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The EU's relations with South Eastern Europe

Overview



The EU's relations with Bosnia & Herzegovina

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1. Milestones in the relations between the EU & Bosnia and Herzegovina

- 1995: The Dayton/Paris Peace Agreement brought the war to an end and established two Entities of roughly equal size in Bosnia and Herzegovina (BiH): the Federation of BiH and the Republika Srpska.
- 1997: Regional Approach. The EU Council of Ministers establishes political and economic conditionality for the development of bilateral relations. BiH benefits from autonomous trade preferences and from 1996, assistance under the Phare and Obnova programmes.
- 1998: EU Declaration. Establishment of the EU/BiH Consultative Task Force (CTF), a joint vehicle for technical and expert advice in the field of administration, the regulatory framework and policies.
- 1999: Stabilisation and Association Process (SAP). The SAP offers for the first time a clear prospect of integration into EU structures to BiH and four countries of the region.
- 2000: Publication of the EU Road Map. This document set out 18 essential steps to be undertaken by BiH before work on a Feasibility Study for the opening of negotiations on a Stabilisation and Association Agreement could be begun.
- 2000: Feira European Council stated that all the countries covered by the SAP are potential candidates for EU membership. Extension of duty-free access to EU market for products from Bosnia and Herzegovina.

- 2001: First year of the CARDS assistance programme specifically designed for the SAP countries. This replaced the Phare and Obnova programmes for the countries of the SAP. Adoption of the Country Strategy Paper for 2002 to 2006.
- 2003: Following substantial completion of the Road Map, work is underway on a Feasibility Study for the opening of negotiations on a Stabilisation and Association Agreement.

2. Main objectives of European Union assistance

To support BiH in the framework of the Stabilisation and Association Process. In particular:

- To help consolidate the peace process and foster inter-Entity co-operation.
- To help ethnic reconciliation and the return of refugees and displaced persons to their homes of origin.
- To establish functioning institutions and a viable democracy, based on the rule of law and respect for human rights.
- To lay the foundations for sustainable economic development and growth.
- To bring Bosnia and Herzegovina closer to EU standards and principles.

3. Main areas of ongoing support

Following the Dayton Agreement ending the war, the massive task of building a stable social and political structure as well as a functioning economy had to be faced. Through the Regional Approach initially and subsequently the Stabilisation and Association Process supported by its assistance programmes the EU has worked to consolidate the peace process and bring Bosnia and Herzegovina closer to the EU.

What is the European Union doing to help Bosnia and Herzegovina?

Almost €2.5 billion of European Community funds have been committed to Bosnia and Herzegovina since 1991. From 1991 to 2000 humanitarian assistance provided by ECHO, the European Commission's Humanitarian Aid Office, totalled e1.032 billion. In the period 1996 - 2000 Bosnia and Herzegovina received assistance under the OBNOVA and Phare programmes amounting to €890.7 million. In addition the EU member states contributed over €1.8 billion in assistance between 1996 and the end of 2001.

In 2001 the European Commission adopted a Country Strategy for BiH which covers the period 2002-2006 and provides a framework for EU assistance. Since 2001 assistance of more than e240 million has been committed under the CARDS (Community Assistance for Reconstruction, Development and Stabilisation) Programme, supporting BiH's participation in the Stabilisation and Association Process.

Reconstruction of infrastructure

Both Mostar and Sarajevo have benefited from integrated reconstruction programmes covering public buildings, houses, and water, energy and transport networks. There have also been countrywide projects in the transport, telecommunications, energy, and water sectors. Extensive demining has been undertaken as part of the infrastructure projects and as part of the programmes in support of returnees, making the EU a leader in this area. In its reconstruction activities, the EU is not simply carrying out repairs to restore the

conditions to what they were before the war. Most of the projects are investments essential for the long term development prospects of the country. Tangible and significant results have been achieved by the reconstruction programme: bridges have been re-opened (Gradiska bridge, Brcko bridge, Karuse bridge and soon the Samac bridge), roads repaired, the airports in Mostar, Sarajevo and Banja Luka have been completely rehabilitated and public utilities restored to operation.

