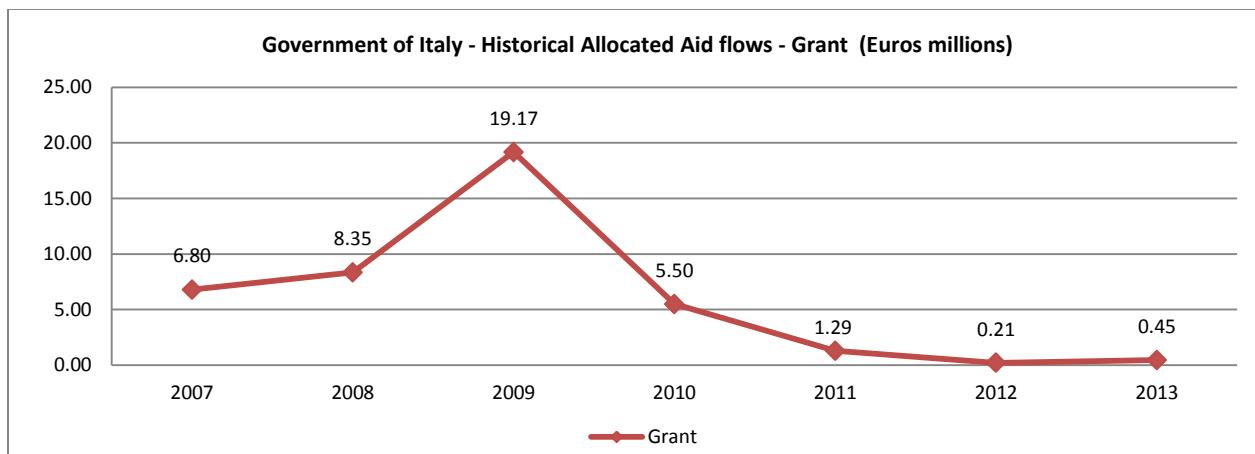
Policy approach

Bosnia and Herzegovina is considered as a priority country in the agenda of the Italian Development Cooperation. According to the strategic program for the period 2011-2013, the Italian Development Cooperation intends to continue supporting coherent initiatives for the social and economic development of the Country. The areas of activity of the Italian Development Cooperation are various and focused on poverty reduction and improvement of socio-economic conditions. The Italian Cooperation focuses on supporting sustainable development especially in the rural sector, institution-building and the protection of the most vulnerable social categories through numerous initiatives in economic and social fields. The type of activities that have been carried out until today confirm the commitment towards the consolidation of democratic processes and, indirectly, towards the protection of human rights, democracy, rule of law, good governance and the promotion of a culture of peace, based on multi-ethnic cohabitation. Such projects are financed through both bilateral and multi-lateral channels with the relevant participation of Italian NGOs and decentralised cooperation (Regions, Provinces and other local institutions).

Key activities in 2013

The Government of Italy allocated **€ 0.45 million** and disbursed **€ 0.31 million** in 2013 in the form of grant to the following sectors: Public administration reform and Social Development.





Medium and long-term approach

As far as future perspectives are concerned, the Italian Cooperation intends to continue operating and aims at strengthening its support in two more fields: support to SMEs and assistance for IPA funds.

As far the support to SMEs, the recent recognition of BiH's part of former Yugoslavia's debt has created the conditions for the IC to allocate soft loans to Bosnia and Herzegovina. Such initiatives are in line with the Italian priority to enhance the economic growth and the entrepreneurial capacity in the area.

Within the framework of EU integration, the Italian Cooperation Office in Sarajevo will continue to actively participate in Member States Coordination Meetings and enhance its assistance to Italian and Bosnian actors willing to apply to IPA tenders, Twinning in particular, providing them with information and facilitating the relationships with the Bosnian institutional counterparts.

Donor coordination efforts

Besides the DCF, the Italian Cooperation was a part of the following coordination efforts:

- EU Member States Coordination Meetings (EC Delegation).
- Donor Coordination for the support to the Court and the Prosecutor's Office of Bosnia and Herzegovina.
- International meeting on the EU Sector-Wide Approach in South East Europe.

Contact information:

The Italian Development Cooperation

Address: Čekaluša 51

71000 Sarajevo, BiH

Phone: +387 33 560 170

Fax: +387 33 667 227

Email: segreteria@utlsarajevo.org

Web address: www.utlsarajevo.org

Japan/Japan International Cooperation Agency (JICA)

Policy approach

The priority sectors for Japanese development assistance are the followings: (1) consolidation of peace/ethnic reconciliation, (2) development of the private sector and (3) protection of environment.

Education

Japan has assisted Bosnia and Herzegovina in modernizing informatics curricula through a grant aid program and technical cooperation projects. The Project for Informatics Curricula Modernization in Bosnia and Herzegovina, Phase 2 has been implementing since 1 August 2010.

Environment

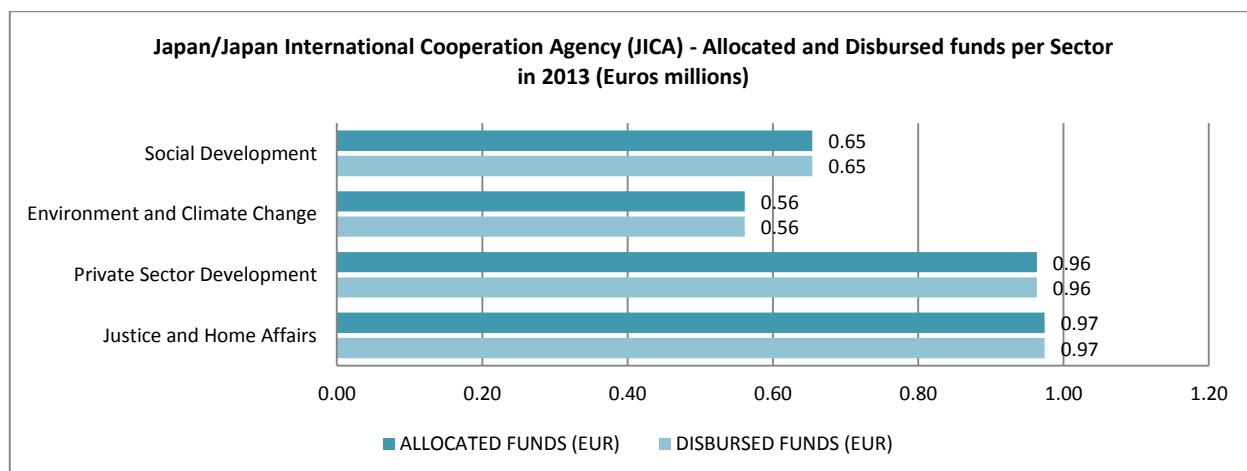
To reduce air pollutants (SO₂ and dust) by constructing Flue Gas Desulphurization (FGD) at Ugljevik Thermal Power Plant, thereby contributing to improvement of environment in BiH and complying with EU environmental regulation looking forward to EU accession.

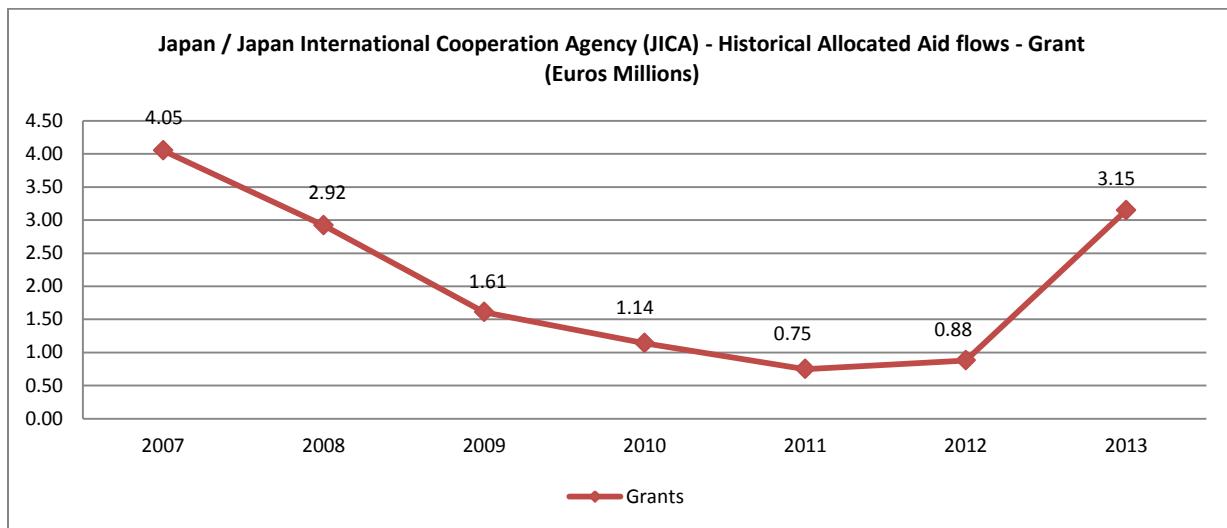
Tourism

In response to social needs of Bosnia and Herzegovina to achieve economic reconstruction and improvement of living standards, JICA has supported a tourism sector. "The project for Herzegovina International Tourism Corridor Development and Environmental Conservation" has been providing assistance for BiH's stakeholders to implement various activities for creation of an international tourism corridor by establishing round trip routes connecting tourism spots.

Key activities in 2013

The Japan International Cooperation Agency (JICA) **allocated € 3.15 million and disbursed € 3.15 million in 2013 in the form of grant** to the following sectors: Justice and Home Affairs, Private Sector Development, Environment and Climate Change, Social Development.





Medium and long-term approach

Japan will keep following cooperation sectors: (1) consolidation of peace/ethnic reconciliation, (2) development of the private sector and (3) protection of environment.

Contact information:

Japan International Cooperation Agency Sarajevo Office

Address: Bistrik 9

71000 Sarajevo, BiH

Phone: +387 33 220 190

Fax: +387 33 220 192

Email: jicabh@smartnet.ba

Web address: www.jica.go.jp/balkan/english/office/about/index.html



The Embassy of the Kingdom of the Netherlands

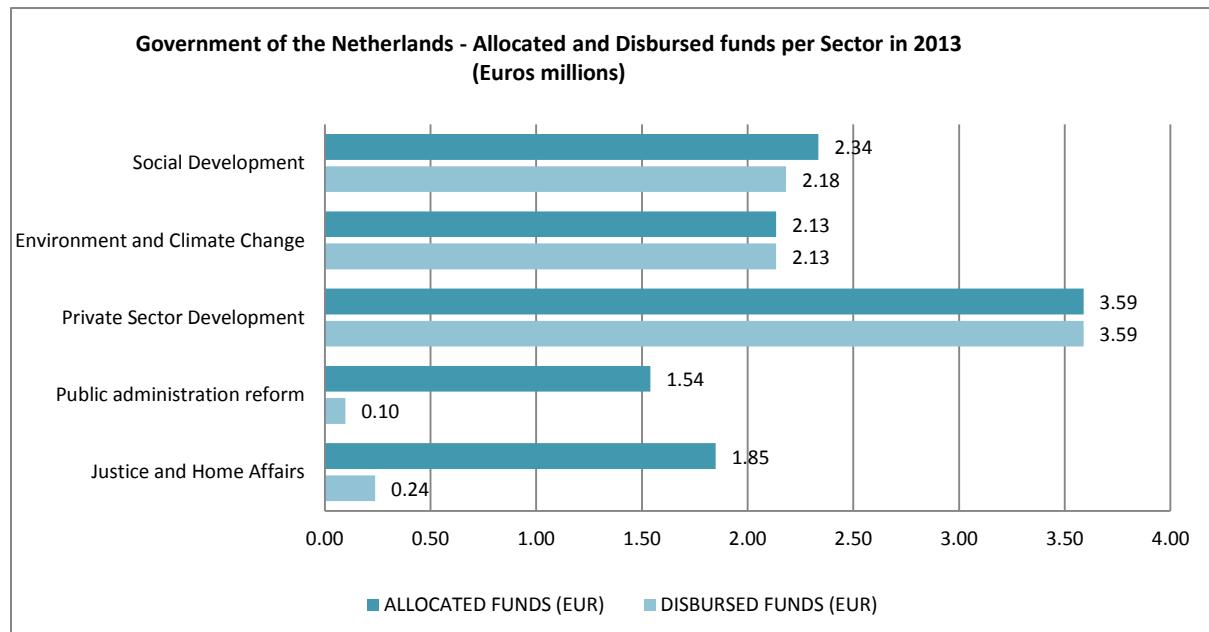
Policy approach

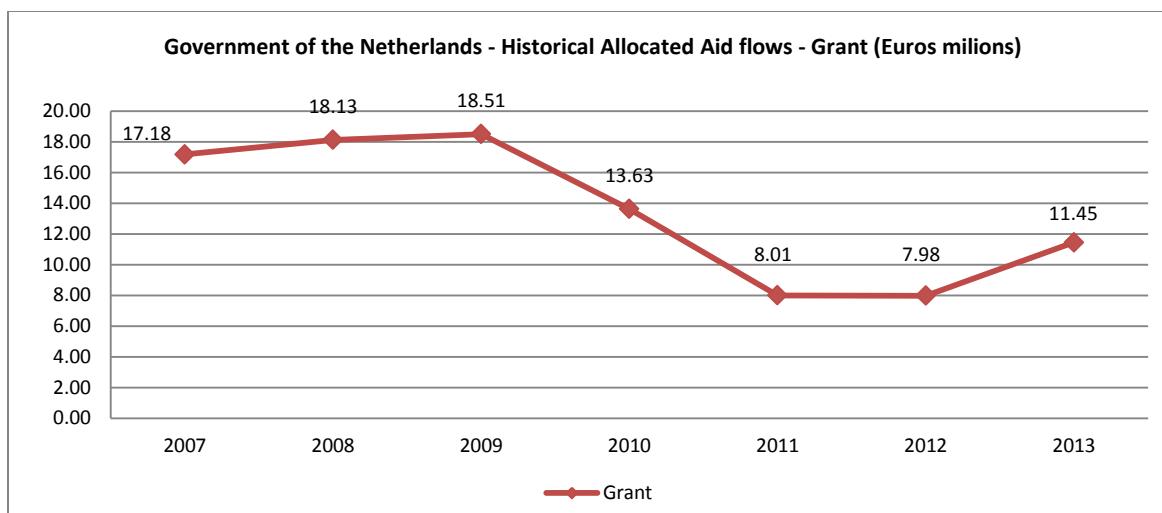
Bosnia and Herzegovina is one of the 36 partner countries worldwide that the Netherlands has a substantive bilateral development cooperation programme with. In the past the Netherlands focused predominately on the facilitating of minority return and creating stability in the aftermath of the war. In the last three years the programme shifted to the creation of sustainable, transparent and accountable governance structures in line with criteria prescribed by the EU accession process and concentrating on the development of a business climate inclusive of private sector development and foreign direct investment.

