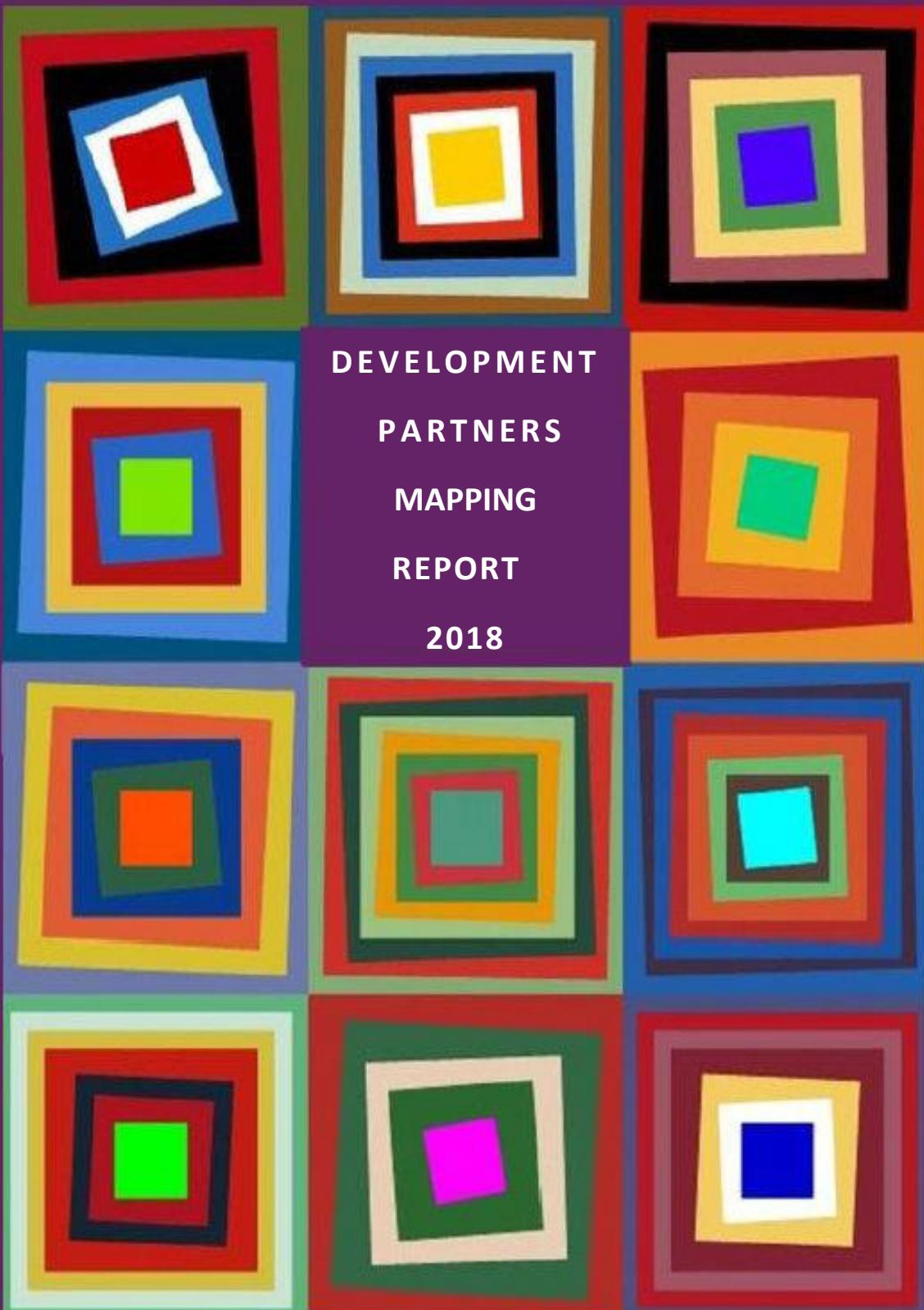




Bosnia and Herzegovina  
Ministry of Finance and Treasury

DEVELOPMENT  
PARTNERS  
MAPPING  
REPORT  
2018



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<b>AICS</b>	Italian Agency for Development Cooperation
<b>ACIPS</b>	Association Alumni of the Centre for Interdisciplinary Postgraduate Studies
<b>ADC</b>	Austrian Development Cooperation
<b>APOSO</b>	Agency for Pre-school, Primary and Secondary Education
<b>BATA</b>	Institute for Accreditation of Bosnia and
<b>BDBBiH</b>	Brcko District BiH
<b>BHDCA</b>	BiH Directorate of Civil Aviation
<b>BHMAC</b>	BiH Mine Action Centre
<b>BiH</b>	Bosnia and Herzegovina
<b>CAP</b>	Common Agricultural Policy
<b>CARDS</b>	Community Assistance for Reconstruction, Development and Stabilization
<b>CCI</b>	Centres for Civil Initiatives
<b>CCSP</b>	Centre for Civil Society Promotion
<b>CDS</b>	Country Development Strategy
<b>CEB</b>	Council of Europe Development Bank
<b>CEDAW</b>	Committee on the Elimination of Discrimination Against Women
<b>CEE</b>	Central and Eastern Europe
<b>CEEN</b>	Central and Eastern European Network
<b>CEFTA</b>	Central European Free Trade Agreement
<b>CHU</b>	Central Harmonisation Units
<b>CIP</b>	Centre for Information and Recognition of Documents in the Area of Higher Education
<b>CoE</b>	Council of Europe
<b>CoEM</b>	Conference of Ministers of Education
<b>CRA</b>	Communications Regulatory Agency
<b>CREDO</b>	Competitive Regional Economic Development
<b>CRS</b>	Catholic Relief Services
<b>CS</b>	Civil Society
<b>CSO</b>	Civil Society Organisations
<b>DAC</b>	Development Assistance Committee
<b>DCF</b>	Development Partners Coordination Forum
<b>DEI</b>	Direktorate for European Integration of BiH
<b>DEMA</b>	Danish Emergency Management Agency
<b>DEP</b>	Direktorate for Economic Planning of BiH
<b>DFID</b>	UK Department for International Development
<b>DIA</b>	Deposit Insurance Agency of Bosnia and
<b>DIS</b>	Decentralised Implementation System
<b>EASA</b>	European Aviation Safety Agency
<b>EBRD</b>	European Bank for Reconstruction and
<b>EC</b>	European Commission
<b>ECD</b>	Early Childhood Development
<b>ECRAN</b>	Environment and Climate Regional Accession Network
<b>ECSEE</b>	Energy Community of South East Europe
<b>EEC</b>	European Energy Community
<b>EFSE</b>	European Fund for South East Europe
<b>EIB</b>	European Investment Bank
<b>EQF</b>	European Qualifications Framework for Lifelong Learning
<b>ERA</b>	European Research Area
<b>ERDF</b>	European Regional Development Fund
<b>ERP</b>	Economic Reform Programme

<b>ETF</b>	European Training Foundation
<b>EU</b>	European Union
<b>EUD</b>	Delegation of the European Union to BiH
<b>EUFOR</b>	European Union Forces
<b>EUROSTA</b>	Statistical Office of the European Communities
<b>FAO</b>	Food and Agriculture Organisation
<b>FARMA</b>	Fostering Agricultural Markets Activity
<b>FBIH</b>	Federation of Bosnia and Herzegovina
<b>FCO</b>	Foreign and Commonwealth Office
<b>FDIs</b>	Foreign Direct Investments
<b>FIGAP</b>	Funding Mechanism for the Implementation of the Gender Action Plan of BiH
<b>FIRMA</b>	Fostering Interventions for Rapid Market Advancement
<b>FRONTEX</b>	European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union
<b>GAVI</b>	Global Alliance for Vaccines and Immunization
<b>GCI</b>	Global Competitiveness Index
<b>GDP</b>	Gross Domestic Product
<b>GEF</b>	Global Environmental Facility
<b>GFATM</b>	Global Fund to Fight Aids, Tuberculosis and Malaria
<b>GIZ</b>	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>
<b>GNI</b>	Gross National Income
<b>GOFBP</b>	Global Framework of Fiscal Balance and Policies in BiH
<b>GOLD</b>	Growth Oriented Local Development
<b>HEA</b>	Agency for Development of Higher Education and Quality Assurance
<b>HJPC</b>	High Judicial and Prosecutorial Council of BiH
<b>IBM</b>	Integrated Border Management
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>ICAO</b>	International Civil Aviation Organization
<b>ICMP</b>	International Commission on Missing Persons
<b>ICT</b>	Information and Communication Technology
<b>ICTY</b>	International Criminal Tribunal for the Former Yugoslavia
<b>IDA</b>	International Development Association
<b>IFAD</b>	International Fund for Agricultural Development
<b>IFC</b>	International Finance Corporation
<b>IFIs</b>	International Financial Institutions
<b>ILO</b>	International Labour Organisation
<b>IMAP</b>	Integrated Mine Action Programme
<b>IMF</b>	International Monetary Fund
<b>INTERP</b>	International Police Organisation
<b>IOM</b>	International Organisation for Migration
<b>IPA</b>	Instrument for Pre-accession Assistance
<b>IPARD</b>	Instrument for Pre-accession Assistance for Rural Development
<b>ITF</b>	International Trust Fund for Demining and Mine Victims
<b>JICA</b>	Japan International Cooperation Agency
<b>JICS</b>	Japan International Cooperation System
<b>JSRS</b>	Justice Sector Reform Strategy
<b>KfW</b>	<i>Kreditanstalt für Wiederaufbau</i>

<b>KM</b>	Convertible Mark	<b>TACSO</b>	Technical Assistance for Civil Society Orgs
<b>LEAP</b>	Local Environmental Action Plan	<b>TAIEX</b>	Technical Assistance Information Exchange Office
<b>MAP</b>	Membership Action Plan	<b>TIR</b>	<i>Transports Internationaux Routiers</i>
<b>MARPO</b>	International Maritime Organisation	<b>UIC</b>	International Union of Railways
<b>MDGs</b>	Millennium Development Goals	<b>UK</b>	United Kingdom
<b>MEASUR</b>	Monitoring and Evaluation Support Activity Project	<b>UN</b>	United Nations
<b>MIPD</b>	Multi-Annual Indicative Planning Document	<b>UNCT</b>	UN Country Team
<b>MoD</b>	Ministry of Defence	<b>UNDAF</b>	United Nations Development Assistance Framework
<b>MoU</b>	Memorandum of Understanding	<b>UNDP</b>	United Nations Development Programme
<b>MSME</b>	Micro, Small and Medium Enterprises	<b>UNEP</b>	United Nations Environmental Programme
<b>MTS</b>	Municipal Training System	<b>UNESCO</b>	United Nations Educational, Cultural and Scientific Organisation
<b>NATO</b>	North Atlantic Treaty Organisation	<b>UNFCCC</b>	UN Framework Convention on Climate Changes
<b>NEAP</b>	National Environmental Action Plan	<b>UNFPA</b>	United Nations Population Fund
<b>NERDA</b>	Northeast Regional Development Association	<b>UNICEF</b>	United Nations Children's Fund
<b>NGOs</b>	Non-Governmental Organisations	<b>UNIDO</b>	United Nations Industrial Development
<b>ODA</b>	Official Development Assistance	<b>UNIFEM</b>	United Nations Development Fund for Women
<b>OECD</b>	Organisation for Economic Cooperation and Development	<b>UNIFEM</b>	United Nations Development Fund for Women
<b>OFID</b>	The OPEC Fund for International Development	<b>CEE</b>	Office for Central and Eastern Europe
<b>OHR</b>	Office of the High Representative and EU Special Representative	<b>UNSCR</b>	United Nations Security Council Resolution
<b>ORF</b>	Open Regional Fund	<b>UNV</b>	United Nations Volunteers
<b>OSA</b>	Intelligence Security Agency	<b>USA</b>	United States of America
<b>OSCE</b>	Organization for Security and Cooperation in Europe	<b>USAID</b>	United States Agency for International
<b>PAR</b>	Public Administration Reform	<b>UWWT</b>	Urban Waste Water Treatment
<b>PARCO</b>	Public Administration Reform Coordinator's Office	<b>VET</b>	Vocational Education and Training
<b>PFM</b>	Public Financial Management	<b>WB</b>	World Bank
<b>PIFC</b>	Public Internal Financial Control	<b>WBIF</b>	Western Balkans Investment Framework
<b>PIMIS</b>	Public Investment Management Information	<b>WHO</b>	World Health Organisation
<b>PIP</b>	Public Investment Programme	<b>WTO</b>	World Trade Organisation
<b>REDAH</b>	Regional Economic Development Agency for Herzegovina		
<b>RCC</b>	The Regional Cooperation Council		
<b>REZ</b>	Regional Development Agency for Central BiH		
<b>RS</b>	Republika Srpska		
<b>SAA</b>	Stabilisation and Association Agreement		
<b>SALW</b>	Small Arms and Light Weapons		
<b>SAP</b>	Stabilisation and Association Process		
<b>SDC</b>	Swiss Agency for Development and Cooperation		
<b>SDGs</b>	Sustainable Development Goals		
<b>SEE</b>	South-East Europe		
<b>SEECEL</b>	SE Europe Centre for Entrepreneurial Learning		
<b>SEESAC</b>	South Eastern and Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons		
<b>SEETO</b>	South East Europe Transport Observatory		
<b>SERC</b>	State Electricity Regulatory Commission		
<b>SEPKA</b>	Southeast Europe Police Chiefs Association		
<b>Sida</b>	Swedish Int. Development Cooperation Agency		
<b>SIPA</b>	State Investigation and Protection Agency		
<b>SIPPO</b>	Swiss Import Promotion Programme		
<b>SIS</b>	Social Inclusion Strategy		
<b>SMEs</b>	Small and Medium-Sized Enterprises		
<b>SPPD</b>	Strategic Planning and Policy Development		
<b>SSPACEI</b>	Sector for Strategic Planning, Aid Coordination and European Integration		
<b>TA</b>	Technical Assistance		

Ministry of Finance and Treasury / Sector for Financial Planning of Development and Coordination of the International Economic Aid, in cooperation with representatives of Institutions in Bosnia and Herzegovina and members of Development Partners Coordination Forum (DCF), has prepared the Development Partners Mapping Report for 2018 (DMR 2018).

Development Partners Mapping Report 2018 was prepared on the basis of responses from Questionnaires submitted by the Institutions in Bosnia and Herzegovina and members of the Development Partners Coordination Forum in BiH, and other relevant strategic documents. Financial part of the Report is based on data from the DMD database, where development partners have entered their new projects as well as updated the data on ongoing projects.

The Report provides a comprehensive overview of projects and programs supported with the Official Development Assistance (ODA) funds by the members of the Development Partners Coordination Forum, the information on the latest development activities and reforms implemented in the priority sectors in Bosnia and Herzegovina during 2018, as well as the planned development activities.

Classification of the priority sectors is based on the sector-based reporting methodology defined in the IPA II regulation in the period 2014 – 2020, in line with the aspiration of Bosnia and Herzegovina towards the EU membership, as well as the fact that most of development partners activities are focused at supporting the realization of BiH priorities related to the EU integration process.

In that regard, the Report also provides the analysed overview of the Official Development Assistance (ODA), channelled to the following priority sectors in Bosnia and Herzegovina:

- Democracy and governance
- Rule of law and fundamental rights
- Environment and climate action
- Transport
- Energy
- Competitiveness and innovation
- Education, employment and social policies
- Agriculture and rural development
- Regional and territorial cooperation
- Cross – cutting sector

European integration process involves comprehensive adjustment of policies, the institutional framework and the legal system with the aim to achieve the European standards in all areas. Thereby, the process of legal harmonization and adoption of the European standards implies extensive internal reforms, general consolidation of the system, stronger economic development in the areas which affect the relationship dynamics between Bosnia and Herzegovina and the European Union. The International Community and particularly the members of the Development Partners Coordination Forum, play a significant role in this process, through provision of the financial support to the reform activities and programs.

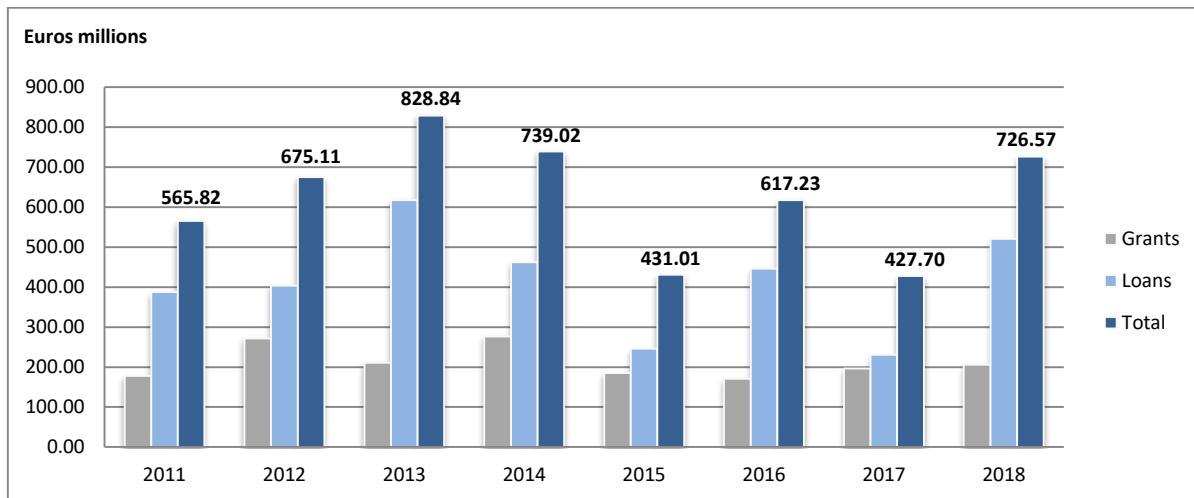
In circumstances where the Official Development Assistance (ODA) is continually decreasing, the efficient and effective use of funds as well as the establishing of mutual partnership is of crucial importance for the success of reforms in Bosnia and Herzegovina. In line with this, in 2018, Ministry of Finance and Treasury launched the activities to further improve the efficiency of the use of the international aid.

Development Partners Mapping Report 2018 will be available on the Ministry of Finance and Treasury website at [www.mft.gov.ba](http://www.mft.gov.ba) and Development Partners Coordination Forum website at [www.donormapping.ba](http://www.donormapping.ba) after the adoption by the CoM of Bosnia and Herzegovina.

## I Summarized overview of ODA allocations and disbursements

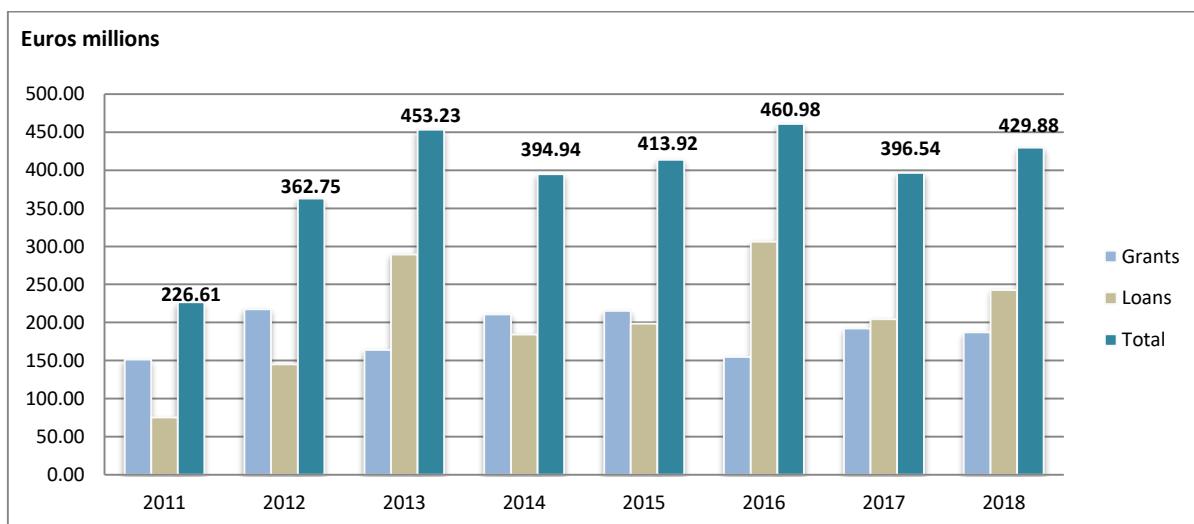
In 2018, total Official Development Assistance (ODA) allocations for Bosnia and Herzegovina amounted to €726.57 million, out of which €206.09 million or 28.4% of grant funds, while €520.48 million or 71.6% of loan funds, which compared to 2017, indicates the increase of €298.86 million or 69.9%. (Figure 1.).

**Figure 1. Total ODA allocations in the period 2011-2018 in BiH**



Total disbursements of ODA funds in 2018 amounted to €429.88 million, out of which €187.06 million or 43.5% of grant funds, while €242.82 million or 56.5% of loan funds, indicating the increase if compared to the previous period. If compared to 2017, the increase in total ODA disbursements amounts to €33.3 million or 8.4%. Also, if compared to 2017, the decrease of disbursed grants is noticeable in the amount of €5.1 million and the increase in the disbursed loans in the amount of €38.4 million. Presented increase of the disbursed loans was partly the result of procedural flexibility and improved realization of projects as well as the dynamics of loan disbursements signed in previous years. (Figure 2.)

**Figure 2. Total ODA disbursements in the period 2011-2018 in BiH**



Comparison of total allocated and disbursed ODA funds in BiH for the period 2011-2018 is presented in the Figure 3.

**Figure 3. Total allocated and disbursed ODA in the period 2011-2018 in BiH**

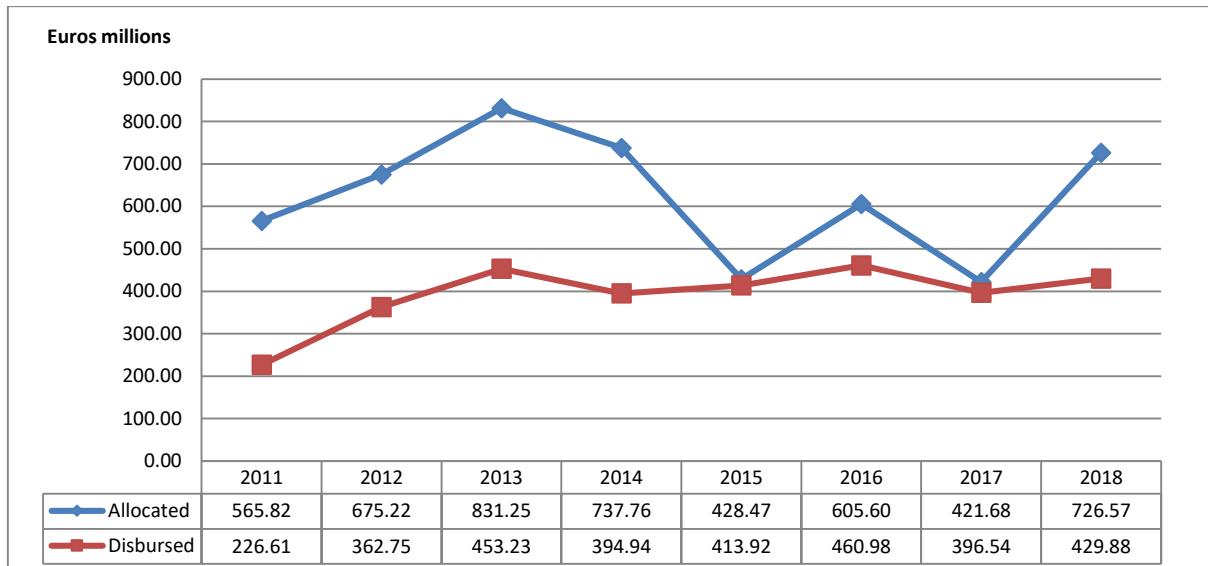
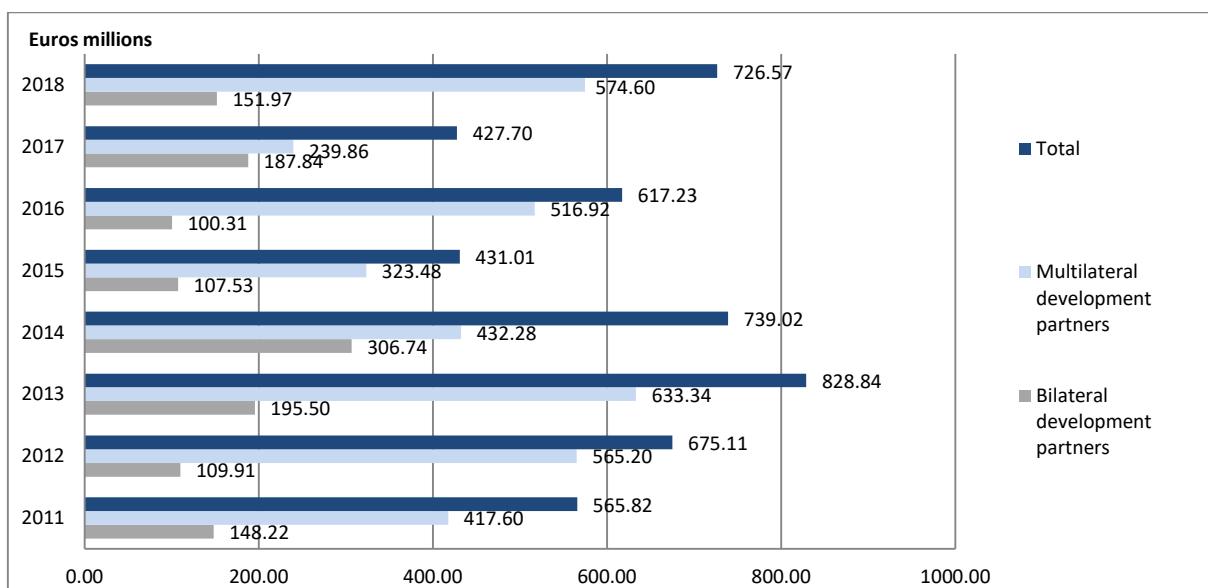
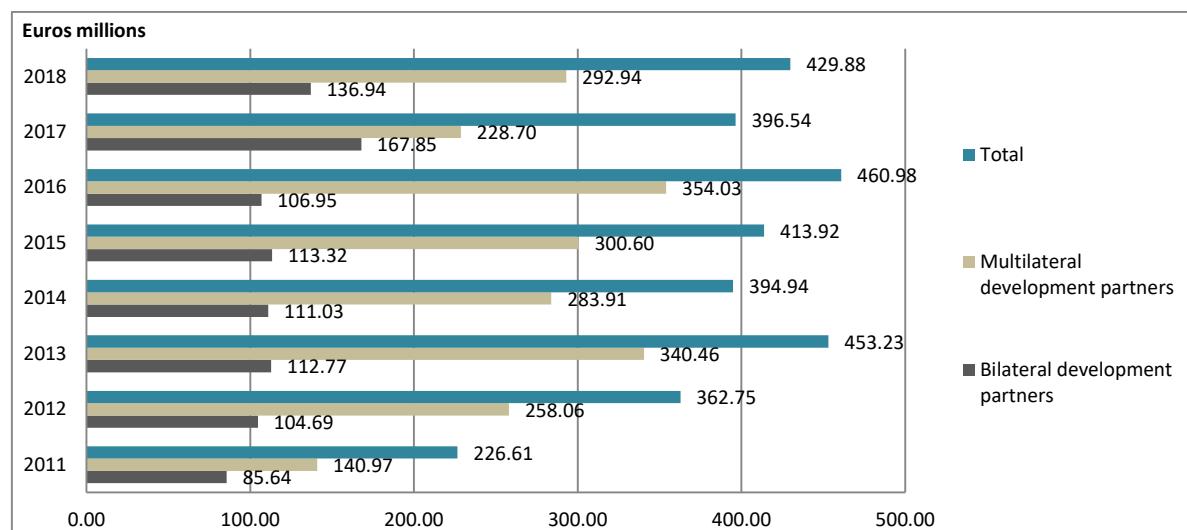


Figure 4. presents the participation ratio of bilateral and multilateral development partners in total ODA allocations, for the period 2011 – 2018. Out of total ODA allocations in 2018, in the amount of €726.57 million, bilateral development partners allocated €151.97 million or 21%, while multilateral development partners allocated €574.60 million or 79%, which presents significant increase in participation of multilateral development partners in total allocated funds if compared to the previous year.

**Figure 4. Participation of bilateral and multilateral development partners in total ODA allocations per years**



**Figure 5. Participation of bilateral and multilateral development partners in total ODA disbursements per years**



Participation ratio of bilateral and multilateral development partners in total ODA disbursements per years for the period 2011 – 2018 is similar to the ratio of ODA allocations, presented in Figure 4. Out of total ODA disbursements, multilateral development partners participated with 68%, while bilateral development partners with 32%.

## II Overview of allocated and disbursed grants and loans per development partners

In 2018, total grant funds of €206.09 million were allocated and €187.06 million were disbursed.

Figures 6. i 7. present allocated and disbursed grant funds by development partners, according to the amount of the invested funds. Leading development partners in 2018, who allocated i.e. disbursed largest amounts were EU, USA/USAID, Switzerland, Sweden/Sida, UK/DFID and Germany.