Return of refugees and displaced persons

The European Union has funded and continues to fund a comprehensive housing reconstruction programme covering all parts of the country. Over 33.000 houses have been rebuilt so far. The approach taken by the EU is an integrated one where the reconstruction of dwellings goes hand in hand with rebuilding health centres and schools and the revival of small businesses. New roofs are not enough for long term sustainable return: people need schools for their children, health care, social security and above all jobs. The EU has also set up a housing finance programme in collaboration with BiH commercial banks. Although the EU has devoted almost e400 million to its return programmes in the period 1996-2003, there are still not enough reconstruction grants for all the families that wish to return. Through the housing finance programme, individuals can have access to loans to rebuild their homes. The programme serves the dual purpose of increasing the supply of houses and developing a sustainable financing system for housing construction in BiH.

The EU has been supporting efforts to tackle one of the most difficult problems associated with the return process, namely how the rightful occupiers of property can regain possession of their homes. The EU funds a substantial part of the costs of the Commission for Real Property Claims. This was created under the Dayton Agreement to deal with the claims of dispossessed occupiers and is pivotal to the process of restoring homes to refugees and displaced persons.

Democratisation, social cohesion and development

The EU supports the two bodies of the Commission on Human Rights i.e. the Human Rights Chamber and the Ombudsperson, which was set up to protect the fundamental rights and freedoms of the individual. This type of support for democracy and human rights in Bosnia and Herzegovina is essential for continued stability and the country's future integration into Europe.

Projects that promote the rule of law, respect for human rights, protection of minorities, and political pluralism are funded through the European Initiative for Democracy and Human Rights. Support has also been provided to a variety of independent media projects ranging from a journalism school in Sarajevo to a print house in Banja Luka. The EU is now actively participating in the restructuring of the public broadcasting system after having supported the development of the regulatory framework for the broadcast and print media by the Independent Media Commission.

In the education sector, the EU is involved in Vocational Educational Training (VET) through institution building, staff and curriculum development, teacher training and partnerships with EU schools, with the emphasis on bringing VET closer to the labour market. The EU has also provided technical assistance to reform in primary, secondary and higher education. BiH has participated in the TEMPUS inter-university co-operation programme since 1996.

The EU health programme has included technical assistance for health care reform, encompassing health financing and assistance to the pharmaceutical sector. The Public and Environmental Health Programme is an important initiative which aims at the development of an integrated public health plan.

Institution building

The EU is supporting the Bosnia and Herzegovina state institutions in drafting and

implementing new laws, in particular in the fields of foreign trade and investment and commercial legislation. Assistance to the BiH state institutions is fundamental to ensure that BiH has the necessary working structures and capacity to function as a country and to meet the challenges and opportunities offered by the Stabilisation and Association Process. So far, the BiH state institutions have been weak when compared with administrations in the two BiH Entities (Federation of BiH and Republika Srpska). Through its programmes the EU is helping BiH develop a professional civil service serving the state institutions: the Presidency, the Parliamentary Assembly and the eight line Ministries. Assistance is also given to the Constitutional Court and the Central Bank.

The EU has not neglected the area of justice and home affairs. Through the European Union Police Mission, following on from the UN's International Police Task Force, the EU seeks to establish sustainable policing arrangements under BiH ownership in accordance with best European and international practice, through monitoring, mentoring and inspection activities. CARDS is supporting the EUPM's work as well as providing aid for judicial reform and the State Border Service.

BiH is now a single and uniform customs territory. This is one of the tangible results of the highly successful Customs and Fiscal Assistance Office (CAFAO) programme funded by the EU. The CAFAO programme, which includes assistance from European customs and tax experts, is contributing to the development of the customs and tax systems in BiH based on modern European standards. This programme makes a substantial contribution to securing financial resources for the budgets of both the State and Entities of Bosnia and Herzegovina. Since 1996 customs revenues have tripled thanks in large measure to CAFAO.