By the end of 2011 bilateral development assistance for Bosnia and Herzegovina has phased-out and transformed from a more traditional development relationship into a relationship geared towards EU accession. This new relationship comes with its own instruments, like the programme for societal transformation (MATRA), for which Bosnia and Herzegovina has qualified since January 2008.

Key activities in 2013

The Government of the Netherlands allocated **€ 11.45 million and disbursed € 8.24 million in 2013 in the form of grant** to the following sectors: Justice and Home Affairs, Public administration reform, Private Sector Development, Environment and Climate Change, Social Development.





Medium and long-term approach

As of 2012 the Embassy will focus its development assistance to the Srebrenica region in the amount of €5.000.000 per year. The main areas of interest are: the identifications of victims of the 1995 genocide in Srebrenica, support to its survivors, prosecuting the culprits, remembrance, and support to the creation of a business enabling environment (including capacity building of the local government).

Furthermore the Embassy will continue its support to the transformation of the Bosnian society through its MATRA programme.

Donor coordination efforts

Besides participating in DCF the Embassy has a good cooperation with other donors active in the sectors of common interest. Particularly good coordination is with the agencies that co-fund the projects with the Netherlands such as GAP, PARF, and Judiciary.

Contact information:

The Embassy of the Kingdom of the Netherlands

Address: Grbavička 4

71000 Sarajevo, BiH

Phone: +387 33 562 600

Fax: +387 33 223 413

Email: sar@minbuza.nl

Web addresses: www.minbuza.nl; www.mfa.nl/sar

The Royal Norwegian Ministry of Foreign Affairs

Policy approach

Much of Norwegian development cooperation internationally involves long-term assistance in the form of grants. Norwegian long-term development cooperation in general emphasizes both bilateral assistance, channelled directly to the governments of partner countries, and multilateral assistance, which is channelled through the UN system and development banks. Norway also provides significant assistance through international, local and Norwegian non-governmental organisations.

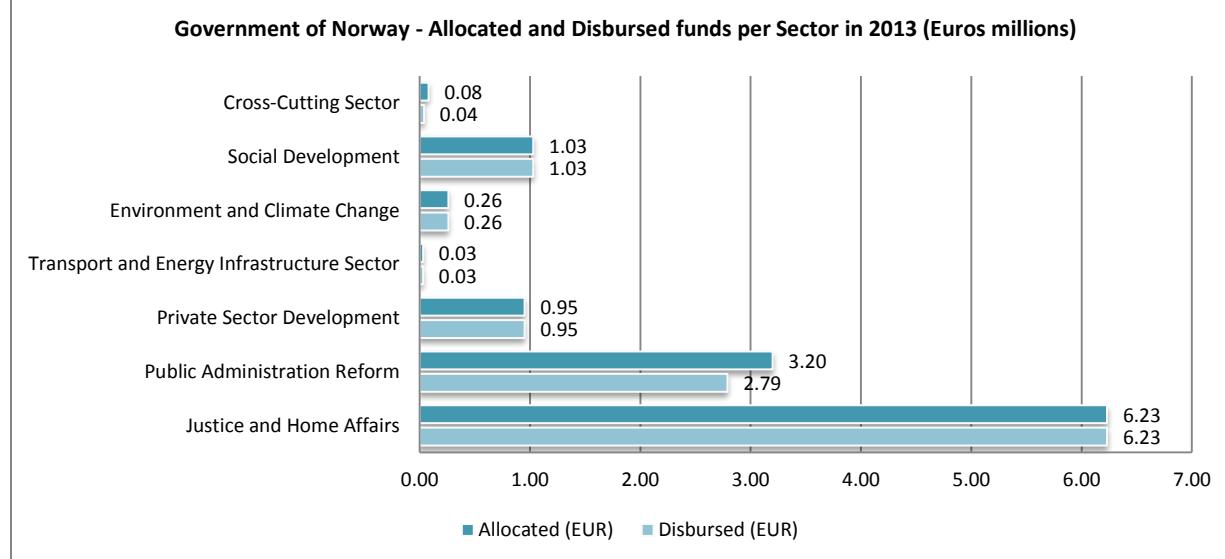
Norwegian cooperation with Bosnia and Herzegovina has evolved over the years from humanitarian assistance and reconstruction to supporting political and administrative reforms and Euro-Atlantic integration. This involves support to institution building and judicial reform. The Government intends to continue assistance to Bosnia and Herzegovina.

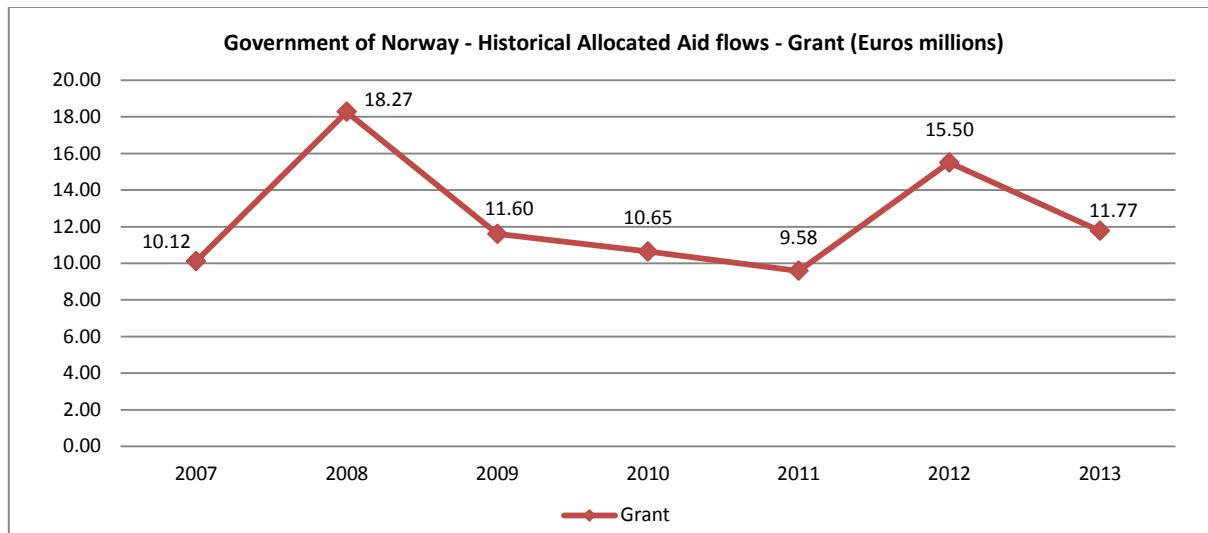
The following sectors are given priority: Good governance (including the justice sector), defence and security sector reform, economic development and strengthening civil society.

Key activities in 2013

According to the Donor Mapping Database, the Government of Norway allocated **€ 11.77 million and disbursed € 11.33 million in 2013 in the form of grant** to the following sectors: Justice and Home Affairs, Public administration reform, Private Sector Development, Transport, Environment and Climate Change, Social Development, Cross-Cutting Sector.

Government of Norway - Allocated and Disbursed funds per Sector in 2013 (Euros millions)





Medium and long-term approach

The Norwegian Government's transitional assistance to Bosnia and Herzegovina has shifted over time in accordance with the changing needs in the country. Norwegian development assistance today contributes to the development of rule of law and stability. Integration into Euro-Atlantic structures is considered to support this development.

Donor coordination efforts

Norway will continue to take part in donor coordination efforts and dialogue at a general policy level as well as within specific sectors such as for justice sector reform.

Contact information:

The Embassy of the Kingdom of the Norway

Address: Ferhadija 20

71000 Sarajevo, BiH

Tel: +387 33 25 40 00

Fax: +387 33 66 65 05

E-mail: emb.sarajevo@mfa.no

Web addresses: www.norveska.ba

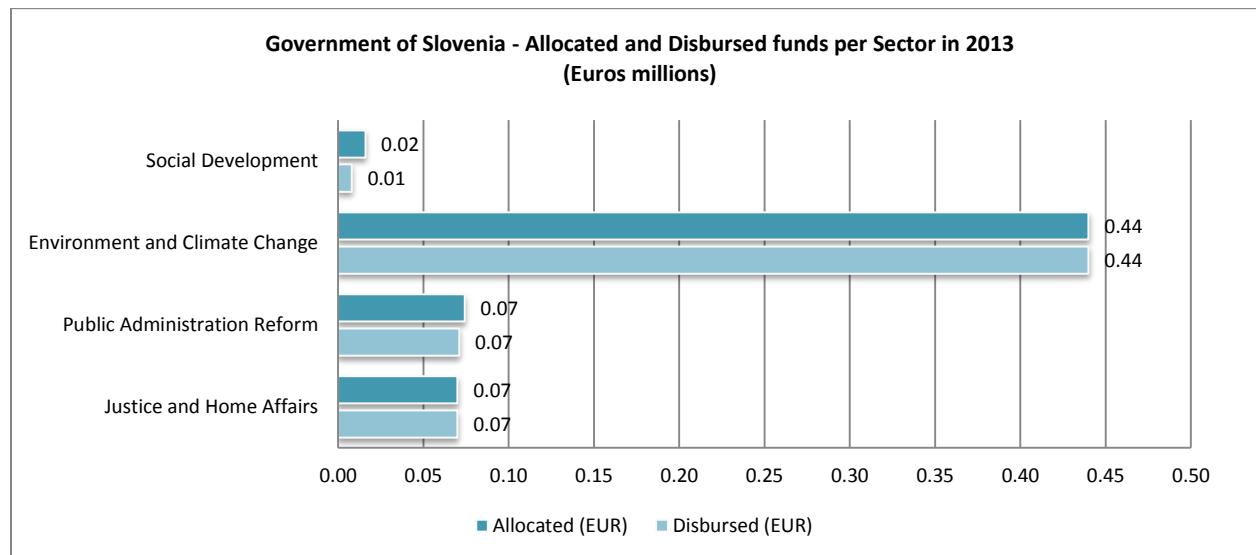
Slovenia

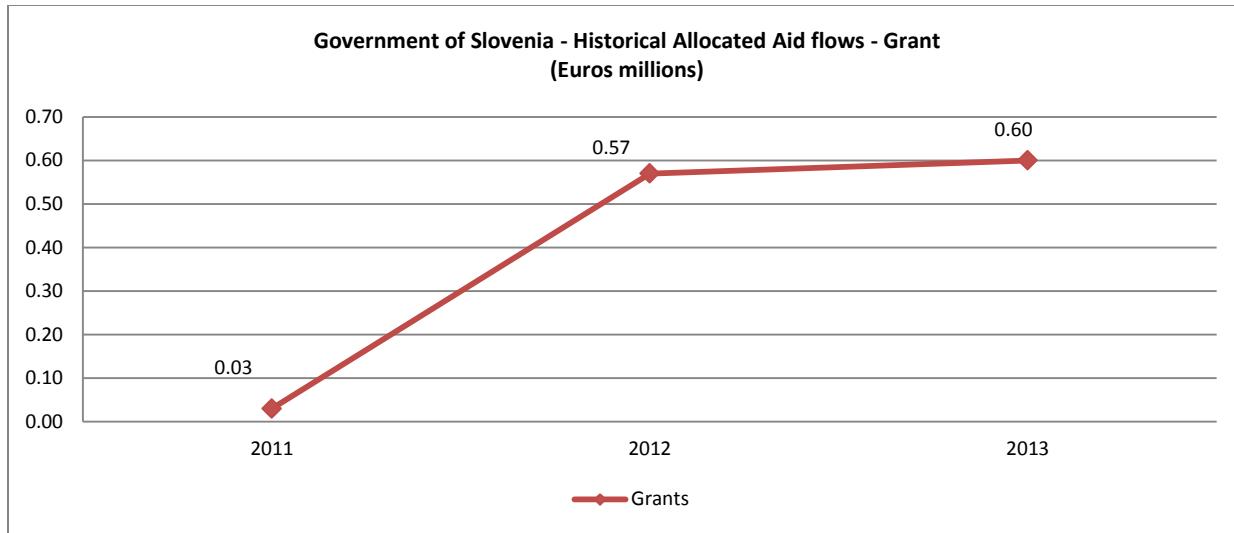
Policy approach

The thematic priorities of Slovenia's International Development Cooperation are defined in the Resolution on International Development Cooperation of the Republic of Slovenia for the period until 2015 and more specifically in the bilateral "Agreement on development cooperation between the Government of the Republic of Slovenia and the Council of Ministers of Bosnia and Herzegovina". The Framework Programme of international development cooperation and humanitarian aid of the Republic of Slovenia for the period 2013 and 2015 operationalizes planned activities, which in the case of BiH include the following sectors: Justice and Home Affairs, Public administration reform, Environment and Climate Change, Social Development. The current level of development cooperation, which is project-based, does not require policy paper on Slovenian development cooperation with BiH.

Key activities in 2013

The Government of Slovenia allocated **€ 0.62 million and disbursed € 0.59 million in 2013 in the form of grant** to the following sectors: Justice and Home Affairs, Public administration reform, Environment and Climate Change, Social Development.





Medium and long-term approach

The current Resolution on International Development Cooperation of the Republic of Slovenia will expire at the end of 2015. Discussions on the post-2015 geographical and thematic orientations of Slovenia's development cooperation are ongoing. We can expect that BiH will rank high among geographical priorities, possibly at the level that would justify preparation of a policy paper on bilateral development cooperation with BiH.

Slovenia – due to certain legal restrictions of current bilateral agreements – has started procedures to replace the existing bilateral agreement on development cooperation with BiH with new one that would, among other things, simplify cooperation with other donors in partner countries.

Donor coordination efforts

Embassy of the Republic of Slovenia in Sarajevo participate in general meetings of donors and at the meetings of the agricultural sub-sector.