**Figure 6. Allocated grant funds per development partners in 2018**

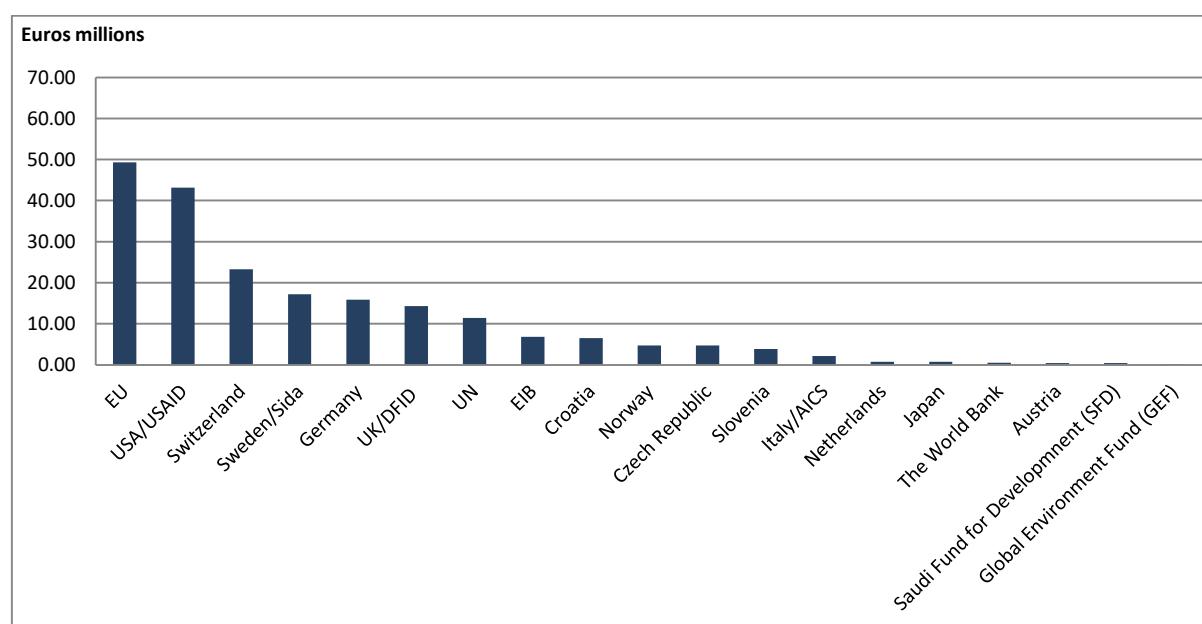
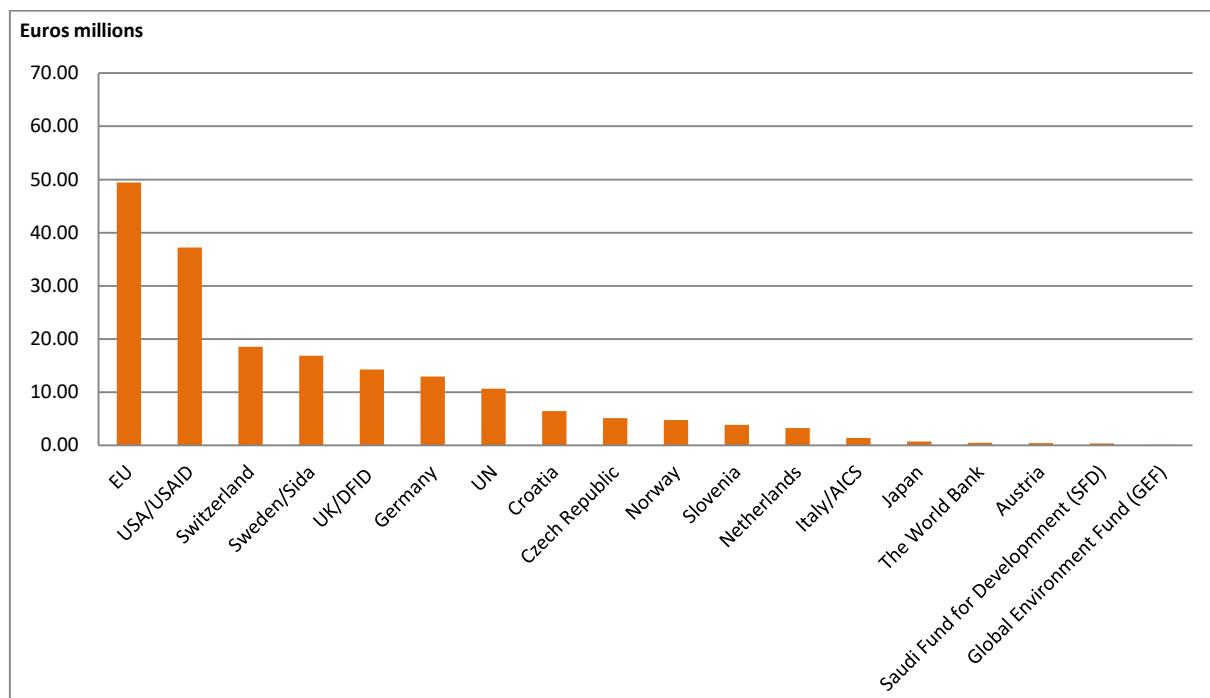


Figure 7. Disbursed grant funds per development partners in 2018



In 2018, total loan funds of €520.48 million were allocated and €242.82 million were disbursed.

Figures 8. i 9. present allocated and disbursed loan funds in 2018. Creditors in 2018 were the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), The World Bank (WB) and Germany.

Figure 8. Allocated funds per creditors in 2018

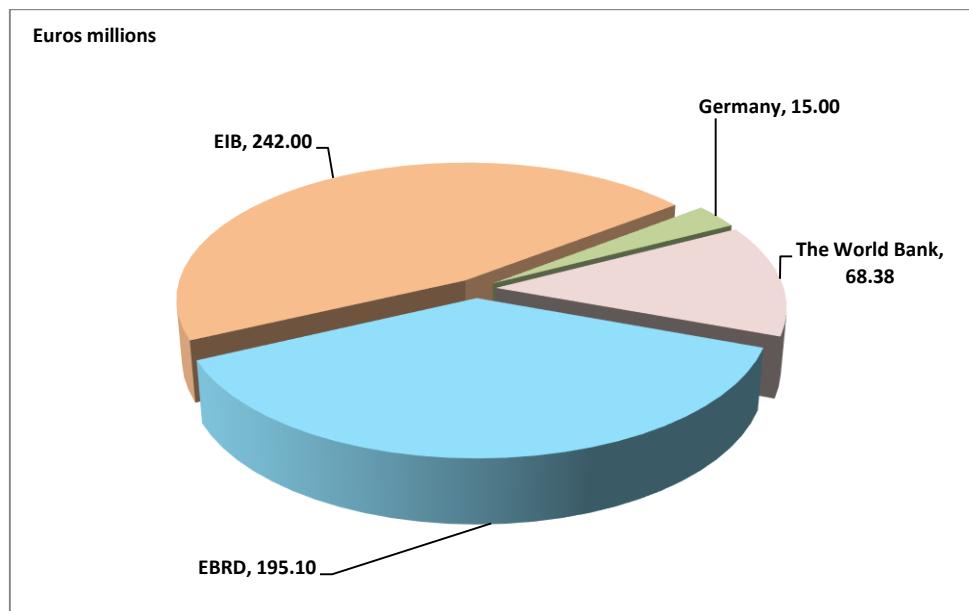
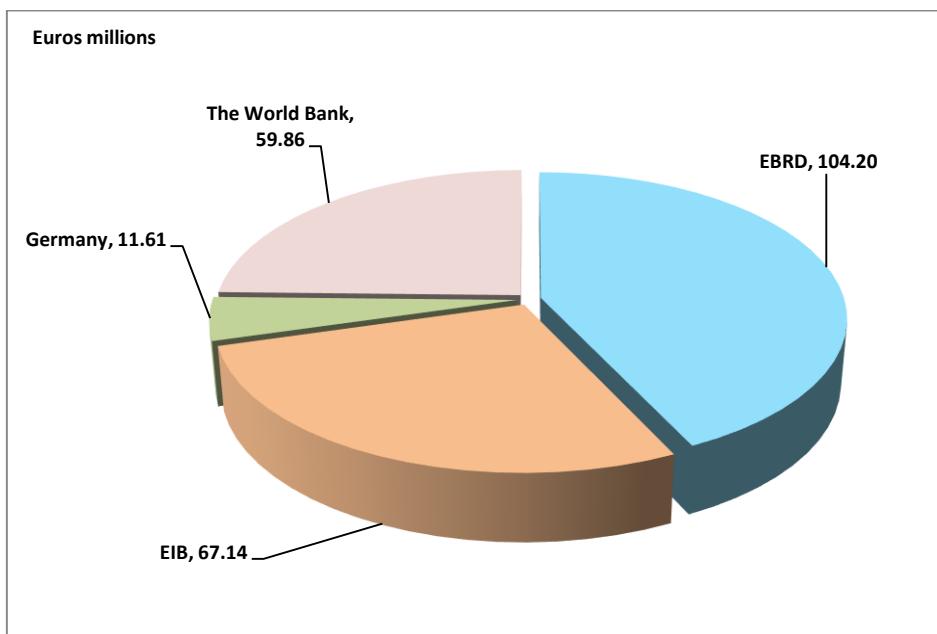


Figure 9. Disbursed funds per creditors in 2018



### III Overview of ODA allocations and disbursements per sectors

In 2018, total ODA allocations in Bosnia and Herzegovina in IPA II sectors amounted to €726.57 million, out of which €206.09 million in the form of grants and €520.48 million in the form of loans. (Figures 10. and 11.)

Out of total allocated funds, 82% was allocated to 4 sectors: Transport 50%, Competitiveness and innovation 17%, Democracy and governance 8% and Environment and climate action 7%, while 18% was allocated in all other sectors.

Figure 10. Total ODA allocations per sectors in 2018

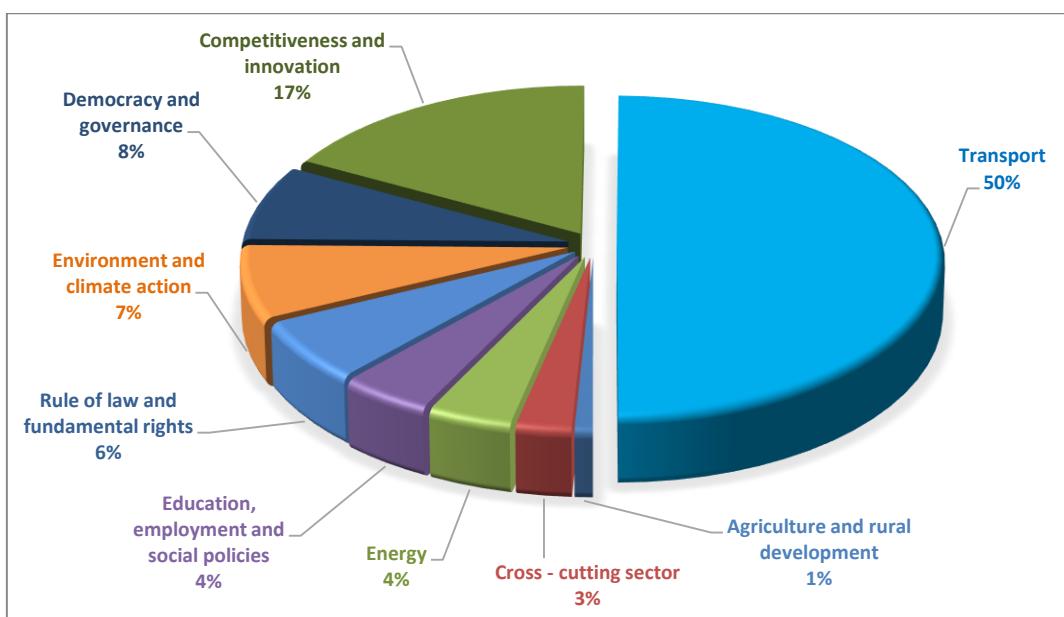
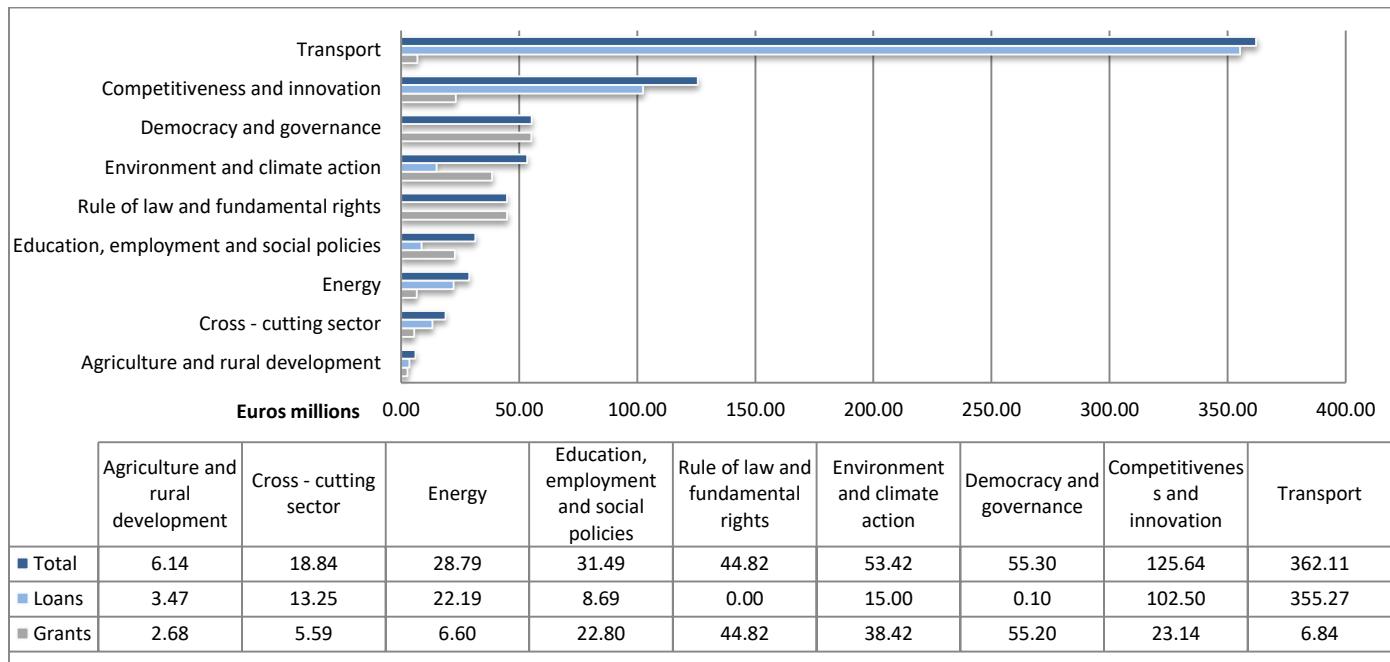


Figure 11. Participation of grants and loans in total ODA allocations per sectors in 2018



In 2018, total ODA disbursements in Bosnia and Herzegovina in IPA II sectors amounted to €429.88 million, out of which €242.82 million in the form of loans and €187.06 million in the form of grants. (Figures 12. and 13.)

Out of total disbursements, largest amounts were disbursed in the Transport sector 32%, Competitiveness and innovation 15%, Democracy and governance 11% and Rule of law and fundamental rights 11%.

Figure 12. Total ODA disbursements per sectors in 2018

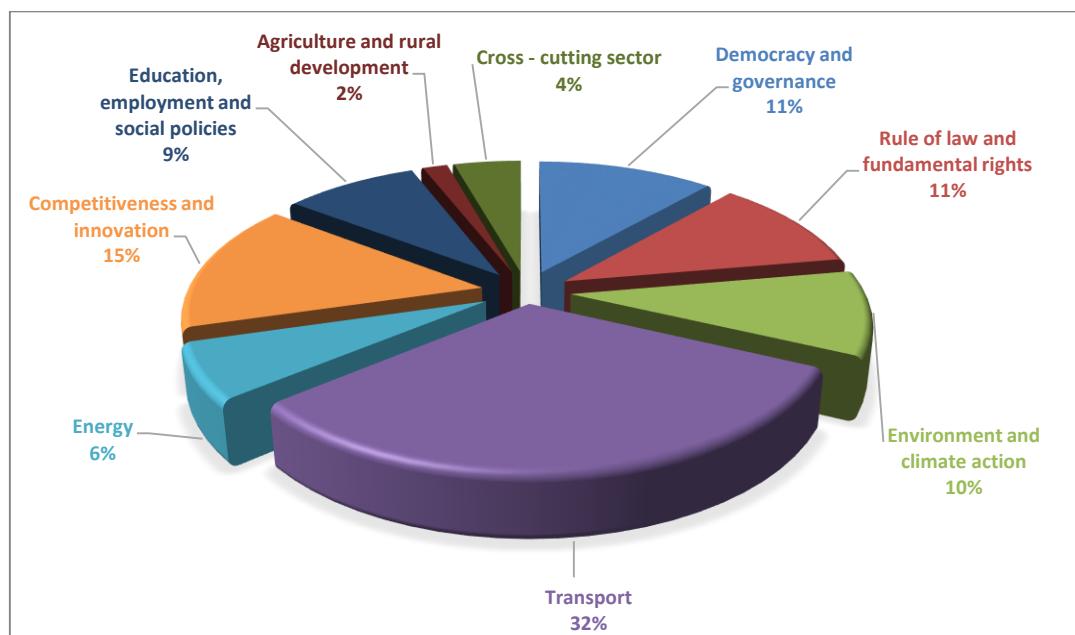
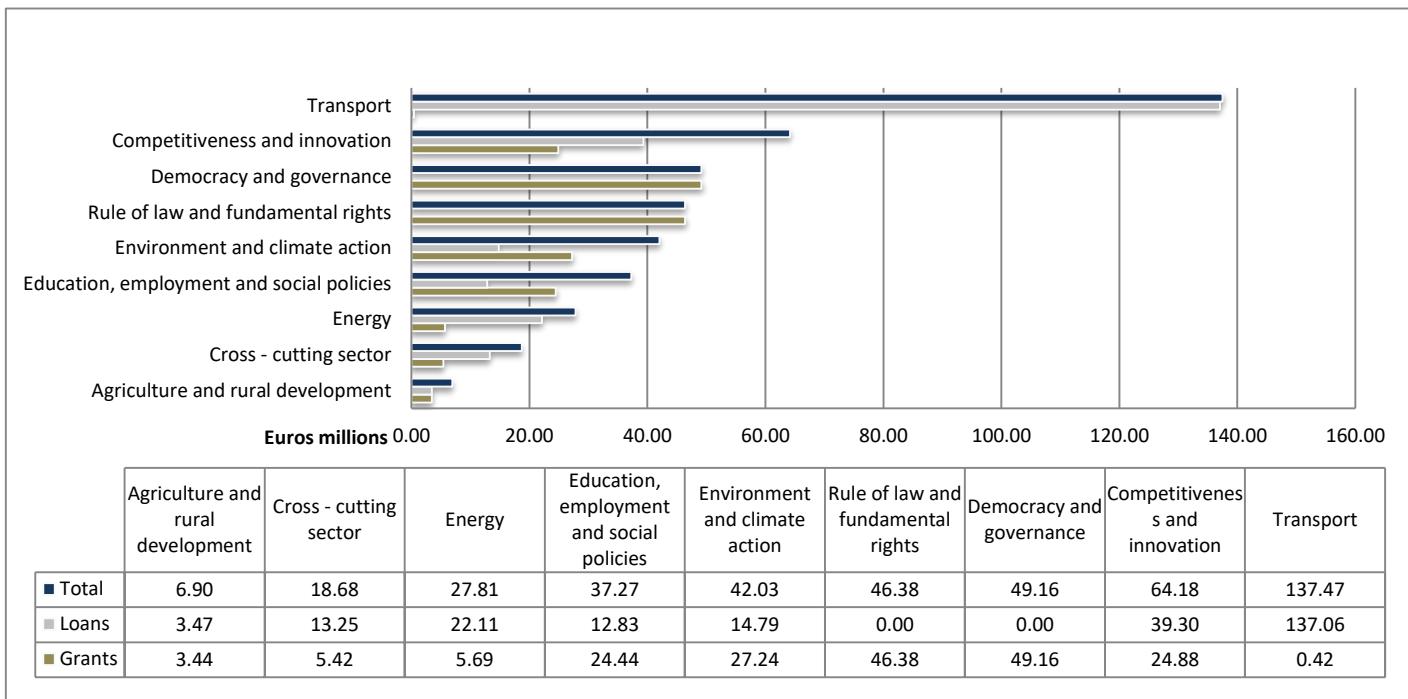


Figure 13. Participation of grants and loans in total ODA disbursements per sectors in 2018





- 1. Democracy and governance**
- 2. Rule of law and fundamental rights**
- 3. Environment and climate action**
- 4. Transport**
- 5. Energy**
- 6. Competitiveness and innovation**
- 7. Education, employment and social policies**
- 8. Agriculture and rural development**
- 9. Regional and territorial cooperation**
- 10. Cross- cutting sector**



<b>DCF members active in the sector in 2018</b>	USA/USAID, UK/DFID, EU, Sweden/Sida, Germany, Switzerland, UN, Norway, Netherlands, Czech Republic, Croatia, Italy/AICS, EBRD, Slovenia
<b>Other key international organizations</b>	International Monetary Fund, Organization for Security and Cooperation in Europe; Office of the High Representative; Organization for Economic Cooperation and Development; Council of Europe; British Council in BiH; Norwegian Institute of International Affairs; European Training Foundation; Statistical Office of the European Union, European Statistical Office, Centre of Excellence in Finances, UN Population Fund, UN Children's Fund.
<b>Key government partners</b>	CoM BiH; Government of FBiH; Government of RS; Government of BD BiH; Cantonal governments; Ministry of Finance and Treasury of BiH; Ministry of Finance of RS and Federal Ministry of Finance; Finance Directorate of the BD BiH; BiH Ministry of Foreign Affairs; BiH Ministry of Foreign Trade and Economic relations; BiH Ministry of Civil Affairs; BiH Ministry of Justice; Ministry of Human Rights and Refugees of BiH; Ministry of Defence of BiH; Ministry of Security of BiH; Public Administration Reform Coordinator's Office, together with entity and DB BiH coordinators; Ministry of European Integration and International Cooperation of RS; Ministry of Administration and Local Self-Governance of RS; Parliamentary Assembly of BiH; Parliament of FBiH and National Assembly of RS; Agencies for Civil Service of BiH and entities; Agency for Pre-Primary, Primary and Secondary Education; Audit Office of the Institutions of BiH; Audit Office for the Institutions of FBiH; Supreme Office for the RS Public Sector Auditing; Agency for Development of Higher Education and Quality Assurance; Directorate for European Integration; Directorate for Economic Planning; BiH Indirect Taxation Authority; Tax administrations of FBiH and RS; Central Bank of BiH; Public Procurement Agency of BiH; Procurement Review Body of BiH; Central Harmonization Units (CHUs) in the Ministries of Finance of the State and the Entities; Ministry of Labour, War Veterans and Disabled Persons' Protection of RS; Federal Ministry of Labour and Social Policy; Agencies for Statistics of BiH and entities Agencies for Statistics; High Judicial and Prosecutorial Council; Ministry of Health and Social Protection of RS; Financial Intelligence Agency of FBiH; BIH Mine Action Centre; Agency for Civil Service of BiH and entity agencies for civil service; Agency for Gender Equality of BiH; Gender centres of FBiH and RS; Association of Municipalities and Cities of RS and FBiH.
<b>Total allocation / disbursement to the sector in 2018 by DCF members</b>	Total allocated €55.30 million – €55.20 million in a form of grants and €0.10 million in a form of loans.  Total disbursed €49.16 million in a form of grants.  Out of total ODA in 2018, 8% was allocated and 11% was disbursed in the sector.
<b>Legal framework and sector strategies adopted in 2018</b>	The Law on the Budget of BiH Institutions and International Obligations for 2018 (BiH Off. Gazette No. 8/18); The Law on Changes to the Law on Salaries and Allowances in Institutions of BiH (BiH Off. Gazette No. 25/18); <i>The Law on Parliamentary Oversight in BiH</i> (BiH Off. Gazette No. 25/18); The Law on Changes and Amendments to the Law on Armed Forces of BiH (BiH Off. Gazette No. 38/18); The Budget of the Federation of BiH for 2018 (FBiH Off. Gazette No. 5/18); The Law on Execution of the FBiH Budget for 2018 (FBiH Off. Gazette No. 5/18); FERK Budget for 2018 (FBiH Off. Gazette No. 5/18); The Law on Changes to the Law on Determining and Enforcement of Citizens' Claims in the

	<p>Privatization Process (FBiH Off. Gazette No. 13/18); The Law on Pension and Disability Insurance (FBiH Off. Gazette No. 13/18); The Law on Changes to the Law on Contributions (FBiH Off. Gazette No. 34/18); The Law on Changes and Amendments to the Law on the Default Interest Rate on Public Income (FBiH Off. Gazette No. 34/18); The Law on Changes to the Law on Financial Consolidation of Companies in FBiH (FBiH Off. Gazette No. 36/18); The Law on Termination of the Law on Establishing of the Federal Fund to Support the Areas Affected by Natural Disaster at the Territory of FBiH (FBiH Off. Gazette No. 40 /18); The Decision on Changes and Amendments to the Budget of the FBiH for 2018 (FBiH Off. Gazette No. 44 /18); The Law on Changes to the Law on Bankruptcy Proceedings (FBiH Off. Gazette No. 59 /18); The Law on Changes to the Law on Fundamental Principles of Social Protection, Protection of Civilian Victims of War and Protection of Families with Children (FBiH Off. Gazette No. 40 /18); The Law on Salaries of Employees in Public Institutions in the Health Care of RS (RS Off. Gazette No. 66/18); The Law on Republic Administration (RS Off. Gazette No. 115 /18); The Law on Changes and Amendments to the Law on Enforcement Procedure (RS Off. Gazette No. 66/18); The Law on Changes and Amendments to the Law on Registers (of births/deaths/marriages)- (RS Off. Gazette No. 66/18); The Law on Changes and Amendments to the Law on General Administrative Procedure (RS Off. Gazette No. 66/18); The Law on Changes and Amendments to the Law on Income Tax (RS Off. Gazette No. 66/18); The Law on Changes to the Law on Taxation on the Use, Possession and Carrying of Goods (RS Off. Gazette No. 66/18); The Law on Salaries of Employees in the Ministry of Interior of RS (RS Off. Gazette No. 66/18); The Law on Salaries of Employees in the Area of Education and Culture of RS (RS Off. Gazette No. 66/18); The Law on Salaries of Employees in Bodies of Administration of RS (RS Off. Gazette No. 66/18); The Law on Changes and Amendments to the Law on Fiscal Responsibility in RS (RS Off. Gazette No. 62 /18); The Law on the Default Interest Rate (RS Off. Gazette No. 61 /18); The Law on Changes to the Law on Execution of the RS Budget for 2018 (RS Off. Gazette No. 121 /18); The Law on Changes to the Election Law (RS Off. Gazette No. 45 /18); The Law on Changes to the Law on Privatization of the State Owned Apartments (RS Off. Gazette No. 45 /18); The Law on Changes to the Law on Republic Administration (RS Off. Gazette No. 31 /18); The Law on Deadlines for Settlement of Financial Liabilities in Business Transactions (RS Off. Gazette No. 31 /18); The Law on Changes and Amendments to the Law on Foreign Exchange Operations (RS Off. Gazette No. 20 /18); The Law on Changes and Amendments to the Law on the Pension Reserve Fund of RS (RS Off. Gazette No. 20 /18); The Law on Foreign Investments (RS Off. Gazette No. 21 /18); The Law on Changes and Amendments to the Law on Concessions (RS Off. Gazette No. 16 /18); The Law on Salaries of Employees in Public Institutions in the Health Care of RS (RS Off. Gazette No. 66/18); The Law on Execution of the RS Budget for 2018 (RS Off. Gazette No. 122 /18); The Law on Changes and Amendments to the Law on the Default Interest Rate (BD BIH Off. Gazette No. 33/18); The Law on Changes and Amendments to the Law on Administrative Procedure in BD BiH (BD BIH Off. Gazette No. 21/18); The Law on Civil Servants and Employees in BD BiH Judiciary (BD BIH Off. Gazette No. 48/18); The Law on Changes to the Law on Accounting and Auditing (BD BIH Off. Gazette No. 50/18); The Law on Changes to the Law on Property Tax (BD BIH Off. Gazette No. 52/18); The Law on Changes to the Law on Execution of the Budget for 2018 (BD BIH Off. Gazette No. 51/18); The Law on Execution of the BD BiH Budget for 2018 (BD</p>
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	<p>BIH Off. Gazette No. 12/18); The Law on Changes to the Law on Inspections of BD BiH (BD BIH Off. Gazette No. 16/18); The Law on Changes and Amendments to the Law on Fiscal Systems (BD BIH Off. Gazette No. 48/18); The Law on Changes and Amendments to the Law on Civil Service (BD BIH Off. Gazette No. 50/18); The Law on Changes to the Law on BD BiH Government (BD BIH Off. Gazette No. 49/18); The Law on Changes and Amendments to the Law on Public Administration (BD BIH Off. Gazette No. 9 /18); The Law on Changes and Amendments to the Election Law (BD BIH Off. Gazette No. 49/18); The Law on Volunteering (BD BIH Off. Gazette No. 34/18).</p> <p>PAR Strategic Framework 2018-2022 (adopted by CoM BiH, Government of FBiH, Government of BD BiH; Medium-Term Debt Management Strategy of BiH for the period 2017 – 2020; Medium-Term Work Program of the CoM of BiH 2019-2021; CoM Annual Work Program for 2018; Action Plan of the CoM of BiH for Implementation of the Communication Strategy for Informing the Public on the Process of Accession of BiH to the European Union for 2018; Framework Budget Papers of the FBiH for the period 2019- 2021; Debt Management Strategy of the FBiH 2019- 2020 ; Public Debt Management Strategy of the RS for the period 2018-2021; Strategy of Professional Development of BD BiH.</p> <p>Previously adopted legal framework and sector strategies are available on: <a href="http://www.donormapping.ba">www.donormapping.ba</a></p>
<p><b>Coordination among and with development partners</b></p>	<p><b>Democratic institutions:</b> Functional exchange of information between stakeholders based on informal <i>ad-hoc</i> coordination, together with self-organized meetings between development partners.</p> <p><b>Decentralization and sub-national government:</b> Functional exchange of information between stakeholders based on informal <i>ad-hoc</i> coordination, together with self-organized meetings between development partners.</p> <p><b>Public Administration Reform (PAR):</b> PAR Fund stakeholders` regular meetings organized by Public Administration Reform Coordinator's Office (PARCO). Joint Management Board of PAR serves as a monthly forum for coordination. Meanwhile, informal coordination is maintained with other development partners.</p> <p><b>Public Financial Management:</b> Exchange of information between stakeholders based on informal <i>ad-hoc</i> coordination and project-based bilateral meetings.</p> <p><b>Taxation:</b> Informal <i>ad-hoc</i> coordination on regular basis.</p> <p><b>Customs:</b> Informal <i>ad-hoc</i> coordination on regular basis.</p> <p><b>Economic governance:</b> Informal <i>ad-hoc</i> coordination.</p> <p><b>Statistics:</b> Informal <i>ad-hoc</i> coordination on regular basis.</p> <p><b>Civil Society:</b> Local Advisory Group supported and managed by the EU-funded project TACSO.</p> <p><b>Development partners active in the sector and BiH Institutions from all levels of government regularly attended Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.</b></p>

## Overview of activities in 2018

Democracy and governance sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for the period 2014 – 2020.