Economic regeneration

EC assistance is increasingly shifting towards support for sustainable economic development and preparing BiH for EU integration. The EC has committed more than e20 million in technical assistance for economic reform from 2001 to 2003. This support has been focused on three core areas:

Supporting the process of Integration with the EU.

One of the top priorities for BiH is to create a Single Economic Space which permits the free movement of goods, services, capital and labour. The EU is helping BiH create a Single Market in line with the 'Acquis Communautaire', including the harmonisation of the legal and institutional structures as set out in the White Paper.

Creating a Market Economy and a vibrant Private Sector.

This involves the completion of critical transition reforms which are essential to breaking the vicious cycle of declining growth and rising unemployment. The EC has provided assistance to accelerate privatisation by attracting foreign investors in the tender of 20 Strategic State Enterprises and has supported the dismantling of the 'Payment Bureaux' in order to create a modern banking system.

In addition the EC is providing substantial support to stimulate the development of the private sector with a number of projects including:

- * attraction of Foreign Investment to BiH and development of a Foreign Investment Promotion Agency;
- * revitalisation and turnaround of a number of medium size companies in Agribusiness, Textiles, Leather and Wood Processing Sectors;
- * stimulation of SME development through the provision of medium term credit and technical assistance channelled through domestic banks and a network of business support

centres.

Poverty Alleviation through local development measures

As the return process continues and transitional reforms are implemented, there will inevitably be further social costs in terms of increased unemployment and social dislocation. In order to mitigate some of these social costs, the EU is supporting a number of local development initiatives which can underpin economic revival and generate sustainable jobs in certain regions (Brcko, Tuzla, Eastern Republika Srpska, Posavina and Western Herzegovina).

The EU also provides macro-financial assistance through grants and loans in support to the balance of payments of BiH.

Co-operation with the European Investment Bank

In 1999 the EIB was conferred with a specific mandate to grant up to e100 million in loans to BiH which benefit from a 2% interest-rate subsidy from the Community budget. The first loan for e60 million for road infrastructure improvement was signed in 2000. A second loan for e40 million for improvement in the railway network was signed in mid-2001.

Humanitarian assistance

Through its humanitarian arm, ECHO, the European Union was active in BiH throughout the war. ECHO was responsible for the largest humanitarian operation ever mounted in Europe. From 1995 until it closed its operations in BiH in 2000, ECHO funded projects in Bosnia and Herzegovina to protect and support the most vulnerable in the absence of adequate social security systems. ECHO concentrated on food aid and health. It also actively participated in the return process. Its flexible procedures allowed it to intervene quickly in support of spontaneous minority return movements. The improvement in the humanitarian situation in BiH allowed ECHO to phase out completely in 2000.

4. The future

At the Thessaloniki summit of June 2003, the Stabilisation and Association process was enriched with elements drawn from the recent successful enlargement process. These include strengthened political co-operation, enhanced support for institution building, promotion of economic growth through trade measures, and the possibility to participate in some Community programmes. These tools provide Bosnia and Herzegovina, in partnership with the European Union, with further opportunity to shape its own European destiny.

5. Facts and Figures

1991-2003 EC assistance to Bosnia and Herzegovina - Allocations in millions of €										
1991-1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Total
BOSNIA AND HERZEGOVINA										
Phare, OBNOVA and CARDS										
0.21	0.65	229.77	211.16	190.50	118.36	90.30	105.23	71.90	63.00	1081.08
ECHO (humanitarian assistance)										
495.26	145.03	142.45	105.00	87.95	58.90	0.40	0.75			1035.74

Specific actions										
	70.00	65.40	39.90	15.00	30.90	3.96				225.16
Democracy & Human Rights										
	0.70	4.80	4.80	1.80	0.80	0.60	0.80	2.30	2.00	18.60
Balance of payments support (1)										
					25.00	10.00	25.00		15.00	75.00
Total EC assistance										
495.47	216.38	442.42	360.86	295.25	233.96	105.26	131.78	74.20	80.00	2435.58

(1) Refers to disbursement and includes grants and loans

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Commissioner Chris Patten | Directorate General External Relations