Contact information:

Embassy of the Republic of Slovenia

Address: Bentbaša 7

71000 Sarajevo, BiH

Phone: (+) 387 33 271 260, (+) 387 33 572 450

Fax: (+) 387 33 271 270

Email: [vsa\(at\)gov.si](mailto:vsa(at)gov.si)

Web address: www.sarajevo.veleposlanstvo.si/

Sweden/Swedish International Development Cooperation Agency (Sida)

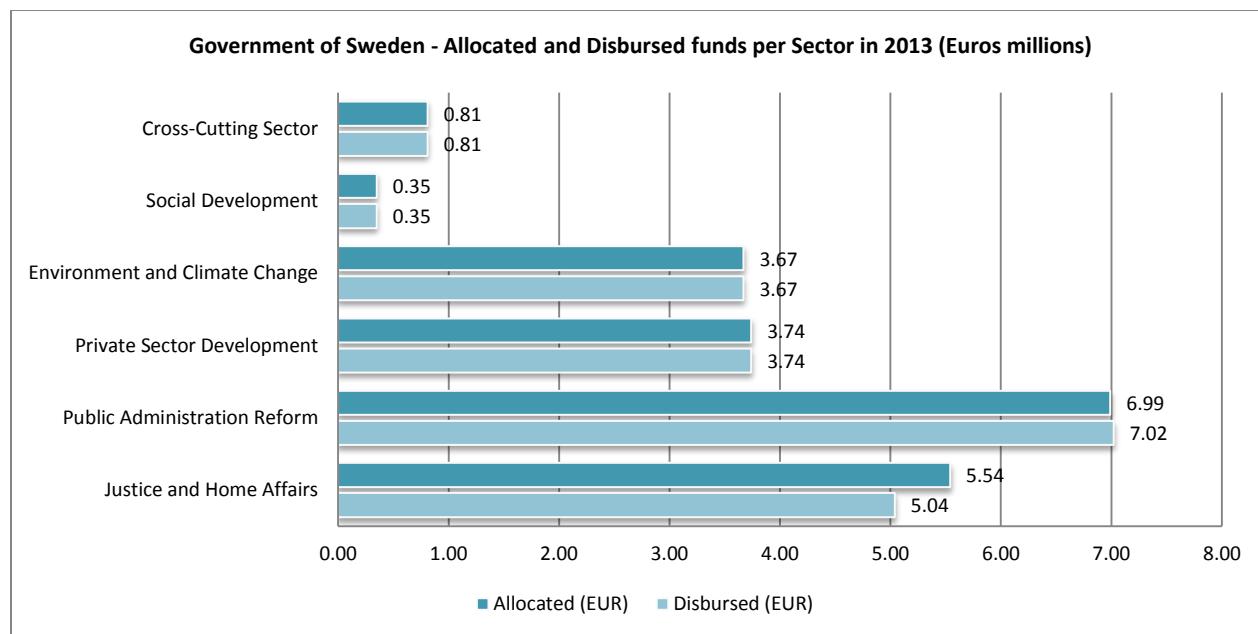
Policy approach

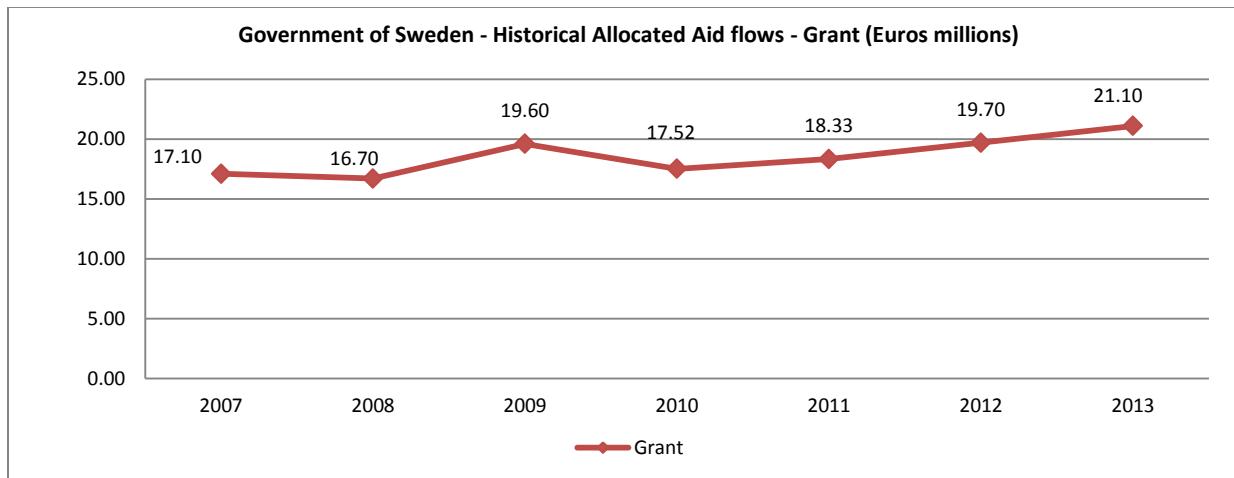
The Swedish reform cooperation with Bosnia and Herzegovina 2011-2014 aims at democratic, fair and sustainable development together with improved conditions for EU integration. Sida focuses on three main areas: democracy, human rights and gender equality; market development; and sustainable infrastructure. In addition, support is also given to the cross-cutting issues (civil society, gender and minorities). In order to increase aid efficiency and facilitate EU integration the strategy promotes:

- Better coordination with the EC and the IPA program;
- Increased use of the country's own systems for planning, implementation and follow-up;
- Increased use of program-based approaches.

Key activities in 2013

According to the Donor Mapping Database, the Government of Sweden **allocated €21.10 million and disbursed €20.64 million in 2013 in the form of grant** to the following sectors: Justice and Home Affairs, Public administration reform, Private Sector Development, Environment and Climate Change, Cross-Cutting Sector.





Medium and long-term approach

Sweden will continue to be a major donor in BiH during the coming years with a yearly budget of approximately €19 million. A new strategy became valid from 2011. The focus will continue to be support to Bosnia-Herzegovina's road towards EU candidate status and EU membership. Good Governance and Economic Development will continue to be priority sectors. A third priority sector is Environmental Infrastructure with a focus on support to municipal infrastructure to handle water, waste water and solid waste. Other opportunities to influence structural factors important for the business climate and for access to European markets, employment and women's economic participation should also be examined.

Donor coordination efforts

Sweden participates in sector coordination activities regarding all sectors mentioned, with special emphasis on the Justice Sector, PAR and Gender Issues. Sida has initiated support to the establishment of a Justice Sector Strategy Fund together with Spain and the UK. The aim is to establish a higher level of aid effectiveness in support to justice sector reform.

Contact information:

Embassy of Sweden

Address: Embassy of Sweden, Ferhadija 20

71000 Sarajevo, BiH

Phone: +387 33 276 030

Fax: +387 33 267 060

Email: ambassaden.sarajevo@gov.se

Web addresses: www.sida.se; www.swedenabroad.se

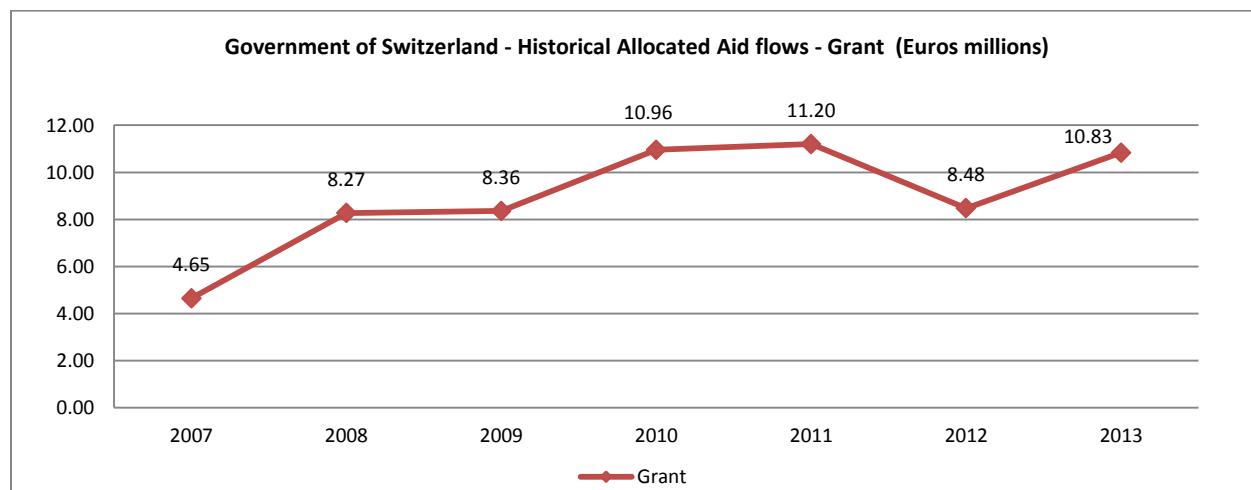
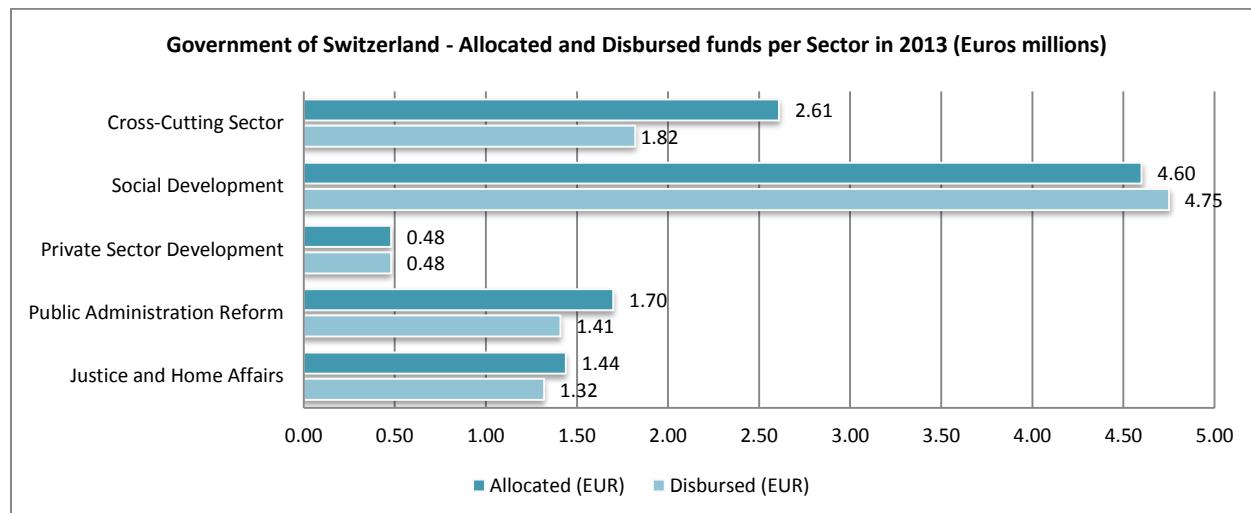
Government of Switzerland

Policy Approach

Switzerland aims to contribute to the transition of BiH towards a socially inclusive market economy and a decentralized democratic political system, with the longer-term perspective of European integration. The Swiss Cooperation Strategy for BiH 2013-2016 aims to support BiH in addressing remaining challenges in line with the priorities defined by national strategic documents for specific sectors. It focuses on three thematic domains: Economy & Employment, Local Governance & Municipal Services, and Health. The foreseen financial commitments for the period 2013 – 2016 amount to 79 million CHF.

Key activities in 2013

The Government of Switzerland allocated **€ 10.83 million and disbursed € 9.78 million in 2013 in the form of grant** to the following sectors: Justice and Home Affairs, Public administration reform, Private Sector Development, Social Development, Cross-Cutting Sector.





Medium and long-term approach

In the medium term, the Government of Switzerland will continue providing support to Bosnia and Herzegovina in the same sectors as in the previous period, with a particular focus at rule of law and democracy, local governance and municipal services, economy and employment, primary health care services, and migration management.

In the **Public Administration Reform Sector**, Switzerland will extend its support in setting up and implementing inclusive local development strategies which create positive impacts on local democracy, sustainable socio-economic development and efficient citizen-oriented service provision. Support will be provided in strategic municipal planning aiming to set the base for democratic decision making, for example in communal assemblies and proactive cooperation of citizens in local development endeavours. In cooperation with SIDA, engagement of citizens in municipal decision making, in the provision of municipal quality services and in the implementation of local development initiatives will be fostered through the revitalisation of sub-municipal units (Local Communities - Mjesna Zajednica) as existing spaces for citizens' participation and social inclusion. Furthermore, Switzerland will assist at least 20 municipalities in the improvement of municipal democratic governance and provision of public services, offering capacity development, municipal budget support for capital investments, improvement of economic framework conditions, and promotion of citizens' participation.

In the **Social Development Sector**, support will be provided in addressing youth unemployment, notably by supporting labour market-oriented education and vocational training, creating adequate job opportunities, and improving the performance of employment services for young adults. The cost-effectiveness and quality of primary health care will be improved through capacity building of service providers in the areas of mental health and nursing and the development of community-based models of care where the specific needs of vulnerable social groups will be addressed. Interventions focusing at assisting returnees and internal displaced persons to get a fair chance in their reintegration in the country shall be continued and reinforced, with a specific focus on Roma population. Migration & Development will be a new field of intervention aiming to unlock the potentials of migration for socio-economic development.

In the field of **Private Sector Development**, the Swiss programme will engage in the creation of favourable framework conditions for doing business and promoting competitive SMEs. Switzerland will engage in this sector mainly through regional initiatives. The focus will be on tackling administrative and regulatory barriers, like simplifying burdensome tax procedures and improving the legal framework for microfinance institutions. Furthermore, local business service providers will be strengthened and access of BiH's companies in selected sectors (wood, furniture, metal, textiles, agriculture) to foreign markets will be facilitated.

In the **Justice and Home Affairs Sector**, Swiss Cooperation will continue to fortify BiH's High Judiciary and Prosecutor Council. The establishment of a functional institutional set up in BiH's Juvenile Justice System will be further enhanced by Swiss Cooperation in a joint endeavour with UNICEF and SIDA. Support will be also continued in the area of human security and peace building, with a specific focus at war crime processing, witness support, and mine clearance.



In the sector of **Environment and Climate Change**, Switzerland, together with the German Promotional Bank (KfW), will support the rehabilitation of water supply and sanitation systems in the towns of Travnik, Tuzla and Zenica. This endeavour will include investments in infrastructure, improvement of framework conditions and management measures related to water services, with a specific focus on financial and operational sustainability.

