

## COMMISSION DECISION

**C(2007) 2255 of 01/06/2007**

on a Multi-annual Indicative Planning Document (MIPD) 2007-2009 for Bosnia and Herzegovina

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)<sup>1</sup>, and in particular Article 14 (2) (a) thereof,

Whereas:

- (1) Regulation (EC) No 1085/2006 creates a coherent framework for Community assistance for candidate countries and potential candidate countries. Article 6 (1) of that Regulation requires that the assistance shall be provided on the basis of multi-annual indicative planning documents established by country in close consultation with the national authorities.
- (2) In accordance with Article 6 (3) of Regulation (EC) No 1085/2006 assistance for countries listed in Annex II to that Regulation shall be based on the European Partnerships and cover the priorities and overall strategy resulting from a regular analysis of the situation in the country and on which preparation for further integration into the European Union must concentrate.
- (3) Bosnia and Herzegovina is listed in Annex II to Regulation (EC) No 1085/2006.
- (4) The Council adopted on 30 January 2006 the European Partnership with Bosnia and Herzegovina<sup>2</sup>.
- (5) This Decision is in accordance with the opinion of the IPA Committee set up under Article 14 of Regulation (EC) No 1085/2006,

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<sup>1</sup> OJ L 210, 31.7.2006, p.82

<sup>2</sup> Council Decision 2006/55/EC of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with Bosnia and Herzegovina (OJ L35, 7.2.2006, p.19)

HAS DECIDED AS FOLLOWS:

*Sole article*

The Multi-annual Indicative Planning Document (MIPD) for the years 2007-2009 for Bosnia and Herzegovina attached to the present Decision is hereby adopted.

Done at Brussels, [...]

*For the Commission*

[...]

*Member of the Commission*

**ANNEX**

**Instrument for Pre-accession Assistance (IPA)**

**Bosnia and Herzegovina**

**Multi-Annual Indicative Planning Document**

**2007 – 2009**

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## Liste of abbreviations

BiH	Bosnia and Herzegovina
CAFAO	Customs and Fiscal Assistance Office
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBC	Cross-border cooperation
CEFTA	Central European Free Trade Agreement
CRA	Communication Regulatory Agency
DEI	Directorate for European Integration
DFID	UK Department for International Development
DIS	Decentralised Implementation System
DPA	Dayton Peace Agreement
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
ESDP	European Security and Defence Policy
EPPU	Economic Policy and Planning Unit
EU	European Union
EUPM	European Union Police Mission
EUSR	European Union Special Representative
FAO	International Food and Agriculture Organisation
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für technische Zusammenarbeit
HRD	Human Resources Development
IBM	Integrated Border Management Strategy
ICTY	International Criminal Tribunal for the former Yugoslavia
IDP	Internally Displaced Persons
IFI	International Financial Institutions
IMF	International Monetary Fund
IOM	International Organisation of Migration
IPA	Instrument of Pre-accession Assistance
IPR	Intellectual Property Rights
ITA	Indirect Taxation Authority
KfW	Kreditanstalt für Wiederaufbau
KTA	Kosovo Trust Agency
MFA	Macro-financial Assistance
MIFF	Multi-annual Indicative Financial Framework
MIPD	Multi-annual Indicative Planning Document
NGO	Non-Government Organisation
NIPAC	National IPA Coordinator
OHR	Office of the High Representative
OSCE	Organisation for Security and Cooperation in Europe
PAR	Public Administration Reform
PHARE	Poland and Hungary: Aid for Restructuring of the Economies
SAA	Stabilisation and Association Agreement
SAP	Stabilisation and Association Process
Sida	Swedish International Development Agency
SIPA	State Investigation and Protection Agency
SME	Small and Medium-sized Enterprises

SPO	Senior Programming Officer
TAEIX	Technical Assistance Information Exchange Office
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
VET	Vocational Education and Training
USAID	United States Agency for International Development
WB	World BankWTO
WTO	World Trade Organisation

## Preface

The main objective of the Instrument for Pre-Accession Assistance (IPA)<sup>1</sup> is to help Bosnia and Herzegovina to face the challenges of European integration, to implement the reforms needed to fulfil EU requirements and progress in the Stabilisation and Association Process and to lay the foundations for fulfilling the Copenhagen criteria for EU membership.

The IPA instrument consists of five components: (IPA-I), the Transition Assistance and Institution Building component; (IPA-II), the Cross-Border Cooperation component which applies to border regions between beneficiaries from member states, candidate states and countries in pre-accession status, and (IPA III, IV and V), the Regional, Human Resources and Rural Development components which are planned for Candidate Countries.

Potential candidate countries will receive assistance through components I and II of IPA. Potential candidate countries and candidate countries that have not been accredited to manage funds in a decentralised manner (DIS) should however be eligible, under component I, for measures and actions of a similar nature to those which will be available under components III, IV and V.

The basic policy documents for setting down the priorities for programming of assistance under IPA are the European Partnership<sup>2</sup>, the Strategy Paper<sup>3</sup>, which presents the Commission's overall enlargement policy for the candidate and potential candidate countries, as well as the Annual Report on progress made on the road towards the EU, including implementation and enforcement of EU standards. IPA will allow flexibility in order to respond to possible new priorities identified in annual Progress Reports of the Commission.

This multi-annual indicative planning document (MIPD) is the strategic document for IPA. It is established for a three year rolling period, with annual reviews. It follows the Multi Annual Indicative Financial Framework (MIFF) which indicatively allocates funds per beneficiary and per component. It draws on the pre-established IPA components.

The priorities set out in the MIPD components will serve as a basis for the annual programming of EU funds in 2007, 2008, and 2009.

## Executive Summary

The Multi-annual Indicative Planning Document (MIPD) 2007 - 2009 is the key strategic planning document for assistance to Bosnia and Herzegovina (BiH) under the Instrument for Pre-Accession Assistance (IPA). It takes account of the Mid-Term Development Strategy and the EU Integration Strategy of BiH and translates the needs and challenges that BiH faces in the Stabilisation and Association process (SAp) into strategic priorities and objectives.

From a European integration standpoint, the challenge for BiH is to improve its possibilities to make rapid progress in the way towards the EU. Continued efforts remain necessary to continue to increase the effectiveness of the executive and legislative bodies and to strengthen administrative capacity and the co-ordination between State and Entities. Therefore, assistance to identified sectors will strengthen institutions and will also support domestic efforts on constitutional reform aiming at ensuring BiH becomes a functional state.

BiH has to comply with the political requirements of the Stabilisation and Association Process (SAp). The community assistance will support BiH in the consolidation of the rule of law,

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<sup>1</sup> Council Regulation (EC) No 1085/2006 of 17 July 2006, Official Journal L210, page 82.