**Democracy and governance sector consists of eleven sub-sectors:**

- Democratic Institutions,
- Decentralization and Sub-national Government,
- Public Administration Reform (PAR),
- Public financial management,
- Taxation,
- Customs,
- Economic governance,
- Statistics,
- Civil society,
- EU programs and agencies and
- Institutional building for European integration.

Bosnia and Herzegovina is in the phase of economic and social development where the additional efforts should be undertaken in order to improve the competitiveness of the economy, the rule of law and implement the harmonization process of BiH regulations with the European Union *acquis*.

In the course of 2018, all levels of government in Bosnia and Herzegovina have implemented the reform program proposed in the Reform Agenda (2015-2018), with the goal to launch the key economic processes and create new jobs. Implementation of the proposed reforms resulted in improved economic indicators and macroeconomic situation, balanced public finances and stable economic growth. In the forthcoming period, an agreement should be reached on the new set of measures of the socio-economic reform as well as ensure their implementation at all levels of government.<sup>1</sup>

It is expected that the CoM of BiH in January 2019 will adopt the Economic Reform Program (ERP) 2019-2021, which is the key strategic document for the medium-term macroeconomic and fiscal programming in BiH. At the same time, ERP is the most important document in the economic dialogue with the EU, since it includes the structural reforms, whose implementation will reduce or eliminate the barriers for economic growth and strengthening of competitiveness in BiH.

The reforms will be geared towards the improvement of the strategic and legislative framework in accordance with the Treaty on Establishing of the Energy Community, establishing sustainable system of financing the railway infrastructure, improving agricultural production and strengthening the quality infrastructure system in BiH in line with the EU model. Also, the upcoming activities will be directed towards further improvements in the communications and information society sector, along with aligning of the regulatory framework with the EU standards, intensifying cooperation in education and increasing the efficiency of the labour market, establishing the effective system of healthcare spending and improving the social protection system.

The National Assembly of Republika Srpska, on its 3<sup>rd</sup> special session held on December 23, 2018, adopted the Economic Reform Program for the period 2019-2021 (Official Gazette of RS, no. 122/18),

<sup>1</sup> The Opinion of the Commission on Bosnia and Herzegovina's application for the EU membership, May 2019

while at the beginning of 2019, the Government of the Federation of BiH will adopt the Economic Reform Program of the Federation of BiH for the period 2019-2021.

In the process of meeting EU membership requirements, major progress has been made in terms of preparation and submission of the answers to the questions from the European Commission Questionnaire. After the Questionnaire for preparation of the Opinion on BiH's application for the EU membership was handed to the BiH authorities at the end of 2016, responses were prepared to 3,242 questions from the Political Criteria, Economic Criteria and 33 chapters of the *acquis* and submitted to the EU Commission on February 28, 2018. On June 20, 2018, the EU Commission has provided 655 additional questions to the authorities in BiH, in order to obtain the clarification for previously submitted responses, their amendments or updating information indicating the progress that has been made meanwhile. Responses to additional questions were prepared and translated by the end of 2018 and will be submitted to the EU Commission in March 2019.

In the coordination system of the BiH EU integration process, several by-law acts have been adopted in 2018, which will contribute to more efficient functioning of this system. The most important among them are the Decision on Supplementing of the Decision on the Coordination System of the European Integration Process in BiH and the Decision on Amendment to the Decision on Establishing of the Commission for European Integration (Official Gazette of BiH, nos. 35/18 and 14/18).

In the area of Public Administration Reform (PAR), Bosnia and Herzegovina is still at an early stage of development, and in the forthcoming period, it is expected that a strategic framework for public administration reform will be adopted at all levels of government.

Strategic Framework for PAR in BiH 2018-2020 has been prepared. CoM of BiH (155<sup>th</sup> session, held on September 25, 2018), the Government of the Federation of BiH (147<sup>th</sup> session, held on June 14, 2018) and the Government of Brcko District (38<sup>th</sup> session, held on June 8, 2018) adopted the Strategic Framework, and it is expected that the Government of Republika Srpska will also adopt this document in the forthcoming period. Strategic Framework is focused on creating an efficient, transparent, accountable and modern public administration that will work for the benefit of the citizens and base its work on the best practices and principles of the European Administrative Space.

In order to achieve the objectives defined by the Strategic Framework for PAR, the Government of Brcko District adopted the Strategy on Professional Development (Official Gazette of BD, no. 46/18), the Law on Amendments to Law on Civil Service in Brcko District Bodies of Administration (Official Gazette of BD, no. 50/18) and the Rulebook on amendments to the Regulations on recruitment (Official Gazette of BD, no. 6/18).

In 2018, BiH Ministry of Justice, in cooperation with the PAR Coordinator's Office, handled the process of coordinating and managing the work of the Advisory body for implementation of the Open Government Partnership initiative. At the same time, the Action Plan of the CoM of BiH was prepared for implementation of this initiative for the period 2019-2021.

In the area of Public Financial Management, significant reform progress was made in 2018 at various levels of government in BiH, relating to alignment with the international standards in the fields of internal control and audit, debt management, treasury operations and external auditing. In addition, further alignment activities in the areas of budget preparation, monitoring and transparency of budget data and budget planning need to be continued in the forthcoming period.

In September 2018, the RS Government adopted the Republika Srpska Debt Management Strategy for the period 2018-2021, which set medium-term goals and a plan of debt management activities which the RS Government intends to implement during the mid-term period. The RS Public Financial Management Strategy 2020-2025 is currently being developed.

In the area of Taxation in BiH, during 2018, the preliminary draft of the Law on Value Added Tax (VAT) as well as the draft Law on Excise Tax Duties, were prepared. After their adoption the VAT and excise legislation will be harmonized with the European directives. Major progress in this area was achieved with the adoption and implementation of the Instruction on Electronic Filing of Self-Taxation (Official Gazette of BiH, no. 04/18), which enabled electronic submission of VAT and excise tax returns.

In 2018, Bosnia and Herzegovina has joined the Global Forum on Transparency and exchange of Information for Tax Purposes. Also, BiH has initiated the activities to join the OECD Inclusive Framework on BEPS (Base Erosion and Profit Shifting) and will need to sign and ratify the Multilateral Convention on Mutual Administrative Assistance in the coming period.

In 2018, the Law on Amendments to the Law on Income Tax in Republika Srpska (Official Gazette of RS, No. 66/18) was adopted. Based on this Law, tax burden on labour was reduced in a certain way and salaries of all workers in RS have increased. In the area of direct taxation, a Register of Tax and Non-Tax Benefits was launched in the RS in the third quarter of 2018 and based on that, an analysis of all non-tax benefits was conducted.

In the Federation of BiH, progress was achieved in the field of improvement of the fiscal discipline, the Register of Taxes and Fees was established which will become operational at the beginning of 2019 as well the role of the control / quality assurance in auditing have been strengthen.

Improving fiscal discipline is one of the priorities in BiH, and significant efforts have been made in 2018 to strengthen fiscal consolidation and improve fiscal discipline at all levels of government. Tax administrations are implementing continuous measures to increase voluntary reporting and payment of taxes, and to reduce tax debt, all of which are measures to counter the shadow economy.

In the area of Customs regulations, progress has been made through harmonization of BiH customs regulations with the EU customs regulations, through preparation and adoption of the legal and bylaw regulations in this area (Official Gazettes of BiH, nos. 24/18, 13/19, 30/18, 82/18, 81/18, 89/18, 50/18, 93/18, 25/18, 21/18 and 31/18).

Upon the proposal of the Indirect Taxation Authority, BiH CoM, at its 131<sup>st</sup> session held on January 30, 2018, adopted the Decision on the Conditions and the Procedure for Exercising the Right to Exemption from Payment of Import and Export Duties (Official Gazette of BiH, no. 24/18). The Decision was adopted for the purpose to create the conditions for a swift, efficient and consistent implementation of the European customs rules, which was also one of the conditions for BiH undertaken from the Stabilization and Association Agreement.

Continued progress has been made in the area of Public procurement during 2018, particularly in the e-Procurement segment, which is constantly being upgraded and improved. In the forthcoming period, the public procurement system full informatization is expected, beginning with publication of the procurement plan of the contracting authority, implementation of the procurement procedure, to awarding of contracts and monitoring of their realization.

The Law on Amendments to the Law on Public Procurement of BiH was prepared, expected to be passed in the adoption procedure in 2019. The aim of this Law is to harmonize the area of public procurement with the EU directives and remove the technical shortcomings of the existing Law on Public Procurement.

One of the most important segments of the strengthening of the public procurement system is the training of civil servants from this domain. In 2018, Public Procurement Agency of BiH organized the training in this domain with the aim to build the capacity of the contracting parties as well as to create the basis for preventive actions in the fight against corruption.

Within the project Strengthening the Capacity of BiH Government Institutions to Participate in Political Dialogue with Civil Society, application software for conducting public consultations has been upgraded, within the web platform for consulting the interested public "e-consultation". Also, a register of associations and foundations has been developed, and in the the work was officially released an upgraded platform for e-Consultations, the Summary Register of Associations and Foundations of BiH and the e-Register of Associations and Foundations of the Ministry of Justice of BiH.

Within the project "Strengthening Capacities of Governmental Institutions in BiH for Participation in Policy Dialogue with Civil Society", application software for conducting public consultations within the web platform for consultations with the interested public ("e-Consultations") was upgraded. Also, the register of associations and foundations has been developed and the upgraded e-Consultation platform officially became operational as well as the consolidated BiH Register of associations and foundations and the e-Register of Associations and Foundations of the BiH Ministry of Justice.

Bosnia and Herzegovina is at an early stage of establishing of the functional market economy. Macroeconomic stability in BiH was maintained during 2018, largely due to the stable monetary policy, balanced accounts of the general government and reduced external imbalances.

CoM of BiH, on its 159<sup>th</sup> session held on November 22, 2018, adopted the Mid-Term Work Program of the CoM of BiH for the period 2019-2021, which serves as the basis for preparation of the Framework Budget Paper and the Public Investment Program of BiH Institutions. The Program aims to ensure the planning basis for quality management of development in line with the competencies of the CoM and BiH Institutions, through harmonization and coordination the planning process within the CoM and BiH Institutions, optimal allocation of resources to priority tasks and projects, improvement of the monitoring process of programs and plans and reporting on their realization.

Although certain progress has been achieved in the previous years in the area of strategic planning in BiH Institutions, activities should be continued in the forthcoming period to better define the strategic and specific objectives of BiH Institutions and respect the deadlines set out in the prescribed medium-term planning legislation in Bosnia and Herzegovina.

In order to improve the planning and reporting system in BiH Institutions, by-law acts have been adopted in 2018 which regulate this domain in more detail (Official Gazettes of BiH, no. 64/18 and 71/18).

CoM of BiH, at its 151<sup>st</sup> session held on August 1, 2018, adopted the Framework Budget Paper of BiH Institutions 2019-2021, and the Public Investment Program of BiH Institutions 2019-2021. Framework

Budget Paper of the Federation of BiH 2019-2021 was adopted in July 2018, and the Framework Budget Paper of Republika Srpska 2019-2021 was adopted in June 2018.

The Government of the Federation of BiH, at its 146<sup>th</sup> session, held on June 7, 2018, adopted the document - Guidelines of Economic and Fiscal Policy of the Federation of BiH 2019-2021, with the medium-term goals of economic and fiscal policy and the financial plans ceilings of the budgetary and off-budgetary beneficiaries, with the aim to further implement the fiscal consolidation and the policy of reducing / limiting of the public spending at all levels of government in the Federation of BiH.

As part of the reform of the Pension System in the Federation of BiH, the new Law on the "MIO / PIO" of the Federation of BiH (Official Gazette of FBiH, no. 13/18) regulates that the Federal Pension and Disability Insurance Institute, as a budgetary beneficiary, should be included in the Budget of the Federation of BiH in 2020, in order to ensure better transparency in spending of the public funds and stability of pensions payment. In Republika Srpska, the "MIO / PIO" fund has already assumed the status of the budget beneficiary.

In the statistics sub-sector, the improvements have continued by aligning with the EU and the world standards through introduction of the new methodologies and EU regulations and respecting of the UN Fundamental Principles of Official Statistics and the European Statistics Code of Practice.

CoM of BiH, at its 155<sup>th</sup> session, held on September 25, 2018, adopted the Decision on the Establishing of the Advisory Body of the CoM of BiH, for Cooperation with the Non-Governmental Organizations (Official Gazette of BiH no. 89/18), thus creating the preconditions for the development of the civil society as well as the preparation of the Strategy for Creating an Enabling Environment for Civil Society Development. The Agreement on cooperation between the BiH CoM and the NGO sector was signed at the end of 2017. Preliminary draft of the Report on Implementation of the Agreement on Cooperation of the BiH CoM of BiH and the NGO sector in BiH was prepared. However, due to the consultation procedure it could not be passed in further procedure to the CoM of BiH by the end of 2018.

In the area of communication on the process of EU integration, CoM of BiH , at its 140<sup>th</sup> session, held on April 26, 2018 adopted the Action Plan of the BiH CoM for Implementation of the Communication Strategy for Informing the Public on the Process of Accession of BiH to the EU for 2018. The Communication Strategy of BiH Institutions on EU Accession Process of BiH - from the candidate status to the membership, was sent in the adoption procedure at the end of 2018.

During 2018, the DEI of BiH conducted continuous training in the field of EU Integration in order to provide the professional development and vocational training to the members of the joint bodies in the coordination system, as well as to all civil servants employed in institutions at all levels of government in BiH for performing the tasks deriving from the EU integration process.

Also, the following meetings regarding the EU integration activities were held in 2018: the third meeting of the Sub-committee on Economic and Financial Affairs and Statistics from 15 to 16 November 2018; Special Group for Public Administration Reform on January 30, 2018; Sub-committee on Innovation, Information Society and Social Policy on January 30, 2018; the third meeting of the Sub-committee on Internal Market and Competition and Consumer Protection on September 20, 2018; the third meeting of the Sub-committee on Trade, Industry, Customs and Taxation on October 18, 2018; Sub-committee on Agriculture and Fisheries on October 25, 2018;

Sub-committee on Transport, Energy, Environment and Regional Development on December 13, 2018 and the Sub-committee on Justice, Freedom and Security from November 28-29, 2018.

Bosnia and Herzegovina is constantly expanding its participation in the EU programs, which is partly co-financed through IPA funds. BiH is currently participating in COSME, Creative Europe, Customs 2020, Europe for Citizens, *Erasmus +*, *Fiscalis* 2020, Horizon 2020 programs as well as in the Third Health Program as a part of the EU activities in the domain of health. Bosnia and Herzegovina also participates in the INTERREG program.

## Investments of DCF members in 2018

DCF members active in the Democracy and governance sector in 2018 are USA/USAID, UK/DFID, EU, Sweden/Sida, Germany, Switzerland, UN, Norway, Netherlands, Czech Republic, Croatia, Italy/AICS, EBRD and Slovenia.

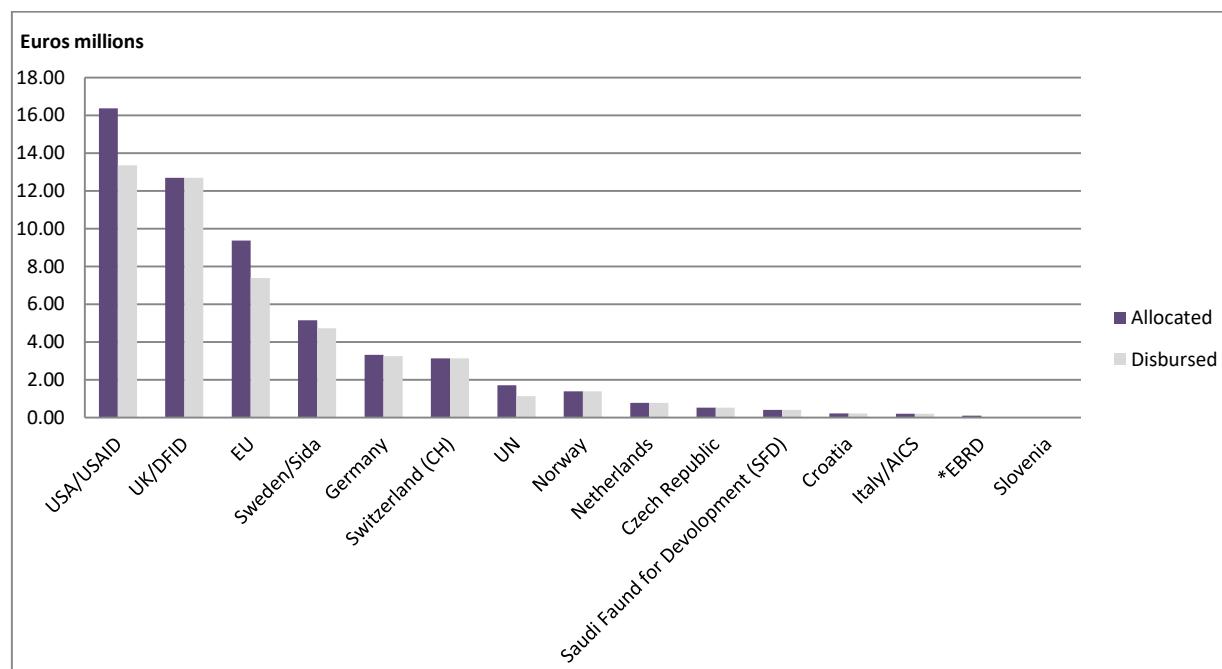
Total allocations of DCF members to the Democracy and governance sector in 2018 amounted to €55.30 million, out of which €55.20 million in the form of grants and €0.10 million in the form of loans.

Total disbursements of DCF members to the Sector in 2018 amounted to €49.16 million in the form of grants.

Figure 1.1. compares grants allocated and disbursed ODA grants, according to the amount of the invested funds, as well as allocated and disbursed loan funds from the European Bank for Reconstruction and Development (EBRD).

Leading development partners in the sector in 2018, who allocated i.e. disbursed largest amounts were USA/USAID, UK/DFID, EU, followed by Sweden /Sida, Germany and Switzerland.

**Figure 1.1. Allocated and disbursed grants per development partners in 2018**



\*Note: EBRD loan

Figure 1.2. presents the structure of total allocated ODA funds in 2018 per sub-sectors. Democracy and governance sector consists of 11 sub-sectors.

Out of total allocated funds in 2018, 76,7% was allocated in three sub-sectors: Civil society 47.5%, Public Administration Reform 29.3% , while 23.3% was allocated in other subsectors. Sub-sectors that did not have funding are not presented in the chart.

**Figure 1.2. Total allocated ODA per sub-sectors in 2018**

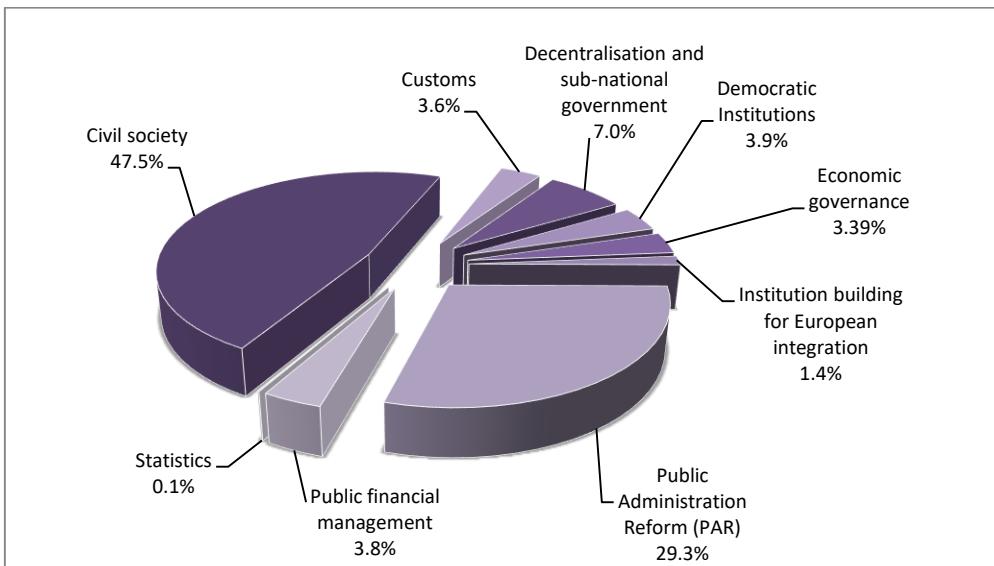
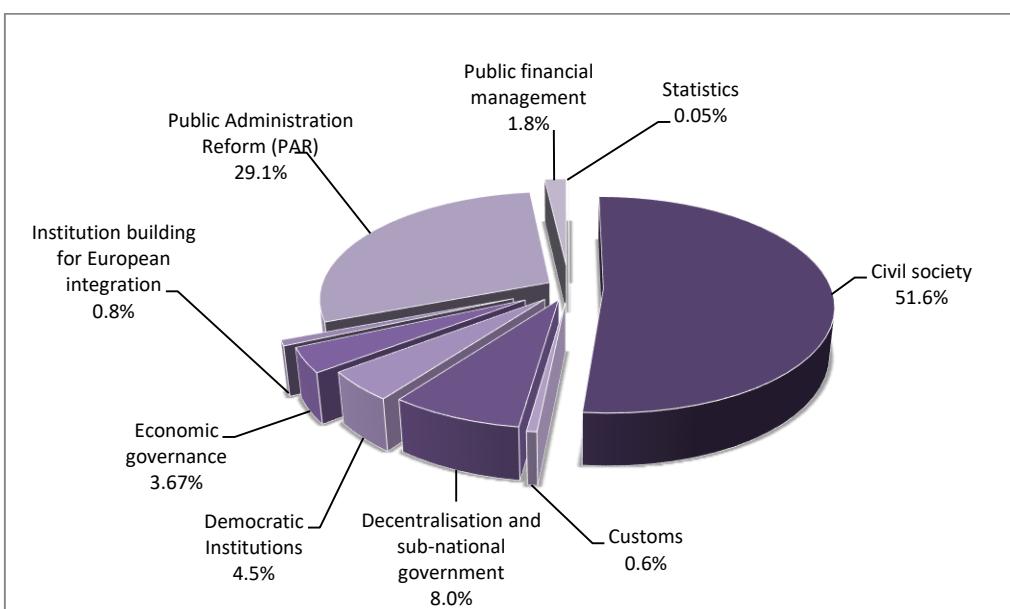


Figure 1.3. presents the structure of total allocated ODA funds in 2018 per sub-sectors.

Out of total disbursed funds in 2018, 80.7% was disbursed in three sub-sectors: Civil society 51.6%, and Public Administration Reform 29.1%, while 19.3% was allocated in other subsectors. Sub-sectors that did not have funding are not presented in the chart.

**Figure 1.3. Total disbursed ODA per sub-sectors in 2018**



Ten major projects in the sector that allocated or disbursed funds in 2018, are listed below:

PROJECT TITLE	Development partner	Total Project Value (Euros millions)
Strengthening of Public Institutions	Germany	11.25
Various project under managed fund and IFI strand	UK/DFID	9.26
Explosive Ordnance and Remnants of War Destruction Project	Saudi Fund for Development (SFD), Germany, Norway, Netherlands, UK	9.14
Strengthening the Role of Local Communities/ <i>Mjesne zajednice</i> (MZs) in Bosnia and Herzegovina	Switzerland, Sweden/Sida, UN	9.06
(CSSP) Civil Society Sustainability Project	USA/USAID	8.34
MEASURE, USAID/Bosnia and Herzegovina (BiH) Monitoring and Evaluation Support Activity	USA/USAID	7.75
Completion and delivery of functional Brcko District Police Headquarters	UN	6.41
ILDP Follow Up	Switzerland, UN	6.02
(OPA) Democracy Commission Small Grants Program	USA/USAID	5.65
Regional Program on Local Democracy in the Western Balkans ( <i>ReLOaD</i> )	UN	4.45

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

<http://dmd.donormapping.ba/dmd/faces/dmdPublicStart>

## Future activities

Bosnia and Herzegovina should continue the process of strengthening democracy and governance, through strengthening of democratic institutions and inclusive democratic processes, strengthening the role of civil society, and implementing activities to achieve further progress in reforms, crucial for the process of the European and Euro-Atlantic integration. Based on the responses of BiH Institutions from all levels of government, as well as in line with the recommendations of the EU Commission's 2018 Report for BiH, further efforts should be made in the following period:

- continue activities on harmonization of the legislation of BiH with the *acquis*;
- upon adoption of the strategic framework for Public Administration Reform, Action Plan should be prepared and integrated in the mid-term and operational work program;
- prepare the Integration Program of Bosnia and Herzegovina in the European Union;
- adopt Sectorisation of the general state in line with ESA 2010 and in timely manner publish complete and consistent countrywide data on general administration;
- strengthen the system of strategic, mid-term and annual planning in Bosnia and Herzegovina;
- initiate the preparation of the new mid-term strategic document for internal financial control in the public sector with special emphasis on defining and implementing the managerial responsibility;

- continue activities on improving of the program budgeting in BiH and implementation of the financial management and control in BiH Institutions;
- ensure that by the end of 2019, the accession should take place to the OECD Inclusive Framework for base erosion of profit shifting; and signing and ratification of the OECD Multilateral Convention on Mutual Administrative Assistance on Tax Matters;
- continue investing in the tax information system with the aim to enable the overall electronic business of the Indirect Taxation Authority of BiH;
- introduce program budget in FBiH and all ten cantons in order to improve the budget allocation in the mid-term and on annual basis;
- complete realization of the health system reform in RS, which is prerequisite for introduction of all health care institutions and the Health Insurance Fund into the treasury system, which will contribute to the maintenance of the entire fiscal system discipline;
- continue activities on improvement to of the customs policy in BiH, through harmonization of BiH customs regulations with the new customs regulations of the European Union;
- implement activities to strengthen international development assistance coordination and strengthen the partnerships with development partners in BiH (development partners, creditors);
- increase transparency in public procurement procedures in BiH;
- adopt the Law on Deposit Insurance Act in order to finalize the Bank Rehabilitation Framework in line with the Directive on the Deposit Insurance Systems Directive and the Directive on Bank Recovery Rehabilitation;
- strengthen the institutional capacity of the Central Bank of BiH in order to gradually align with the EU standards;
- ensure implementation of an effective human resources management system in Institutions in Bosnia and Herzegovina.