In addition to the support in the MIPD sectors, Switzerland will support efforts of BiH authorities to strengthen public health services with an increased emphasis on the prevention of non-communicable diseases, in particular cardiovascular diseases, in close collaboration with the WHO and the World Bank. Furthermore, a platform for a constructive dialogue between politicians on all tiers, key actors in civil society organisations, citizens and experts will be offered within the constitutional reform process in BiH.

Donor coordination efforts

Government of Switzerland participated in working groups:

- Local Governance
- Justice
- Health
- Gender Equality and Women Empowerment
- Environment Sustainable Infrastructure

Contact information:

Embassy of Switzerland in Sarajevo

Address: Zmaja od Bosne 11 (RBBH, Building B), 71000 Sarajevo, BiH

Phone: +387 33 275 850 Fax: +387 33 570 120

Email: sarajevo@eda.admin.ch

Web address: www.eda.admin.ch/sarajevo

United Kingdom/Foreign & Commonwealth Office

Policy approach

The UK Government has provided political and financial support to Bosnia and Herzegovina since its independence. Assistance provided by UK Government is governed by her Majesty's Government priorities and objectives for Bosnia and Herzegovina and set out in a comprehensive Country Business Plan.

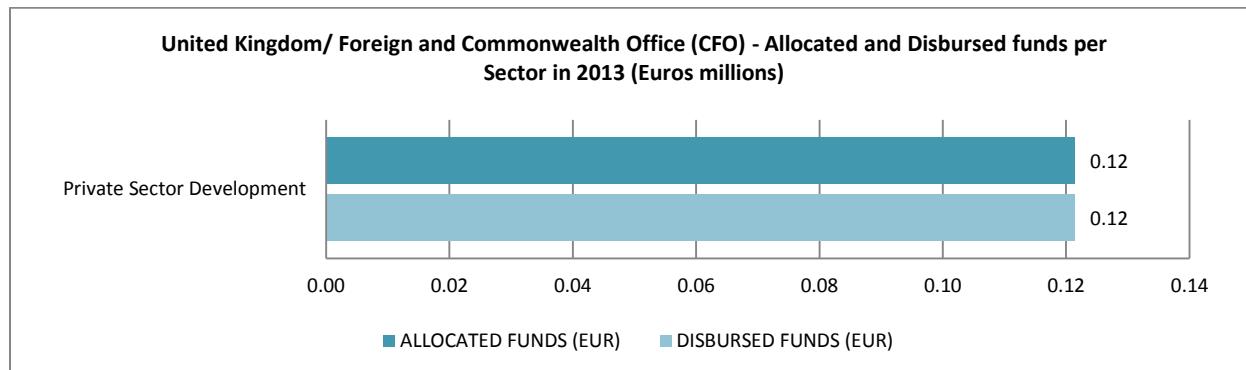
The DFID BiH office in the British Embassy was closed on 11 February 2011, but the UK Government continues to provide programme assistance through the Foreign and Commonwealth Office and the Ministry of Defence.

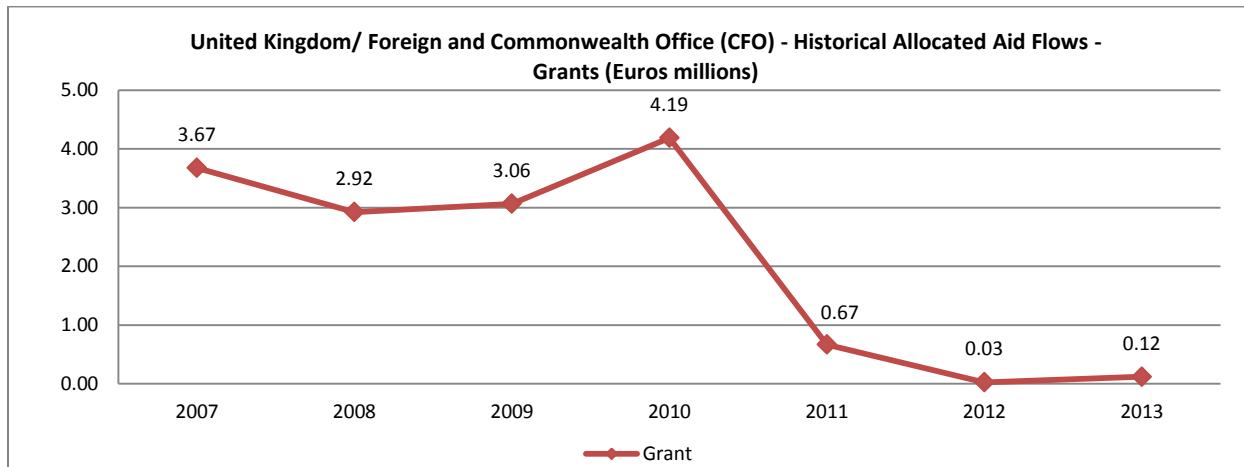
In July 2011, UK Government published a new strategy outlining how the UK will promote stability and prosperity in countries and regions where its interests are at stake. The Building Stability Overseas Strategy (BSOS) was developed jointly by the Foreign and Commonwealth Office (FCO), the Department for International Development (DFID) and the Ministry of Defence (MOD). It sets out how the UK can enhance its own security and prosperity by identifying, preventing and ending instability and conflict overseas, using its diplomatic, development, military and security tools, and drawing on Britain's unique experience, relationships, reputation and values. The full strategy can be downloaded from: <http://www.fco.gov.uk/resources/en/pdf/publications/annual-reports/bsos-july-11>

It is in interest of the UK Government to maintain the momentum of the enlargement process and progress on bringing peace and stability to the Western Balkans. The *Reuniting Europe* programme helps deliver vision of building an effective and globally competitive EU in a secure neighbourhood. The Programme does this by supporting EU enlargement and by helping the European partner countries to implement the reforms necessary for EU accession. It focuses, in particular, on stable institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. The full strategy can be downloaded from: <http://www.fco.gov.uk/resources/en/pdf/about-us/what-we-do/diplomatic-influence-values-fund-2011-12>

Key activities in 2013

The Government of the United Kingdom allocated € 0.12 million and disbursed € 0.12 million in 2013 in the form of grant to the Private Sector Development sector.





Donor coordination efforts

Working in partnership with other donors, the BiH Government, Parliaments, civil society, academia and the media, it is the objective of UK to support and promote reforms that will assist Bosnia and Herzegovina's Euro-Atlantic integration.

In addition to the DCF, representatives of the UK Government/British Embassy actively participate in sectoral donor co-ordination activities run by local institutions and donors, in all key sectors, but with a special emphasis on the justice and security sectors.

After the DFID office in BiH is closed, representatives of the British Embassy Sarajevo continued to be members of the management board for the Public Administration Reform Fund and monitor implementation of the project funded by the DFID (approximate remaining funds: £1 million) .

Contact information:

British Embassy Sarajevo

Address: Tina Ujevida 8

71000 Sarajevo

Phone: +387 33 282 200

Fax: +387 33 282 203

Web address: <http://ukinbih.fco.gov.uk/>

United States of America/United States Agency for International Development (USA/USAID)

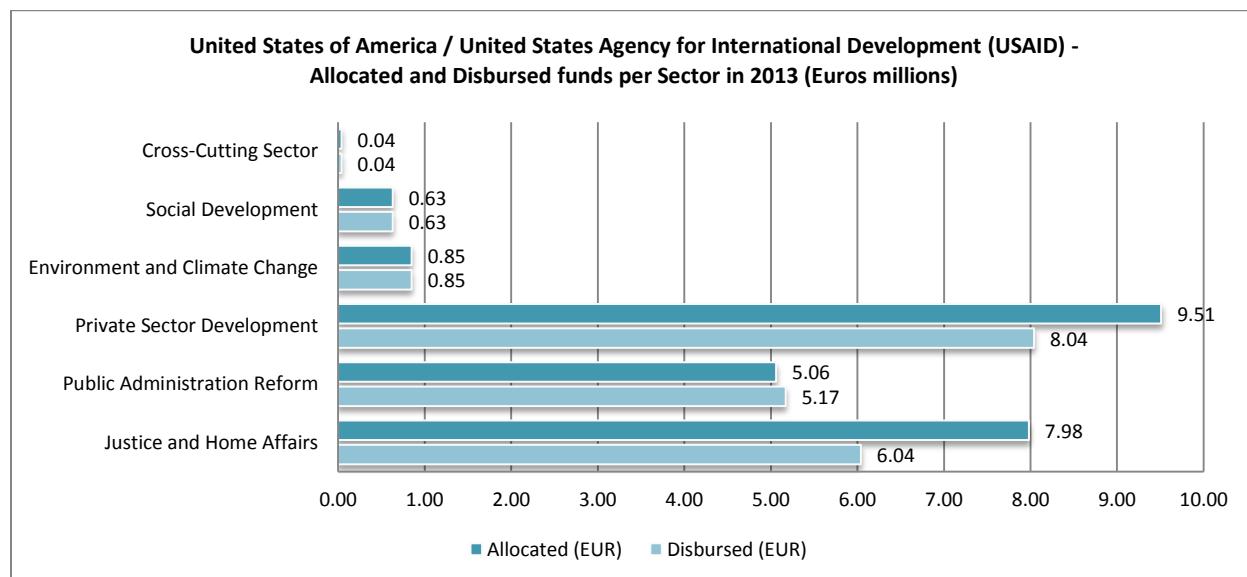
Policy approach

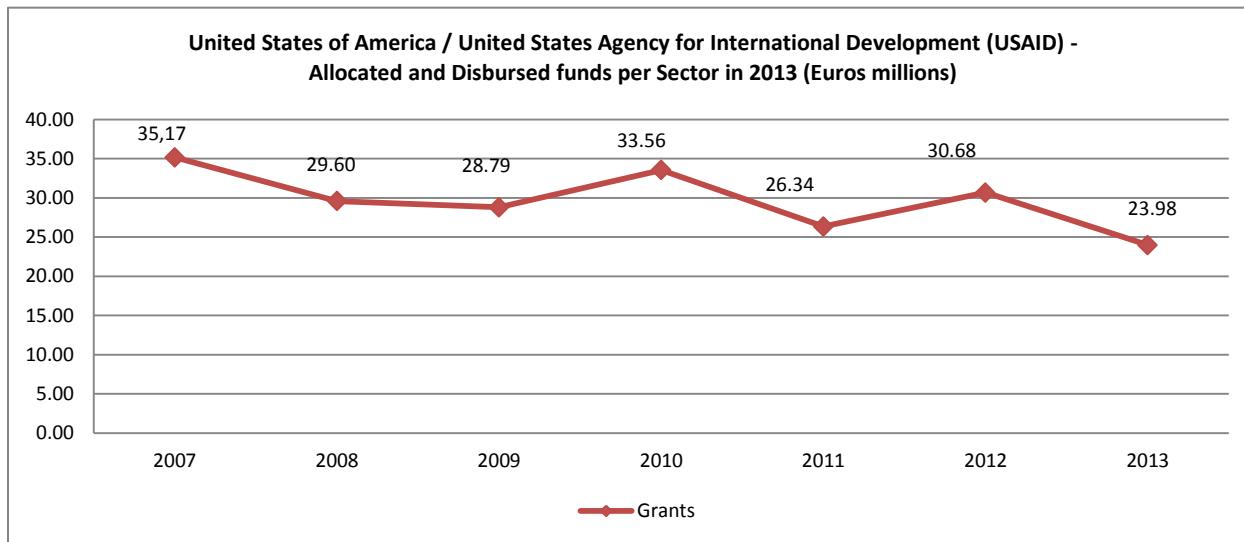
The U.S. Government (USG) continues its strong commitment to Bosnia and Herzegovina's development and stability. A new *USAID Country Development Cooperation Strategy for Bosnia and Herzegovina 2012-2016* contributes to the USG objective in Bosnia and Herzegovina by carrying out assistance programs that help Bosnia and Herzegovina progress toward a harmonized economic space, effective and transparent government institutions with a strong civil society, and a multi-ethnic, tolerant society. The strategic goal is that Bosnia and Herzegovina is a more stable country closer to Euro-Atlantic integration and reaching this objective includes functional state-level institutions, inclusion of minorities in the political process, compliance with the European Convention on Human Rights, GDP growth, increased economic competitiveness, and a clear strategy for EU accession.

Key activities in 2013

According to the Donor Mapping Database, United States of America/United States Agency for International Development (USA/USAID) **allocated € 23.98 million and disbursed € 20.78 million in 2013 in the form of grant** to the following sectors:

Justice and Home Affairs, Public administration reform, Private Sector Development, Environment and Climate Change, Social Development, Cross-Cutting Sector.





Medium and long-term approach

Projects will continue to evolve and respond to BiH's changing needs and will promote initiatives to leverage other donor resources. We anticipate assistance projects will continue to bring BiH closer towards Euro-Atlantic integration. U.S. Mission staff will continue to participate in donor coordination meetings and sector-specific meetings including civil society, rule of law, and energy.

Donor coordination efforts

USG staff participate in general coordination meetings, bilateral meetings and other forums. USA/USAID also coordinates closely with other donors through sector specific meetings including Civil Society, Rule of Law and Energy donor groups, to avoid overlap or duplication of efforts. USAID co-funds and co-designs programs with several bilateral and multilateral donors.

Contact information:

U.S. Embassy

Address: Robert C. Frasure 1
 71000 Sarajevo, BiH
 Phone: +387 33 704-000
 Fax: +387 33 659-722
 Email: Bayerl@state.gov
 Web address: <http://sarajevo.usembassy.gov>

U.S. Agency for International Development (USAID)

Address: Robert C. Frasure 1
 71000 Sarajevo, BiH
 Phone: +387 33 704 000
 Fax: +387 33 219 298
 Email: echallenger@usaid.gov
 Web addresses: www.usaid.gov; www.usaid.ba

European Bank for Reconstruction and Development (EBRD)

Policy approach

The European Bank for Reconstruction and Development is an international financial institution, promoting transition to market economies in 34 countries from Central Europe to central Asia to southern and eastern Mediterranean. It is owned by 64 countries and two intergovernmental institutions (the European Community and the European Investment Bank).

The EBRD objectives are to promote transition to market economies by investing mainly in the private sector, to mobilize significant foreign direct investment, to support privatization, restructuring and better municipal services with the aim to improve people's lives. In all of its activities, the EBRD promotes environmentally sound and sustainable development.