<sup>2</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l\\_035/l\\_03520060207en00190031.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_035/l_03520060207en00190031.pdf)

<sup>3</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005\\_0561en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005_0561en01.pdf)

human rights, social inclusion and respect for the protection of minorities. Support will be given to the reform of the media sector, public administration reform and to improving the overall functioning of the judiciary.

The socio-economic situation of the country and its population requires financial support to combat high unemployment, to reform its education system which does not respond to the needs of the labour market, and to reform its public health system which is not capable to provide appropriate health care and consumes an unsustainable level of 13 % of the GDP.

As a potential candidate country, BiH has to approximate to European standards, in particular in the sectors internal market, justice, freedom and security, and sectoral policies. Quality infrastructure and the institutional set-up of key marked actors will be targeted. Support to SME and regional development, enterprise reform and development, trade policy, and the reform of the agriculture sector are the key areas of assistance to comply with EU sectoral policies. Further support will be provided to the environment, energy, transport and information society sector. This is to be complemented by activities in the areas of law enforcement, migration and visa issues as well as Integrated Border Management.

IPA supports cross-border co-operation with the neighbour countries Croatia, Montenegro and Serbia and with Italy through the IPA CBC Adriatic programme.

Pre-accession assistance shall prepare the country for decentralised management of EU assistance through capacity building of relevant administrative departments and institutions as well as by establishing internal controls and audits.

The principal mean for assessing the achievements of the objectives identified in the MIPD 2007 – 2009 will be the annual Progress Reports.

**Table 1 – Multi-annual indicative Financial Framework 2007 – 2009 (in million Euros)**

	2007	2008	2009	<b>TOTAL</b>
<i>Transition Assistance and Institution Building</i>	58.1	69.9	83.9	<b>211.9<sup>4</sup></b>
<i>Cross-border Co-operation</i>	4.0	4.9	5.2	<b>14.1</b>
<b>Total</b>	<b>62.1</b>	<b>74.8</b>	<b>89.1</b>	<b>226.0</b>

## **Section 1 – Assessment of strategic priorities and objectives**

### **1.1 – Introduction**

In November 2003, the Commission presented a Feasibility Report assessing the suitability of opening Stabilisation and Association Agreement (SAA) negotiations with Bosnia and Herzegovina. It concluded that the pre-conditions were not yet fully met and listed sixteen priorities to be addressed before negotiations could be opened. The report also concluded that the Commission would propose a recommendation for a Council decision to open negotiations as soon as it ascertained that significant progress had been made in meeting the priorities identified in the report. Following significant progress by Bosnia and Herzegovina in addressing the 16 key priorities, the Commission recommended in October 2005 the

<sup>4</sup> includes allocations towards the Multi-Beneficiary Nuclear Safety/Education programme, described in the Multi-Beneficiary MIPD.

opening of negotiations for a Stabilisation and Association Agreement to the Council. The Council adopted in November 2005 the negotiating directives and the negotiations were opened officially on 25 November 2005 in Sarajevo.

The Progress Report assessed the progress made by Bosnia and Herzegovina on the implementation of the Stabilisation and Association Process (SAP) and examined to which extends Bosnia and Herzegovina has addressed the European Partnership priorities.

The envisaged closure of the OHR in the year 2008 and the end of the OHR's executive powers (Bonn Powers) will leave the country's European perspective as the main leverage to encourage and guide further progress in BiH, thus adding additional weight to the importance of EC assistance for Bosnia and Herzegovina.

BiH authorities were consulted formally through the Directorate for European Integration (DEI) and provided their comments to the MIPD. The DEI organised a series of workshops from 10 – 12 July 2006 to facilitate the discussion on the MIPD between the European Commission and the line ministries and agencies of BiH. These workshops had been very much appreciated by the participants and were considered as a useful tool to ensure that the expectations of the BiH authorities are duly considered during the preparation of the planning document.

The European Commission and Bosnia and Herzegovina have set up a Programming Management Committee and a Project Programming Committee, both composed of representatives of the Bosnia and Herzegovina Directorate for European Integration and the Delegation of the European Commission to Bosnia and Herzegovina to ensure that the programming of Community assistance is adequately co-ordinated.

The views of civil society actors in BiH were taken into account through consultation on the priorities and detailed scope of the present MIPD. The Commission met with representatives of the different Civil Society networks in BiH and received positive feedback on the draft planning document, especially on the intention to establish a permanent dialogue between authorities and the civil society.

The Commission met with representatives of the European Member States, the Office of the High Representative/European Union Special Representative (OHR/EUSR), the European Union Police Mission (EUPM), United Nations Development Programme (UNDP), the World Bank (WB) and the European Bank for Reconstruction and Development (EBRD) to discuss the strategic orientation of the planning document and to get feedback on their assistance programmes in BiH. The Commission received suggestions and proposals to improve the draft document from Member States and the International Institutions which had been duly considered and accepted where appropriate. Co-ordination of assistance to BiH is continuous between the European Commission and the World Bank through the joint EC/WB office in Brussels.

## **1.2 - Objectives of pre-accession assistance**

The objectives of EU assistance to Bosnia and Herzegovina result from the needs assessment described in general in this section. They are in line with Bosnia and Herzegovina's own sectoral reform and development strategies and they take account of the Mid-Term Development Strategy (MTDS) and the EU Integration Strategy of Bosnia and Herzegovina. The main strategic objective of the pre-accession assistance to Bosnia and Herzegovina is to support the country in the transition from a potential candidate country to a candidate country and through to membership of the European Union. IPA will support Bosnia and Herzegovina to meet the political, economic and *acquis*-related criteria necessary for membership.

IPA will support Bosnia and Herzegovina's efforts in the implementation of its overall reform and development strategies as far as these strategies help also achieving the requirements to the EU integration process.

The following key reform areas have been selected on the basis of their relative importance for Bosnia and Herzegovina to fulfil the requirements of the SAP and in consideration of the comparative advantage of the EC in certain areas, i.e. *acquis* related matters. Continuance of assistance in the previous CARDS programme, which also takes into account the lessons learned in the implementation of CARDS, will ensure continuity of EC assistance. The needs assessment is based on a comparison of the actual progress in reform areas as described in the 2006 progress report and the progress expected in the framework of the SAP. The needs assessment led to a number of priorities which need to be addressed in this MIPD. These priorities have been outlined in the three key areas Political Requirements, Socio-Economic Requirements and European Standards as well as in the requirement of Bosnia and Herzegovina's participation in Cross-Border Co-operation.