<b>DCF members active in the sector in 2018</b>	EU, USA/USAID, Norway, Sweden/Sida, UN, Switzerland, UK/DFID, Germany, Czech Republic, Japan, Slovenia, Croatia
<b>Other key international organizations</b>	Organization for Security and Cooperation in Europe; Council of Europe, the Geneva Centre for the Democratic Control of Armed Forces; INTERPOL; EUROPOL; European Union Forces; USA Department of Justice International Criminal Investigative Training Assistance Program; European Police College; Association of European Police Colleges; Catholic Relief Services; Office of the High Representative; European Agency for the Management of Operational Cooperation at the External Borders; International Committee of the Red Cross; Save the Children Norway; Regional Cooperation Council; OPEC Fund for International Development /OFID; South East and East Europe Clearinghouse for Control of Small Arms and Light Weapons (SEESAC); Caritas Switzerland, Care International; Hilfswerk Austria International
<b>Key government partners</b>	CoM of BiH, Government of FBiH, Government of RS; Government of BD BiH; BiH Ministry of Justice; BiH Ministry of Civil Affairs; Federal Ministry of Justice; Ministry of Justice of RS; cantonal ministries of justice; Judicial Commission of BD BiH; Ministry of Security of BiH; Ministry of Human Rights and Refugees of BiH; BiH Prosecutor's Office; High Judicial and Prosecutorial Council; the BiH Court; Judicial and Prosecutorial Training Centres in FBiH and RS; State Investigation and Protection Agency of BiH; Border Police of BiH; Ministry of Foreign Trade and Economic Relations of BiH; The Institution of Human Rights Ombudsman/Ombudsmen of BiH; Notary Chamber of FBiH and RS; Directorate for Coordination of Police Bodies of BiH; Directorate for the Coordination of Police Bodies of BiH; Agency for police Support of BiH; Police Academies in FBiH and RS; Federal Ministry of Interior; Ministry of Interior of RS; cantonal ministries of interior; cantonal ministries of education; The Personal Data Protection Agency of BiH; Agency for Forensic and Expert Examinations of BiH; Civil Protection Agencies at the entity and BD BiH level; Federal Ministry of Health; Ministry of Health and Social Welfare of RS; department of Health of BD BiH; Agency for gender Equality of BiH; Gender centers of FBiH and RS; Council of National Minorities in BiH.
<b>Total allocation/disbursement to the sector in 2018 by DCF members</b>	Total allocated € 44.82 million –in a form of grants Total disbursed € 46.38 million –in a form of grants Out of total ODA in 2018, 6% was allocated and 11% was disbursed in the sector.
<b>Legal framework and sector strategies adopted in 2018</b>	The Law on Changes and Amendments to the Criminal Procedure Code of BiH (BiH Off. Gazette No. 65/18); The Law on Changes and Amendments to the Criminal Code of BiH (BiH Off. Gazette No. 35/18); The Law on Changes to the Law on Police Officials in the FBiH (FBiH Off. Gazette No. 13/18); The Law on Protection of Victims of the War Torture (RS Off. Gazette No. 90/18); The Law on Changes to the Law on Criminal Procedure of the RS (RS Off. Gazette No. 66/18); The Law on Changes and Amendments to the Law on Court Taxes (RS Off. Gazette No. 66/18); The Law on Confiscation of Property Acquired by Criminal Offence (RS Off. Gazette No. 65/18); The Law on Salaries and Allowances of Judges and Prosecutors in RS (RS Off. Gazette No. 66/18); The Law on Salaries of Employees in Judiciary Institutions of RS (RS Off. Gazette No. 66/18); The Law on Enforcement of Criminal and Misdemeanor Sanctions of RS (RS Off. Gazette No. 63 /18); The Law on Changes and Amendments to the Law on Survey and Cadastre of RS (RS Off. Gazette No. 62 /18); The Law on Legalization of Illegally Constructed Objects (RS Off. Gazette No. 62 /18); The Law on Amnesty (RS Off. Gazette No. 61 /18); The

	<p>Law on Special Expropriation Procedure for the Construction of the Corridor "V" Highway through the RS and Construction of "9. January" Highway Section Banja Luka - Doboj (RS Off. Gazette No. 61 /18); The Law on Changes to the Law on Weapons and Ammunition (RS Off. Gazette No. 31 /18); The Law on the Special Register of Persons Finally Convicted for Criminal Offenses of Sexual Abuse and Exploitation of Children (RS Off. Gazette No. 31 /18); The Law on Protection from Domestic Violence in BD BiH (BD BIH Off. Gazette No. 7/18); The Law on Protection of Persons who Report Corruption in BD BiH (BD BIH Off. Gazette No. 25/18); The Law on the Office for Prevention of Corruption and Coordination of Anti-Corruption Activities (BD BIH Off. Gazette No. 25/18); The Law on Salaries and Other Allowances of the Attorney and Deputy Attorney in the Attorney's Office of BD BiH (BD BIH Off. Gazette No. 28/18); The Law on Litigation Procedure of BD BiH (BD BIH Off. Gazette No. 28/18); The Law on Changes and Amendments to the Law on Attorney's Office of BD BiH (BD BIH Off. Gazette No. 28/18); The Law on Changes and Amendments to the Criminal Code (BD BIH Off. Gazette No. 50/18).</p> <p>National Strategy on Supervision over Narcotic Drugs, Prevention and Suppression of the Abuse of Narcotics Drugs in BiH for the period 2018-2023; Action Plan for Implementation of the UNSCR 1325 "Women, Peace and Security" in BiH for the period 2018-2022; Strategy for the Prevention of the Proliferation of Weapons of Mass Destruction (WMD) of BiH 2018-2022; Framework Action Plan on the Educational Needs of Roma Men /Roma Women in BiH 2018-2022; Strategy for Combating Against Corruption in the RS 2018-2022; Action plan for Implementation of the Strategy for Combating Against Corruption in the RS 2018-2022; Strategy for Combating Against Corruption in BD BiH 2018-2019; Action plan for Implementation of the Strategy for Combating Against Corruption in BD BiH 2018-2019.</p> <p>Previously adopted legal framework and sector strategies are available on: <a href="http://www.donormapping.ba">www.donormapping.ba</a></p>
<p><b>Coordination among and with development partners</b></p>	<p><b>Judicial Reform:</b> Forum of Donors Annual coordination meeting organized by the BiH Ministry of Justice and BiH – EU Structural Dialogue on Justice. Development partners coordination is maintained every 6 months by the European Union Delegation (EUD) as part of a structural dialogue, as well as sub-committee meetings in the Justice sector with the participation of the High Judicial and Prosecutorial Council and the Ministry of Justice.</p> <p>EUD regularly organizes meetings for coordination of international judiciary sector. Regular bilateral coordination meetings of international and local partners.</p> <p><b>Penitentiary Reform:</b> <i>ad hoc</i> coordination, project-based bilateral meetings.</p> <p><b>War Crimes:</b> Regular bilateral coordination meetings with international and local partners, including EUD, Switzerland, USA, Ministry of Justice, Prosecutor's Offices. <i>Ad hoc</i> coordination, project-based.</p> <p><b>Fight against Organized Crime:</b> informal <i>ad hoc</i> coordination, project-based and mostly bilateral / multilateral, self-organizing meetings between development partners.</p> <p><b>Fight against Corruption:</b> regular development partners and policy coordination meetings are co-chaired by the Agency for Prevention of Corruption and for Coordination of the Fight against Corruption and the EUD.</p>

The UN maintains regular bilateral coordination meetings with international and local partners.

**Police reform:** informal *ad hoc* coordination, project-based.

**Migration and Asylum:** formal coordination of development partners is led by the Coordination body on BiH immigration issues.

**Border Management and Security:** Informal *ad hoc* coordination, project-based.

**Roma:** Roma Committee with the CoM of BiH represents formal coordination body.

**Refugees and IDPs:** Informal *ad hoc* coordination, project-based and mostly bilateral / multilateral

**LGBTI:** Informal *ad hoc* coordination, project-based.

**National Minorities:** informal *ad hoc* coordination, project-based.

**Intercommunity Relations:** informal *ad hoc* coordination, project-based.

**Freedom of expression and media freedom:** Informal *ad hoc* coordination, project-based.

**Property Rights:** Informal *ad hoc* coordination, project-based.

**Data Protection:** Informal *ad hoc* coordination.

**Development partners active in the sector and BiH Institutions from all levels of government regularly attended Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.**

## Overview of activities in 2018

Rule of law and fundamental rights sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for the period 2014 – 2020.

**Rule of law and fundamental rights sector consists of sixteen sub-sectors:**

- Judicial reform,
- Penitentiary reform,
- War crimes,
- Fight against organized crime,
- Fight against corruption,
- Police reform,
- Migration and asylum,
- Border management and security,
- Roma,
- Refugees and IDPs,
- LGBTI,
- National minorities,
- Intercommunity relations,
- Freedom of expression and media freedom,
- Property rights and
- Data protection.

In 2018, activities have continued aimed at strengthening of the rule of law, which is one of the fundamental challenges and key preconditions in the accession process of Bosnia and Herzegovina to the European Union.

Although it could be noted that the legislative and institutional framework in the area of fundamental rights in BiH has been established to a significant degree, it still needs to be fully implemented and further harmonized with the EU standards, by strengthening of the administrative capacities and effective implementation of the fundamental rights. In addition, activities should be continued to further strengthen the independence of the judicial system in BiH.

In the course of 2018, two ministerial conferences were organized as well as two rounds of meetings of monitoring and evaluation bodies for implementation of the Justice Sector Reform Strategy (JSRS) in Bosnia and Herzegovina, composed of representatives from BiH, entities, cantons and Brcko District. CoM of BiH on its 151<sup>st</sup> session, held on August 8, 2018, considered and approved the Report on implementation of the JSRS 2014-2018 in BiH for 2017. At the same time, the Revised Action Plan for Implementation of the JSRS in BiH for the period 2019-2020 was drafted and after RAP has been confirmed by the Fourth Ministerial Conference, competent institutions were entrusted to pass it into the adoption procedure. In line with this, on December 12, 2018, the Decision on the adoption of the Revised JSRS Action Plan in BiH was passed in the procedure.

Under the existing legislative framework, in 2018 High Judicial and Prosecutorial Council (HJPC) adopted a set of rules, in order to eliminate deficiencies in the judicial system, particularly regarding the criteria for appointing and assessing the work of judges and prosecutors.

HJPC Action Plan for the period 2018-2020 was adopted, with measures to strengthen the fight against organized crime and corruption, improve the quality of financial investigations, strengthen the autonomy of the main actors in the chain of criminal proceedings and improve the overall criminal law policy.

In order to increase the level of judiciary independence in Bosnia and Herzegovina as well as to fulfil the recommendations of the European Commission, in June 2018 BiH HJPC has submitted an initiative to the BiH Ministry of Justice for changes and amendments of the Law on High Judicial and Prosecutorial Council of BiH. The proposed amendments relate to elimination of deficiencies in the existing legislation, primarily regarding the appointments, integrity and disciplinary matters.

In the course of 2018, Centres for Training of Judges and Public Prosecutors of Republika Srpska and the Federation of BiH have continuously organized the training for judges and prosecutors in order to support more efficient implementation of the complex judicial reform in Bosnia and Herzegovina.

At the 142<sup>nd</sup> session of the CoM of BiH, held on May 15, 2018, Bosnia and Herzegovina confirmed the interest to participate in the EU program entitled "Judiciary", which is focused at further development of the EU area of justice. The "Judiciary" program is based on mutual recognition and trust of the member states through development of judicial cooperation in civil-law and criminal-law matters, which supports the EU activities undertaken in prevention of drugs use and trafficking.

In 2018, Ministry of Justice of BiH established the Free Legal Aid Office, which enabled all interested parties to obtain professional legal aid free of charge.

During 2018, activities has continued on the accession of Bosnia and Herzegovina to the EUROJUST (EU Judicial Cooperation Unit) and at the same time preliminary negotiations are underway for the conclusion of the Cooperation Agreement between the EUROJUST and BiH. In order to meet the conditions to enter into negotiations on the Agreement, a draft Law on Protection of Personal Data has been prepared.

In 2018 activities were undertaken with the view to draft, finalize and harmonize regulations in BiH in the area of Judiciary and execution of criminal sanctions, both at the state and international level.

The Parliamentary Assembly of BiH adopted the Law on Changes and Amendments to the Criminal Code of BiH (Official Gazette of BiH, no. 35/18) and the Law on Changes and Amendments to the Criminal Procedure of BiH (Official Gazette of BiH, No. 65/18), both referring to the application of special investigative enquiries, immunity of witnesses, handling investigation and indictment, in order to harmonize them with the international and the EU standards. Also, in the reporting period, the backlog in execution of criminal sanctions has been significantly reduced.

In 2018, a set of legal and by-law acts were adopted in the Federation of BiH, related to bankruptcy, financial consolidation of companies, register of business entities and public administration reform (Official Gazettes of FBiH, no. 59/18, 36/18, 84/18, 87/18 and 54 / 18).

In Republika Srpska, in 2018 in the field of judiciary, the laws were adopted on republic administration, criminal, executive and general administrative procedure, labour and salaries of employees in the judiciary and bodies of administration of RS (Official Gazettes of RS, no. 115/18 and 66 / 18).

In the area of the penitentiary system, in 2018 BiH started to implement some of the recommendations from the report of the EU Committee for Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT). Construction works on the Institute for the Execution of Criminal Sanctions, Detention and Other Measures of BiH in East Sarajevo were completed. However, due to the inability to obtain the technical acceptance certificate for the facility within the deadline, it did not become operational until the end of 2018.

Conditions in prison and detention facilities have improved, however efforts must be continued on further improvement, in order to harmonize detention conditions in prisons and in police institutions with the ECHR, international and EU standards while dealing with apprehended persons.

In the Federation of BiH, within the penitentiary system reform, efforts have continued in 2018 on improvement of prison capacities in Orasje Penitentiary and Zenica Penitentiary, as well as preparation of the construction of the new Sarajevo Penitentiary complex at Igman location. In addition, activities were undertaken on strengthening of the material-technical capacities of the prison police, in order to finalize the overall process of strengthening prison capacities in the Federation of BiH.

During 2018, National Strategy for Processing of War Crimes Cases in BiH was revised and passed into the adoption procedure to the CoM of BiH. The new Strategy envisages the processing of all war crimes cases by 2023, defines the new criteria for determining the complexity and distribution of cases between different levels of government, improves the harmonization of the court practice, further strengthens the capacities and monitoring the implementation of the State Strategy by the Supervisory Authority. In order to implement the objectives from the Revised Strategy, Working Group was established for improvement of regulations on Civil Procedure regarding the protection of rights of the war crimes victims.

In the area of the fight against organized crime, Ministry of Security has undertaken the activities in 2018 to improve the knowledge and skills of officers in identifying and effective investigation of human trafficking related criminal offenses. Also, the Guidelines were updated for undertaking activities of regional monitoring teams for combating trafficking in human beings in BiH.

During 2018, activities were undertaken on implementation of the Strategy for Combating Organized Crime 2017-2020. The Strategy underlines strengthening of the capacities and cooperation of competent BiH Institutions in the fight against all forms of organized crime as well as intensification of regional and international cooperation in this field. The signatories to the Agreement on Establishing of the Electronic Data Exchange System (EDES) between police bodies and prosecutor's offices in 2018 successfully implemented the project for procurement of equipment that will enable all participants of this system to check data in real time, and secure more effective the data exchange of participants.

In February 2018, Ministry of Security of BiH signed the Memorandum of Understanding with the responsible institutions from all levels of government on establishing of the automatic identification system through fingerprints and palm-prints AFIS / APIS, which will modernize the identification system and ensure more efficient work and better cooperation of security agencies in BiH. Also, with establishing of the new AFIS, Bosnia and Herzegovina coordinates the system with the countries of the European Union, thus creating the possibility of international data exchange and strengthening of the cross-border cooperation, particularly in combating terrorism and cross-border crime.

CoM of BiH, at its 130<sup>th</sup> session, held on January 18, 2018, adopted the Strategy on Supervision over Narcotic Drugs, Prevention and Suppression of the Abuse of Narcotics Drugs in BiH for the period 2018-2023, which is harmonized with international regulations in this area. The main objectives of the Strategy are to preserve and improve the health of the population, prevent and reduce abuse of narcotics and other abuse substances, reduce availability of drugs at all levels, and further build and network the system for suppression of narcotics abuse and the fight against addiction at the national and local levels.

Bosnia and Herzegovina has signed all international anti-corruption conventions, including the UN Convention, however corruption in BiH is still widespread. Although certain progress has been made in this area, fight against corruption and organized crime in BiH is hampered by insufficiently harmonized regulations as well as still weak institutional cooperation and coordination. Institutional, legal and strategic framework for fight against corruption has been established, but inadequate harmonization of laws as well as strategies and action plans at different levels of government in BiH, diminish their effective implementation.

In February 2018, Bosnia and Herzegovina was removed from the FATF's "grey list" and classified on regular reporting regime, which is a confirmation that BiH has succeeded to eliminate systematic deficiencies with regard to the fight against money laundering and financing of terrorism. In order to meet these conditions, BiH passed more than twenty laws and acts, thus fully implemented the Action Plan agreed by the BiH authorities with this intergovernmental body. After this, CoM of BiH, at its 152<sup>nd</sup> session held on August 29, 2018, adopted the document Risk Assessment of Money Laundering and Financing of Terrorism in BiH 2018-2022 as well as the Action Plan for eliminating the deficiencies identified in the system for the prevention of money laundering and financing of terrorism, as the first phase in realization of FATF recommendations.

In the area of fight against corruption, in the course of 2018, Electronic Data Exchange System has been improved from the records of police services and prosecutor's offices, activities were undertaken on collection, processing and use of information of importance for the security of protected persons and objects, as well as the exchange of information was enhanced through Interpol, Europol and SELEC.

In Republika Srpska, Strategy for Combating Against Corruption in the RS 2018-2022 has been adopted in July 2018, while in the Federation of BiH this strategy was adopted in 2016. With the adoption of the strategy in Republika Srpska, Bosnia and Herzegovina has fully established the institutional legal and strategic framework for combating corruption at all levels of government. However, efforts must be continued to improve coordination and cooperation at all levels of government as well as to ensure political support and strong response from the criminal law in order to effectively address the corruption in Bosnia and Herzegovina.

In October 2018, Bosnia and Herzegovina signed the EU-Western Balkans Joint Action Plan on Counter Terrorism with core activities to be implemented in the next two years. The objectives of the Action Plan refer to harmonization of the legal and institutional framework with adequate EU instruments, effective prevention and combating violent extremism, intensive exchange of information and operational cooperation as well as capacity building to combat money laundering and financing of terrorism.

In the field of police reform, during 2018 Police Support Agency of BiH actively participated in the preparation of the Sectoral Planning Document for the period 2018-2020 for the Internal Affairs Sector. The fundamental goal for drafting of the sectoral document in this area is to improve the safety of citizens in Bosnia and Herzegovina.

In the area of migration, in 2018 substantial increase was registered in the number of migrants entering BiH, who mainly use it as a transit country towards the EU countries. CoM of BiH, at its 142<sup>nd</sup> session held on May 15, 2018, adopted the Information with the Action Plan of Emergency Measures that need to be undertaken with the focus on illegal migrants and permeability of the border, primarily with the eastern neighbours of Bosnia and Herzegovina, where the largest influx of migrants in the country was recorded. Also, it is necessary to strengthen the coordination of all levels of authority on migration issues, since it is not on satisfactory level.

In 2018, the Migration Profile for Bosnia and Herzegovina for 2017 was prepared, and adopted by the CoM of BiH at the 139<sup>th</sup> session held on April 16, 2018. This is the tenth migration profile of BiH that provides insight into key migration trends in Bosnia and Herzegovina.

In the field of management of illegal migration, progress has been made in 2018, particularly in the segment of voluntary return of illegal migrants to the countries of origin. Significant activities have been undertaken to improve the capacities for reception of the asylum seekers in BiH.

During 2018, BiH participated in the annual planning of operational activities within the priorities of the European Multidisciplinary Platform Against Criminal Threats (EMPACT) to facilitate illegal immigration. Bosnia and Herzegovina has undertaken a commitment to participate in three operational actions in 2019, within the fight against smuggling of migrant criminal groups, along with the EU member states.

CoM of BiH, on its 158<sup>th</sup> session, held on November 13, 2018, adopted the Information on the Proposal of the Decision for Ensuring Continuous Protection and Assistance to Foreign Victims of Human Trafficking in BiH.

In the area of border management, progress has been made in 2018 by creating better conditions for the operation of the border control authorities, accelerated transport of passengers, goods, capital, and improved border security.

In the course of 2018, the final stage of preparation of the Integrated Border Management Strategy and the Action Plan for the Implementation of the Integrated Border Management Strategy in BiH 2019-2023 was completed. This strategic document will ensure the uninterrupted flow of people and goods, while preventing all forms of illegal activities associated with the crossing of the state border. Integrated Border Management, as well as the joint action of relevant institutions, will reduce threats directed towards the border security and reflect on raising the overall level of security in BiH.

In addition to activities on preparation of the BiH Integrated Border Management Strategy, legal and by-law acts were also adopted last year, which will further improve the legislation in this field and harmonize it with the international standards. Also, activities were undertaken to improve the equipment of the BiH Border Police as well as the information-communication system for border control.

CoM of BiH, on its 145<sup>th</sup> session held on June 05, 2018, adopted the Strategy for Prevention of the Proliferation of Weapons of Mass Destruction (WMD) of BiH 2018-2022. With the adoption of this Strategy, BiH actively contributes to the efforts of the International Community in preventing proliferation of weapons of mass destruction as well as strengthening of international cooperation in this field.

Within the activities undertaken to implement the Strategy for Control of Small Arms and Light Weapons in BiH (2016-2020), during 2018 special emphasis was placed on continuation of harmonization of legislation with the international standards, further improvement of the control of internal and foreign arms trade, minimising incidents caused by weapons and the number of illegal weapons owned by the citizens, as well as reducing the surplus of small arms and light weapons owned by the Ministry of Defence of BiH.

Roma population is the most vulnerable minority in Bosnia and Herzegovina. Despite recent improvements, it is necessary to continue activities on improving housing conditions for the Roma population, considering that many of them live in informal settlements without access to water and electricity. However, access to regular education and health care services is fairly good. Also, the registration process of Roma population in Registries (of Births/Deaths/Marriages) has almost ended, and in 2018 the number of Roma without documents declined from 300 to 83 persons in BiH.<sup>2</sup>

CoM, on its 155<sup>th</sup> session, held on September 25, 2018, adopted the Framework Action Plan on Educational Needs of Roma Men /Roma Women in BiH 2018-2022. The main goal of this plan is the introduction of Roma language in education in BiH and improvement of the process of getting introduced with the Roma history and culture.

During 2018, activities continued under the Regional Housing Program for Displaced Persons, which were initiated by the authorities of BiH, Serbia, Montenegro and Croatia as well as the representatives from development partners' community from these countries. The goal of the Program is to provide permanent housing solutions for around 24,000 displaced families in countries participating in this program. The laws on social housing in Republika Srpska and Brcko District are in a drafting stage.

The laws on prohibition of discrimination and gender equality are in force in BiH, however they are insufficiently enforced, which also includes gender-based violence. Mechanisms for gender equality have been established and the Agency for Gender Equality of BiH, in cooperation with entity centres for gender equality, has the key role in monitoring and encouraging the enforcement of the Law. The Gender Equality Strategy has been implemented through action plans across the country, out of which the last was adopted in 2018, when the Action Plan for Implementation of the UN Security Council Resolution 1325 "Women, Peace and Security" was also adopted<sup>3</sup>. In the area of gender-based violence, entity laws on domestic violence need to be harmonized, both with each other and with the Istanbul Convention. Also, the general system of response and victim support needs to be improved.

In the area of child rights protection, in BiH significant progress was made in 2018 through improvement of the legal framework, training of professionals and strengthening child-friendly

<sup>2</sup> The Opinion of the Commission on Bosnia and Herzegovina's application for the EU membership, May 2019

<sup>3</sup> The Opinion of the Commission on Bosnia and Herzegovina's application for the EU membership, May 2019

procedures and services. In mid of 2018, Ministry of Human Rights and Refugees of BiH strengthened coordination in the area of child rights and established the "Group for promotion and protection of the child rights in BiH".

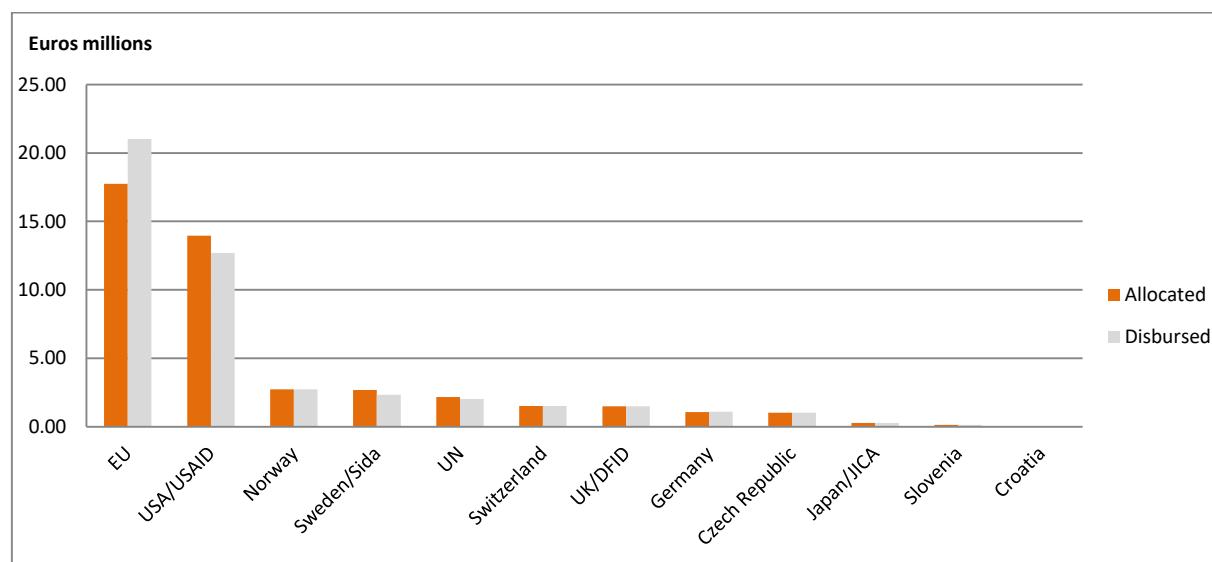
### Investments of DCF members in 2018

DCF members active in the Rule of law and fundamental rights sector in 2018 are EU, USA/USAID, Norway, Sweden/Sida, UN, Switzerland, UK/DFID, Germany, Czech Republic, Japan, Slovenia and Croatia.

Total allocations of DCF members to the Sector in 2018 amounted to €44.82 million, while total disbursements amounted to €46.38 million, all in the form of grants.

Figure 2.1. compares allocated and disbursed ODA funds, according to the amount of invested funds of each individual development partner. Leading development partners in the Sector in 2018, who allocated i.e. disbursed largest amounts, were EU and USA/USAID, followed by Norway, Slovenia and UN.

**Figure 2.1. Allocated and disbursed grant funds per development partners in 2018**



Rule of law and fundamental rights sector consists of 16 sub-sectors. Figure 2.2. presents the structure of total allocated ODA funds per sub-sectors.

Out of total allocated funds in 2018, 88.8% was allocated in three sub-sectors: Judicial reform 41.7%, Migration and asylum 20.4%, Intercommunity relations 15.2% and Fight against organized crime 11.5%. The remaining 11.2% of funds were allocated to other subsectors. Sub-sectors that did not have funding are not presented in the chart.

Figure 2.2. Total allocated ODA per sub-sectors in 2018

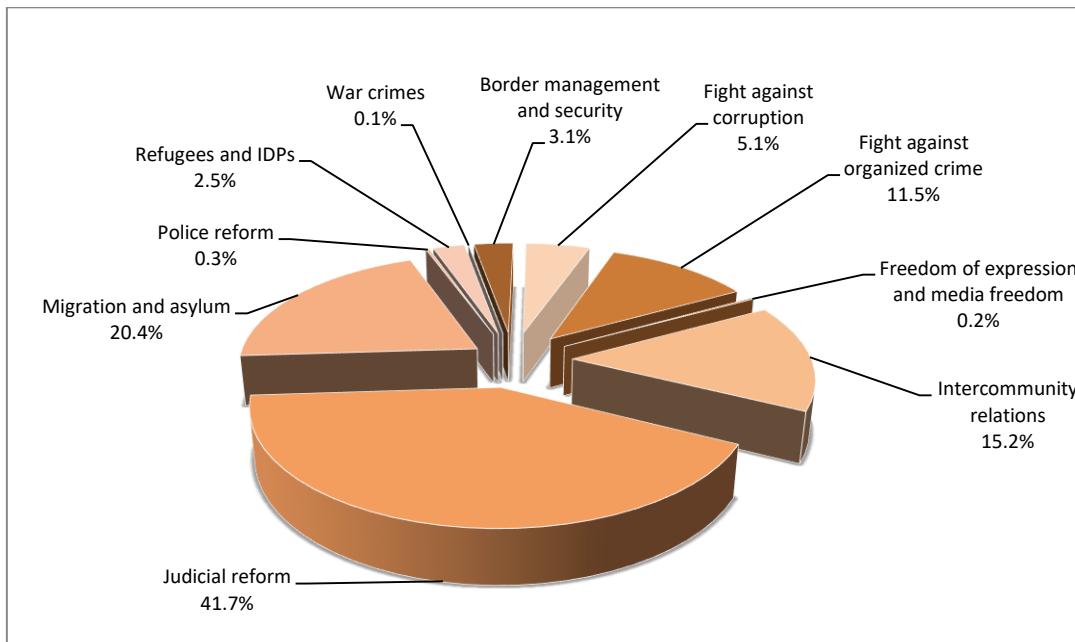
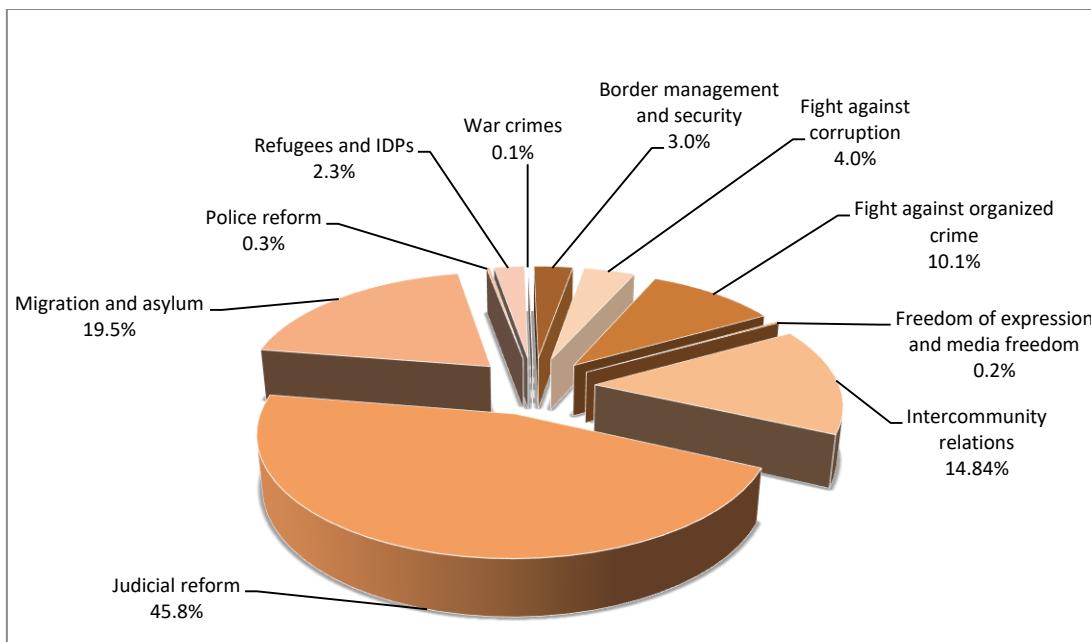


Figure 2.3. presents the structure of total disbursed ODA funds per sub-sectors in 2018. Out of total disbursed funds in 2018, 90.2% was disbursed to the subsectors Judicial reform 45.8%, Migration and asylum 19.5%, Intercommunity relations 14.8% and Fight against organized crime 10.1%, while remaining 9.8% of funds was disbursed to other sub-sectors.