The EBRD's approach in addressing the complex transition challenges is based on strategies, policies and procedures. Regional diversity between the countries of operation is wide and the Bank adapts its products and sector focus so as to meet the specific market need of any particular country. Distinct country strategies are developed and followed for all countries of operation.

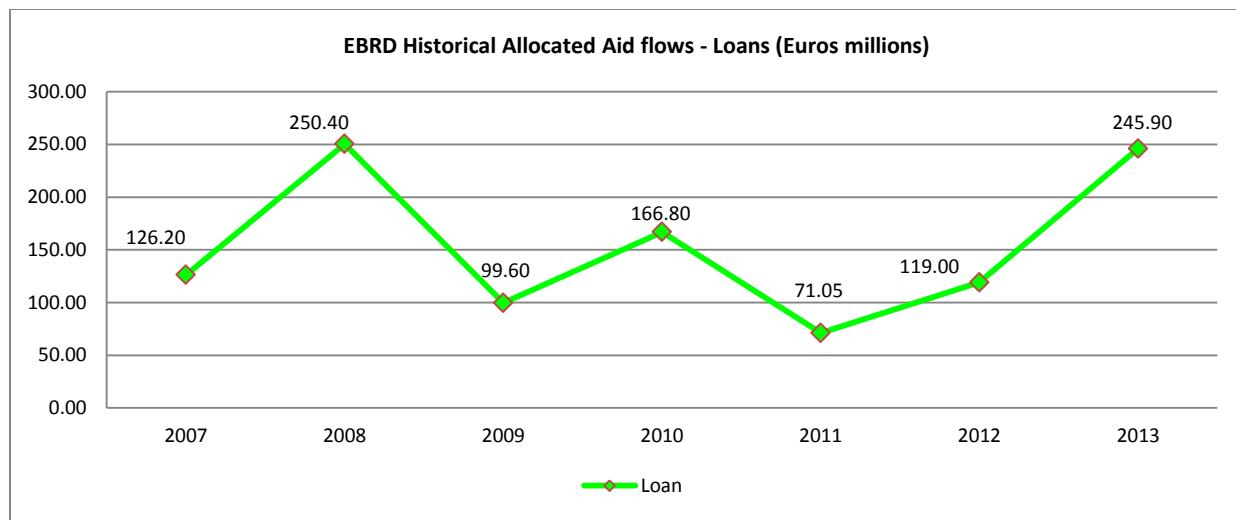
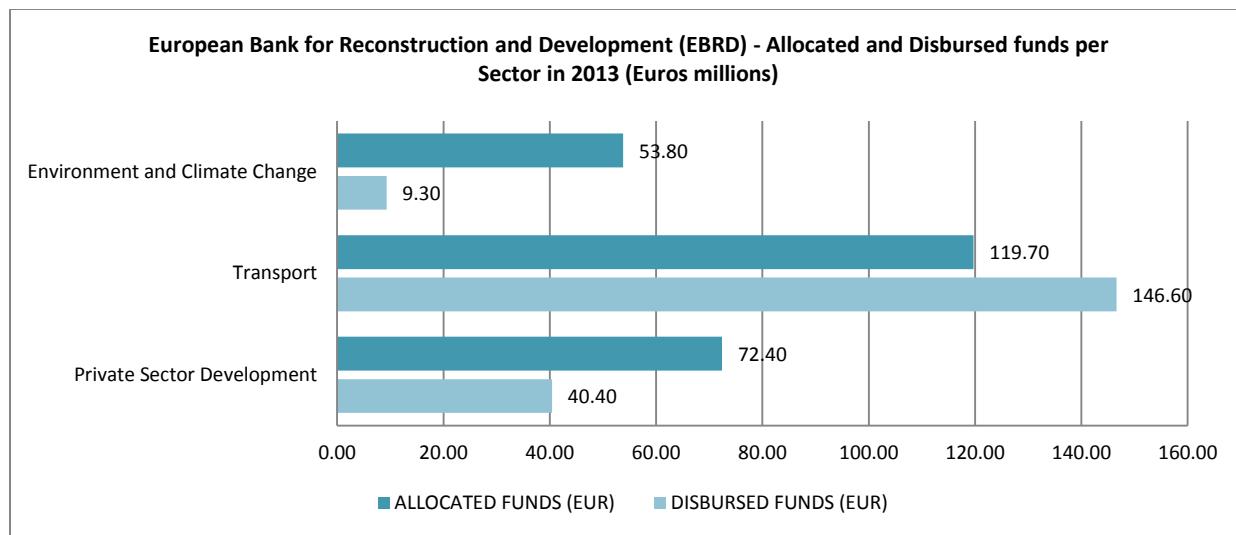
Furthermore, the Bank has its sectoral policies, which formally set out the strategy in the following sectors: agribusiness, energy, municipal and environmental infrastructure, natural resources, property, shipping, transport, telecom, informatics and media.

To date, the EBRD is the largest institutional investor in Bosnia and Herzegovina (BiH) with 116 projects and cumulative business volume of more than € 1.6 billion.

In 2013 the EBRD signed 18 new projects in the amount of €207.7 million, which included 5 projects in the public sector in the amount of €144.5 million and 13 projects in the private sector amounting to €63.2 million. The EBRD focused its efforts on support to financial and corporate sectors, and also continued with investments in key infrastructure projects, which are crucial for the country's regional integration and development. The Bank also achieved excellent progress in implementation of large infrastructure projects, with disbursements reaching €201.4 million.

Key activities in 2013

The European Bank for Reconstruction and Development (EBRD) allocated **€ 245.90 million and disbursed €196.30 million in 2013 in the form of loans** to the following sectors: Private Sector Development, Transport, and Environment and Climate Change.



Medium and long-term approach

In January 2014, the EBRD Board of Directors approved the new three-year strategy for Bosnia and Herzegovina. In the new strategy the EBRD sets out support of the private sector development as a priority for which improving the business environment is seen as critical. The EBRD will also focus on internal economic integration of the country, its integration in the region and will continue to closely coordinate its activities with the EU and IFI partners.

In the new strategy period 2014 - 2016 the EBRD will focus on addressing the following challenges:

- **Restructuring and expansion of the local private sector:** The EBRD will target local and foreign companies for investments in the country and provide financing for restructuring and expansion of

smaller local companies. The Bank will provide SME credit lines through local banks, microfinance loans and non-financial support.

- **Forging closer linkages with wider regional markets:** The EBRD will support private investments, increased trade flows and infrastructure improvements deepening regional integration. The Bank will encourage greater private sector involvement in public infrastructure upgrades and put a strong emphasis on improvements of standards towards EU norms.
- **Promoting a more efficient and sustainable use of resources:** The EBRD will provide financing for energy and resource efficiency improvements for corporate clients in the private and public sectors and for the restructuring and commercialisation of municipal utility companies and continue an active policy dialogue.

Donor coordination efforts

In its activities in BiH the EBRD will seek to align its operation with the priorities of local authorities and closely cooperate with other International Financial Institutions and donors, including the European Union, both by co-financing selected projects and by coordinating policy dialogue initiatives.

In particular, the Bank will coordinate, and if possible implement joint operations, with the European Investment Bank and the World Bank under the Joint IFI Action Plan for Growth.

Contact information:

European Bank for Reconstruction and Development

Address: Fra Andjela Zvizdovića 1, B/15

71000 Sarajevo, BiH

Phone: +387 33 667 945

Fax: +387 33 667 950

Email: linkesd@ebrd.com

Web address: <http://www.ebrd.com>

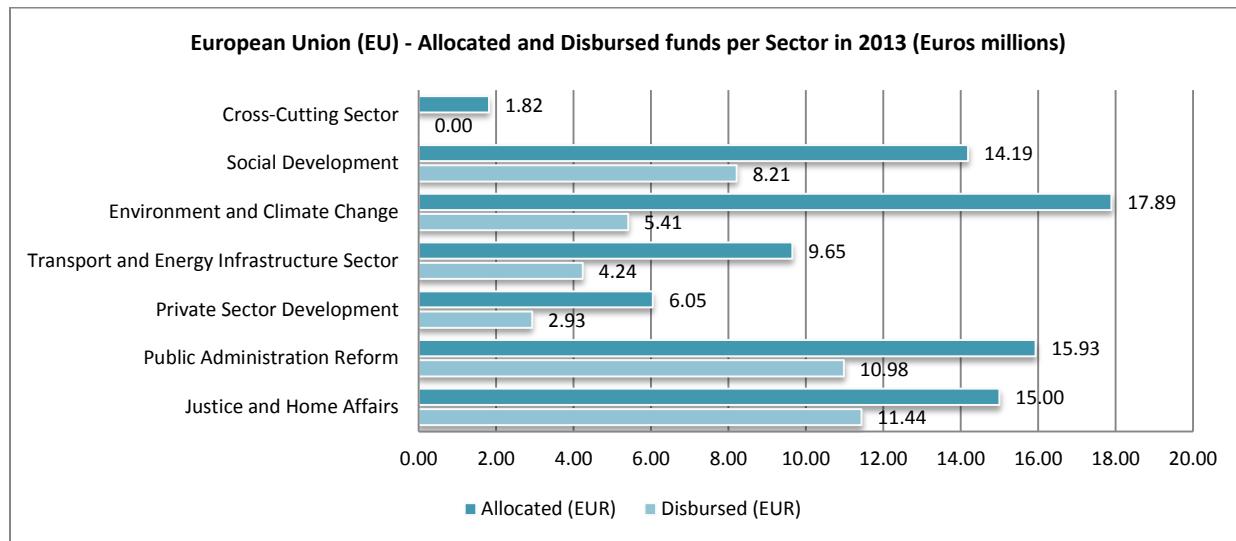
European Union (EU)

Policy approach

The main strategic objective of the present assistance to Bosnia and Herzegovina is to support the country in its transition from a potential candidate country, to a candidate country, through to membership in the European Union. As a potential candidate country, Bosnia and Herzegovina benefits from the first two components of the Instrument for Pre-accession Assistance (IPA) available to BiH since 2007: component I for Transition Assistance and Institution Building and component II for Cross-Border Cooperation. Over the period 2007-2013, the EU allocated to BiH a total of €593 million, while €47,3 million for year 2013.

Key activities in 2013

The European Union (EU) allocated **€80.52 million and disbursed € 43.22 million in 2013 in the form of grant** to the following sectors: Justice and Home Affairs, Public administration reform, Private Sector Development, Transport and Energy Infrastructure, Environment and Climate Change, Social Development and Cross-Cutting Sector.



In addition to the national programmes, BiH benefits from the IPA Multi-beneficiary Programmes, which support measures of common interest in the Western Balkans and Turkey, such as infrastructure development, institution building, the implementation of the Central European Free Trade Agreement (CEFTA), fight against organised crime, environment, energy, regional trade integration and cross-border cooperation.

The multi-beneficiary programmes support areas of key importance for European integration, such as taxation and customs, statistics, public administration via the Organisation for Economic Cooperation and Development (OECD) Support for Improvement in Governance and Management (SIGMA) and horizontal support via the Technical Assistance Information Exchange Office (TAIEX). Inter alia,

important achievements of the multi-beneficiary programmes include cooperation between regional prosecutors and mutual legal assistance between the courts, improved police cooperation, integrated border management and cooperation on migration issues.

Since 2007, through its national and multi-beneficiary programmes, the Instrument for Pre-Accession Assistance addresses the political and economic requirements in the framework of the Stabilisation and Association Process (SAP) and approximation to European Standards, mainly to support Bosnia and Herzegovina in establishing regulatory systems and preparing for IPA pre-structural funds, and supports the participation in cross-border cooperation programmes with neighbouring countries and EU Member States.

Since the preparation of the precedent EU strategy papers (Multi-Annual Indicative Documents for 2011-2013), Bosnia and Herzegovina has made a limited progress in implementing the remaining reforms required by SAP. It is a continuing and considerable challenge for BiH to comply with the political requirements of SAP by increasing the effectiveness of its executive and legislative bodies, improving coordination between the State and Entities and agreeing to the reform of its police structure. IPA also assists in the strengthening of administrative capacity, can support domestic efforts on constitutional reform, and assists in the reform of the police and the judicial system.

To continue support for the political criteria, the EU places further emphasis on the civil society dialogue, the development of independent and professional media and the preservation of the cultural heritage. IPA assists in the fight against corruption and supports Bosnia and Herzegovina in meeting its obligations towards returnees, minorities, vulnerable groups and in implementation of the Mine Action Strategy.

Several economic indicators raise concerns, including the high unemployment rates and external imbalances. In addition, slippages in public spending create obstacles to social and economic recovery. To assist the country in complying with the economic criteria of the SAP, IPA supports stabilising the macro-economic environment and reducing and improving the quality of public spending to create a favourable business climate. The reform of the education system and of the labour market and the development of a research policy should contribute to fostering employment. Additional sectors supported under the economic requirements are trade, health, small and medium enterprises and local economic development. In total €103.9 million under IPA was allocated to soften the impact of the financial and economic crisis on BiH by stepping up its cooperation with International Financial Institutions and by enforcing its efforts to support the development of SMEs and by supporting the institution building of regulators and supervisors in the financial sector.

So far Bosnia and Herzegovina has made only limited progress in the approximation of its legislation and policies with the *acquis*. To assist the country in complying with the *acquis*-related requirements of the SAP, IPA supports the development and the implementation of strategies and policies to approximate to the European *acquis* in the areas of internal market, sectoral policies and justice, freedom and security. IPA places emphasis on agriculture and rural development, transport, and energy. Support is also provided for the environment, quality infrastructure, customs and taxation.

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

Medium and Long-term approach

The EU will support BiH's efforts for reform and towards compliance with EU law in order that it may become fully prepared to take on the obligations of membership to the European Union.

In addition, the Europe 2020 agenda offers the enlargement countries an important inspiration for reforms. Bosnia and Herzegovina is invited to consider the priorities of the strategy and adapt main challenges in a national context. Enlargement policy also supports the Europe 2020 strategy by extending the internal market and enhancing cooperation in areas where cross border cooperation is key.

To increase the impact of IPA assistance and to give greater focus to achievable results, the EU has decided to concentrate its efforts on targeted sectors. A sector approach will facilitate cooperation among donors and beneficiaries, where possible under the lead of the national authorities, eliminating duplication of efforts and leading to greater efficiency and effectiveness. This in turn should allow all stakeholders to focus increasingly on the impact of our combined efforts.