The short term priorities of the European Partnership (EP) have been addressed in the CARDS action programme 2006. Thus, the present IPA MIPD concentrates on the medium term requirements. Exceptions to this rule are the EP key short term priorities. Despite their particular importance for the assessment of Bosnia and Herzegovina's progress in the reform agenda, the progress in the areas of police reform, public broadcasting legislation, strengthening of state-level institutions, public administration reform and in the creation of a real internal market is slow or even stalled.

The challenge for Bosnia and Herzegovina is to improve its possibilities to make rapid progress on the way towards the EU. Continued efforts remain necessary in order to continue to increase the effectiveness of the executive and legislative bodies and to strengthen institutions and the co-ordination between State and Entities.

Socio-economic indicators raise concern. High unemployment rates and a dominating shadow economy create obstacles to social and economic recovery. Public finances are overstrained by, among other factors, a financially unsustainable and inefficient health system. The challenges for Bosnia and Herzegovina are to stabilise the macro-economic environment and to reduce public spending, to create a favourable business climate, to reform the education system and to adopt active labour market measures to combat unemployment.

As a potential candidate country, Bosnia and Herzegovina has to approximate gradually its legislation and policies with the *acquis* and has to develop the relevant administrative capacity. Progress so far is limited.

Based on the above needs assessment the following conclusions have been drawn:

Community assistance will support Bosnia and Herzegovina to comply with the political requirements of the EP. Priority will be given to assistance with the aim at strengthening administrative capacity and to support domestic efforts on constitutional reform ensuring that BiH becomes a more democratic, sustainable and functional state. A second priority will be the support of Bosnia and Herzegovina's Civil Society.

Community assistance will support Bosnia and Herzegovina to fulfil its obligations towards returnees, minorities and vulnerable groups, including children.

Community assistance will support Bosnia and Herzegovina to comply with the socio-economic requirements of the EP. Priority will be given to assistance with the aim at creating employment.

Community assistance will support Bosnia and Herzegovina to cope with the requirement to approximate to the European *acquis* in the areas of internal market, sectoral policies, and justice, freedom and security. Considering the potential of the agriculture sector to contribute to overall economic growth and development in Bosnia and Herzegovina and that more than 50% of the population live in rural areas and is dependant on the agriculture sector for its livelihoods, priority will be given to assistance with the aim to reform the agriculture sector and to contribute to rural development. Also taking into consideration the importance of transport and energy to industrial growth and overall economic development, assistance to support the transport and energy sectors will be a further priority.

The major cross cutting issues to be tackled in Bosnia and Herzegovina are:

- **Civil Society** will be supported by the European Instrument for Human Rights and Democracy and the IPA financial framework. Civil Society is understood including employer's organisations, trade unions, associations of local self-governments as well as non-governmental organisations etc. The justified balance will be kept between Western Balkans' regional activities for civil society and specific activities in Bosnia and Herzegovina along the IPA programmes.
- **Environmental impact assessment** is compulsory concerning proposals for new infrastructure investments projects.
- **Equal opportunities and non-discrimination** will be respected as regarding gender as well as minorities at the programming and implementation stage, particularly in relation to socio-economic support programmes.
- Furthermore **minority and vulnerable groups' concerns** will be reflected in all activities programmed under IPA, in particular when it concerns public services, legislative matters and socio-economic development.
- Specific action instruments for the **Good Governance**, with particular attention to **fight against corruption** will be incorporated on a horizontal basis.

### 1.3 - Overview of past and on-going assistance

Since the end of the war in 1995, Community assistance to Bosnia and Herzegovina has totalled more than EUR 1.8 billion. The PHARE, OBNOVA and CARDS programmes provided more than EUR 1 billion to Bosnia and Herzegovina, of which EUR 503 million had been provided by the CARDS programme in the years 2000 to 2006.

While the first years of the OBNOVA and the CARDS programme focused on the restoration of the infrastructure and the return of refugees and internally displaced persons, the emphasis since 2003 shifted to institutional building and to assistance to Bosnia and Herzegovina to comply with the priorities of the European Partnership. The priorities of CARDS in the years 2005 and 2006 were Democratic Stabilisation, Good Governance and Institution Building, including Administrative Capacities and Justice and Home Affairs, the Economic and Social Development, including the Environment and the participation of BiH in Community Programmes.

The Tempus programme has provided considerable support to the modernisation and the reform of the higher education system in Bosnia-Herzegovina. Since 1997, Tempus has

funded almost 90 cooperation projects with EU higher education institutions in the areas of curriculum development, university management and structural reform.

Bosnia and Herzegovina also benefits from the regional CARDS programme, which supports measures of common interest to the Western Balkans region, such as infrastructure development, institution building and cross-border cooperation. The budget for the regional CARDS programmes for the period 2002 to 2006 amounts to Euro 280 million.

In addition to CARDS assistance, Community funds were provided to support the EU Police Mission (EUPM) with Euro 80 million, the Office of the High Representative (OHR) and the EU Special Representative (EUSR) with Euro 119 million. BiH remains a focus country for the European Initiative for Democracy and Human Rights and benefits from the LIFE environmental programme and the 6<sup>th</sup> Framework Programme for Research and Development. Support for the de-mining has continued under the Anti-Land Mines Action Programme.

Bosnia and Herzegovina has also benefited in the years 2003 to 2005 from EU macro-financial assistance in the amount of EUR 60 million, composed of a EUR 20 million loan and a EUR 40 million grant.

**Table 2 - Overview of past and on-going pre-accession assistance (in million Euro)**

PHARE/OBNOVA	778
CARDS	503
Regional Cards	280
EUPM	80
OHR/EUSR	119
Macro-financial assistance	60
<b>Total</b>	<b>1820</b>

Experience with previous CARDS assistance, as well as the recommendations of the Evaluation of the CARDS Assistance to Western Balkan countries<sup>5</sup> in the year 2004, leads to the following considerations:

Increasing local ownership and gradual decentralisation of EC assistance to Bosnia and Herzegovina is essential for the effective targeting of the support and achieving the agreed results in line with EU standards. Significant efforts have been undertaken to involve Bosnia and Herzegovina's institutions in the planning and programming process for EC assistance. The Directorate for European Integration (DEI) benefited from substantial CARDS institution and capacity building support. The introduction of the function of Senior Programme Officers (SPO) within the BiH ministries and agencies and the leading role of the DEI in the programming process of CARDS 2006 are the first steps in transferring the responsibilities to the Government of Bosnia and Herzegovina. In addition, in December 2005, the BiH Council of Ministers adopted the Strategy for the Implementation of the Decentralised Implementation System (DIS).

<sup>5</sup> [http://ec.europa.eu/comm/europeaid/evaluation/document\\_index/2004/951651\\_docs.htm](http://ec.europa.eu/comm/europeaid/evaluation/document_index/2004/951651_docs.htm)

Another lesson learnt from CARDS assistance implementation is that projects may be well implemented and may accomplish their operational objectives but fail to provide the expected impact on the reform agenda because of limited or even missing political consent. This concerns in particular projects who aim to create or reform institutions and to re-balance State and Entity responsibilities.