Figure 2.3. Total disbursed ODA per sectors in 2018



Ten major projects in the sector that allocated or disbursed funds in 2018, are listed below:

PROJECT TITLE	Development partner	Total Project Value (Euros millions)
(ICITAP) Assistance to Law Enforcement Agencies (total value of the project will be determined)	USA/USAID	43.84
(OPDAT) Overseas Prosecutorial Development, Assistance and Training (total value of the project to be determined)	USA/USAID	16.24
NADR CWD Department of State Demining and Small Arms Destruction Program	USA/USAID	10.24
USAID's Justice Project in Bosnia and Herzegovina (BiH)	USA/USAID	8.57
Enhancing war crime case processing	EU	7.44
Special Measures to Support the Response to the Refugee and Migrant Situation in Bosnia and Herzegovina	EU	7.22
(SGISP) Strengthening Governing Institutions and Processes	USA/USAID	6.35
OPA Fund for Interethnic Reconciliation and Youth Initiatives	USA/USAID	6.28
Building an Effective and Citizen-friendly Judiciary	EU	5.95
(EXBS) Export Control and Border Security (Total value of the project to be determined)	USA/USAID	5.80

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

<http://dmd.donormapping.ba/dmd/faces/dmdPublicStart>

## Future activities

In the forthcoming period, it is necessary to continue the strengthening of the judicial system, independence and efficiency of the judiciary in Bosnia and Herzegovina and harmonize domestic with the EU legislation. Based on the responses of BiH Institutions from all levels of government and DCF members who participated in preparation of this Report, as well as in line with the recommendations of the European Commission, further efforts should be made in the following period:

- implement remaining activities from the Action Plan of the Justice Sector Reform Strategy in BiH, with the emphasis on normative-legal activities;
- adopt the revised Law on the High Judicial and Prosecutorial Council and the Law on Courts of BiH, in accordance with European standards, implement measures in the field of criminal proceedings as stated in the HJPC Action Plan, consistently apply and improve the rules on appointments, work assessment, integrity and training of judges and prosecutors;
- ensure implementation of anti-corruption strategies and action plans and ensure effective functioning and coordination of the work of all anti-corruption bodies and the Agency for Prevention of Corruption and Coordination of the Fight against Corruption in BiH;
- strengthen cooperation of law enforcement institutions, particularly by establishing specialized investigative teams for complex cases involving economic crime, corruption and organized crime;
- continue to develop proactive approach in the fight against organized crime with the strengthening of the interinstitutional and interagency cooperation in BiH as well as to

develop cooperation at regional and international level, through intensification of participation in international organizations (Interpol, Europol, SELEC);

- make progress in achieving the results of proactive investigations, confirmed indictments, criminal prosecutions and final convictions in cases of organized crime and corruption;
- develop Strategy and Action Plan in the field of combating of trafficking in human beings for the period 2020-2023;
- ensure effective coordination of border management and migration management capacities at all levels and ensure the functioning of the asylum system;
- develop comprehensive strategic framework for promotion and implementation of human rights, non-discrimination and protection of minorities;
- continue activities to improve the laboratory capacities of the Agency for Forensic Examination and Expertise and secure the membership in the European Network of Forensic Science Institutes (ENFSI).



<b>DCF members active in the sector in 2018</b>	EU, Germany, EIB, Switzerland, UN, Sweden/Sida, Czech Republic, Italy/ /AICS), Croatia, Slovenia, EBRD, Netherlands
<b>Other key international organizations</b>	Global Environment Fund, Western Balkans Investment Framework, Danish Emergency Management Agency, Organization for Security and Cooperation in Europe; Climate Change Fund.
<b>Key government partners</b>	CoM of BiH; Government of FBiH; Government of RS; Government of BD BiH; BiH Ministry of Foreign Trade and Economic Relations; Ministry of security of BiH; Ministry of Finance Treasury BiH; BiH State Regulatory Agency for Radiation and Nuclear Safety; BiH Mine Action Centre; Federal Ministry of Environment and Tourism; Federal Ministry of Physical Planning; Federal Ministry of Agriculture Water Management and Forestry; Sava River Basin District Agency in FBiH; Agency for Adriatic Sea Water District in FBiH; Federal Civil Protection Administration; Environmental Protection Fund in FBiH; Ministry of Spatial Planning, Civil Engineering and Ecology of RS; Ministry of Agriculture, Forestry and Water Management of RS; Ministry of Interior of RS; Republic Administration for Civil Protection of RS; Public Institution "Vode Srpske"; Environmental Protection and Energy Efficiency Fund of RS; Department for Agriculture, Forestry and Water Management of BD BiH; Department for Spatial Planning and Property Rights Matters of BD BiH; Department of Public Security of BD BiH; cantonal and municipal governments, together with public companies and public utility companies.
<b>Total allocation / disbursement to the sector in 2018 by DCF members</b>	<p>Total allocated €53.42 million – €38.42 million in a form of grants and €15.00 million in a form of loans.</p> <p>Total disbursed €42.03 million – €27.24 million in a form of grants and €14.79 million in a form of loans.</p> <p>Out of total ODA in 2018, 7% was allocated and 10% was disbursed in the sector.</p>
<b>Legal framework and sector strategies adopted in 2018</b>	<p>The Law on Changes and Amendments to the Law on Waste Management (RS Off. Gazette No. 16 /18; The Law on Chemicals (RS Off. Gazette No. 21 /18);The Law on Changes and Amendments to the Law on Utility Services (BD BIH Off. Gazette No. 3/18).</p> <p>Environmental Approximation Strategy for BiH (EAS BiH)</p> <p>Previously adopted legal framework and sector strategies are available on <a href="http://www.donormapping.ba">www.donormapping.ba</a></p>
<b>Coordination with and among development partners</b>	<p><b>Climate Action:</b> Exchange of information between stakeholders based on informal <i>ad-hoc</i> coordination and project-based bilateral meetings.</p> <p><b>Water Supply and Waste Water:</b> to some extent, MoFTER is leading the coordination of development partners. <i>Ad-hoc</i> coordination among</p>

	<p>development partners.</p> <p><b>Water Resources Management:</b> To some extent, MoFTER is leading the coordination of development partners. <i>Ad-hoc</i> coordination among development partners.</p> <p><b>Waste Management:</b> to some extent, MoFTER is leading coordination of development partners. <i>Ad-hoc</i> coordination among development partners.</p> <p><b>Nature Protection:</b> to some extent, MoFTER is leading coordination of development partners. <i>Ad-hoc</i> coordination among development partners.</p> <p><b>Air Quality and Noise:</b> Informal <i>ad hoc</i> coordination.</p> <p><b>Industrial Pollution and Chemicals:</b> Informal <i>ad hoc</i> coordination, mostly project-based.</p> <p><b>Environment Horizontal Standards:</b> Informal <i>ad hoc</i> coordination, mostly project-based.</p> <p><b>Civil Protection:</b> <i>Ad hoc</i> coordination, participants are the EU Ministry of Security, UN and other international organizations and other major international development partners in the sub-sector.</p> <p><b>Development partners active in the sector and BiH Institutions from all levels of government regularly attended Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.</b></p>
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### Overview of activities in 2018

Environment and climate action sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for period 2014 – 2020.

**Environment and climate action sector consists of nine sub-sectors:**

- Climate action,
- Water supply and waste water,
- Water resources management,
- Waste management,
- Nature protection,
- Air quality and noise,
- Industrial pollution and chemicals,
- Environment horizontal standards and
- Civil protection.

Environment and climate action sector is rather important due to its impact on many sectors of the economy, such as the energy, tourism and transport, thus falling under the competence of institutions at all levels of government in Bosnia and Herzegovina. This domain also requires particular high level of compliance with the European Union norms and standards, considering that the implementation of appropriate standards and policies directly affects the overall environmental protection and the long-term sustainable development of any country.

According to the ECRAN's Report on monitoring of transposition and implementation of the *acquis*, in the previous period, Bosnia and Herzegovina has achieved certain level of preparedness in the area of environment and climate action. However, many activities still need to be undertaken to further align the legislation with the EU *acquis*, on strengthening administrative capacities and cooperation of competent institutions. It could be said that during 2018 in BiH, special focus was placed on harmonization of legislation, strengthening of institutional cooperation and preventing further degradation of environment.

In 2018, countrywide approach was agreed on legal harmonization and implementation of the environmental *acquis*, following previously adopted the Environmental Approximation Strategy for Bosnia and Herzegovina / EAS BiH (Official Gazette of BiH, no. 91/18) as well as the environmental strategies at the levels of entities and Brcko District. Also during this year, the implementation has begun of the activities envisaged by these strategic documents.

With the adoption of the EAS BiH, one of the commitments from the Stabilization and Association Agreement in the EU Integration process has been fulfilled, thus creating preconditions for the use of the pre-accession assistance in this area. In that regard, Sector Planning Document for IPA II 2018-2020 for the Environmental sector was finalized in 2018, and the Single List of Infrastructure Projects for BiH was prepared and adopted. This was also one of the conditions for financing of environmental projects within the Western Balkans Investment Framework (WBIF).

In the course of 2018, activities were undertaken on preparation of the Third Report on Implementation of the Aarhus Convention in Bosnia and Herzegovina 2014-2017, which is the obligation of each signatory of this Convention. The Aarhus Convention is an international legal instrument for environmental protection which contains three sets of rules relating to: ensuring access to information, participation in decision-making and the right to legal protection in the field of

environment, as an integral part of the international legal framework in the field of environmental protection. It is considered that the adherence to the Aarhus Convention and its respective basic principles, at least in the field of environmental protection, is one of the fundamental conditions for accession to the European Union.

The level of alignment of Bosnia and Herzegovina with the EU climate *acquis* is limited. Currently, the Strategy on Climate Change Adaptation and Low-Emission Development for BiH 2013-2025 is being updated, which has been in implementation since 2013. However, the implementation of the Strategy so far has been slow, mainly due to the lack of institutional capacities. In 2018, BiH has begun the preparation of the National Adaptation Plan (NAP) for climate change, which will specify the necessary resources and set deadlines for implementation of policies and strategies related to climate change, building on the existing Strategy.

The NAP will focus on sector approach, alignment with the climate *acquis* and building of institutional capacities in Bosnia and Herzegovina in the medium term period.

In the area of water resources management, significant progress has been made in 2018, in particular through implementation of water protection projects, construction of wastewater treatment facilities as well as in the area of flood protection with the implementation of the Action Plan for Flood Protection and River Management in BiH 2014-2021 and projects for improvement of the municipal infrastructure for water supply and wastewater collection and treatment.

During 2018, strategic documents were adopted on the river basin management at entity level. The Government of the Federation of BiH, at its 144th session held on May 24, 2018 adopted the Water Management Plan for the Adriatic Sea River Basin District in the FBiH (2016-2021) and the Water Management Plan for the Sava River Basin District in the FBiH (2016-2021), while the Government of Republika Srpska, at its the 163rd session held on February 08, 2018 adopted the Water Management Plan for the Sava River Basin RS (2017-2021) and Water Management Plan of Trebisnjica River RS (2017-2021). Already in 2017, Water Management Plan for the Sava River Basin District Brcko was adopted in Brcko District. All mentioned strategic documents define the integral water management at the level of river basin districts and include general characteristics of river basins, environmental protection goals for surface and groundwater, program for environmental protection measures and other essential water management elements. Once water management plans at entity and Brcko District levels have been adopted, in the forthcoming period it will be necessary to prepare, harmonize and adopt the umbrella Report on the River Basin Management Plans in BiH.

The area of waste management in Bosnia and Herzegovina is regulated at the entity level. During 2018 activities were undertaken on harmonization of legal and bylaw regulations with the EU directives in this area, with the aim to establish the appropriate waste management system, in line with the principles of sustainable development and environmental protection.

The preparation of the Waste Management Plan was initiated in Republika Srpska in mid-2018, in order to define specific activities and guidelines in the areas of waste management and environmental protection and enable the capacity building for waste management planning in RS.

The Government of the Federation of BiH, at its 165th session held on November 29 2018, adopted the Regulation on the Waste Management Information System (Official Gazette of FBiH, no. 97/18), which specify the activities, organization, management and use of data from this system. The Waste

Management Information System in the Federation of BiH has been adapted to the EU standards in this area comprised of a number of information-linked electronic databases with detailed and comparable information on all waste management entities, waste producers, waste categories as well as data on the movement and its final treatment processes.

Air quality in Bosnia and Herzegovina is not at the satisfactory level, considering that air pollution in some parts of the country significantly exceeds the standards of the World Health Organization standards and the EU standards for air quality. In the forthcoming period, it is necessary to further regulate this area and try to reduce the level of pollution, particularly during the winter months.

In the Federation of BiH, the Draft Law on Air Protection is under preparation, which aims to protect, manage and improve the air quality, undertake measures to protect the ozone layer and mitigate and adapt to the climate change. In addition, the Draft Law on Environmental Protection of the Federation of BiH was also prepared and passed into the adoption procedure. After the adoption of the Law on Environmental Protection, the Rulebook is planned to be adopted that will further regulate the area of environmental protection in the Federation of BiH.

In the area of civil protection, earthquakes, floods, high snow and snowdrifts, landslides, derelict mines and forest fires have been identified as major disaster risks for the citizens of BiH. During 2018, activities have continued on improvement of the protection and rescue system, harmonization of the methodology for risk assessment of natural and other accidents as well as procurement of protection and rescue equipment, with the aim to improve and advance the overall efficiency of civil protection in BiH. Namely, due to the climate change, the country has recently been exposed to higher risks of natural disasters resulting in human casualties and material damage, including the destruction of cultural heritage, economic and social infrastructure.

In line with the mentioned, activities have continued to be pursued on further capacity building and preparation of the country in order to be able to join the European Union Civil Protection Mechanism (UCPM), the system through which the EU steers the voluntary assistance from the member states to the country which requested the assistance. Also, the activities have been initiated on strengthening of the horizontal cooperation and vertical coordination between different levels of government in BiH, via applying the same standardization and methodologies.

General Purpose of the UCPM Mechanism is to provide the assistance in the event of emergency situations and to facilitate better coordination in aid operations, considering that in recent years, significant increase in the number of countries seeking civil protection assistance was registered due to the frequent and widespread natural disasters. The UCPM Mechanism involves three phases of disaster management cycle: prevention, preparedness and response in the event of disaster.

The headquarters of the Secretariat for Disaster Preparedness and Prevention Initiative in South East Europe (DPPI) is situated in Sarajevo, which aims to strengthen good neighbourly relations and stability through exchange of information, lessons learned and best practices in disaster management and provides support to DPPI countries to develop legal framework for disaster management and environmental protection in line with the internationally accepted guidelines and practices.

The CoM of BiH, at its 141<sup>st</sup> session, held on May 04, 2018 adopted and passed in further procedure the Agreement on the arrangements of the host country with the Secretariat for Disaster Preparedness and Prevention Initiative in SE Europe. The purpose of this Agreement is to enable the

Secretariat to effectively perform operational tasks with the governments of other members of the Disaster Preparedness and Disaster Prevention Initiative in SE Europe, which will reflect to improvement of the protection and security of BiH citizens.

The cooperation between the partner countries of the DPPI Initiative is consistent with the Euro-Atlantic Integration process in SE Europe. Disasters in SE Europe have regional dimension, so that good bilateral and regional cooperation in the field of disaster prevention, preparedness and response to disasters can significantly contribute to saving human lives and strengthening social, economic and environmental development and support the stability and wellbeing of the region and its citizens.

The 37<sup>th</sup> Regional Meeting of the SE Europe Disaster Preparedness and Prevention Initiative (DPPI SEE) took place in Sarajevo on November 6, 2018, attended by DPPI SEE member countries (Albania, Bosnia and Herzegovina, Bulgaria, Montenegro, Croatia, Macedonia, Romania, Slovenia, Serbia and Turkey) as well as representatives of the UN, OSCE, WHO and other organizations that have their share in disaster prevention and preparedness in SE Europe. The meeting discussed the results achieved in implementation of the annual activity plan 2018 and the program for 2019.

### Investments of DCF members in 2018

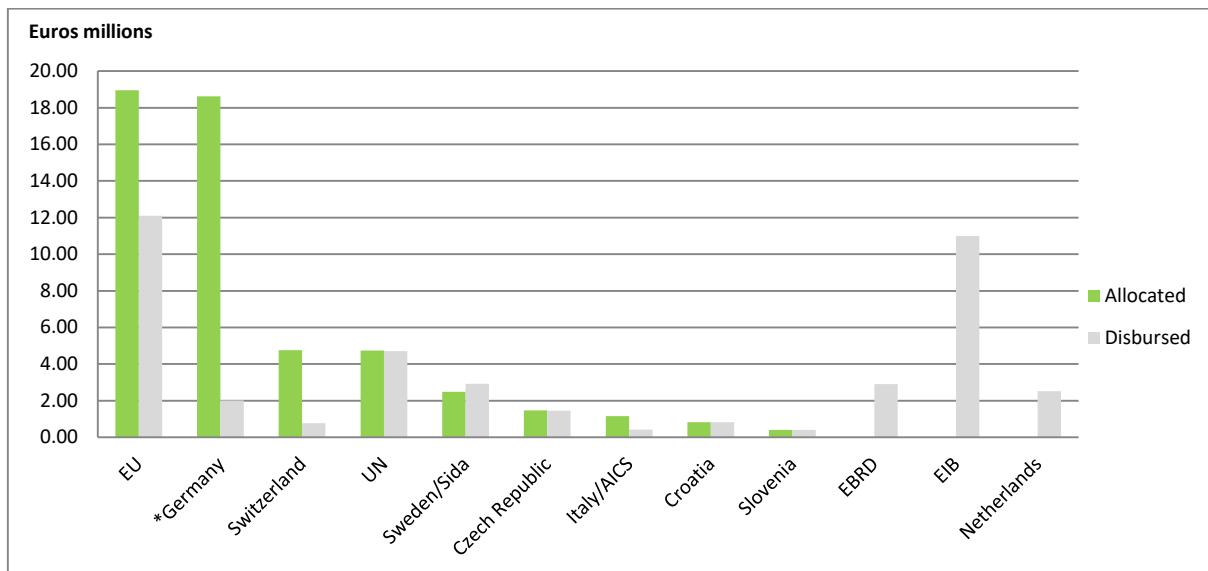
DCF members active in the Environment and climate action sector in 2018 are EU, Germany, EIB, Switzerland, UN, Sweden/Sida, Czech Republic, Italy/ /AICS, Croatia, Slovenia, EBRD and Netherlands.

Total allocations of DCF members to the Sector in 2018 amounted to €53.42 million, out of which €38.42 million in the form of grants and €15.00 million in the form of loans.

Total disbursements to the Sector in 2018 amounted to €42.03 million, out of which €27.24 million in the form of grants and €14.79 million in the form of loans.

Figure 3.1. compares grants allocated and disbursed per development partners, according to the amount of invested funds. Leading development partners in the Sector in 2018, who allocated i.e. disbursed largest amounts were EU, Germany and EIB, followed by Switzerland, UN and Sweden /Sida.

**Figure 3.1. Allocated and disbursed grant funds per development partners in 2018**



\*NOTE: Germany (loan and grant)

Figure 3.2. presents the structure of total allocated ODA funds per sub-sectors.

Out of total allocated funds in 2018, 92.4% was allocated in three sub-sectors: Climate action 40.5%, Civil protection 40.1% and Water supply and waste water 11.8%,

**Figure 3.2. Total allocated ODA per sub-sectors in 2018**

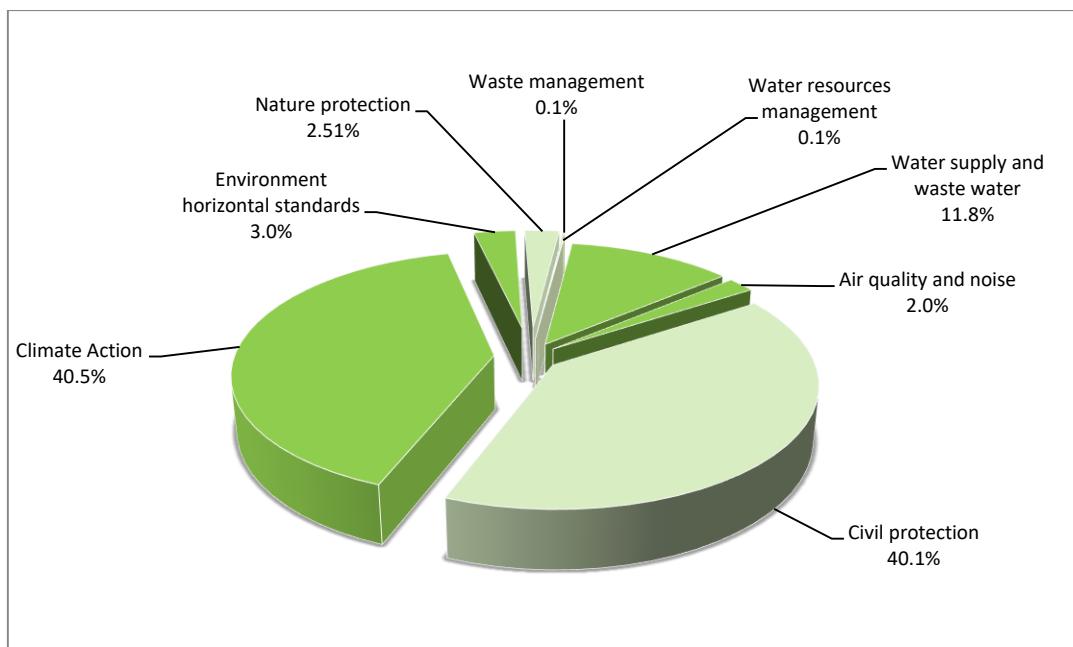
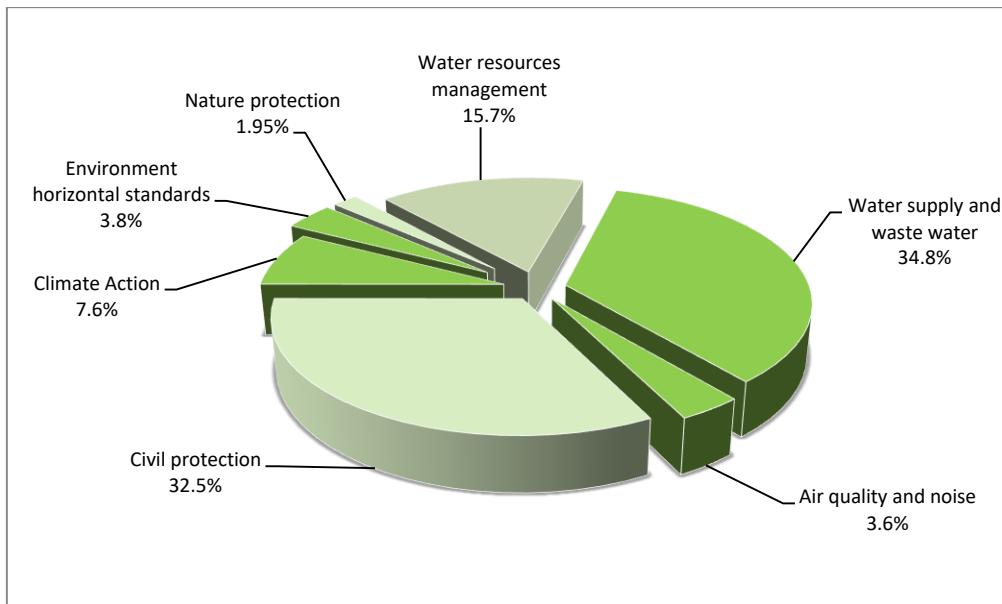


Figure 3.3. presents the structure of total disbursed ODA funds per sub-sectors in 2018. Out of total disbursed funds in 2018, 83% was disbursed in three sub-sectors: Water supply and waste water 34.8%, Civil protection 32.5% and Water resources management 15.7%.

**Figure 3.3. Total disbursed ODA per sectors in 2018**



Ten major projects in the sector that allocated or disbursed funds in 2018, are listed below:

PROJECT TITLE	Development partner	Total Project Value (Euros millions)
WATER AND SANITATION RS	EIB	62.50
EMERGENCY FLOOD RELIEF AND PREVENTION	EIB	55.00
Credit Program for energy efficiency improvements in residential housing	Germany	37.00
Water Supply and Waste Water Program in BiH II	Germany, Switzerland	21.99
Waste Water Treatment Bihac	Germany	20.44
Green Economic Development – Environment	UN	20.38
FLOODS - Support to the recovery of flood affected areas	EU	19.30
Waste water collection and treatment Zenica	Switzerland	18.27
Scaling-up Investment in Low-Carbon Public Buildings	UN	17.65
Support to the recovery of flood affected areas	EU	16.39

All projects are available in the Development Partners Coordination Forum Database, via the following link:  
<http://dmd.donormapping.ba/dmd/faces/dmdPublicStart>

### Future activities

Bosnia and Herzegovina should continue with further improvement in the area of Environment and climate policy through aligning legislation and by-laws with the norms and standards of the European Union and building and strengthening capacities in this area. Based on the responses of BiH Institutions from all levels of government, as well as in line with the recommendations of the European Commission, further efforts should be made in the following period:

- implement Environmental Approximation Strategy for BiH (EASBiH) and accordingly improve the legal framework, strengthen administrative capacities and improve the coordination of institutions from all levels of government;
- initiate implementation of the Paris Agreement by establishing of policies and measures for implementation of NDC;
- update and implement the Strategy on Climate Change Adaptation and Low-Emission Development for BiH;
- prepare and adopt the National Plan for Energy and Climate for the period 2021-2030;
- adopt special plans for implementation of the EU legislation on drinking water, urban waste water and flood risk management;
- establish functional network for monitoring of the air quality throughout the country;
- adopt plans on air quality for areas where the level of pollutants exceeds the limit values;
- harmonize legislation with the climate *acquis*, including the EU regulation on monitoring and reporting, directives on fuel quality, substances depleting the ozone layer, isolation and storing of carbon dioxide and other relevant regulations;
- improve management systems of special categories of waste, particularly packaging and packaging waste, as well as waste from electronic products;
- undertake activities on raising awareness in order to reduce waste production and promote reuse and recycling;
- harmonize domestic legislation at all levels of government with REACH EU Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals;
- provide the necessary human and financial resources and establish structures for implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- constantly renew the equipment for protection and rescue at all levels of government in BiH.



DCF members active in the sector in 2018	EIB, EBRD, The World Bank and EU
Other key international organizations	Western Balkans Investment Framework; South East Europe Transport Observatory; Regional Cooperation Council; International Civil Aviation Organization; International Union of Railways; Japan International Cooperation System (JICS)
Key government partners	Ministry of Communications and Transport of BiH; Directorate for Civil Aviation of BiH; Air Navigation Services Agency of BiH; Railways Public Corporation in BiH; Federal Ministry of Transport and Communications; Public Enterprise Road Directorate of FBiH; Public Enterprise Motorways of FBiH; Ministry of Transport and Communications of RS; Public Enterprise Motorways of RS; Government of BD BiH; Public Enterprise Railroads of FBiH; Public Enterprise Railroads of RS.
Total allocation / disbursement to the sector in 2018 by DCF members	<p>Total allocated €362.11 million – out of which €6.84 million in a form of grants and €355.27 million in a form of loans.</p> <p>Total disbursed €137.47 million – out of which €0.42 million in a form of grants and €137.06 million in a form of loans.</p> <p>Out of total ODA in 2018, 50% was allocated and 32% was disbursed in the sector.</p>
Legal framework and sector strategies adopted in 2018	<p>The Law on Amendments to the Law on Aviation of BiH (BiH Off. Gazette No. 25/18); The Law on Basic Safety of Road Traffic in BiH (BiH Off. Gazette No. 9/18); The Law on Special Expropriation Procedure for the Construction of the Corridor "V c" Highway through the RS and Construction of "9. January" Highway Section Banja Luka - Doboj (RS Off. Gazette No. 61/18).</p> <p>Previously adopted legal framework and sector strategies are available on <a href="http://www.donormapping.ba">www.donormapping.ba</a></p>
Coordination with and among development partners	<p><b>The EU Delegation coordinates all development partners active in this sector.</b> Currently there is no mechanism for coordination of development partners in the Transport sector led by relevant BiH institutions. In the context of the Connectivity Agenda, <b>National Investment Committee (NIC) was established in 2015, which also envisages the participation of relevant international financial institutions and bilateral development partners.</b></p> <p><b>Development partners active in the sector and BiH Institutions from all levels of government regularly attend Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Planning of Financial Development and Coordination of International Economic Aid.</b></p>

## Overview of activities in 2018

Transport sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for the period 2014 – 2020.

### Transport sector consists of nine sub-sectors:

- Transport connectivity,
- Transport efficiency,
- Air transport,
- Inland waterways transport,
- Maritime transport,
- Rail transport,
- Road transport,
- Multimodal transport
- Urban mobility.

Transport sector in Bosnia and Herzegovina is still insufficiently developed, due to the consequences of war destruction, inadequate maintenance of infrastructure, insufficient investment in the Sector, underdeveloped economy to ensure the necessary financing as well as due to the consequences of major floods that took place in 2014.<sup>4</sup>

In addition, responsibilities in the Transport sector are divided between different levels of government in BiH. The state level is responsible for international and inter-entity transport, including the basics of road traffic safety and regulatory functions in the area of civil aviation and rail sector as well as representing the country on the international level, while entities, cantons and Brcko District are in charge of other legislative and executive matters in the Transport sector in BiH.

Transport sector is one of the key factors for economic development and the improvement of the transport infrastructure should have a positive effect on increasing of the economy competitiveness and the employment growth in BiH as well as on its better connectivity with the transport networks in the region and the European Union. In addition, the construction of the road infrastructure is a part of Bosnia and Herzegovina's commitments undertaken within the European integration process.

Also, under the Stabilization and Association Agreement (SAA), Bosnia and Herzegovina is obliged to gradually align transport legislation with EU legislation. Accordingly, strategic documents in the field of transport at the state and entity levels have been adopted in the previous period, creating the opportunity for financing infrastructure projects from international financial sources. During 2018, the first report on the implementation of the Framework Strategy for Transport of Bosnia and Herzegovina, which was adopted in 2016, was in preparation.

The Presidency of BiH, at its 46<sup>th</sup> session, held on April, 19 2018, has ratified the Agreement on Establishing of the Transport Community between the European Union and the Southeast European Countries (Official Gazette of BiH - International Agreements, no. 4/18), signed by Bosnia and Herzegovina in September 2017. The Agreement aims to create the Transport community in the road, rail, maritime and inland waterway transport sectors as well as the development of the transport network between the European Union and the countries of the South East Europe

<sup>4</sup> The Opinion of the Commission on Bosnia and Herzegovina's application for the EU membership, May 2019

With the accession of Bosnia and Herzegovina to the Transport Community, conditions were created for activating of funds for financing of the four important infrastructure projects in BiH - Luka Brcko and three sections at the Corridor 5-C (Zenica - Tunel, Zenica - Gracanica and Johovac - Rudanka).

Within the "Berlin Process", which aims to strengthen the Western Balkans countries regional cooperation in the field of economic, infrastructure and business linking as well as for the purpose to faster access the European Union, two summits of the WB and the EU were held in 2018, in Sofia on May 17 and in London from July 09 – 10, 2018. At these summits, the importance of the advancement of the transport infrastructure in the region and its integration into the Trans-European Transport Networks (TEN-T) has been confirmed. The most significant positive effect of the "Berlin Process" within the Transport sector is the establishing of the Western Balkans Transport Community, which is part of the Connectivity Agenda. The Connectivity Agenda represents a broader initiative focused on improvement of the key transport and energy infrastructure in the WB region.