The following priorities for IPA support over the period 2011-2013 were identified:

- Supporting the strengthening of the rule of law by assisting the country to reform its justice sector and to fight against organised crime and corruption.
- Improving the capacity and efficiency of public administration and setting a professional civil service, so to support the country's efforts to improve the functioning of the institutions at all levels of governance.
- Supporting social and economic development, in particular assisting the country in its efforts to develop the SME sector, to alleviate unemployment and to reform the education system to help adapt the qualification framework with the requirements of the labour market, and to invest in transport and environmental infrastructure.

The length of the process leading a country closer to the EU depends on the pace of the political, economic, legislative and administrative reforms carried out by the country. These efforts are supported by the EU not only through its financial assistance but also through intense policy advice and dialogue. However, the responsibility of these changes lies with the country itself and is not purely contingent upon the availability of donors' assistance.

Donor coordination efforts

To increase effectiveness and efficiency in the delivery of assistance through donor coordination, the European Commission and EU Member States ensure coordination of their respective assistance programmes. This coordination is extended also to the IFIs and other non-EU donors. At state-level, coordination meetings with IFIs as well as with EU and non-EU donors are organised on a regular basis. They focus primarily on strategic orientations and a national and regional dimension of IPA planning and programming. Additionally, coordination between the European Commission and EU Member States takes place on a regular basis in the context of the IPA Committee.

Close coordination is also maintained with the World Bank, EBRD, EIB and KfW in particular in the fields of transport, energy and environmental infrastructure, where the European Commission finances designs, studies, works and technically assists in helping to meet the conditions for investment by the IFIs. In addition, the EU and the IFIs cooperate within the framework of the Western Balkans Investment Framework (WBIF).

Cooperation efforts with EIB, EBRD and KfW were notably enhanced in the context of the response to the financial and economic crisis. This led to the design of an anti-crisis package under IPA 2009 and 2010 to alleviate the impact of the economic and financial crisis on Bosnia and Herzegovina, as requested by Bosnia and Herzegovina.

In addition, the EU Delegation maintains regular cooperation with other donors through bilateral meetings, sector working groups and other sector in areas such as judicial reform and juvenile justice, fight against corruption, public administration reform, agriculture and rural development, energy efficiency, environment, return, gender, human rights, social protection and education, civil society and many others. The coordination mechanisms described above ensure that EU assistance and the assistance of other donors produce synergies and are, as much as possible, complementary.

The EU Delegation also supports local institutions, such as the Directorate for European Integration and the BiH Ministry of Finance and Treasury, in their donor coordination efforts.

The EU, together with the other donors in Bosnia and Herzegovina and the beneficiary institution, recently decided to introduce gradually a sector wide approach for the planning and programming of IPA assistance to enhance the impact of the pre-accessions assistance and to increase the effectiveness of donor coordination.

Contact information:

The EU Delegation to Bosnia and Herzegovina

Address: Skenderija 3a

71000 Sarajevo, BiH

Phone: +387 33 254 700

Fax: +387 33 666 037

Email: delegation-bih@eeas.europa.eu

Web address: <http://www.europa.ba/>

European Investment Bank (EIB)

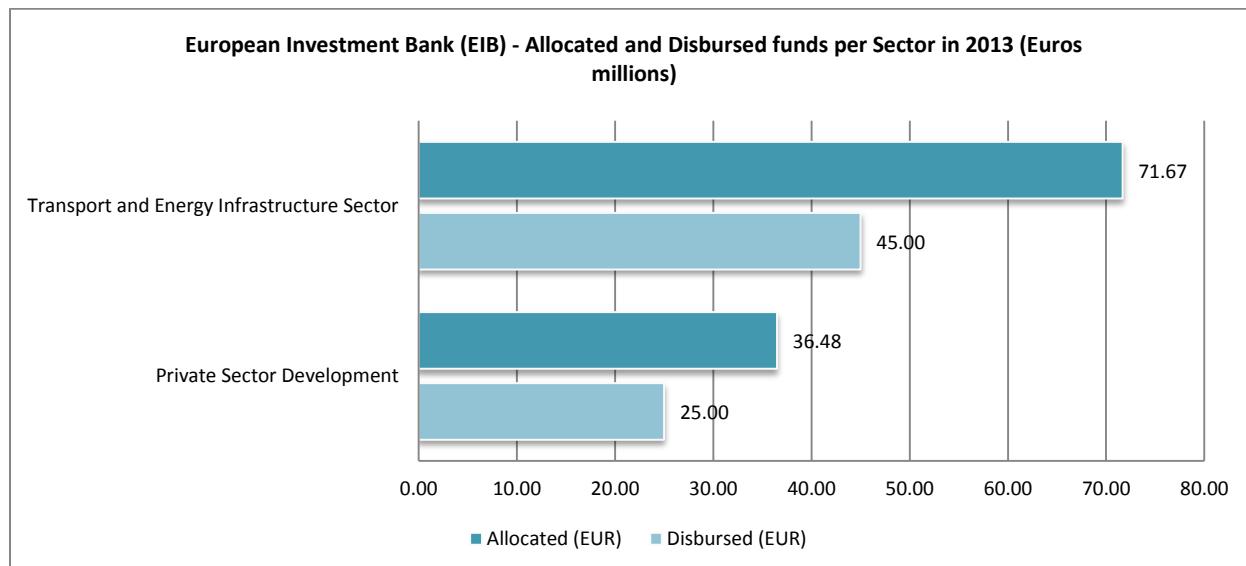
Policy approach

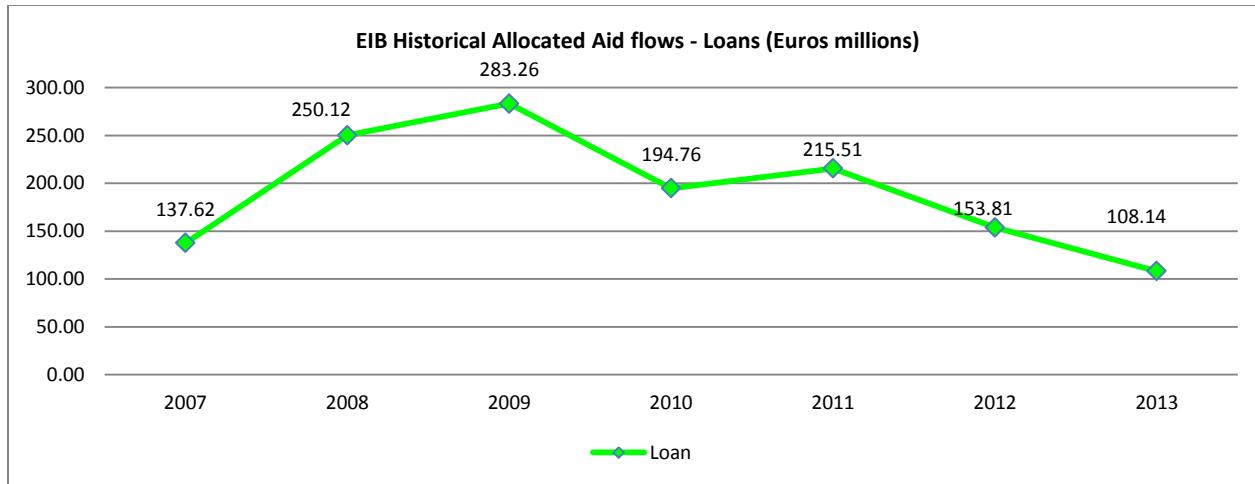
The European Investment Bank is the long-term financing institution of the European Union. The task of the Bank is to contribute towards the integration, balanced development and economic and social cohesion of the EU Member States. The EIB raises substantial volumes of funds on the capital markets, which it lends on favourable terms to projects furthering EU policy objectives. The EIB continuously adapts its activities to developments in EU policies. The operational plan 2012-2014 responds to an environment in which Europe has the difficult task of addressing the impact of the economic crisis while accelerating its transition to a smarter, greener and sustainable economy.

The EIB has been active in the Western Balkans since 1977 and today it is one of the largest international financiers in the region. In December 2009, the EIB launched, together with the European Commission, the Council of Europe Development Bank and the European Bank for Reconstruction and Development, the Western Balkans Investment Framework (WBIF) as a joint grant facility and a joint lending facility for priority investments in the region. The objective is to simplify access to credit by pooling and coordinating different sources of finance and technical assistance.

Key activities in 2013

According to the Donor Mapping Database, the European Investment Bank (EIB) allocated **€108.14 million and disbursed €70.00 million in 2013 in the form of loan** to the following sectors: Private Sector Development, Transport.





Donor coordination efforts

The EIB co-finances major projects in the region with other IFIs, particularly the EBRD, the World Bank and the Council of Europe Development Bank, as well as other bilateral donors. The EIB also continues its close cooperation with the EC and the European Agency for Reconstruction in order to prepare and co-finance projects with EU budgetary contribution provided by the new EU Instrumental for Pre-Accession Assistance.

Contact information:

European Investment Bank

Address: 98-100, boulevard Konrad Adenauer,
L-2950 Luxembourg
Phone: (+352) 43 79 1
Fax: (+352) 43 77 04
Web address: www.eib.org

United Nations Children's Fund (UNICEF)

Policy approach

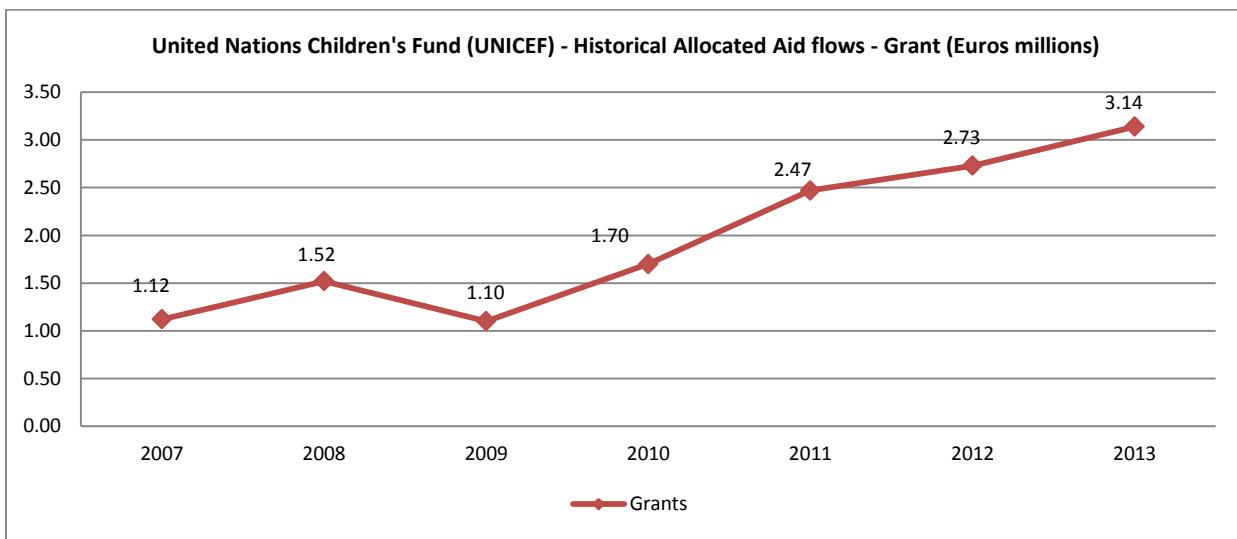
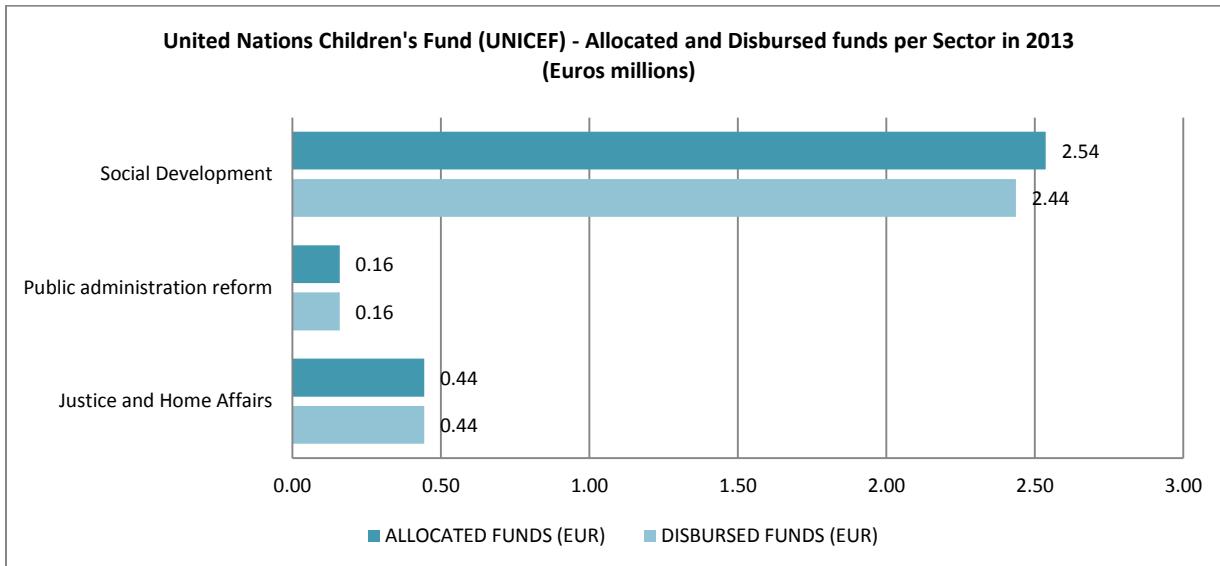
In MIPD sector Justice and Home Affairs/Subsector Judiciary, UNICEF is focused on supporting strategy development and services for the most vulnerable. UNICEF provides technical assistance at policy level to relevant Ministries in implementing laws and responding to children who come into contact with the law, in line with international standards. UNICEF focuses on strengthening protection systems through decentralized inclusive services and referral mechanisms. Interventions seek to protect children and women from violence, maintain children with their families and promote alternatives to institutionalization and detention.