All EC assistance must not only reflect European Partnership priorities but, in the broader sense of the Paris Declaration<sup>6</sup>, must also be interlocked with Bosnia and Herzegovina's institutions development and action plans e.g. the Bosnia and Herzegovina Public Administration Reform Action Plan, The Mid-term Development Strategy (MTDS), and the EU Integration Strategy. The aim is to design assistance in relation to the Bosnia and Herzegovina strategic plans and to design strategic plans in relation to EU approximation needs. This includes the support to the BiH Government to develop and implement sectoral strategies, as well as an effective co-ordination with other donors and the Government.

#### **1.4 Relevant IFI and multilateral and bilateral assistance**

The European Commission co-operates with Member States, other International Donors and International Financing Institutions in BiH. The following outline of main actors by area of intervention is not exhaustive. Close co-ordination, possible synergies and division of tasks with other donors has been ensured through the co-ordination process described in Article 1.1 above and through continuous co-ordination at the operational level between relevant Commission services (line Directorate Generals, DG Enlargement, the Delegation of the EC in Sarajevo) and the donor community. Co-ordination will pursue during the annual programming phase.

*Public administration reform:* Sweden, the Netherlands, United Kingdom, OSCE, UNDP, World Bank and the USA. A special co-operation form is the PAR-fund to which UK, Sweden and the Netherlands contribute. The EC contributes by providing umbrella assistance to the PAR Coordinator's Office.

*Police and the security sector:* France, Germany, UK, Spain, EUPM, OSCE, and the USA.

*Justice Sector:* USA, Canada, Germany, UK, Sweden, Norway, Spain, the Netherlands, France, Austria

*Civil society and media sector:* Sweden, UK, and the USA.

*Human rights and the protection of minorities:* Austria, Germany, Ireland, Slovenia, Spain, Sweden, the Netherlands, United Kingdom, UNDP, UNHCR, World Bank, Canada, Japan, Norway, Switzerland, and the USA.

*Economic Development (including infrastructure):* Austria, France, Germany, Italy, Sweden, the Netherlands, United Kingdom, EBRD, EIB, World Bank, Switzerland, and USAID.

*Education, Employment and Health:* Austria, Denmark, Finland, France, United Kingdom, Council of Europe, WHO, World Bank, Canada, Switzerland, and USAID.

*European Standards (including Food Safety, Energy, Agriculture and Environment):* Germany, Italy, Spain, Sweden, United Kingdom, EBRD, EIB, World Bank, Canada, Japan, Norway, Switzerland, and USAID.

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<sup>6</sup> [http://ec.europa.eu/comm/development/body/communications/docs/communication\\_87\\_2006\\_en.pdf](http://ec.europa.eu/comm/development/body/communications/docs/communication_87_2006_en.pdf)

## **Section 2 – Pre-accession assistance strategy for the period 2007-2009**

### **2.1 Strategic Choices**

Based on the operational needs assessment and priorities in article 1.2 above and on the feedback received from the consultation with national authorities, member states, international organisations and civil society representatives, the following strategic choices have been made:

Under Component 1 - Transition Assistance and Institution Building, IPA will support Bosnia and Herzegovina to cope with the political, socio-economic and *acquis* related requirements of the SAp.

Political requirements:

IPA will support the public administration reform, the reform of the judiciary and of the police. The emphasis will be on institution building and constitutional reform. Bosnia and Herzegovina will be supported to implement these reforms in a fiscally responsible way i.e. through assistance to identify and implement savings at all levels of Government.

One of the lessons learned in the implementation of the CARDS programme in Bosnia and Herzegovina is that political consent is a pre-requisite to establish or reform institutions or to re-balance State and Entity responsibilities. Support will be conditional to reliable consent amongst the relevant political stakeholders.

Further support will be provided to the development of the media and the civil society to contribute to the democratic stabilisation and the social and economic development of the country.

Assistance will contribute to overcome the legacy of the war through assistance to the return process, notably to the social and economic integration of returnees and to support de-mining and assistance to mine victims and will support the social and economic inclusion of minorities and vulnerable groups.

Socio-economic requirements:

IPA will assist Bosnia and Herzegovina's economic development by supporting the establishment of regulatory capacity and the enhancement of entrepreneurial know-how. Further assistance will support the development of the SME sector and will improve trade policies. The education reform will be advanced to promote the development of economy and society and active labour market measures shall assist in combating unemployment. The health sector will be reformed to ease the burden on public finances and to deliver adequate health care to citizens.

Social dialogue constitutes a condition for an effective partnership between social partners and for good governance. IPA assistance will contribute to capacity building amongst the social partners.

European Standards:

IPA will assist Bosnia and Herzegovina to cope with the requirement to approximate to the European *acquis* in the areas of internal market, sectoral policies, and justice, freedom and security. The emphasis of the support will be placed on supporting the development of strategies and policies to establish sectoral policies and a regulatory framework compatible with European standards. Further emphasis will be placed on supporting the establishment

and capacity building of agencies and institutions required for the implementation and enforcement of the sectoral policies.

Through its component II, IPA will support Cross-Border Co-operation by proposing joint projects at the borders with Croatia, Montenegro and Serbia, with Italy through the IPA CBC Adriatic Programme and by supporting Bosnia and Herzegovina to participate in joint projects under the European Regional Development Fund's (ERDF) transnational/interregional programmes, wherever relevant. Bosnia and Herzegovina has already benefited from EC-financed cross border co-operation with positive results.

Programmes selected under IPA will be co-ordinated with the donor community in Bosnia and Herzegovina to ensure coherence and complementarity. IPA will assist Bosnia and Herzegovina in establishing its donor co-ordination facility.

Particular attention will be paid to programme readiness. Indicators for programme readiness can be political consent amongst relevant stakeholders, the existence of Bosnia and Herzegovina's relevant sectoral strategies, Bosnia and Herzegovina's efforts and financial means devoted to the sector reform, the availability of relevant legislation, etc.

Where IPA supports Bosnia and Herzegovina in institution and capacity building, it will assist the authorities to do this in as fiscally responsible way by identifying and implementing savings at all levels of government.

The priorities programmed under the Bosnia and Herzegovina MIPD are closely coordinated with other EU sponsored co-operation activities and with the IPA Multi-Beneficiary MIPD 2007 -2009.

The MIPD for Bosnia and Herzegovina will finance the following activities programmed under the Multi-Beneficiary MIPD 2007-2009: Nuclear Safety, Tempus and Erasmus Mundus. Assistance is foreseen for the support to Customs and Taxation administration, supplementing existing programmes in the area or allowing them to continue or ensuring follow-up to present actions.