In the course of 2018, activities were undertaken on finalization of the Sector Planning Document for IPA II 2018-2020 for the Transport sector in BiH. Also, besides this document, a Single List of Priority Transport Sector Projects (SSPPs) has been prepared, which includes large infrastructure projects that are the part of country public investments, as well as the projects of strategic importance. Financing of major infrastructure projects in BiH and the region has been significantly facilitated with the establishing of the Western Balkans Investment Fund.

In December 2018, the third meeting of the Subcommittee on Transport, Energy, Environment and Regional Development was held between BiH and the EU. At this meeting it was stressed that during 2018 progress was made in the Transport sector, primarily due to the construction of the bridges in Gradiska and Svilaj. Major challenge for the Transport sector in BiH is the restructuring of the railway companies. Also, it is necessary to increase the investments in the railway infrastructure, which will contribute to increased transport safety, delivering of faster and better transport services and better orientation of the railway freight transport.

In the area of air transport, the most significant activities undertaken in 2018 relate to the alignment of legislation with the EU standards in this field. The new Law on Civil Aviation of BiH is in the final stages of preparation, drafted by the Working Group of the BiH Ministry of Communications and Transport in mid-2018. However, in 2018 an amendment was adopted to the EU Regulation in the field of civil aviation (EU Regulation 1139/2018), and BiH as a signatory to the Agreement on Establishing of the European Common Aviation Area (ECAA) was obliged to also incorporate this amendment in its legislation. Accordingly, activities have been initiated to rewrite the Law on Civil Aviation in order to harmonize it with the new EU regulatory framework. With the adoption of this Law, conditions will be created for the improvement of the entire legislative and regulatory framework in the civil aviation of Bosnia and Herzegovina.

Considering that the ECAA Agreement came into force in mid - 2017, Directorate of Civil Aviation of BiH (BHDCA) in 2018 started the preparation of the draft countrywide three year Program for the implementation of the Multilateral Agreement on the Establishing of the European Common Aviation Area in Bosnia and Herzegovina 2020 -2022. Besides fulfilling the obligations deriving from the ECAA agreement, the objective of the Program also is to harmonize the overall activities of authorities in BiH involved in this process.

CoM of BiH, at its 150<sup>th</sup> session held on July 24, 2018 adopted the Airspace Management Policy of BiH (Official Gazette of BiH, no. 60/18). The policy seeks to ensure the efficient airspace management of Bosnia and Herzegovina, which will be integrated in the EU air system and contribute to the overall economic development of the country.

At the end of 2018, BiH Air Navigation Services Agency (BHANSA) established the Airspace Management Unit, which is a significant step towards the ultimate goal, to provide the service of full airspace control over Bosnia and Herzegovina.

Also, during 2018, activities were undertaken to improve the infrastructure at airports in the country, which resulted in an increased number of transported passengers as well as the increased air traffic safety.

Rail transport presents the biggest challenge in the Transport sector of Bosnia and Herzegovina, primarily due to the obsolete infrastructure and uneven regulatory framework. During 2018, several by-law acts were adopted which will contribute to the harmonization of the domestic legislation with the EU *acquis* as well as to fulfilment of requirements from the Convention on International Carriage by Rail - COTIF (Official Gazettes of BiH, no. 3/18, 30/18, 39/18, 66/18 and 75/18). In addition, by-law acts have been also prepared to improve the safety system of the rail transport in BiH.

In the field of road transport, during 2018, Bosnia and Herzegovina has met certain requirements from the Stabilization and Association Agreement and the Protocol no. 3 on the land transport by granting the unrestricted access through BiH for the EU transit traffic passing across its territory.

The BiH Presidency, at its 46<sup>th</sup> session held on April 19, 2018 adopted the Decision on the Accession of Bosnia and Herzegovina to the 1978 Protocol to the Convention on the International Carriage of Goods by Road (CMR). Accession to this Convention will ensure the legal security of BiH carriers performing international carriage of goods by road.

The priority in the road transport sector in 2018 as well as in the forthcoming years is the continuation of the construction at the Corridor 5-C highway through Bosnia and Herzegovina. The interstate bridge over Sava River near Svilaj is under construction with the completion deadline until mid-2019. In October 2018, the section Banja Luka - Doboj was opened through Republika Srpska. Also, during 2018 activities were initiated on planning of the construction of Sarajevo-Belgrade express road, whereby Turkey has shown great interest for its funding.

### Investments of DCF members in 2018

DCF members active in the Transport sector in 2018 are EIB, EBRD, The World Bank and EU.

Total allocations of DCF members to the Sector in 2018 amounted to €362.11 million, out of which €6.84 million in the form of grants and € 355.27 in the form of loans.

Total disbursements of DCF members to the Sector in 2018 amounted to €137.47 million, out of which €0.42 million in the form of grants and €137.06 in the form of loans.

Figure 4.1. compares allocated and disbursed grants by development partners in line with amount of investment. EIB allocated €6.80 million, while EU allocated €0.04 million and disbursed €0.42 million in the form of grants in the Transport sector.

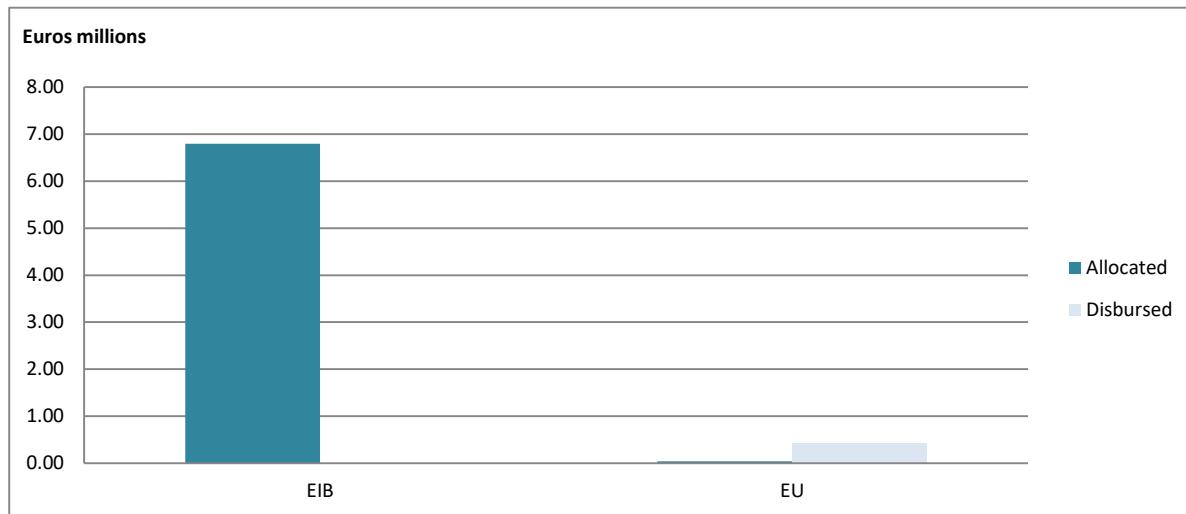
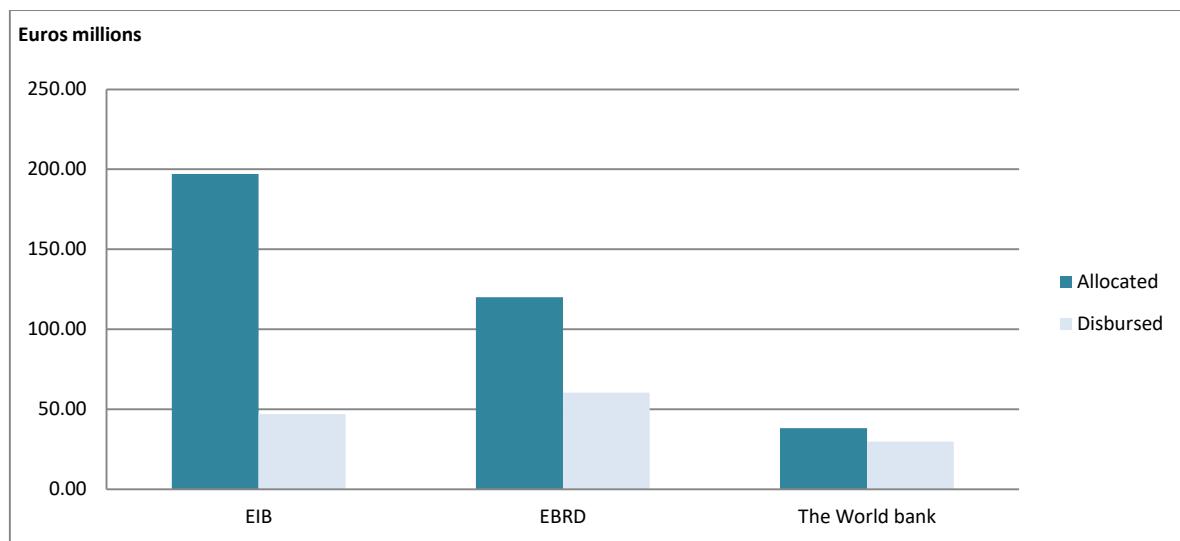
**Figure 4.1. Total allocated and disbursed grants per development partners in 2018**

Figure 4.2. presents total allocated and disbursed loans in 2018. EIB allocated € 197.00 million and disbursed € 47.00 million, EBRD allocated € 120.00 million and disbursed € 60.30 million, while The World Bank allocated € 38.27 million and disbursed € 29.76 million.

**Figure 4.2. Allocated and disbursed loans per development partners in 2018**

Transport sector consists of 9 sub-sectors. Figure 4.3. presents the structure of total allocated funds per sub-sectors.

Out of total allocated funds in 2018, 90.6% was allocated in two sub-sectors Road transport 57.4% and Transport connectivity 33.1%, while 9.4% was allocated in other sub-sectors. Sub-sectors that did not have funding are not presented in the chart.

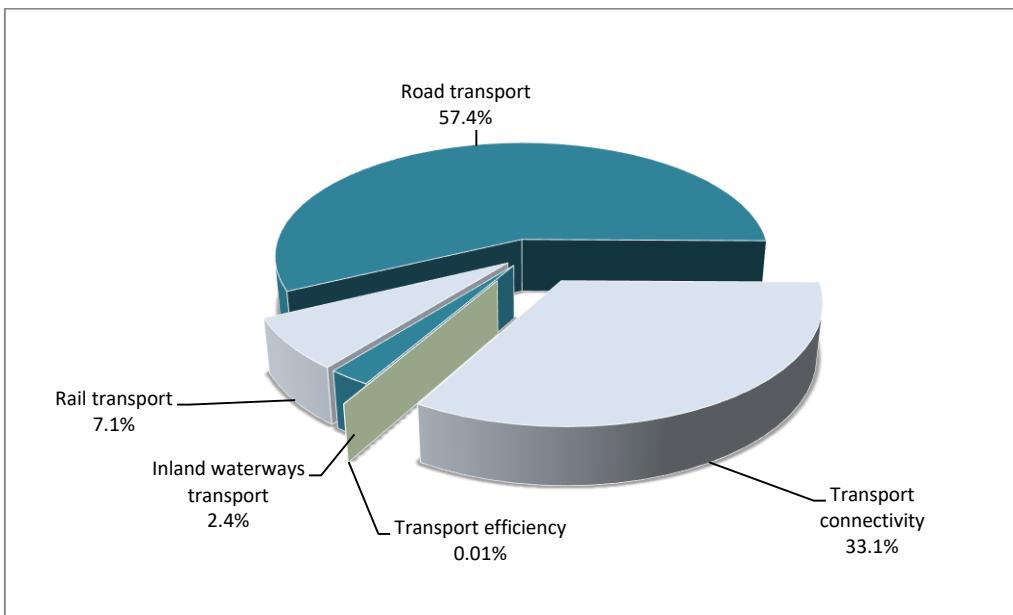
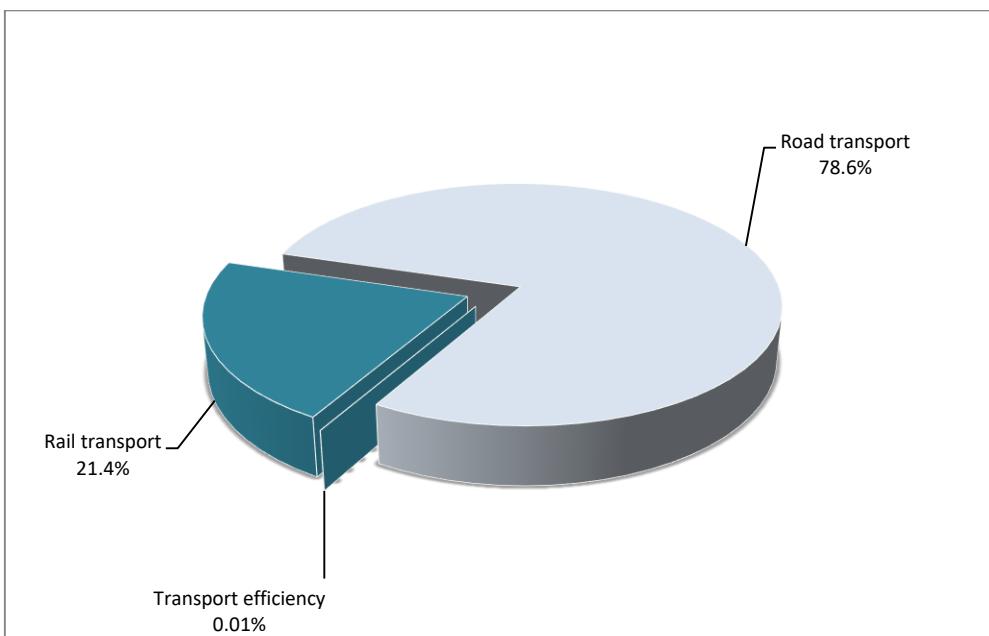
**Figure 4.3. Total allocated funds per sub-sectors in 2018**

Figure 4.4. presents the structure of total disbursed funds in 2018 per sub-sectors.

Out of total disbursed funds in 2018, largest amounts were disbursed in the sub-sector Road transport 78.6%, followed by the sub-sector Rail transport 21.4% and Transport efficiency 0.01%. Sub-sectors that did not have funding are not presented in the chart.

**Figure 4.4. Total disbursed funds per sub-sectors in 2018**

Ten major projects in the sector that allocated or disbursed funds in 2018, are listed below:

PROJECT TITLE	Development partner	Total Project Value (Euros millions)
BANJA LUKA - DOBOJ MOTORWAY	EIB	207.00
Corridor VC in FBH - Part 3	EBRD	120.00
CORRIDOR VC MOSTAR SOUTH	EIB	100.00
BH Corridor Vc2	EBRD	80.00
BH Corridor Vc 2 - extension	EBRD	76.00
NATIONAL ROADS - BANJA LUKA - GRADISKA	EIB	71.80
Bosnia and Herzegovina Regional Railway Project	EBRD	70.00
Federation Road Sector Modernization Project	The World Bank	58.00
Republika Srpska Railways Restructuring Project	The World Bank	51.30
CORRIDOR VC ZENICA NORTH	EIB	50.00

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

<http://dmd.donormapping.ba/dmd/faces/dmdPublicStart>

### Future activities

Future activities in the Transport sector should be focused to further harmonization of domestic legislation with the EU regulation as well as creating the conditions for the construction and reconstruction of the transport infrastructure that lies on the Trans-European and Regional Core Network, as well as the promotion of multimodal and sustainable transport solutions and addressing remaining non-physical barriers for movement of goods and passengers, which implies:

- continue activities on harmonization of domestic legislation with the EU legislation in the area of transport;
- strengthen administrative capacities to ensure the implementation of laws and other regulations, in particular in regard to executive, inspection and investigative bodies for road transport, railways, inland waterways and air transport;
- develop capacities to implement regulations for reducing fatal road traffic accidents and make progress in establishing of a national system for continuous data collection on traffic accidents;
- strengthen mechanisms for monitoring the implementation of relevant international and the EU road safety rules and regulation as well as social and technical rules, including those relating to portable equipment under pressure;
- continue construction of the Corridor 5-C sections;
- draft regulations in the field of transport and harmonize them with the EU legislation in order to create the safe and unique railway space;
- adopt the Law on Civil Aviation of BiH;
- continue planned investments in infrastructure at airports in BiH;
- harmonize regulations with the overall *acquis* in the field of the maritime transport;
- improve inland waterways and introduce regular maintenance, which includes the continuation of demining and rehabilitation to ensure the navigability of the Sava River.



<b>DCF members active in the sector in 2018</b>	EBRD, Germany, EIB, The World Bank, USA/USAID, Czech Republic
<b>Other key international organizations</b>	Energy Community; South East Europe Energy Community; Western Balkans Investment Framework; Regional Cooperation Council.
<b>Key government partners</b>	CoM of BiH; Government of FBiH; Government of RS; Government of BD BiH; National Assembly of Republika Srpska; Ministry of Foreign Trade and Economic Relations of BiH; Ministry of Finance and Treasury of BiH; Regulatory Agency for Radiation and Nuclear Safety of BiH; State Electricity Regulatory Commission; Federal Ministry of Energy, Mining and Industry; Federal Ministry of Physical Planning; Federal Ministry of Finance; Federal Ministry of Environment and Tourism; Regulatory Commission for Energy in FBiH; Operator for Renewable Energy Sources and Efficient Cogeneration FBiH; Environmental Protection Fund of FBiH; Ministry of Industry, Energy and Mining of RS; Ministry of Physical Planning, Civil Engineering, and Ecology of RS; Ministry of Finance of RS; Ministry of European Integration and International Cooperation of RS; Ministry of Agriculture, Forestry and Water Management of RS; Regulatory Commission for Energy of RS; Fund for Environmental Protection and Energy Efficiency of RS; Foreign Trade Chamber of BiH; Chamber of Economy of FBiH; Chamber of Commerce of RS; Commission for Concessions of BiH; Commission for Concessions of FBiH; Commission for Concessions of RS; Association of cities and municipalities in RS and FBiH.
<b>Total allocation / disbursement to the sector in 2018 by DCF members</b>	<p>Total allocated €28.79 million – €6.60 in a form of grants and €22.19 million in a form of loans.</p> <p>Total disbursed €27.81 million – €5.69 million in a form of grants and €22.11 million in a form of loans.</p> <p>Out of total ODA in 2018, 4% was allocated and 6% was disbursed in the sector.</p>
<b>Legal framework and sector strategies adopted in 2018</b>	<p>The Law on Mining (RS Off. Gazette No. 62 /18); The Law on Gas (RS Off. Gazette No. 22 /18); The Law on Termination of the Law on the Fees for the Use of Natural Resources for Electricity Generation (RS Off. Gazette No. 17 /18).</p> <p>Framework Energy Strategy of BiH by 2035; Strategy of Energy Development in the RS by 2035.</p> <p>Previously adopted legal framework and sector strategies are available on <a href="http://www.donormapping.ba">www.donormapping.ba</a></p>
<b>Coordination with and among development partners</b>	<p><b>Energy connectivity:</b> Informal <i>ad hoc</i> coordination, project-based and mostly bilateral/multilateral, self-organizing meetings between development partners with MoFTER attendance.</p> <p><b>Energy efficiency:</b> Coordination meetings between development partners with MoFTER are held biannually.</p> <p><b>Renewable energy:</b> There is a sub-sector DCF development partners group and MoFTER, however, the meeting has not been convened for one year.</p>

Informal *ad hoc* project-based coordination.

Joint Bioenergy program was initiated, following the UN bilateral meetings with GIZ and USAID.

**Oil:** Informal *ad hoc* project-based coordination

**Gas:** Informal *ad hoc* project-based coordination

**Electricity:** Informal *ad hoc* coordination

**Nuclear safety and radiation protection:** Informal *ad hoc* project-based coordination.

**Development partners active in the sector and BiH Institutions from all levels of government regularly attended Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.**

## **Overview of activities in 2018**

Energy sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for period 2014 – 2020.

**Energy sector consists of seven sub-sectors:**

- Energy connectivity,
- Energy efficiency,
- Renewable energy,
- Oil,
- Gas,
- Electricity and
- Nuclear safety and radiation protection.

Energy sector underpins the development of the economy of Bosnia and Herzegovina, with long tradition and significant potentials for investment and development. It is also one of the most promising sectors of the economy, where more than 50 percent of the available hydro potential still remains untapped. Accordingly, major investments are underway in the construction of the new and revitalization of the existing energy facilities, in order to ensure the continuity in energy sources supply and stability of economy in BiH.

In 2018, progress has been achieved in the Energy sector, primarily concerning the drafting and adoption of the strategic documents in this area, which is one of Bosnia and Herzegovina's commitments under the Energy Community Treaty.

At the 152<sup>nd</sup> session, held on August 29, 2018, CoM of BiH adopted the Framework Energy Strategy of BiH until 2035 (Official Gazette of BiH, no. 70/18), which will define the direction of development of the energy sector in the country. The guidelines for BiH are based on the sustainable development policies which have the three following aspects balanced: security of supply, price competitiveness and decarbonisation policy, i.e. clean energy. The adoption of the Framework Strategy will enable the harmonization of legislation with the EU directives in this field. In addition, prerequisites are ensured for withdrawal of IPA and WBIF funds for energy and also attracting other investors to the energy sector of BiH in the upcoming period.

In addition to the adoption of the BiH Framework Energy Strategy for 2035, the RS Government adopted the Strategy of Energy Development in the RS by 2035 in mid-June 2018, while energy strategies of the Federation of BiH and Brcko District have been prepared and currently are in the form of working versions.

During 2018, activities were undertaken on drafting of the integrated National Energy and Climate Plans (NECPs) for BiH for the period 2021-2030. The activities referred to the formation of working groups for 5 dimensions covered by the NECPs: energy security, full integration of the internal energy market, energy efficiency, decarbonisation, as well as research, innovation and competitiveness. The implementation of the NECPs in BiH will enable the integration of energy and climate goals through adoption of appropriate measures and policies, and will contribute to the harmonization of Bosnia and Herzegovina's energy policies with the EU policies in this field.

In the field of energy efficiency, in 2018 implementation has begun of the Energy Efficiency Action Plan in BiH 2016-2018, which was adopted in 2017. Also, implementation of numerous energy efficiency projects on public and private facilities in Bosnia and Herzegovina has continued.

One of the most important commitments from the Third Energy Package is the adoption of the Law on the Regulator of Electricity and Natural Gas, Transmission and Electricity Market in BiH. The process of harmonization of this Law should be completed in early 2019, and its passing in the adoption procedure is expected in the coming period. With the adoption of this Law, the conditions will be created for establishing of the electricity energy wholesale market in Bosnia and Herzegovina, as well as the integration with the regional and international markets.

In 2018, Republika Srpska adopted the RS Law on Gas (RS Official Gazette, no. 22/18), which is fully harmonized with the European directives in this domain. This Law regulates the method of organization, regulation and functioning of the natural gas sector, conditions for orderly, quality and safe supply of customers with natural gas, access to the market as well as the method of performing the activities of the natural gas transport, storage and supply.

Considering that the adoption of the Law on Gas is one of the obligations under the Third Energy Package, the Draft Law on Gas in the BiH Federation is under preparation. However, it has not yet been passed into the adoption procedure.

In the field of electric power, at the 138<sup>th</sup> session, held on April 04, 2018, CoM of BiH adopted the Proposal of the Memorandum of Understanding on the initiative of the Central and South Eastern Europe Energy Connectivity Group (CESEC) on the common access to the electricity market, energy efficiency and renewable development. The MoU will enable efficient and timely achievement of the goals set in the framework of the EU energy policy, and it is envisaged that Bosnia and Herzegovina will participate in two regional projects within the Group in the forthcoming period.

Currently, the Law on Electric Power of RS is in the drafting phase, which will define the goals of the electrical energy policy, conditions and method for conducting electrical energy activities, development of the electricity market and construction and maintenance of electric power plants.

Construction of new and revitalization of existing energy facilities in Bosnia and Herzegovina have continued in 2018. In line with the commitments under the Third Energy Package, it is necessary for BiH to increase the production from the renewable sources. It is encouraging that in recent years special emphasis has been placed on the construction of the hydro and wind power plants, in parallel with the construction of the thermal power plants in BiH.

### **Investments of DCF members in 2018**

DCF members active in the Energy sector in 2018, are EBRD, Germany, The World Bank, USA/USAID and Czech Republic.

Total allocations of DCF members to the Sector in 2018, amounted to €28.79 million, out of which, €6.60 million in the form of grants and €22.19 in the form of loans.

Total disbursements of DCF members to the Sector in 2018 amounted to €27.81 million, out of which € 5.69 million in the form of grants and €22.11 in the form of loans.

Figure 5.1.compares grants allocated and disbursed per development partners, according to the amount of invested funds. Leading development partners in the sector in 2018, who allocated i.e. disbursed largest amounts were Germany and USA/USAID, followed by Czech Republic.

**Figure 5.1. Allocated and disbursed grant funds per development partners in 2018**

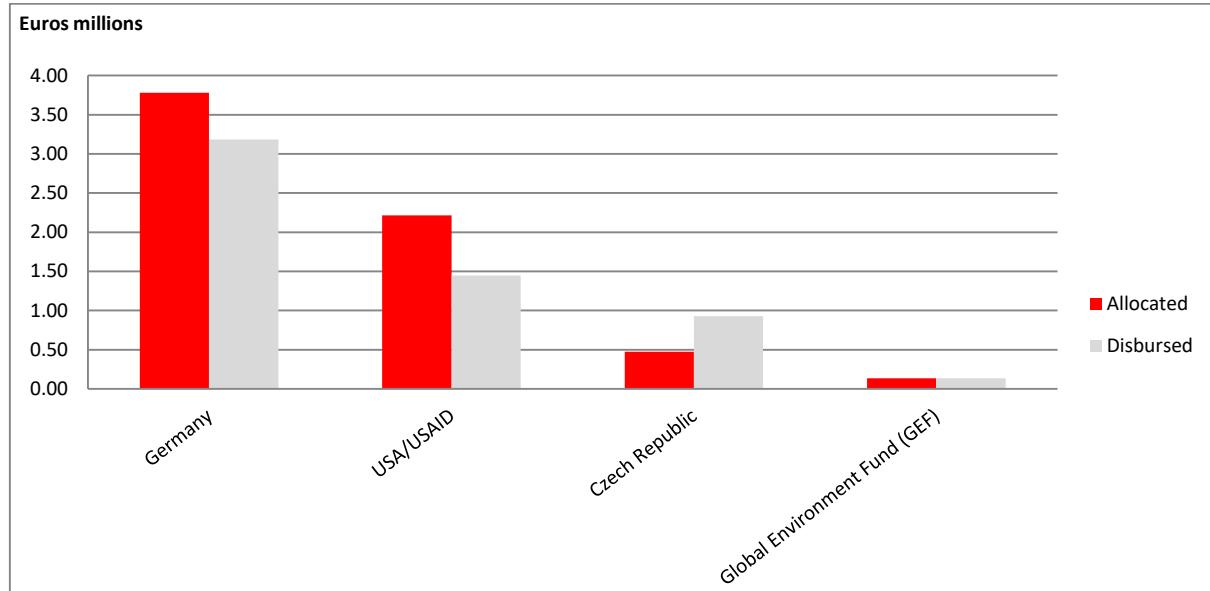
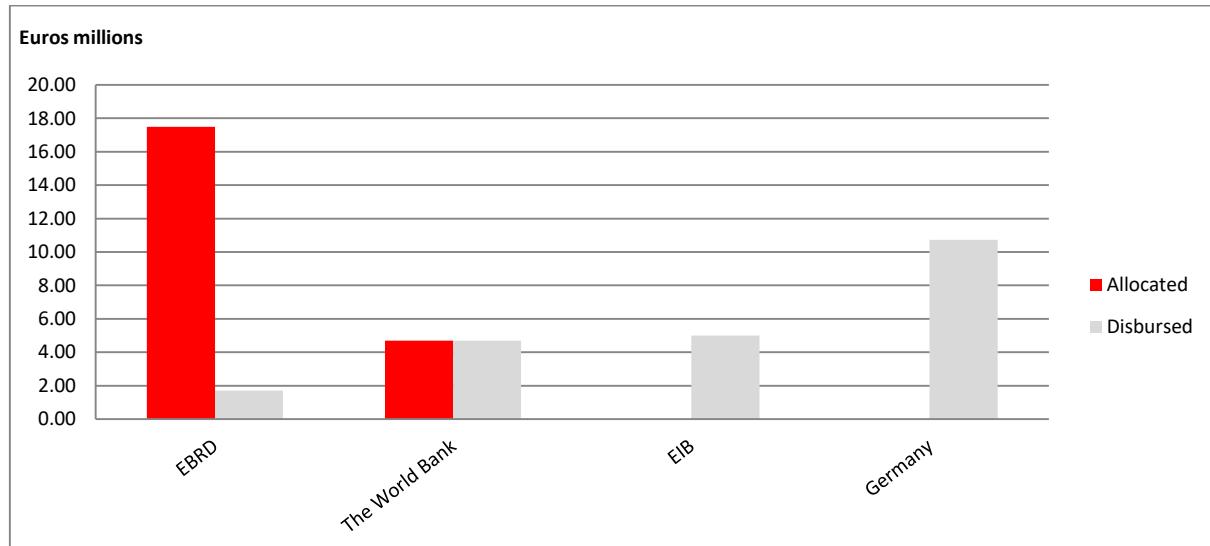


Figure 5.2. presents allocated and disbursed loans in 2018. Development partners who allocated or disbursed the largest amounts of loans in 2018 are EBRD and Germany, followed by EIB and The World Bank.

**Figure 5.2. Allocated and disbursed loans per creditors in 2018**



Energy sector consists of 7 sub-sectors. Figure 5.3. presents the structure of total allocated funds per sub-sectors.

Out of total allocated funds in 2018, 88.8% was allocated to two sub-sectors: Energy Efficiency 62.8% and Electricity 26%. Sub-sectors that did not have funding are not presented in the chart.