In MIPD sector Social Development (subsectors Social Inclusion and Education/Health also included under this Sector as there is no MIPD sub-sector relating to health), UNICEF is focused on 1) Social inclusion-Addressing gaps in institutional capacity for evidence-based policy design, implementation and planning at various governmental levels in BiH. It supports social sector reform, the formulation of policies and budgets, and targeting vulnerable and socially excluded children, based on quantitative and qualitative analysis of disaggregated data and policy reviews across all social sectors. The main programme areas include social protection and inclusion, social economic policy development and analysis, communication for development (C4D) and developing partnerships for children's rights. 2) Health-UNICEF works with Government authorities to develop policies, integrate services across sectors and address gaps affecting marginalized children and families. The projects support health, education and social welfare ministries, and civil society to implement inclusive policies and strategies to improve child health and ECD services; implement immunization action plans; and develop capacities to improve the nutrition status. Integrated Early Childhood Development (IECD) is now positioned on the country's development agenda, entity situation analyses were disseminated, entity ECD policies were adopted, and IECD centres are focusing on marginalised children and families. 3) Education-

UNICEF works with all partners to support education ministries, municipalities and CSOs to implement policies and strategies that raise the quality of basic education through institutional capacity building and developing standards for school readiness. In the area of pre-school education, UNICEF has been mobilizing partners about the importance of early learning, developing standards and capacities, and supporting pre-school programmes at the local level. Several projects are aimed at promoting inclusive and inter-cultural education. The programme has also been empowering young people through activities at the local level, and efforts are being made to strengthen linkages between the education sector and the labour market.

Key activities in 2013

United Nations Children's Fund (UNICEF) allocated **€ 3.14 million** and disbursed **€ 3.04 million** in 2013 in the form of grant to the following sectors: Justice and Home Affairs, Public administration reform, Social Development²⁰³



²⁰³ UNICEF has quite substantial investments in the Health Sector, which cannot be found under any of MIPD sectors/subsectors. Therefore, the investments made in this sector are included under Social Development.

It should also be noted that UNICEF receives substantial amount of funds from EU, SDC, SIDA and USAID (shown under their investments) to implement projects related to social protection and inclusion and justice for children.

Medium and long-term approach

The overall goal of UNICEF in BiH for the upcoming years is to support BiH's efforts to accelerate the universal realization of child rights by fostering greater social inclusion, especially of the most vulnerable and excluded children and families (children with disabilities, children of minorities, including Roma and children in impoverished communities), by reducing disparities, inequities and discrimination and by strengthening social cohesion among different groups. The programme will contribute to the implementation of the Convention on the Rights of the Child, the Convention on the Elimination of all forms of Discrimination against Women, the Convention on the Rights of Persons with Disabilities and the achievement of the post-2015 Agenda. The key priorities will include: child rights monitoring, social protection, justice for children, early childhood education, and young child well-being for all children, including children with disabilities and Roma children. To pursue this goal, the UNICEF BiH will address key bottlenecks: i) to improve the enabling environment by facilitating cross-sectoral coordination and strengthening capacities for the design, implementation and budgeting of child-related policies and laws, ii) to strengthen systems and capacities for the equitable provision of quality and innovative services especially for the most vulnerable and excluded children, and iii) to enhance demand by successfully advocating for reduced social services fees, demonstrating quality service provision, promoting outreach, and empowering rights holders, especially the most vulnerable families.

The UNICEF BiH will: a) facilitate national dialogue towards child-friendly social norms including through communication for social change to trigger positive changes in behaviours and attitudes; b) advocate as a strong independent voice for children and adolescents; c) help strengthen systems to monitor child rights; d) leverage resources for children; d) contribute to the design of and strengthen capacities for the provision of effective and innovative services, and facilitate the costing and assessment of policy models and programmes; e) provide evidence-based policy advice and technical expertise; and f) enable knowledge exchange. These core roles reflect the foundational normative principles of the Human-Rights Based Approach to Development, Gender mainstreaming and Environmental sustainability. In addition, they match the implementation strategies of the UNICEF 2014-2017 Strategic Plan and regional common strategies. The UNICEF BiH will also closely identify and monitor assumptions and risks for the achievement of expected results. These include political developments that could jeopardize reform processes and result in social unrest, as well as natural disasters such as floods, earthquakes and extreme temperatures. In this context, UNICEF will continue to support BiH efforts to strengthen disaster risk reduction and the resilience of children, families, communities and systems in BiH.

Donor coordination efforts

UNICEF participates in donor coordination efforts to strengthen partnerships, create synergies, maximize programming outcomes, and ensure that human rights and gender concerns are effectively addressed in development interventions. Collaboration and strategic partnerships with the EU Delegation and the Government authorities at all levels have been critical in strengthening Social Protection and Inclusion Systems (SPIS) in BiH. UNICEF has been part of the Joint Initiative for a Righteous Education System in BiH and has been chairing meetings of the International Education Coordination Forum. UNICEF is also closely coordinating with Government authorities, Sweden/SIDA,

Switzerland/SDC, the High Judicial Prosecutorial Council, as well as other partners, in strengthening the Justice system in BiH (e.g. through the JJ inter-agency group and the JJ project steering committee). In the Health sub-sector, UNICEF supports and attends Working Group or Coordination meetings related to immunization, early childhood development, early childhood interventions (to detect developmental delays) and nutrition. Building on positive past experience, efforts will continue to mobilize resources for joint UN programmes by strengthening existing partnerships with multi donors trust funds (eg. UNHSTF, PBF), bilateral and other potential donors. In a context of enhanced UN coordination, funding for joint programmes is expected to grow. UNICEF chairs a UN Working Group on Roma and liaises with key actors involved.

UNICEF also provides support in setting up co-ordination mechanisms and contingency plans for emergency preparedness and response in-country.

Contact information:

United Nations Children's Fund (UNICEF)

Address: Zmaja od Bosne b.b

71000 Sarajevo, BiH

Phone: +387 33 293 600

Fax: + 387 33 642 970

Email: sarajevo@unicef.org

Web addresses: www.unicef.org/bih ; www.unicef.ba

United Nations Development Program (UNDP)

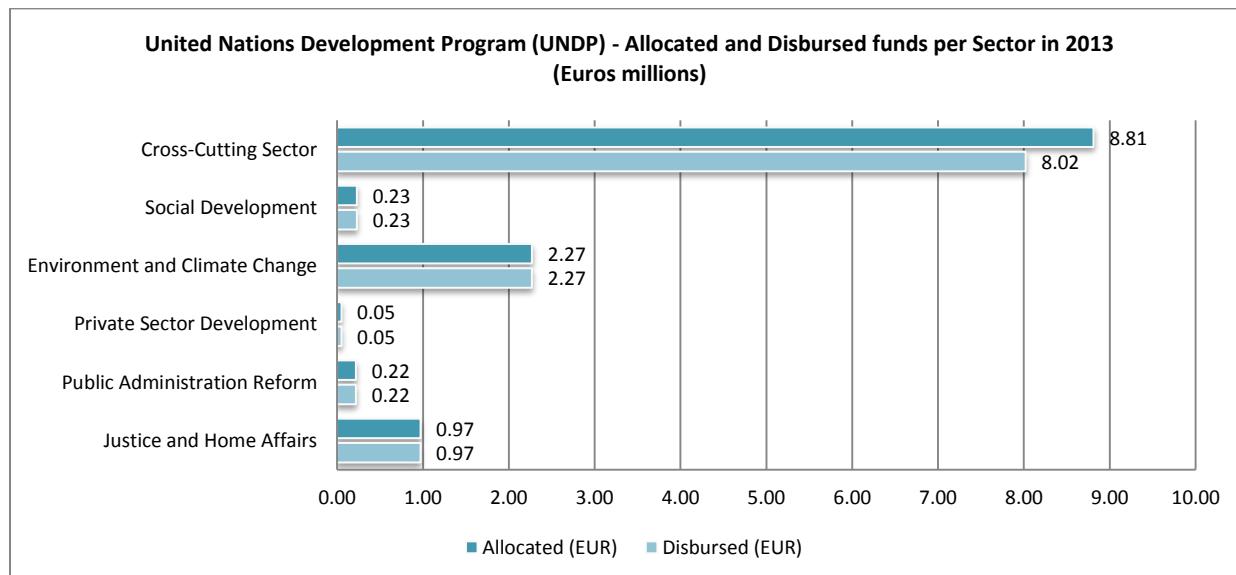
Policy approach

The UNDP policy approach is fully aligned with the UNDP Country Programme Action Plan (CPAP), the agreed United Nations Development Assistance Framework (UNDAF) and with the priority areas identified by the government for the Country Development Strategy and Social Inclusion Strategy. UNDP will support the government's EU accession process and within the accession framework will focus on areas of UNDP comparative advantage, emphasizing capacity development, private sector development through an inclusive markets approach, gender equality, sustainable development and the human rights based approach to development. The Country Programme Action Plan (CPAP) 2010-2011 that was endorsed by the BIH authorities was a result of an extensive consultative process with relevant government counterparts, civil society and other partners. It represents the principal framework for UNDP's operations in the country. The CPAP is divided into four major programmatic areas: Regional and Rural Development, Governance and Social Inclusion, Environment and Energy, and Human Security and Justice. The sectors indicated in the chart below are integrated in the four CPAP areas.

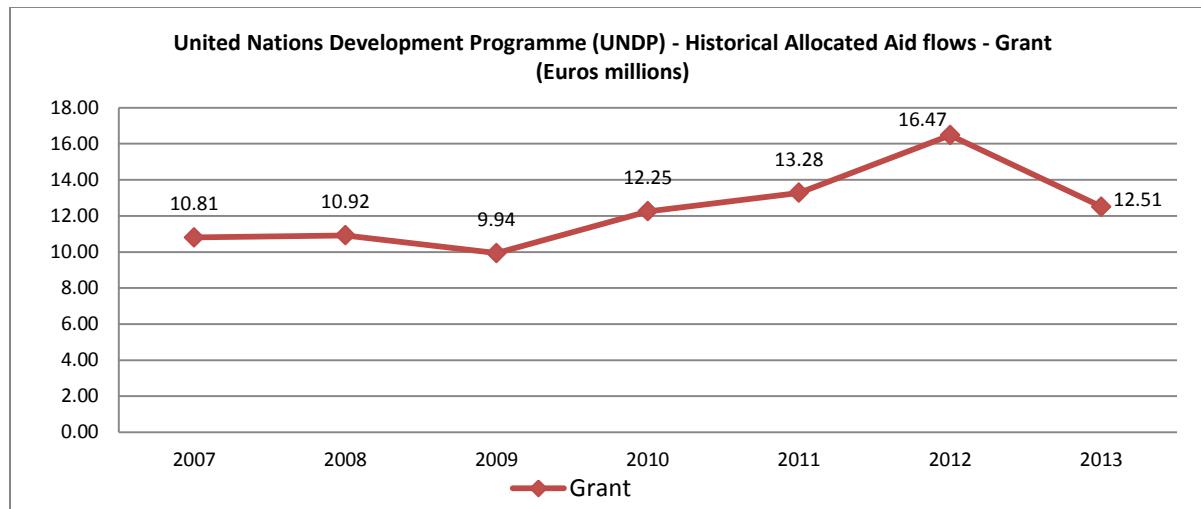
Key activities in 2013

United Nations Development Program (UNDP) allocated **€ 12.51 million and disbursed € 11.57 million in 2013 in the form of grant** to the following sectors:

Justice and Home Affairs, Public administration reform, Environment and Climate Change, Social Development, Cross-Cutting Sector.²⁰⁴



²⁰⁴ Total delivery of UNDP in 2013 was € 18 million, which includes financial support of the European Union, Government of Netherlands, Government of United States of America/USAID, Government of Sweden/SIDA, Government of Switzerland/SDC, Government of United Kingdom and Government of Czech Republic.



Medium and long-term approach

As noted above UNDP's programmatic focus is detailed in the Country Programme Action Plan which is approved by the BiH authorities. All the initiatives listed there will be central to achieving mid and long-term development goals associated with the UNDP mandate.

Donor coordination efforts

The Country Office's collaboration with international organisations, including the EC, Sida, SDC, the Governments of the Netherlands, Spain and Norway continued through a number of projects, many of which will go on in 2012 and beyond. The four MDG-F projects, are entering its final phase and are expected to be completed in 2013. Further consolidation of the cooperation and coordination among the UNCT resulted in a number of new joint activities and programmes.

Contact information:

United Nations Development Programme (UNDP)

Address: Zmaja od Bosne b.b.