## **2.2 Component I - Transition Assistance and Institution Building**

For 2007 – 2009, the main areas of intervention for component I are broadly grouped under the following heading, following the Copenhagen criteria logic:

- Political requirements
- Socio-economic requirements
- European standards

The sub-components as listed below will be translated into annual programmes. The annual action programmes shall follow the priorities and financial allocations provided in the MIPD.

The annual progress reports prepared by the EC on Bosnia and Herzegovina will serve as sources of verification of progress made.

Depending on project maturity and on the outcome of projects under on-going programmes, assistance may be provided in the following areas:

## 2.2.1 Political Requirements

### 2.2.1.1 Main areas of intervention, priorities and objectives

- **Supporting the Civil Society** in order to promote the creation of a genuine partnership between authorities and Civil Society in the democratic stabilisation and the economic and social development of the country.
- **Supporting the Media** to develop an independent, high quality public broadcasting service and a regulatory environment in line with EU standards.
- **Supporting the Reform of the Public Administration**, including the institutions responsible for EU integration policies, in order to obtain a reformed, streamlined, harmonised, effective, transparent and service oriented public administration, capable of leading Bosnia and Herzegovina through the Stabilisation and Association Process.
- **Support to the Police Reform** to assist Bosnia and Herzegovina to gain a police service which is operating in a single efficient and sustainable structure, capable of fulfilling its role in the enforcement of the Rule of Law.
- **Support to the Reform of the Judicial System** with the overall strategic objective of an independent, reliable and efficient functioning judiciary that guarantees the rule of law and equal access of all citizens to justice. The Community is committed to continue the support to the State Court to try war crime and organised crime cases to the highest standards.
- **Support domestic BiH efforts on constitutional reform** aimed at ensuring Bosnia and Herzegovina becomes a functional state.
- Advancing the **Anti-corruption Policy** to assist in the fight against corruption.
- **Support to the Return Process** to support returnees to overcome their vulnerable and economic fragile situation and to protect them against discrimination and promote social inclusion.
- **Support to de-mining and assistance to mine victims** to improve the humanitarian situation and to address the cross-cutting issues of de-mining as the facilitation of the return process as well as the economic development.
- **Support to the Minorities (particularly Roma) and vulnerable Groups, in particular children**, to facilitate their economic and social inclusion.

### 2.2.1.2 Expected results and time-frame

The following results are expected to be achieved until the end of the first IPA programming cycle (2009):

- A permanent dialogue between authorities and the civil society is developed and NGOs and their coalition partners improve their internal communication and become better "watchdog" and also stronger partners of the Government.

- Local governments will have adopted transparent mechanisms for the disbursement of local funds foreseen for NGO projects.
- The Public Broadcasting restructuring programme is implemented according to the State law on PBS and the CRA remains an independent, self sustainable, technically efficient institution.
- The Public Administration Reform is implemented according to the agreed Public Administration Reform Strategy and the Action Plan.
- The Police Restructuring, as agreed in the Agreement on Restructuring of Police Structures of October 2005, is being implemented according to the benchmarks agreed in the Implementation Plan.
- The judicial institutions which deal with war crime and organised crime cases will be in line with international standards.
- The number of pending cases before courts will be reduced.
- An efficient juvenile justice system will be developed.
- The justice sector institutions at all levels of the BiH institutional system are proper functioning and co-operation between police, prosecution, courts and the penitentiary system will be improved.
- The penitentiary system will be improved.
- An advanced anti corruption policy will be in place.
- BiH will have adopted amendments to its constitution to ensure that it becomes a functional state.
- A policy promoting the social inclusion of returnees, minorities, children and disabled persons will be adopted and there will be visible progress on its implementation.
- De-mining is continued not only to minimise risk of death and injure to significant portions of the BiH population, but also to contribute to the economic and rural development by the reduction of mined area.

### **2.2.1.3 Programmes to be implemented in pursuit of these objectives**

- Capacity building for Civil Society organisations and municipalities, and the definition of systems and channels of permanent communication and transparent procedures between Civil Society and Government, including programmes aimed at building the awareness, skills and capabilities of Government officials to assist establishing channels for ongoing dialogue.
- Implementation of the Public Broadcasting Service laws and development and implementation of broadcasting regulations and thereto related capacity building. Assistance will also aim to open and equip production centres in Banja Luka, Mostar and Sarajevo and to raise public awareness of the European Union and the Stabilisation and Association Process.
- Implementation of the Public Administration Reform action plans, modernisation and streamlining of the entire public administration through institution and capacity building and reform of the human resources management. This includes the support to the BiH Government to develop and implement sectoral strategies and EU integration

strategies. Support to the development of a public internal financial control system and the preparation of the relevant services for the decentralisation of community assistance.

- Continuation of the police restructuring process.
- Provision of adequate staffing, infrastructure and equipment to the Judiciary. Support to the BiH State Court, the High Judicial and Prosecutorial Council and the Bosnia and Herzegovina General Prosecutor's Office will continue. Institution and capacity building will be provided to the State Ministry of Justice. Assistance to set up a system of juvenile justice and assistance to the penitentiary system, which may include contribution to construction works of a high security state prison.
- Implementation of the detailed action plan against corruption on the basis of the National Anti-corruption strategy.
- Assistance on de-mining and assistance to mine victims.
- Institution and capacity building for services in charge of the return process and the social inclusion of vulnerable groups, including children. Support to the economic and social integration of physically and mentally disabled. Economic and social inclusion of the Roma community.

## **2.2.2 Socio-economic requirements**

### **2.2.2.1 Main areas of intervention, priorities and objectives**

- **Developing improved and coordinated economic and fiscal policies** to assist in the stabilisation of the macro-economic environment, to reduce public expenditures, to generate employment and to reduce unemployment, promoting employment opportunities for the rural areas, make the labour market more dynamic and responsive to change, to transform informal activities into formal ones, and also promoting employment opportunities for the rural areas.
- **Improving Corporate Governance and corporate restructuring** to support sustainable growth in Bosnia and Herzegovina.
- **Improving Trade Policy** to facilitate the implementation of bilateral Free Trade Agreements and work towards CEFTA, to continue the necessary reforms to comply with WTO rules and obligations, to ensure the existence of a real internal market and to pursue policies to as stable macro-economic environment.
- **Advancing the Reform of the Education System** to support the development of economy and society.
- **Developing Active Labour Market Measures** to combat unemployment, in particular long-term unemployment, to reduce fragmentation of labour markets and improve mobility.