**Figure 5.3. Total allocated funds per sub-sectors in 2018**

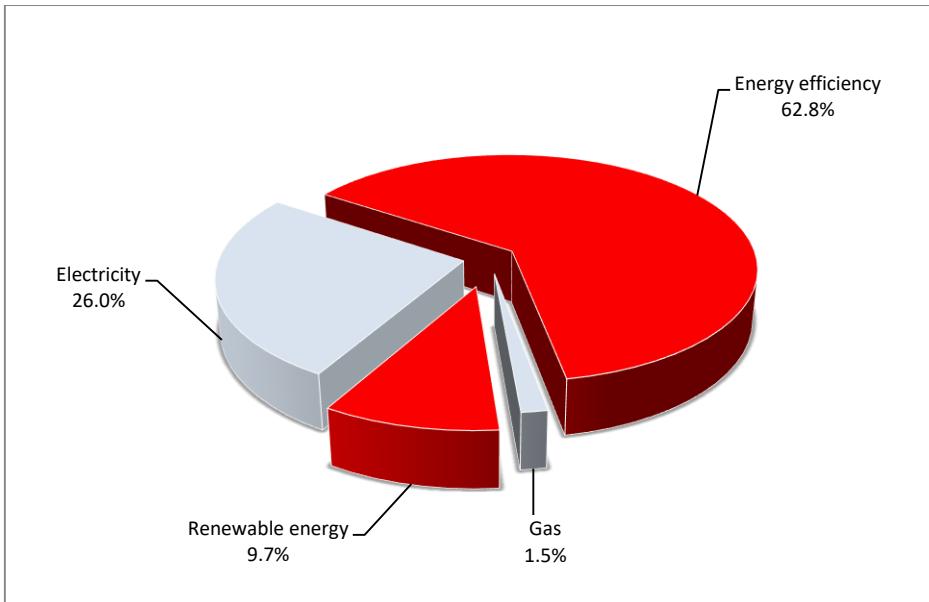
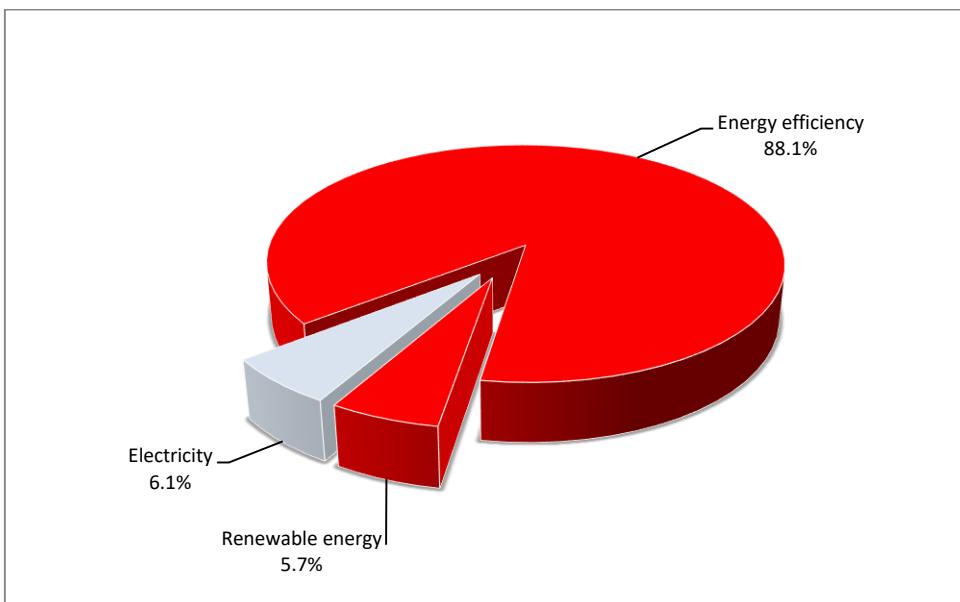


Figure 5.4. presents the structure of total disbursed funds per sub-sectors in 2018.

Out of total disbursed funds in 2018, the largest disbursements were recorded in the sub-sector Energy Efficiency 88.1%. Sub-sectors that did not have funding are not presented in the chart.

**Figure 5.4. Total disbursed funds per sub-sectors in 2018**



Ten major projects in the sector that allocated or disbursed funds in 2018, are listed below:

PROJECT TITLE	Development partner	Total Project Value (Euros millions)
Construction of Wind Farm (WF) Podvelezje	Germany	130.00
Windpark Mesihovina	Germany	72.00
Construction of Wind Farm Hrgud	Germany	60.03
ELECTRICITY DISTRIBUTION BIH	EIB	35.00
Distribution SCADA/DMS/OMS System	Germany	34.05
Energy Efficiency Project	The World Bank	22.90
GrCF-Energy Efficient Refurbishment of Zenica Hospital	EBRD	10.00
ISO - EMS, SCADA and IT upgrade	EBRD	8.50
Promotion of Energy Efficiency	Germany	7.69
Elektro-Bijeljina smart metering expansion	EBRD	7.50

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

<http://dmd.donormapping.ba/dmd/faces/dmdPublicStart>

### Future activities

Future activities should be focused on further adjustment of legislation in Bosnia and Herzegovina with the European standards, as well as strengthening of infrastructure and capacities of the energy sector. Based on the responses of BiH Institutions from all levels of government that participated in the preparation of this Report, as well as in line with the recommendations of the European Commission, further efforts should be made in the following period:

- meet the obligations under the Energy Community Treaty by aligning the legal and regulatory framework with the *acquis*, in particular in the fields of electricity energy and gas;
- adopt national and entity legislation in the field of renewable energy and energy efficiency;
- harmonize the roles and responsibilities between institutions at the cantonal, entity and state levels for the purpose of efficient management in the energy sector in accordance with the constitutional competences;
- develop concrete action plans for implementation of the Framework Energy Strategy in line with the climate change commitments;
- prepare and adopt the National Energy and Climate Plans of BiH for the period 2021-2030;
- enhance cooperation and coordination within the energy sector in BiH;
- carry out activities to establish mandatory oil reserves in BiH;
- intensify efforts to establish functional internal markets and integrate them into the regional market.



<b>DCF members active in the sector in 2018</b>	EBRD, EIB, USA/USAID, Switzerland, Sweden/Sida, Germany, UN, EU, Czech Republic, Norway, Slovenia
<b>Other key international organizations</b>	Western Balkans Investment Framework; Council of Europe Development Bank; Regional Cooperation Council; Switzerland Global Enterprise; European Fund for Southeast Europe; Central European Free Trade Agreement; Organization for Security and Cooperation in Europe; Regional Center for Development of Entrepreneurial Competencies.
<b>Key government partners</b>	CoM of BiH; Government of FBiH; Government of RS; Government of BD BiH; Ministry of Foreign Trade and Economic Relations of BiH; Ministry of Finance and Treasury of BiH; Ministry of Civil Affairs of BiH; Ministry of Justice of BiH; Ministry of Communications and Transport of BiH; Indirect Taxation Authority of BiH; Ministry of Human Rights and Refugees of BiH; Directorate for Economic Planning of BiH; Directorate for European Integration of BiH; Labour and Employment Agency of BiH; Market Surveillance Agency of BiH; Market Surveillance Agency of BiH; Deposit Insurance Agency of BiH; Central Bank of BiH; Competition Council of BiH; Foreign Trade Chamber of BiH; Export Credit Agency of BiH; State Aid Council of BiH; Institute for Intellectual Property of BiH; Communications Regulatory Agency of BiH; Institute of Metrology of BiH; Mine Action Center in BiH; Federal Ministry of Finance; Federal Ministry of Environment and Tourism; Federal Ministry of Development, Entrepreneurship and Craft, Ministry of Agriculture, Water Management and Forestry; Federal Ministry of Justice; Ministry of Finance of RS; Ministry of Trade and Tourism of RS; Ministry of Justice of RS; Ministry of European Integration and International Cooperation of RS; Ministry for Scientific and Technological Development, Higher Education and Information Society; Ministry of Industry, Energy and Mining, Ministry of Agriculture, Forestry and Water Management of RS; Agency for Development of Small and Medium Enterprises of RS; Association of cities and municipalities; Finance Directorate of Brcko District; Department of Economic Development, Sports and Culture of Brcko District;
<b>Total allocation / disbursement to the sector in 2018 by DCF members</b>	<p>Total allocated €125.64 million – €23.14 million in a form of grants and €102.50 million in a form of loans.</p> <p>Total disbursed €64.18 million – €24.88 million in a form of grants and €39.30 million in a form of loans</p> <p>Out of total ODA in 2018, 17% was allocated and 15% was disbursed in the sector.</p>

<p><b>Legal framework and sector strategies adopted in 2018</b></p>	<p>The Law on Pension and Disability Insurance (FBiH Off. Gazette No. 13/18); The Law on Changes to the Law on Contributions (FBiH Off. Gazette No. 34/18); The Law on Changes and Amendments to the Law on the Default Interest Rate on Public Income (FBiH Off. Gazette No. 34/18); The Law on Changes to the Law on Financial Consolidation of Companies in FBiH (FBiH Off. Gazette No. 36/18); The Law on Changes to the Law on Bankruptcy Proceedings (FBiH Off. Gazette No. 52 /18); The Law on Changes and Amendments to the Labour Law (FBiH Off. Gazette No. 89 /18); The Law on Changes and Amendments to the Law on Scientific Research and Technological Development (RS Off. Gazette No. 66/18); The Law on Changes and Amendments to the Law on Income Tax (RS Off. Gazette No. 66/18); The Law on Changes and Amendments to the Labour Law (RS Off. Gazette No. 66/18); The Law on Changes to the Law on Taxation on the Use, Possession and Carrying of Goods (RS Off. Gazette No. 66/18); The Law on Changes and Amendments to the Law on Fiscal Responsibility in RS (RS Off. Gazette No. 62 /18); The Law on Changes and Amendments to the Law on Survey and Cadastre of RS (RS Off. Gazette No. 62 /18); The Law on the Default Interest Rate (RS Off. Gazette No. 61 /18); The Law on Changes to the Law on Privatization of the State Owned Apartments (RS Off. Gazette No. 45 /18); The Law on Deadlines for Settlement of Financial Liabilities in Business Transactions (RS Off. Gazette No. 31 /18); The Law on Changes and Amendments to the Law on Foreign Exchange Operations (RS Off. Gazette No. 20 /18); The Law on Foreign Investments (RS Off. Gazette No. 21 /18); The Law on Changes and Amendments to the Law on Concessions (RS Off. Gazette No. 16 /18); The Law on Volunteering (BD BIH Off. Gazette No. 34/18); The Law on Changes and Amendments to the Law on the Default Interest Rate (BD BIH Off. Gazette No. 33/18); The Law on Changes and Amendments to the Law on Spatial Planning and Construction (BD BIH Off. Gazette No. 54/18); The Law on Changes to the Law on Spatial Planning and Construction (BD BIH Off. Gazette No. 48/18); The Law on Changes to the Law on Survey and Cadastre (BD BIH Off. Gazette No. 48/18); The Law on Changes to the Law on Property Tax (BD BIH Off. Gazette No. 52/18); The Law on Public Companies of BD BiH (BD BIH Off. Gazette No. 7/18); The Law on Changes and Amendments to the Law on Fiscal Systems (BD BIH Off. Gazette No. 48/18).</p> <p>Strategy for the Development of Science in BiH for the period 2017-2022</p> <p>Previously adopted legal framework and sector strategies are available on <a href="http://www.donormapping.ba">www.donormapping.ba</a></p>
	<p><b>Trade and internal market:</b> To some extent, MoFTER is leading the coordination of development partners, together with self-organizing meetings between development partners active in this sub-sector.</p> <p>CEFTA secretariat is organizing coordination of development partners for free trade.</p> <p><b>Private sector development:</b> To some extent, MoFTER is leading the</p>

<b>Coordination among and with development partners</b>	<p>coordination of development partners.</p> <p>Self-organizing regular meetings are held between development partners active in this sub-sector, mainly in the context of programming, implementation or launching specific initiatives.</p> <p>In the area of micro, small and medium enterprises there is no formal coordination of development partners, and coordination is based on informal <i>ad-hoc</i> basis</p> <p><b>Local economic development:</b> coordination meetings of development partners, which support local development projects organized by UNDP. Informal <i>ad hoc</i> coordination, project-based and mostly bilateral / multilateral meetings.</p> <p><b>Research, innovation and technological development:</b> Informal <i>ad-hoc</i> coordination.</p> <p><b>Information and communication technology (ICT):</b> Informal <i>ad-hoc</i> coordination.</p> <p><b>Tourism and heritage:</b> MoFTER is leading the coordination of development partners, within the Work group for tourism, together with self-organizing meetings between development partners active in this sub-sector.</p> <p><b>Development partners active in the sector and BiH Institutions from all levels of government regularly attended Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.</b></p>
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## Overview of activities in 2018

Competitiveness and innovation sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for period 2014 – 2020.

### Competitiveness and innovation sector consists of six sub-sectors:

- Trade and internal market,
- Private sector development,
- Local economic development,
- Research, innovation and technological development,
- Information and communication technology (ICT) and
- Tourism and heritage.

Bosnia and Herzegovina is still at an early stage in establishing of the functioning market economy and strengthening its competitiveness within the regional and common European market. In order to increase the competitiveness of BiH economy and create more jobs, it is necessary to continue the activities defined in the Reform Agenda. That primarily implies continuation of the process of harmonization of legislation with the *acquis* and providing additional support to small and medium enterprises. Creating a better business environment has a stimulating effect on domestic entrepreneurs, and also will be an incentive for foreign investors to invest in the country.

Trade integration of Bosnia and Herzegovina into the European Union has increased significantly during 2018. Concurrently, trade volume with neighbouring non-EU countries has increased too, notably with Serbia and Turkey. This is among others the result of the approved export of milk and dairy products to the EU. Further, it is expected that in 2019 BiH will be authorized to export chicken meat and poultry products. However, non-tariff barriers, such as obligatory sanitary and phytosanitary standards, remain as a major problem for further trade growth.

In the course of 2018, Bosnia and Herzegovina conducted the final negotiations for the membership in the World Trade Organization (WTO). The importance of WTO membership is reflected in the ability to open new export markets and attract foreign direct investment in the country.

In September 2018, the third meeting of the Sub-committee on Internal Market and Market Competition between BiH and the EU was held, highlighting the progress Bosnia and Herzegovina has made in the previous one-year period. Also, defined are the commitments BiH has to meet in the forthcoming period. Among the activities that need to be undertaken in the forthcoming period, of particular importance is the adoption and amendment of several laws related to the functioning of the single space in BiH, which primarily refers to the Law on Competition. In addition, it is necessary to intensify the activities on establishing of an online registration system for business entities in the Federation of BiH, as well as the public procurement system, which will improve the business environment in BiH and increase the competitiveness of businesses both at the local and international level.

Also, in October 2018, the third meeting was held of the Sub-committee on Trade, Industry, Customs and Taxation, where in the field of trade the European Union appealed to Bosnia and Herzegovina to implement the measures envisaged by the Economic Reform Program and implement the trade components of the Regional Economic Area.

In the area of Private sector development, in 2018 business incubators and accelerators in BiH have improved their services, and significant attention has been paid to supporting start-up companies.

The Government of the Federation of BiH, at its 141st session held on May, 4 2018, adopted the Proposal of the Law on Crafts and Related Activities and passed it into the parliamentary procedure. Draft law enabled foreign trade operations of craftsmen, shortened the procedure and simplified registration of crafts, and enabled the *ex officio* acquisition of documentation and limited enforcement proceedings against the property of the craftsmen.

CoM of BiH, at its 131<sup>st</sup> session held on January 30, 2018, adopted the Strategy for the Development of Science in Bosnia and Herzegovina 2017-2022 and in the course of 2018 it continued activities on preparation of the Action Plan for its implementation.

The Strategy provides guidelines and a plan of action for the development of scientific research and innovation in BiH, with the aim of prosperous development of science and research, economy, education and culture in BiH in line with the recommendations of the development of science in Europe and the world. The adoption of the BiH Science Development Strategy triggers the implementation of priorities defined within the European Research Area (ERA), which include Smart Specialization, Open Access and Open Data, and regional researcher mobility. The adoption of the BiH Strategy for the Development of Science triggers the implementation of priorities defined within the European Research Area (ERA), which includes Smart specialization, Open access and Open data as well as the regional mobility of researchers.

In the course of 2018, Bosnia and Herzegovina participated in the EU programs: Horizon 2020-Framework Program for Research and Innovation (2014-2020), European Cooperation in Science and Technology (COST) and EUREKA research projects. In addition, Bosnia and Herzegovina participated in the European Union COSME program for the competitiveness of entrepreneurship and small and medium enterprises.

Following 2017 adoption of the BiH Policy for the Electronic Communications Sector for the period 2017-2021 and its Action plan, in 2018 activities on its implementation were undertaken. Activities have been initiated that will enable the operationalization of the 4G network in BiH in 2019, which represents significant progress in the field of mobile communications in Bosnia and Herzegovina.

CoM of BiH, at its 146<sup>th</sup> session held on June 18, 2018, passed the Decision on the adoption of the Interoperability Framework of Bosnia and Herzegovina. Adoption of this Decision created conditions for development and better provision of electronic services to citizens, enterprises, local self-government and other groups of users. It also endorsed the recommendations of the European Interoperability Framework 2.0, which advances public administration reform and advances the process of exchanging electronic documents between administrative authorities at the same and different levels of government in BiH, as well as with the EU institutions and other countries.

Bosnia and Herzegovina is still using the analogue technology and has not completed the digitalisation process so it significantly lagging behind the EU countries and the region. The first phase of digitization was already implemented in BiH, while the second and third phases were under preparation in 2018. The process of digitalisation needs to be implemented in the coming period, since it influences the increase of transparency in the economy, as well as the number of online

platforms, so the digitization should directly affect the increase of competitiveness of the BiH economy.

The positive growth trends in the Tourism subsector has continued in 2018, so Bosnia and Herzegovina is considered as one of the fastest growing tourist destinations in Europe. A significant funds were invested in the tourism infrastructure as well as in regional projects in the Tourism subsector in BiH. In order to further improve the situation in the Tourism sector in the future period, it is necessary to continue aligning the legislation with the *acquis*, as well as promote BiH as an attractive destination at the regional and the global level.

In the Federation of BiH, the Law on Tourism, Residence Tax and the Law on Hospitality Industry are in the parliamentary procedure, whose adoption is expected in the upcoming period. The purpose of the adoption of these laws is the development of the Tourism Sector, the development of destination management, the control of payment of the residence tax, as well as the establishment of a tourist organization of the Federation of BiH, which will be responsible for the promotion of tourist destinations and potentials of the Federation of BiH.

### Investments of DCF members in 2018

DCF members active in the Competitiveness and innovation sector in 2018 are EBRD, EIB, USA/USAID, Switzerland, Sweden/Sida, Germany, UN, EU, Czech Republic, Norway and Slovenia.

Total allocations of DCF members to the Sector in 2018 amounted to €125.64 million, out of which €23.14 million in the form of grants and €102.50 million in the form of loan, from the creditor European Bank for Reconstruction and Development (EBRD).

Total disbursements of DCF members to the Sector in 2018 amounted to €64.18 million, out of which €24.88 million in the form of grants and €39.30 million in the form of loan, from the creditor European Bank for Reconstruction and Development (EBRD).

Figure 6.1. compares grants allocated and disbursed per development partners, according to the amount of invested funds as well as allocated and disbursed loan funds.

Development partners who allocated i.e. disbursed largest funds to the Sector in 2018 were USA/USAID, Switzerland, Sweden /Sida and EU.

**Figure 6.1. Allocated and disbursed grant funds per development partners in 2018**

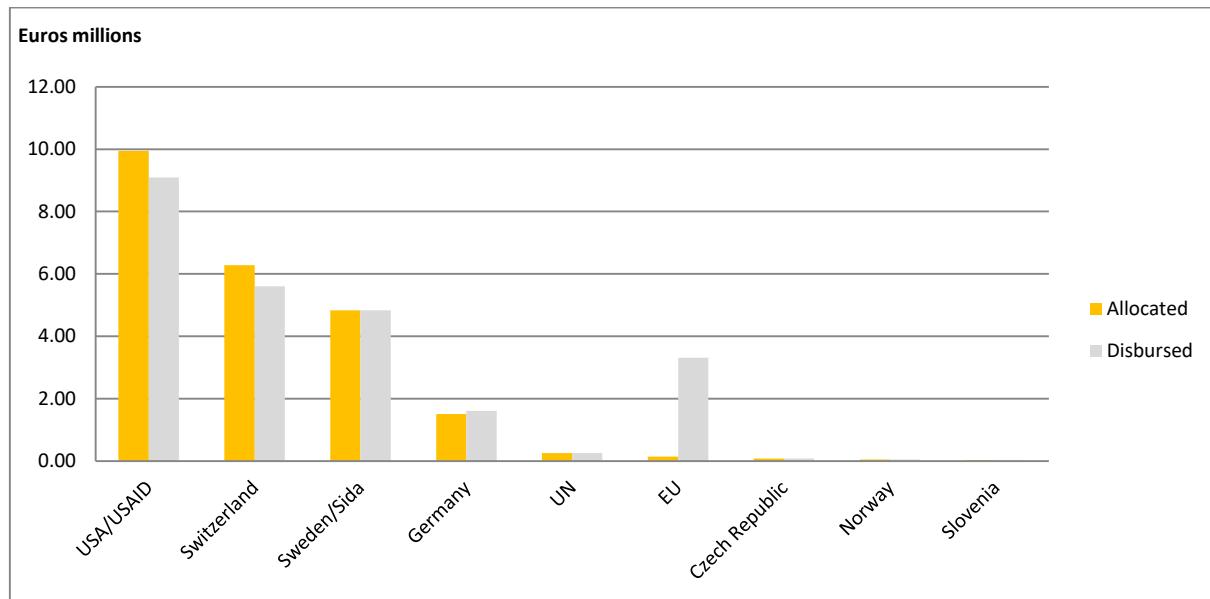
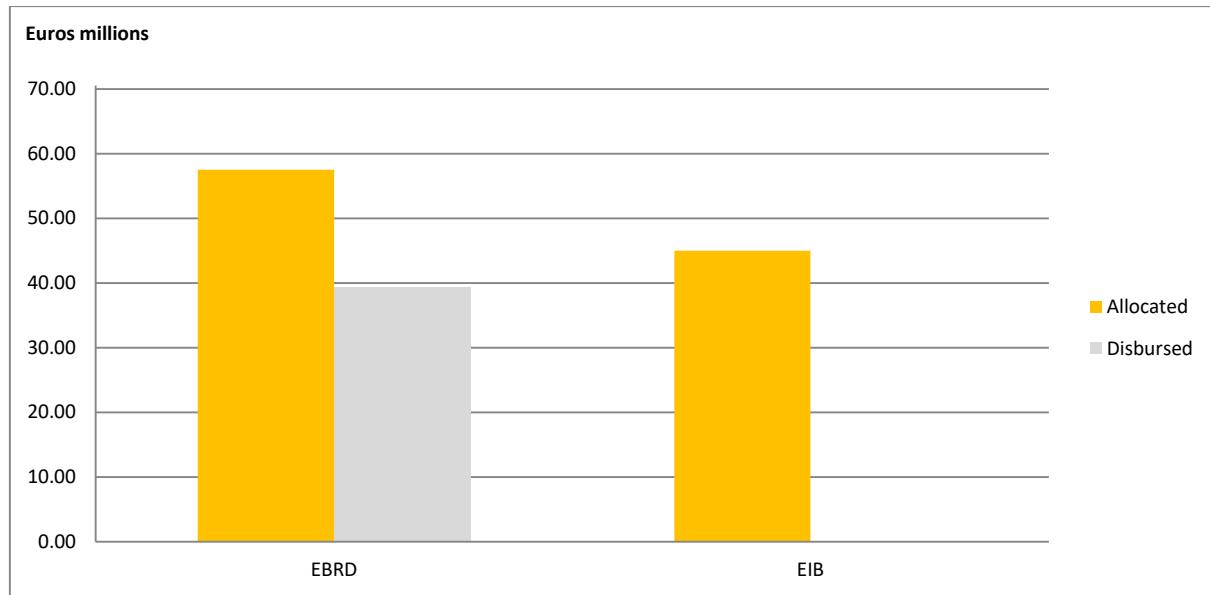


Figure 6.2. presents allocated and disbursed loans funds in 2018

**Figure 6.2. Total allocated loans per creditors subsectors in 2018**



Competitiveness and innovation sector consists of 6 sub-sectors. Figure 6.3. presents the structure of total allocated funds per sub-sectors. Out of total allocated funds in 2018, most of them were allocated to the sub-sector Private sector development 93%, while 7% of funds was allocated in other subsectors.

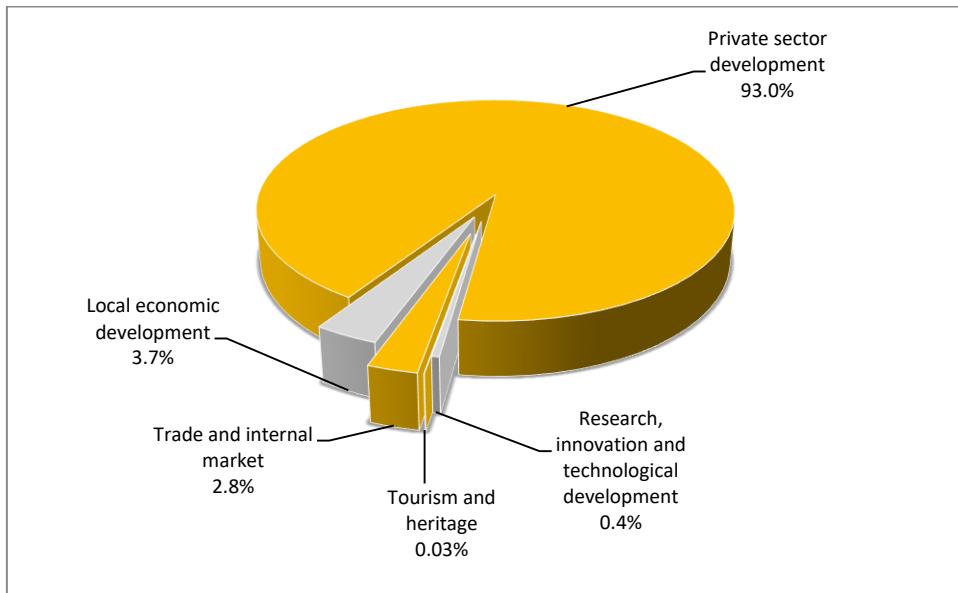
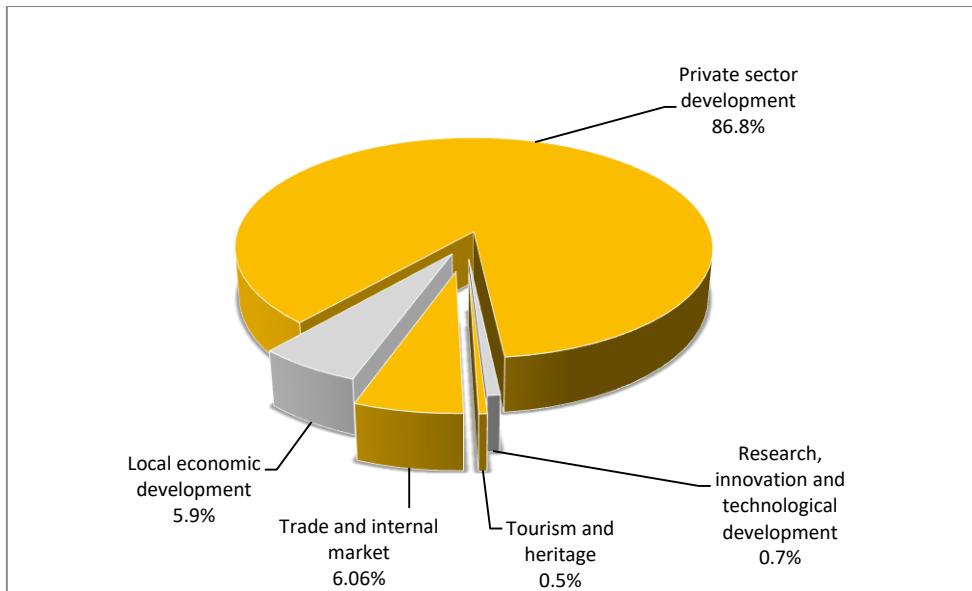
**Figure 6.3. Total allocated funds per sub-sectors in 2018**

Figure 6.4. presents the structure of total allocated funds in 2018 per sub-sectors. Out of total allocated funds in 2018, most of them were allocated to the sub-sector Private sector development 86.8%, while 13.2% of funds was allocated in other subsectors.