71000 Sarajevo, BiH

Phone: +387 33 293 400

Fax: +387 33 552 330

Email: registry.ba@undp.org

Web addresses: www.un.ba



The World Bank

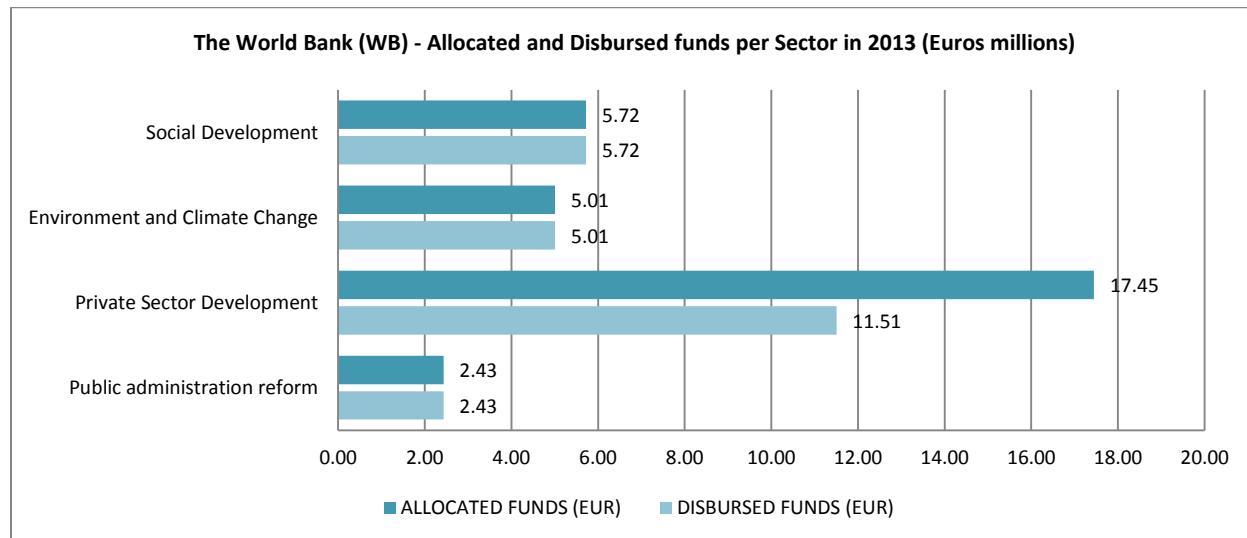
Policy approach

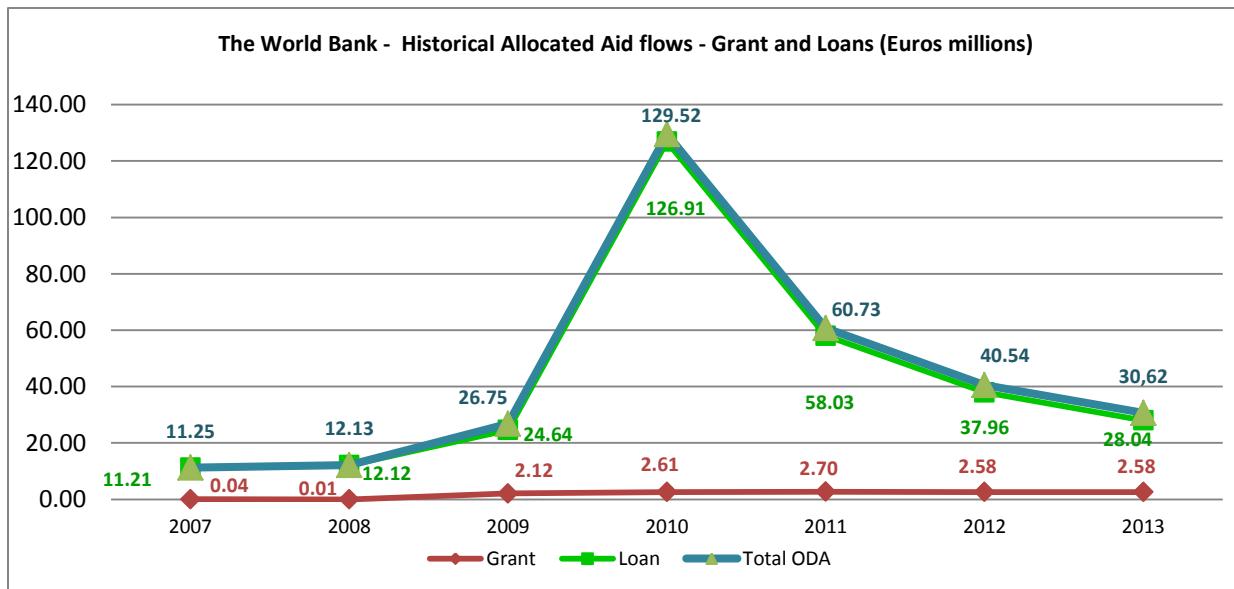
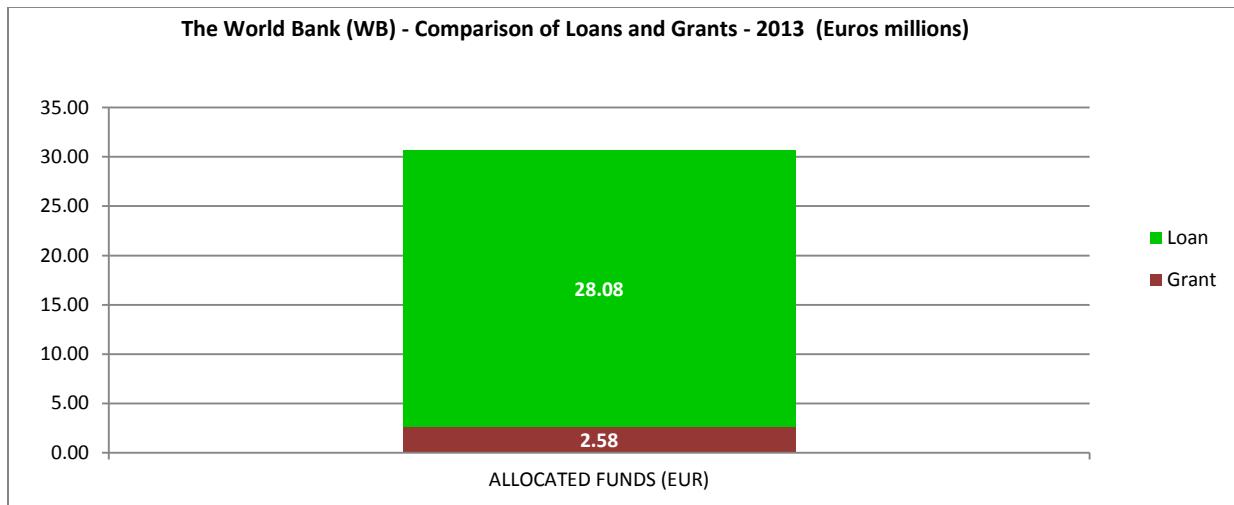
After a successful partnership in BiH during the period of post-conflict reconstruction, the World Bank Group remains committed to continued partnership with BiH authorities in addressing country's current economic and social challenges. In particular, the new Country Partnership Strategy of the World Bank Group for the period 2012-2015 envisages support around three mutually reinforcing pillars:

- Competitiveness: support economic growth by tackling some of the bottlenecks to competitiveness and faster productivity growth (support for macroeconomic stability, investments in irrigation, land registration, regional transport, and through stimulating SMEs access to capital);
- Social inclusion: continue to support improvement in living standards, including expanding access to primary health care, as well as to basic services, and support reforms of social assistance programs to target benefits to the truly vulnerable, and strengthen pension system;
- Environmental sustainability: support projects to help ensure the sustainable use of natural resources, such as water and forestry, with which BiH is extravagantly endowed, and prepare for growing risk of floods and droughts.

Key activities in 2013

The World Bank (WB) was projected to disbursed **€ 30.62 million and had actually disbursed € 24,67 million in 2013 in the form of grants and loans** to the following sectors: Public administration reform, Private Sector Development, Environment and Climate Change, Social Development.





Medium and long-term approach

As noted above the World Bank's focus is detailed in the Country Partnership Strategy (2012 – 2015).

Donor coordination efforts

Besides participating in the DCF quarterly meetings, the World Bank participates in several sector level donor coordination efforts. Particularly noteworthy is sectoral coordination in the energy sector for which substantial donor financing was provided in a coordinated manner. The Agriculture sector is also a good example of donor coordination. In both cases local institutions play a lead role in donor coordination.



In addition to these, the World Bank has periodic coordination meetings with the international financial organisations active in Bosnia and Herzegovina (EU, EBRD, EIB, KfW, CEB, IMF) as well as with other development partners, most notably with Sida and USAID in order to maximize development outcomes of different programs through better coordination and partnership.

Contact information:

The World Bank

Address: Fra Andjela Zvizdovića 1, B17
71000 Sarajevo, BiH
Phone: +387 33 251 500 Fax: +387 33 226 945
Email: mailto:bosnia@worldbank.org
Web address: www.worldbank.ba

International Finance Corporation Bosnia and Herzegovina

Political approach

International Finance Corporation (IFC) provides comprehensive solutions to address greatest challenges faced with developing countries, through support designed to meet the specific needs of our partners, with a special focus on infrastructure, manufacturing, agribusiness, services, and financial markets.

IFC works mainly with the private sector to encourage entrepreneurship and build sustainable businesses, advising them on a wide range of issues, including environmental, social and governance standards, energy and efficiency, and supply chains.

Through financial support to the private sector companies IFC enables them to broaden their access to foreign and domestic capital markets, while through advisory activities IFC helps unlock private sector investments, as essential for expanding businesses, creating new jobs, and growing economy.

Bosnia and Herzegovina became a shareholder and member of IFC in 1996. Since then, IFC's investment in the country has totalled **€ 285.05 million**, including EUR 17,38 million mobilized from its partners, in 45 projects across a variety of sectors, including in the financial sector, health sector, municipal infrastructure, agribusiness, construction, and general manufacturing.

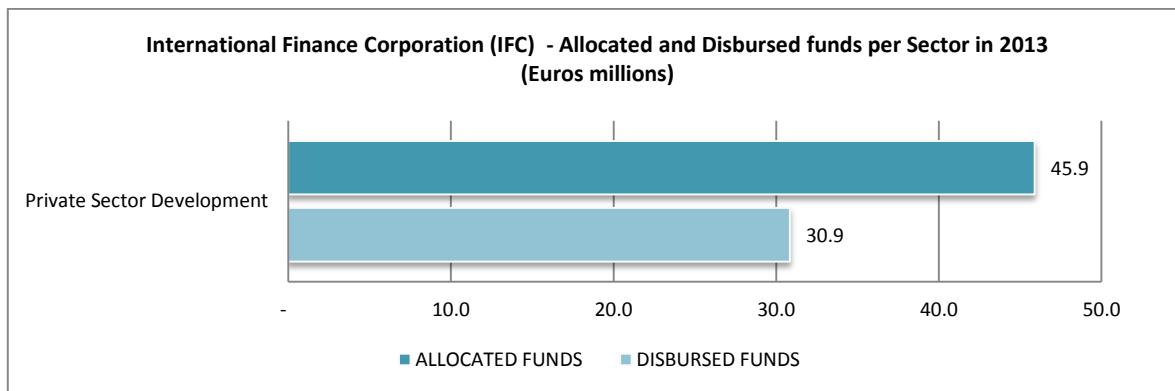
IFC strategy in Bosnia and Herzegovina focuses on the following priorities: (i) create more sustainable jobs; (ii) focus on transformational engagements in agribusiness and infrastructure; (iii) attract private sector participation including through PPP models; (iv) deploy integrated advisory and investment solutions to support manufacturing, agribusiness, infrastructure market development, as well as, financial sector stability.

Key activities in 2013

In 2013 IFC allocated a total amount of **€45.90 millions and disbursed €30,90 millions** in Private Sector Development in the form of loans, while it's committed portfolio stood at **€98.58 millions** (27% in the Financial Markets and 73% in the Manufacturing, Agribusiness and Services). Additionally, total IFC funding of **€3,24 millions** for advisory support to Private Sector Development resulted in following outcomes:

- Reducing the cost and time required for approval and compliance with business administrative procedures for licenses; improving regulatory reform and establishing a transparent Registry for businesses and general public; implementing/monitoring of FDI registration procedures.
- Improving corporate governance standards; building local capacity to provide corporate governance advisory services.
- Developing the renewable energy market, with a special emphasis on small hydro power plants (SHPP).

- Simplifying tax administration procedures to reduce tax compliance costs; improving the legal framework and efficiency of administration of international taxation procedures, with a focus on transfer pricing and double taxation treaties.
- Reducing the number of documents and days needed for goods to be exported and imported; streamlining procedures for the flow of cargo by road, air, and river.
- Providing advice on designing and implementing PPP transactions to national and municipal governments to improve infrastructure and access to basic services such as water, power, health and education.
- Addressing the over-indebtedness of micro entrepreneurs by supporting the operations of the Debt Advice Center.



Donor coordination efforts

IFC in Bosnia and Herzegovina operates as part of the World Bank Group and as such align its operations and mandate with the joint strategies endorsed by BH authorities. In addition to these, IFC has periodic coordination meetings with the international financial organisations and bilateral donors active in Bosnia and Herzegovina as well as with other development partners, through co-financing arrangements, policy dialogue initiatives or direct project implementation in order to maximize development outcomes of different programs through better coordination and partnership.

Contact information:

International Finance Corporation

Address: Zmaja od Bosne bb, Raiffeisen building (B building):

71000 Sarajevo, BiH

Phone: +387 33 251 555

Fax: +387 33 217 762

E-mail: SBrkic@ifc.org

Web-address: <http://www.ifc.org>

Donor Mapping Report 2013 provides comprehensive overview of projects and programmes supported by the members of Donor Coordination Forum (DCF), as well as the information on the latest development activities and conducted reforms within the MIPD sectors in Bosnia and Herzegovina for the period January, 01 – December 31, 2013.

Total Official Development Assistance (ODA) which DCF members channelled to Bosnia and Herzegovina in the 2013 had increased, in comparison with the previous period, when global financial and economic crisis caused significant decrease of donor activities.

Total ODA allocations in 2013 amounted to €699,83 millions, where €198,85 million was in the form of grants and €500,98 million in the form of loans, which if compared with 2012 presents a large increase of about € 147 million in the total ODA allocations.

Simultaneously, total disbursements of ODA provided to BiH in 2013 amounted to €485,46 million, where €333,54 million was in the form of loans and €151,92 million in the form of grants, showing an increase of about €154,71 million if compared to 2012.

Proportion between grant-based and loan-based ODA indicates that loans considerably prevailed over the grants in 2013. The international financial institutions EIB, EBRD, International Finance Corporation (IFC) and the World Bank, as well as bilateral donor, Germany, provided the highest amounts of loans, while the EU, USA, Sweden, Germany, UNDP and Norway provided the largest amounts of grants.

The highest percentage of total ODA in 2013 was allocated to Private Sector Development, followed by Transport and Energy Infrastructure and Environment and Climate Change Sector, while the least resources were allocated to Justice and Home Affairs, Public Administration Reform, Social Development and Cross - cutting sectors (2%).

In Bosnia and Herzegovina, a certain degree of progress was achieved within the reform processes ongoing in the all MIPD development sectors. Most of them recorded a positive shift in the area of legislation and its harmonization with the acquis, while BiH authorities at all levels continued to make steady progress in implementing structural reform under the SBA Arrangement.

In the forthcoming period, Institutions at all levels of governance in BiH in cooperation with the donor community in BiH should align their joint efforts in order to solve social and economic issues, increase employment and achieve the sustainable socio-economic development in Bosnia and Herzegovina as well as to support EU integration processes.

Donor Mapping Report 2013 was prepared by the Ministry of Finance and Treasury /Sector for Coordination of the International Economic Aid, in cooperation with representatives of institutions of Bosnia and Herzegovina and donors in BiH, members of Donor Coordination Forum (DCF).

The Report is directed to the activities and financial portfolios of DCF members and therefore it does not include the activities of all donors in Bosnia and Herzegovina.

Information and statistical data presented in the Report are based on financial data of projects/programmes, entered by DCF members into DCF database, as well as on the responses to the questionnaires, delivered by the institutions of Bosnia and Herzegovina and donors in BiH. Although financial data as well as the narrative part were verified by the participants in the preparation of the Report, there is still a possibility of errors(s).

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