- **Reform of the Public Health financing** to relieve the burden on public finances by assisting in the reconfiguration of the health care delivery system, and in the building of institutional capacities.
- **Adoption of a medium term strategy on SME policy**, setting up and/or reinforcement of institutions to implement the strategy in close co-operation with the Entities and the implementation of the European Charter for Small Enterprises.
- **Developing the necessary capacity of social partners** to promote social dialogue.

#### **2.2.2.2 Expected results and time-frame**

The following results are expected to be achieved until the end of the first IPA programming cycle (2009):

- Capacity building of the Ministry of Finance, the National Fiscal Council, the Indirect Tax Authority (ITA), and other relevant bodies will have led to improved and coordinated economic and fiscal policies.
- The ITA Governing Board/National Fiscal Council will be capable to produce regular reports of consolidated fiscal data and will receive appropriate advice from their analyst/policy advisory unit.
- Development and cooperation of the relevant bodies and government institutions, as the Central Bank of BiH, the Directorate for Economic Planning (DEP), the ITA Macro Analysis Unit and the BiH Statistical Institutions will be enhanced.
- The governance of BiH's Human Resources Development (HRD) system is improved and HRD strategies will be integrated with economic strategies.
- A national Action Plan on Employment will be adopted and implementation started.
- Standards for primary, secondary and higher education will be adopted and implemented.
- EU requirements for the mutual recognition of diplomas are implemented.
- The institutional set-up of universities will be strengthened, the academic information network will be established and new modular curricular will be developed.
- EU requirements on free movement of labour and minimum social standards will be implemented.
- A strategy for the health sector reform will be developed, adopted and the implementation started. The national preparedness to public health threats and the systems for health monitoring and disease surveillance will be improved.
- The necessary institutional, policy and legal framework for trade policy formulation, regulation and negotiation, export promotion and FDI will be in place and operational.
- Corporate governance standards within companies will be brought to international standards and business advisory services will be significantly improved.
- A national strategy on SME development will be adopted and implemented. A significant degree of implementation of the European Charter for Small Enterprises and a fully harmonised and efficient company registration system will be achieved.

- Policy coordination and decision making structures will be improved.

### **2.2.2.3 Programmes to be implemented in pursuit of these objectives**

- Capacity building and provision of equipment for the BiH Directorate for Economic Planning (DEP) and the Indirect Taxation Authority (ITA) Governing Board/National Fiscal Council as well as to the ITA Macro Economic Unit to improve their capacities for economical analysis, to prepare proper revenue forecasts and to develop economic policies.
- Assistance to bring corporate governance up to international standards, including assistance to corporate restructuring, turn around management and business advisory programmes.
- Capacity building for the development and the implementation of a comprehensive trade policy and regulatory framework and developing capacity for trade negotiations, impact assessment and legal support to harmonise with WTO rules and the EU *acquis*. Institutional support to attract foreign direct investment and to promote export. This includes a Trade Needs Analysis for trade policy and trade promotion.
- Assistance to draft and implement a national Action Plan on Employment.
- Assistance to institutions in the education, training and employment sectors, including the establishment of the Agency for Development of Higher education, which will be in charge for accreditation and quality assurance at State-level and establishment of the European National Information Centre (ENIC) for diploma recognition.
- Support to the reform process in the Vocational Education and Training (VET) sector and continuation of the reform of the education system. The interventions supported in this area will be implemented in close coordination with the Tempus programme, which will be part of the Multi-Beneficiary MIPD 2007-2009. The dissemination and exchange of best practice in the targeted areas will be further enhanced.
- Assistance to the reform of the labour and employment sector to approximate to the EU requirements on free movement of labour and minimum social standards.
- Assistance to the institution and capacity building for State-level institutions on public health, with a focus on the reform of the public health system, quality and accreditation, pharmaceuticals and health financing. Establishment of the State Agency on Pharmaceuticals and Medical Devices.
- Assistance to foster SME in line with the European Charter for Small Enterprises.
- Assistance to social partners to start social dialogue.
- Above capacity and institution building programmes will be complemented by support to improve policy coordination and decision making structures.

## 2.2.3 European Standards

### 2.2.3.1 Main areas of intervention, priorities and objectives

- Supporting the development of strategies and policies to establish sectoral policies and a regulatory framework compatible with European standards.
- Supporting the establishment and capacity building of agencies and institutions required for the implementation and enforcement of the sectoral policies, including mechanisms for the verification of EU compatibility of government policies and draft laws.

### 2.2.3.2 Expected results and time-frame

The following results are expected to be achieved until the end of the first IPA programming cycle (2009):

- The legal framework for standardisation, metrology, accreditation and certification of products will be in line with EU standards and best practices and the institutional, technical and professional capacity of the quality infrastructure institutions will be strengthened.
- The institutional set-up of key market actors, particularly state aid authorities, the Council of Competition, the Public Procurement Agency and the Public Procurement Review Body, the Institute for Intellectual Property Rights and related agencies, the BiH Agency for Statistics, the Consumer Protection Ombudsman, the State Insurance Agency and the BiH Central Bank, will be improved.
- BiH will have a single financial market, with functioning authorities responsible for financial supervision of banking and non-banking sector and regulating capital markets. Investment climate and the business environment in general will be improved through the support to SME and regional economic development. An industrial as well as a research/innovation policy will be adopted and their implementation will be in progress.
- A comprehensive agriculture and rural development strategy at national level developed and implemented with agriculture sector actively contributing to economic growth and integration with the EU, alignment of agricultural legislation to the *acquis*. The set-up of the Ministry for Agriculture and Rural Development at State-level will be advanced.
- The specialised agencies including Food Safety Agency and the Phytosanitary Agency will be operational and implementation of the *acquis*-related legislation to improve animal and plant health, consumer protection, and increase competitiveness of BiH agricultural products.
- Rural households and communities will be strengthened and will benefit from enhanced rural support policies and measures and increased prosperity.
- The National Environment Strategy will be adopted and implemented through the adoption of the State law on Environment and a functioning Environment Agency. The alignment of the Bosnia and Herzegovina environment and water sectors to the *acquis* will be advanced.

- Tools for prioritization of environmental infrastructure investments and determination of measures for environmental protection will be operational. Generation of co-finance mechanisms for environmental infrastructure will be advanced. Enhanced investments in environmental infrastructure.
- The reform of the energy sector will be continued and a comprehensive energy strategy will be adopted and under implementation. Bosnia and Herzegovina will meet commitments undertaken in the framework of the Energy Community Treaty and relevant directives requirements.
- The alignment of the transport sector to the *acquis* will be advanced and transport infrastructure will be improved. BiH will comply with the obligations of the European Common Aviation Area agreement and will actively participate in the workings of the SEE-FABA (South Eastern Europe Functional Airspace Blocks Approach) initiative with a view to adopt and implement the single European sky *acquis*. BiH will continue to implement the MoU on the core transport network.
- The BiH Strategy and Action Plan for the development of the BiH information society will be implemented, liberalisation of the telecom sector. The national legislation to the EU regulatory framework for electronic communication and services will be aligned to the EU regulatory framework. The telecom regulator is fully able to carry out its mandate and meets EU standards.
- Bosnia and Herzegovina's visa list will be in line with EU lists and efficient procedures for the issue of visa will be in place.
- The Integrated Border Management (IBM) strategy will be implemented.
- Bosnia and Herzegovina's asylum and migration policies will be in line with the EU *acquis*.
- The capabilities of the law enforcement agencies in the fight against money laundering, drugs organised crime, terrorism and corruption will be enforced.
- BiH will have the capacity to collect and produce reliable statistics, in particular economic statistics. Data collection will be improved and statistical methods will be harmonised between the state and the entity statistical institutes.

### **2.2.3.3 Programmes to be implemented in pursuit of these objectives**

- Assistance to improve the legal framework for quality infrastructure and to enhance the thereto related institutional and professional capacity.
- Capacity and institution building for the State Aid authorities and the Council of Competition to support the development of legislation, inventory, monitoring and control of state aid and further alignment with the *acquis*.
- Capacity building for the Public Procurement Agency and the Public Procurement Review Body in order to develop and implement *acquis* compatible legislation.
- Capacity building for the Institute for Intellectual Property and IPR implementation and enforcement agencies and strengthening of the IP legal environment.
- Capacity building for the BiH Agency for Statistics, including preparation for the census in 2010 – 2011.

- Assistance to the Consumer Protection Ombudsman and consumer associations.
- Assistance to the authorities responsible for financial supervision of banking and non-banking sector and regulating capital markets.
- Assistance to foster Regional Economic Development.
- Assistance to develop and implement an Industrial Policy.
- Capacity building for the development of a Research and Innovation Policy.
- Assistance with the aim to support the alignment to the agricultural *acquis*, to increase economic growth by a developed agriculture sector and institution and capacity building with the aim to prepare the sector to absorb pre-accession funds as well as support to increase the competitiveness of agriculture and agro-food chain.
- Support creation and implementation of rural development policies and measures tailored to improve welfare of rural households and communities facilitate BiH access to rural pre-accession funds.
- Support to increase bio safety in region through implementation of appropriate security measures in prevention and combat of Avian Influenza.
- Support to drafting and implementation of the national environment strategy by focusing on *acquis* transposition.
- Assistance with the aim to improve the environment protection in Bosnia and Herzegovina through investments in environmental infrastructure, the introduction of environmental management standards, the integration of environment measures into the regional and rural development, the establishment of an integrated and comprehensive environment information system, necessary institution building, and through awareness raising on environmental issues. Support for participating in environmental networks.
- In the energy sector, the restructuring and the integration of the Transmission Company for Electricity (TRANSCO) will be supported, as well as the unbundling and separation of the power generation and distribution and the thereto related capacity building of generation and distribution companies. Capacity building assistance will be provided to the Energy Department of MoFTER, the State Energy Regulator and the Gas Transmission Operator. Further assistance will be granted for the gas sector reform. Bosnia and Herzegovina will be supported in its efforts to meet the obligations undertaken as part of the Energy Community Treaty, including support to adapt and positively manage socio-economic changes which may arise out of the implementation of the Energy Community Treaty, and in aligning its policies and laws to the Community *acquis* concerning improvements in energy efficiency, energy savings and the use of renewable energy sources.
- Developing institution and capacity of relevant authorities in the transport sector to align with the *acquis* (e.g. the road and aviation *acquis*), and provide assistance to the implementation of the ECAA Agreement and to continue with the operational workings of the SEE-FABA initiative.
- Establishment of preconditions and facilitation of IFI co-financing, grant support and loan provisions for the upgrade of the transport and environment infrastructure.

- Support to the development of the Information Society, to the strengthening of the Communications Regulatory Agency and to align the national legislation to the EU regulatory framework on electronic communications and services.
- Institutional support and capacity building for the Ministry of Security, the Ministry of Foreign affairs and the future Reception Centre in the visa, asylum and migration field; support to the implementation of the BiH action plan for Integrated Border Management, including equipment and necessary infrastructure improvements.
- Assistance will be provided to the various departments of the State Investigation and Protection Agency (SIPA), the Office for Narcotics and other relevant services to improve their capabilities to fight against money laundering, drug trafficking, terrorism and organised crime.
- Support to the development of a comprehensive cadastre and land registry.

## 2.2.4 Type of assistance to be provided

The assistance under Component I, Transition Assistance and Institution Building, may be provided in the form of twinning/twinning light, technical assistance, project preparation facility, procurement of equipment, works, investments and grant schemes. Under certain conditions assistance in form of budgetary support could be provided. A financial contribution will be provided for the participation in the Community programmes.

## 2.2.5 Financial indications

The following indicative financial weight is allocated for each of the major areas of intervention:

Table 4 - Financial Indications Component 1

<i>AREA OF INTERVENTION</i>	<i>PERCENTAGE RANGE</i>
<i>Political Requirements</i>	<i>25 – 30 %</i>
<i>Socio-Economic Requirements</i>	<i>25 – 30 %</i>
<i>European Standards</i>	<i>40 – 50 %</i>

## **2.3 Component II - Cross Border Co-operation**

### **2.3.1 Programmes under the IPA Cross-border Co-operation Component**

As far as cross-border co-operation with Member States is concerned, it is foreseen the participation of Bosnia and Herzegovina in the IPA CBC "Adriatic" programme which, according to the IPA eligibility rules, will cover the coastal regions (at NUTS III level, or in the absence of NUTS classification, equivalent areas) of Member States (Italy, Slovenia, Greece) and candidate/potential candidate countries (Croatia, Bosnia and Herzegovina, Montenegro, Albania) sharing a maritime border across the Adriatic.

In the absence of NUTS classification, the eligible area is the economic region Herzegovina, which includes the following municipalities:

Bileca, Capljina, Citluk, Gacko, Grude, Jablanica, Konjic, Kupres, Livno, Ljubnje, Ljubuski, Mostar, Neum, Nevesinje, Posusje, Prozor, Ravno, Stolac, Stolac/Berkovici, Siroki Brijeg, Tomislavgrad, Trebinje.

The territorial coverage may be reviewed once Bosnia and Herzegovina adopts the NUTS classification.

At borders with the EU, IPA CBC will operate on both sides of the border on the basis of *one* set of rules, thus providing the opportunity for fully equal and balanced programming and decision making structures between Member States and Candidate and Potential Candidate Countries. Since measures financed under IPA CBC need to benefit both parties, joint programmes, joint management and joint financing of projects will be required. Thus IPA CBC is meant to promote enhanced cooperation and progressive economic integration and coherence between the European Union and the Candidate and Potential Candidate countries.

IPA Component II will also support cross-border programmes between Bosnia and Herzegovina and the adjacent candidate and potential candidate countries (Croatia, Serbia, and Montenegro).

The eligible areas for CBC programmes with neighbouring candidate/potential candidate countries will be determined in compliance with the IPA rules on eligibility (equivalent NUTS level III areas along the border).

In addition, building on the experience gained in the context of the CADSES programme, IPA Component II funds are available, as appropriate, to support the participation of Bosnia and Herzegovina in the relevant Structural Funds transnational programmes where BiH is eligible (e.g. "South –East European Space" programme, the successor of CADSES). Participation of BiH in ERDF interregional programme could also be considered, as appropriate.

### **2.3.2 Major areas of intervention**

#### IPA CBC Adriatic Programme

Building on the 2004–06 Italy–Adriatic Neighbourhood programme, the major areas of intervention under this programme should be:

- Protection and enhancement of the environment, culture and infrastructure of the Cross border territory.
- Economic development.

- Actions for strengthening co-operation: it will concern system interventions on strengthening institutions, harmonisation of systems, promotion of democracy, employment, security, social inclusion and the valorisation of human resources;

### IPA CBC programme between BiH and the Western Balkan neighbouring countries

- **Democratic Stabilization and Administrative capacity building.** The interventions will aim at enhancing civil society dialogue and strengthening civil society organizations, strengthening institutions, harmonisation of systems, promotion of democracy, and strengthening cooperation between national and regional administrations. The interventions will aim also at fostering cooperation between youth actors.
- **Justice and Home Affairs.** The interventions will aim at supporting enhanced cooperation between structures that deal with matters concerning this domain, including activities such as prevention and fight against national and international organised crime, illegal migration and border security.
- **Economic and Social Development.** Interventions in this area will aim at promoting trade and competitiveness and supporting the activities of SMEs, including in the areas of handicraft, tourism and agriculture, as well as the preservation of cultural heritage. Interventions will also aim at improving public health services, education and employment.
- **Infrastructure.** The interventions will aim at facilitating investments in infrastructures with a transnational dimension. Particular areas of focus are transport networks, border infrastructures, energy and environment.
- **Technical assistance:** The interventions will aim at assisting common structures, information, public awareness, evaluation, monitoring, surveillance, control, and support activities to the programme management.

### **2.3.3 Main Priorities and objectives**

Main broad objectives under IPA CBC programmes will include:

- Activities aimed to promote and enhance cross-border co-operation and the socio-economic integration of border regions through the strengthening of economical, social, environmental and cultural ties between respective participating countries, including people to people type actions.
- Addressing common challenges in the field of public health, prevention and fight against organised crime, counter-terrorism, corruption etc.
- Co-operation and networking between countries to ensure secure borders and to promote legal and administrative co-operation.

### 2.3.4 Expected results and time-frame

It is expected that after the first year of the programming cycle, the partner countries will have established the relevant joint multi-annual CBC programmes and priorities, will have set up joint management structures and agreed on joint implementation procedures. In the remaining two years, the agreed projects shall be implemented.

### 2.3.5 Type of assistance to be provided

CBC programmes:

The identification of suitable joint projects to be financed should primarily take place through competitive joint call for proposals agreed between participating countries.

Pre-identification of projects with a genuine cross-border value by the CBC Joint Monitoring Committee is also possible.

Participation in ERDF transnational programmes:

The participation of Bosnia and Herzegovina will follow the implementing rules of those programmes.

### 2.3.6 Financial indications

The following indicative amount of IPA funds is earmarked for the participation of BiH in the IPA CBC "Adriatic" programme (million €, current prices):

Table 5 -- Financial Indications Adriatic Programme (in million Euro)

<i>YEAR</i>	<i>BUDGET</i>
<i>2007</i>	<i>1.313</i>
<i>2008</i>	<i>2.243</i>
<i>2009</i>	<i>2.446</i>
<i>Total</i>	<i>6.002</i>

For the CBC programmes between border regions of BiH and Croatia, Serbia, Montenegro and for the possible participation of BiH in the relevant ERDF transnational/interregional programmes, the following indicative amount of funds have been earmarked (million €, current prices):

**Table 6 – Financial Indications CBC with Neighbour countries and ERDF transnational/interregional programmes (in million Euro)**

<i><b>YEAR</b></i>	<i><b>BUDGET</b></i>
<i>2007</i>	<i>2.653</i>
<i>2008</i>	<i>2.706</i>
<i>2009</i>	<i>2.760</i>
<i><b>Total</b></i>	<i><b>8.119</b></i>

**Annex - Detailed overview on CARDS assistance 2001 – 2006 (in million Euro)**

<b>PRIORITIES</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>TOTAL</b>
<b>Democratic Stabilisation</b>	<b>42.88</b>	<b>25.00</b>	<b>20.50</b>	<b>7.50</b>	<b>3.10</b>	<b>2.90</b>	<b>101.88</b>
Return of Refugees and Displaced Persons	38.38	23.50	19.50	7.50	1.50	1.50	91.88
Civil Society and Media	4.50	1.50	1.00		1.60	1.40	10.00
<b>Good Governance and Institution Building</b>	<b>28.76</b>	<b>27.00</b>	<b>30.00</b>	<b>49.00</b>	<b>31.40</b>	<b>23.60</b>	<b>183.84</b>
Justice and Home Affairs	15.26	16.50	12.00	25.50	14.00	8.48	91.74
Public Administration Reform	3.00	1.50	2.00	11.50	14.40	10.20	42.60
Customs and Taxation	10.50	9.00	10.00	12.00	3.00	5.00	49.50
<b>Economic and Social Development</b>	<b>28.29</b>	<b>19.90</b>	<b>12.50</b>	<b>15.50</b>	<b>14.40</b>	<b>23.50</b>	<b>114.09</b>
Investment Climate	10.00	9.00		7.00	6.00	7.00	39.00
Trade		2.00		2.50	1.00	3.00	8.50
Infrastructure	12.89				4.00	5.50	22.39
Environment		6.50	10.10	1.40		2.00	20.00
Education and Employment	5.40	2.40	2.40	4.60	3.40	6.00	24.20
Health reform	2.00						2.00
Other	3.30						3.30
<b>Opening of Community Programmes</b>					<b>0.50</b>	<b>0.50</b>	<b>1.00</b>
<b>TOTAL</b>	<b>105.23</b>	<b>71.90</b>	<b>63.00</b>	<b>72.00</b>	<b>49.40</b>	<b>51.00</b>	<b>412.53</b>