**Figure 6.3. Total disbursed funds per sub-sectors in 2018**

Ten major projects in the sector that allocated or disbursed funds in 2018, are listed below:

PROJECT TITLE	Development partner	Total Project Value (Euros millions)
ISP LOAN FOR SMES&PRIORITY PROJECTS III	EIB	50.00
Fostering Agricultural Markets Activity (FARMA II)	Sweden/Sida USA/USAID	15.97
PROCREDIT LOAN FOR SME AND OTHER COP OBJECTIVES	EIB	15.00
RLBH LOAN FOR SMES MIDCAPS &PRIORITY PROJECTS II	EIB	15.00
Mid Europa Fund V	EBRD	12.00
Municipal Environmental and Economic Governance MEG project	Switzerland, UN	10.52
FIF - Raiffeisen Leasing SME line	EBRD	10.00
WBCFF - Raiffeisen Bank BiH Mortgage Line	EBRD	10.00
FLOODS - Recovering SMEs in flood affected areas and strengthening their competitiveness based on local economic development partnership	EU	9.00
Floods - Programme for Local Self-Government and Economic Development in Bosnia and Herzegovina (EU ProLocal)	Germany	8.77

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

<http://dmd.donormapping.ba/dmd/faces/dmdPublicStart>

### Future activities

In view of all the above, it is necessary to continue to invest additional efforts in the development of a functioning market economy, as a condition for strengthening the competitiveness of the economy of Bosnia and Herzegovina in the regional and world contexts. Particular attention should be paid to implementing structural reforms in order to achieve a higher level of competitiveness as a prerequisite for economic growth and much-desired employment growth, through improved cooperation between the public, private sector and civil society. Thereby, the focus should be on the integrated local economic development, particularly in the domain of export-oriented manufacturing sector, tourism and the agro-rural sector. Based on the responses of BiH Institutions from all levels of government and DCF members, which participated in the preparation of this Report, as well as in line with the recommendations of the European Commission, further efforts should be made in the following period:

- simplify and harmonize the procedures for registration and licensing of business entities at the entity level, in order to improve the business environment and create a single economic space;
- develop comprehensive register of administrative and technical requirements for registration of domestic and foreign companies operating in Bosnia and Herzegovina;

- create more favourable environment for the small business sector in Bosnia and Herzegovina by providing financial and technical support to enterprises;
- support underdeveloped regions in BiH;
- align existing state aid programs with the provisions of the Stabilization and Association Agreement;
- continue activities to complete the accession negotiations with the World Trade Organization (WTO);
- support the further development of e-Government at all levels of government in Bosnia and Herzegovina;
- draft and adopt the new law on electronic communications and electronic media in BiH in accordance with the EU Directive on Audio-visual Services;
- develop and adopt the Strategy for the Information and Communication Sector in BiH, and the Strategy for the Development of the Broadband Access in BiH, with the aim to meet the conditions from the EU Digital Agenda;
- draft and adopt the Law on Cyber Security i
- n BiH and increase the engagement of all stakeholders in the development of cyber security in BiH as well as the fight against cybercrime;
- draft and adopt the Law on the Network and Information Security;
- develop and adopt the Strategy for Quality Infrastructure in Bosnia and Herzegovina;
- implement the second and third phase of the digitalisation process;
- strengthen capacities in the field of science, research and innovation as well as support projects that are applicable in the economy;
- draft the Strategy for Tourism Development in the Federation of BiH.

<b>DCF members active in the sector in 2018</b>	The World Bank, Croatia, Slovenia, Switzerland, Germany, EU, UN, Sweden/Sida, Italy, Norway, USA/USAID, Japan, Austria, Czech Republic, EIB.
<b>Other key international organizations</b>	Council of Europe; Office of the High Representative; International Labour Organization; World Health Organisation; West Balkans Investment Framework; <i>KulturKontakt</i> Austria, European Training Foundation; Organization for Security and Cooperation in Europe; European Centre for Disease Prevention and Control; British Council; Regional Cooperation Council.
<b>Key government partners</b>	CoM of BiH; Government of FBiH; Government of RS; Government of BD BiH; Ministry of Civil Affairs of BiH; Ministry of Human Rights and Refugees of BiH; Ministry of Foreign Affairs of BiH; Ministry of Foreign Trade and Economic Relations of BiH; Ministry of Defence of BiH; Labour and Employment Agency of BiH; Agency for Development of Higher Education and Quality Assurance of BiH; Agency for Pre-school, Primary and Secondary Education of BiH; Centre for Information and Recognition of Documents in the Area of Higher Education of BiH; Agency for Gender Equality of BiH; Directorate for European Integration; The Institution of Human Rights Ombudsmen of BiH; Mine Action Centre in BiH; Federal Ministry of Labour and Social Policies; Federal Ministry of Health; Federal Ministry of Development, Entrepreneurship and Craft, Ministry of Education and Science; Federal Ministry of Culture and Sports; Federal Employment Bureau; Gender Centre of FBiH and RS; Ministry of Education and Culture of RS; Ministry of Health and Social Welfare of RS; Ministry of Family, Youth and Sports of RS; Ministry of Labour, War Veterans and Disabled Persons' Protection of RS; Ministry of European Integration and International Cooperation of RS; Ministry for Scientific and Technological Development, Higher Education and Information Society of RS; Ministry of Economic Relations and Regional Cooperation of RS; Ministry of Science and Technology of RS; Employment Bureau of RS; Employment Bureau of BD BiH; Department for Education of BD BiH; Employers' Association of RS and FBiH; cantonal ministries of education, cantonal ministries of health.
<b>Total allocation / disbursement to the sector in 2018 by DCF members</b>	<p>Total allocated €31.49 million -out of which €22.80 million in a form of grants and €8.69 million in a form of loans.</p> <p>Total disbursed €37.27 million – out of which €24.44 million in a form of grants and €12.83 million in a form of loans.</p> <p>Out of total ODA in 2018, 4% was allocated and 9% was disbursed in the sector.</p>
<b>Legal framework and sector strategies adopted in 2018</b>	The Law on Changes and Amendments to the Labour Law (FBiH Off. Gazette No.89/18); The Law on Infertility Treatment with Bio-Medically Assisted Fertilization (FBiH Off. Gazette No.59/18); The Law on Culture (RS Off. Gazette No. 66/18); The Law on Salaries of Employees in the Area of Education and Culture of RS (RS Off. Gazette No. 66/18); The Law on Changes to the Law on Library-Information Activity (RS Off. Gazette No. 62 /18); The Law on the Use of the Sign Language (RS Off. Gazette No. 62 /18); The Law on Secondary Education (RS Off. Gazette No. 41 /18); The Law on Changes and Amendments to the Law on Primary Education (RS Off. Gazette No. 31

	<p>/18); The Law on Changes and Amendments to the Law on Higher Education (RS Off. Gazette No. 31 /18); The Law on Changes and Amendments to the Law on Higher Education in BD BiH (BD BIH Off. Gazette No. 29/18); The Law on Changes and Amendments to the Law on Social Protection of BD BiH (BD BIH Off. Gazette No. 21/18); The Law on Adult Education (BD BIH Off. Gazette No. 50/18); The Law on Changes and Amendments to the Law on Child protection of BD BiH (BD BIH Off. Gazette No. 21/18); The Law on Protection from Family Violence in BD BiH (BD BIH Off. Gazette No. 17/18).</p> <p>Gender Action Plan BiH (GAP BiH) for the period 2018-2022; Action Plan for Implementation of the UN Resolution 1325 „Women, Peace, and Security“ in BiH for the period 2018-2022; Strategy for Development of Science in BiH for the period 2017-2022; Employment Strategy of FBiH for the period 2018-2021; Strategy of Vocational Training of BD BiH.</p> <p>Previously adopted legal framework and sector strategies are available on: <a href="http://www.donormapping.ba">www.donormapping.ba</a></p>
<b>Coordination with and among development partners</b>	<p><b>Education:</b> Coordination is implemented via meetings of the Conference of Ministers of Education (CoEM). When appropriate, Ministry of Civil Affairs of BiH organizes the Coordination forum meetings of MCA BiH and international organizations involved in the education reform in BiH.</p> <p><b>Vocational education training:</b> Informal <i>ad-hoc</i> coordination, project-based, bilateral/multilateral meetings.</p> <p><b>Lifelong learning:</b> Informal <i>ad-hoc</i> coordination, project-based, bilateral/multilateral meetings.</p> <p><b>Labour market and employment:</b> European Union Delegation holds regular coordination meetings with the EU member states.</p> <p><b>Equal opportunities and gender equality:</b> UN organized the International Gender Equality Working Group.</p> <p><b>Social dialogue:</b> Informal <i>ad-hoc</i> coordination, project-based, bilateral/multilateral meetings.</p> <p><b>Social protection:</b> Conference for the Health sector in BiH acts as a permanent advisory and coordinating body. EU Delegation holds regular coordination meetings with development partners involved in the sub-sector.</p> <p><b>Social inclusion and fight against poverty:</b> EU Delegation holds regular coordination meetings with development partners involved in the sub-sector.</p> <p><b>Education, employment and social infrastructure:</b> Informal <i>ad-hoc</i> coordination.</p> <p><b>Development partners active in the sector and BiH Institutions from all levels of government regularly attended Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.</b></p>

## Overview of activities in 2018

Education, employment and social policies sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for period 2014 – 2020.

**Education, employment and social policies sector consists of nine sub-sectors:**

- Education,
- Vocational education and training (VET),
- Lifelong learning,
- Labour market and employment,
- Equal opportunities and gender equality,
- Social dialogue,
- Social protection,
- Social inclusion and fight against poverty and
- Education, employment and social infrastructure.

Education, employment and social policies sector in Bosnia and Herzegovina has faced major challenges in recent years, primarily due to high unemployment rates, discrepancy of the education system with the needs of the labour market, low investments in research and development as well as the underdeveloped social protection system.

Given the major challenges facing this Sector, during 2018, particular attention was paid to the activities on improvement of the existing situation, defined in the Reform Agenda. Accordingly, in 2018, the Sectoral Planning Document for BiH in the field of education, employment and social policy for the period 2019-2020 was drafted. The preparation of the Action Documents for 2019 and 2020 has begun. This created the prerequisites for the use of IPA funds in the fields of education, employment and social policies.

Education system in BiH is fragmented, with shared competences between different levels of government. That results in an uneven application of the adopted Bologna principles and strategic documents at all levels of government, rendering it difficult to implement the overall education system reform in the country. In 2018, reform activities were undertaken in this sector, primarily addressing the development of Bosnia and Herzegovina's Qualification Framework for all levels of education and its alignment with the labour market needs.

In 2018, Agency for Pre-primary, Primary and Secondary Education of BiH completed the six-year process of development of The Common Core Defined on Learning Outcomes, a basic document that determines the direction of development of educational systems in Bosnia and Herzegovina from the pre-school level to the completion of the secondary education. Development of The Common Core Defined on Learning Outcomes is the new approach to education, which perceives the school as a place of an overall personal and social development of students. The main objective of implementation of this document is to initiate the overall educational reform in BiH, which will relieve the students in terms of the adopted lessons material and encourage the development of the knowledge(s) which are applicable, functional and needed in the contemporary life. The document is also the basis for equal participation of Bosnia and Herzegovina in the international studies, since it affects to the harmonization of education systems in the country with the international standards.

Bosnia and Herzegovina, as an active country participating in the Bologna Process and part of the European Higher Education Area, is obliged to implement the International Lisbon Convention, which aims to harmonize the rules and procedures for the recognition of foreign higher education qualifications in BiH so that they are transparent and uniform to all interested parties. In 2018, activities were undertaken in this domain based on the improvement of laws and subordinate legislation as well as on cooperation and information exchange with international bodies for recognition of qualifications and training of employees performing the recognition tasks at higher education institutions. It can be noted that the situation in the area of recognition of foreign higher education qualifications in Bosnia and Herzegovina is at a satisfactory level.

At the end of 2018, Centre for Information and Recognition of Qualifications in the Higher Education Area of BiH published the Recommendations on Recognition of Foreign Higher Education Qualifications for the Purpose of Further Education (Official Gazette of BiH, no. 01/19), which will facilitate the recognition of foreign higher education qualifications and approximate recognition practices of the European Area of Recognition (EAR) to the competent recognition bodies in BiH.

As part of the Regional Cooperation Council (RCC) initiative, activities were initiated in 2018 for conclusion of the Agreement on Mutual Recognition of Professional Qualifications of Doctors of Medicine, Dentists, Architects and Civil Engineers, in the context of implementation of the Western Balkans Regional Economic Area Multi-Annual Plan ( MAP-REA).

Bosnia and Herzegovina has actively participated in the EU *Erasmus +* program, which aims at improving skills and employment as well as at modernizing the education, training and employing young people. Young people from BiH showed strong interest to participate in this EU program.

In order to improve the quality of education, in 2018 for the first time BiH took part in the international research of PISA (Program for International Student Assessment) and TIMSS (Trends in International Mathematics and Science Studies). The results of these researches will be used to obtain an overview of the actual situation in the BiH Education sector and will be the basis for making recommendations for improvement of those education segments identified in the research.

In the area of the Lifelong learning, during the 2018 continued activities that were anticipated by the Strategic Platform for Development of Adult Education in the Context of Lifelong Learning in BiH for the period 2014-2020. Lifelong learning plays the essential role in developing and promoting of the skilful and trained workforce, adaptable to all Labour market demands. In October 2018, the Law on Adult Education was adopted in Brcko District (Official Gazette of BD BiH, no. 51/18). The adoption of the Law on Adult Education in Posavina Canton is expected in the course of 2019, whereby all competent education authorities on entity and cantonal levels will have adopted Adult Education Laws, and Legislative Framework will be harmonized at all levels of government in BiH.

In the field of sport, in 2018 activities were undertaken on improvement of the international cooperation, harmonization of legislation with the European *acquis* as well as strengthening the capacity and higher level of participation of BiH in the EU programs in the field of sport.

In the course of 2018, in the area of Employment, activities continued on preparation of the Employment Strategy of Bosnia and Herzegovina for the period 2018-2021. The Government of the Federation of BiH, at its 150<sup>th</sup> session held on July 12, 2018 adopted the Employment Strategy of the

Federation of BiH for the period 2018-2021, while the RS Employment Strategy 2016-2020 is in force in Republika Srpska.

Also in 2018, activities have continued under the project "Support to Local Partnerships for Employment in BiH", which aims to increase the employment and create new jobs primarily for socially vulnerable categories of population, including women, youth, minority communities, returnees and internally displaced persons.

In the Federation of BiH, the Strategy for Development of Small and Medium-Size Enterprises of the FBiH for the period 2021-2027 was under preparation during 2018 as well as the Action Plan for Development of Women's Entrepreneurship in FBiH for the period 2018-2020.

Certain progress has been made in 2018 in implementation of the Health Care Reforms in BiH, particularly in the control of communicable and non-communicable diseases and enhancing the capacities of institutions in the Health sector. Also, certain number of laws and by-law acts has been adopted at all levels of government that regulate the area of health and health care in BiH. Some of the adopted acts during 2018 are: The Law on Infertility Treatment with Bio-Medically Assisted Fertilization in FBiH (FBiH Official Gazette, no. 59/18), The RS Law on Chemicals (RS Official Gazette, no. 21/18) as well as numerous decisions and health regulations.

Biennial Agreement on Cooperation was signed in February 2018 between Bosnia and Herzegovina and the World Health Organization Regional Office for Europe for the period 2018-2019, whose program priorities for collaboration are: communicable and non-communicable diseases, promotion of health at all life ages, health systems and programs for emergency situations in the health domain.

In the area of Social dialogue, The Law on Amendments to the Law on Labour of the FBiH (FBiH Official Gazette, no. 89/18) entered into force in 2018 in the Federation of BiH, in the aim to achieve better regulation of the Labour market and Employment, which should result in improved business environment, increased employment and improved working conditions of employees.

Bosnia and Herzegovina is encountering serious difficulties in the area of Social development, including those in the area of Social protection and Social inclusion, so special attention should be paid to the programs for protection of persons with disabilities, children, families with children, elderly persons and other vulnerable population groups.

The Government of the Federation of BiH, at its 138<sup>th</sup> session held on February 08, 2018 adopted the Information on implementation of the Strategic Plan for Improving of Early Growth and Development of Children in the FBiH for the period 2013-2017. During 2018, activities were initiated on development of the new strategic plan for the next five-year period.

In the Federation of BiH, in 2018, the Rulebook was adopted on the Central Register of Foster Care in the Federation of BiH (Official Gazette of the FBiH, no. 35/18), which established the Central Registry in the field of the foster care and regulates other issues regarding maintaining, the content and record-keeping of the Central Registry. In addition, the Rulebook was adopted on Housing and Material Conditions for Foster Care in the Federation of BiH (FBiH Official Gazette, no. 31/18), which significantly improved the area of the foster care in the FBiH, along with the implementation of the FBiH Law on Foster Care which was adopted in 2017.

In 2018, progress was recorded in Bosnia and Herzegovina in the field of Gender equality, through improvements of the regulatory framework by adopting strategic documents in this field, drafting reports on previously adopted action plans as well as through concrete activities aimed at promotion and introduction of the gender equality principle in all spheres of the public and private life.

CoM of BiH, at its 156<sup>th</sup> session held on November 05, 2018 adopted the Gender Action Plan of BiH for the period 2018-2022, which contains strategic goals, programs and measures for achievement of the Gender equality in all areas of social life and work.

Also, CoM on its 151<sup>st</sup> session held on August 01, 2018 adopted the Action Plan for Implementation of the UN Resolution 1325 "Women, Peace and Security" in BiH for the period 2018-2022.

### Investments of DCF members in 2018

DCF members active in the Education, employment and social policies sector in 2018 are The World Bank, Croatia, Slovenia, Switzerland, Germany, EU, UN, Sweden/Sida, Italy, Norway, USA/USAID, Japan, Austria, Czech Republic and EIB.

Total allocations of DCF members to the Sector in 2018, amounted to €31.49 million, out of which €22.80 million in a form of grants and €8.69 million in a form of loans.

Total disbursements to the Sector in 2018 amounted to €37.27 million, out of which €24.44 million in the form of grants and €12.83 million in the form of loans.

Figure 7.1. compares grants allocated and disbursed per development partners, according to the amount of invested funds. Leading development partners in the Sector in 2018, who allocated i.e. disbursed largest grants were Croatia, EU, Slovenia, Switzerland and Germany.

**Figure 7.1. Allocated and disbursed grants per development partners in 2018**

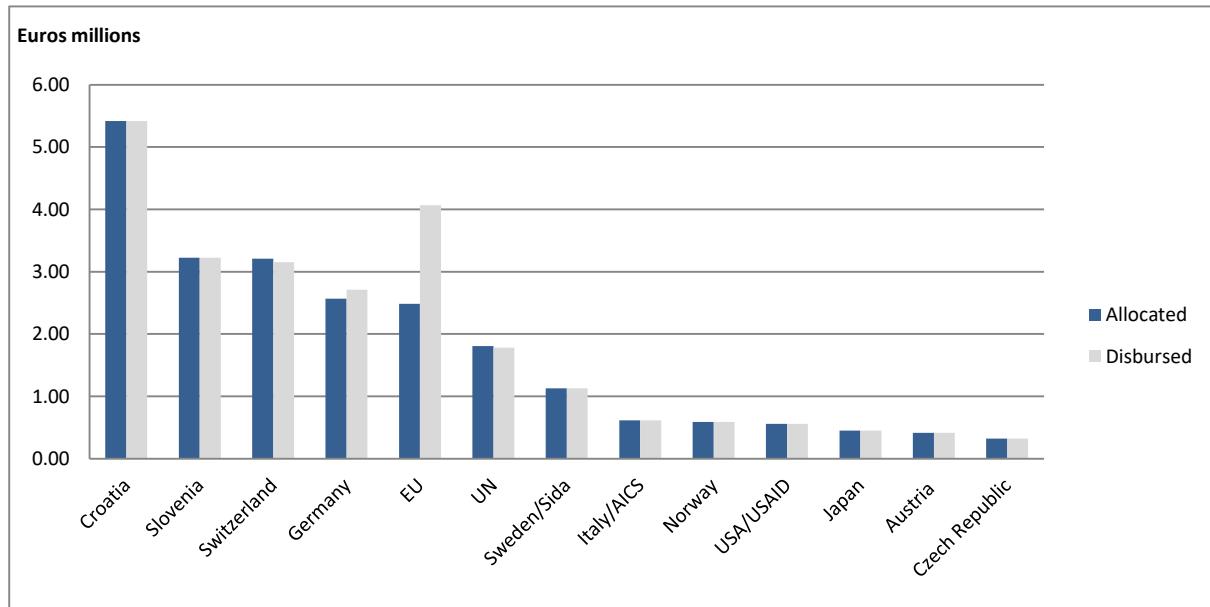
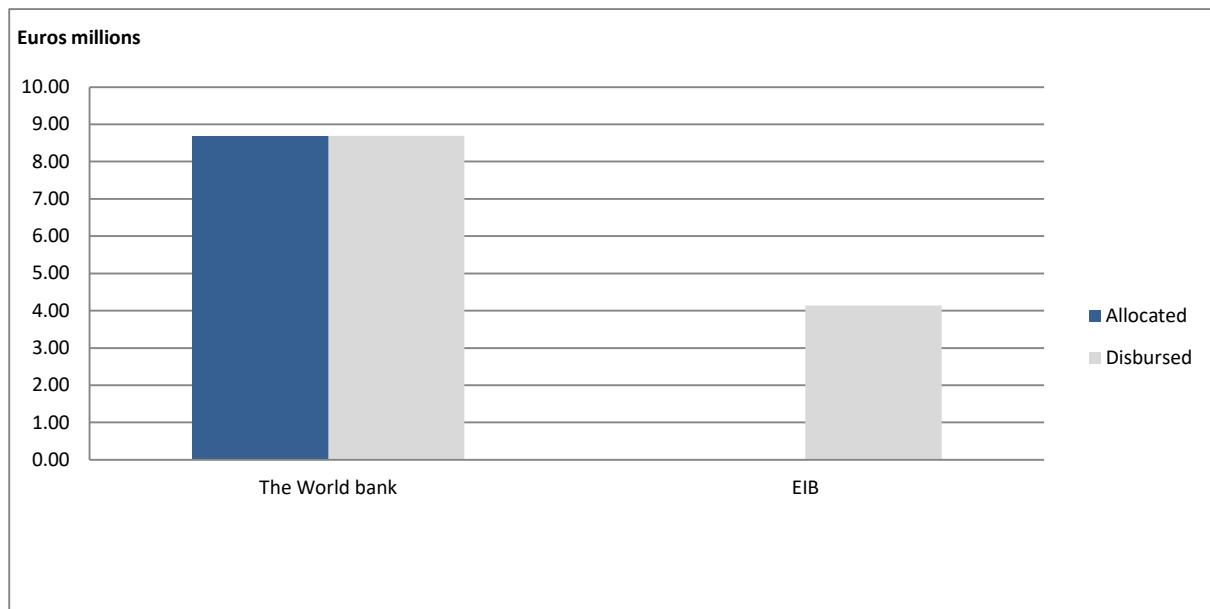


Figure 7.2. presents total allocations and disbursement of loans in 2018.

**Figure 7.2. Allocated and disbursed loans per creditors in 2018**



Education, employment and social policies sector consists of 9 sub-sectors.

Figure 7.3. presents the structure of total allocated funds per sub-sectors, Out of total allocated funds in 2018, 83.4% was allocated in three sub-sectors: Education, employment and social infrastructure 33.3%, Labour market and employment 32.3% and Vocational education and training (VET) 17.8%, while 16.6 % funds was allocated to all other sub-sectors. Sub-sectors that did not have funding are not presented in the chart.

**Figure 7.3. Total allocated funds per sub-sectors in 2018**

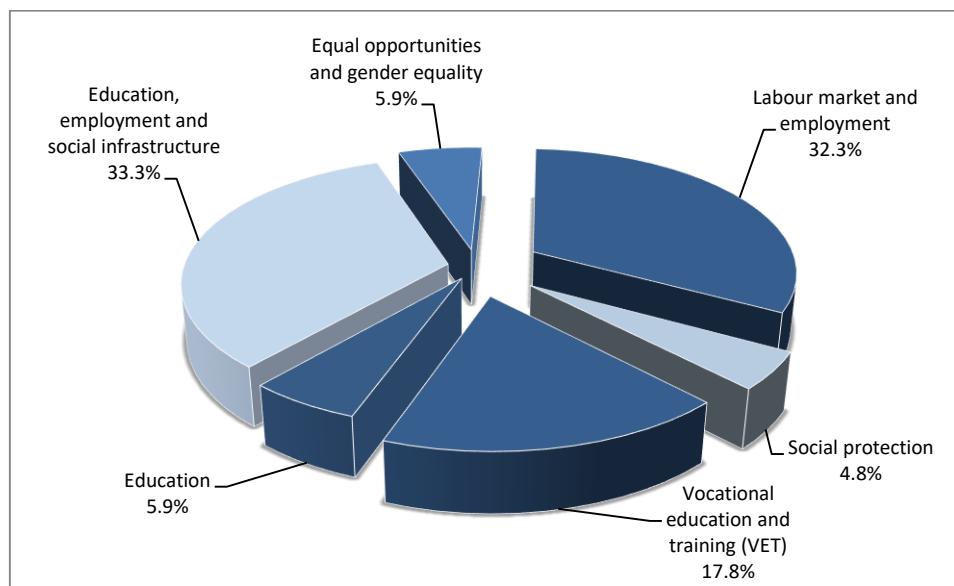
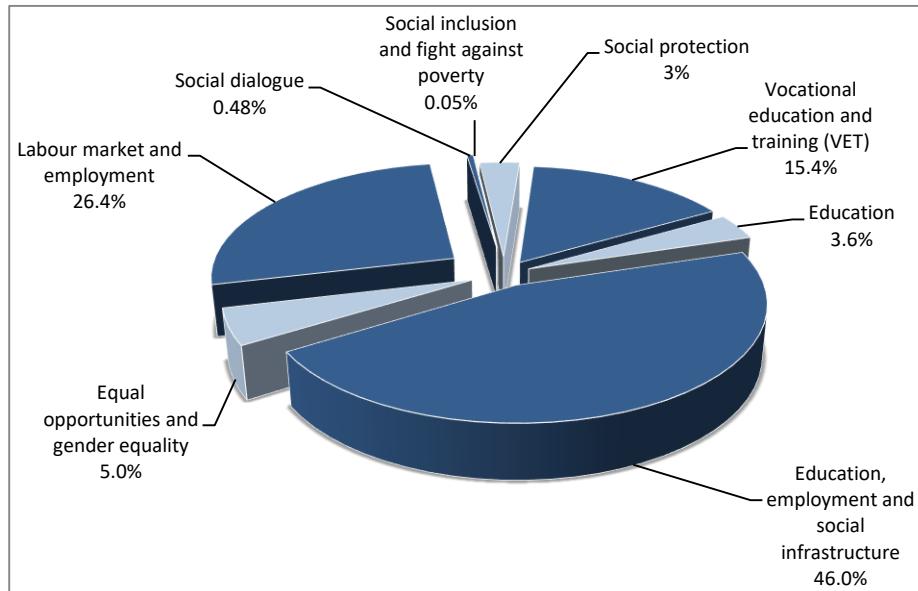


Figure 7.4. presents the structure of total disbursed funds per sub-sectors in 2018.

Out of total disbursed funds in 2018, 87.8% was disbursed in three sub-sectors: Education, employment and social infrastructure 46%, Labour market and employment 26.4% and Vocational education and training (VET) 15.4%, while 12.2% of funds was disbursed in all other sub-sectors.

**Figure 7.4. Total disbursed funds per sub-sectors in 2018**



Ten major projects in the sector that allocated or disbursed funds in 2018, are listed below:

PROJECT TITLE	Development partner	Total Project Value (Euros millions)
RS Hospitals	EIB	115.00
Bosnia and Herzegovina Employment Support Program	UN	50.00
Scaling up Universal Access for Most at Risk Populations in Bosnia and Herzegovina	UN	12.88
OPA Democracy and Human Rights Education Program	USA/USAID	8.28
Skills for Jobs (SfJ)	Switzerland	5.71
Financial support for health care in the Federation of BIH - the University Clinical Hospital Mostar	Croatia	5.27
Youth for Change	Switzerland	5.14
Market Makers	Switzerland	4.91
Youth Employment Programme (YEP)	Switzerland	4.35
Support to Local Employment Partnerships	EU	4.00

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

<http://dmd.donormapping.ba/dmd/faces/dmdPublicStart>

## Future activities

Socio-economic development cannot be achieved without comprehensive reforms in the Education, employment and social policies sector, thus it is necessary in the forthcoming period to continue activities on implementation of measures for further development of the Labour market, improvement of situation in the areas of Education, Employment, Social protection and Social inclusion in Bosnia and Herzegovina. Based on the responses of BiH Institutions from all levels of government and DCF members, which participated in the preparation of this Report, further efforts should be made in the following period:

- continue activities on preparation of the Qualification Framework in BiH 2014-2020, which is of great importance in the field of education;
- ensure fully functional system of (re)accreditation of higher education institutions in BiH;
- make additional efforts in internationalization of the higher education in BiH, mobility of academic staff, students and study programs;
- improve infrastructure at all levels of education;
- continue activities on formulation of priorities for the development of vocational education in BiH in line with the so-called Recommendations from Riga;
- develop Guidelines for Inclusive Education and Guidelines for Implementation of the Common Core of Integrated Development Programs in Pre-school Education;
- adopt the Action Plan for implementation of the Strategy for Science Development in BiH for the period 2017-2020;
- develop strategy for vocational education and training adapted to the needs of the labour market;
- adopt strategy for smart specialization in Bosnia and Herzegovina;
- develop better cooperation and information exchange mechanisms between all actors in the field of adult education as well as adopt systematic solutions and develop awareness on the need for lifelong learning;
- increase investments in the field of pre-school education in order to increase the coverage of children in pre-school education;
- provide support to domestic and international projects to raise awareness of the overall society for the “knowledge based society” through improvement of the flexibility and strengthening of the education system, including better links between universities and the business world;
- develop and adopt the Employment Strategy of Bosnia and Herzegovina as well as action plans for its implementation;
- provide greater support to self-employment;
- draft new reform regulations in the field of social and child protection;
- introduce single minimum level of maternity leave and protection benefits across the country, starting with harmonization of definitions for the maternity, postpartal women, paternity and parental leave;
- promote social dialogue at all levels and conclude general collective agreements;
- continue harmonization of the legislation, strategies and policies with national and international standards for gender equality and implement the Gender Action Plan 2018-2022.



<b>DCF members active in the sector in 2018</b>	The World Bank, Sweden/Sida, Czech Republic, UN, EU, Italy/AICS
<b>Other key international organizations</b>	International Fund for Agricultural Development; OPEC Fund for International Development/OFID; European Food Safety Authority; European Center for Disease Prevention and Control.
<b>Key government partners</b>	BiH CoM; FBiH Government; RS Government; BD BiH Government, Ministry of Foreign Trade and Economic Relations of BiH; Veterinary Office of BiH, Administration for Plant Health Protection of BiH; Food Safety Agency of BiH; Directorate for European Integration; Federal Ministry of Agriculture, Water Management and Forestry; Ministry of Agriculture, Forestry and Water Management of RS; Department for Agriculture, Forestry and Water Management of Brcko District.
<b>Total allocation / disbursement to the sector in 2018 by DCF members</b>	<p>Total allocated €6.14 million – €2.68 million in a form of grants and €3.47 million in a form of loans</p> <p>Total disbursed €6.90 million – €3.44 million in a form of grants and €3.47 million in a form of loans</p> <p>Out of total ODA in 2018, 1% was allocated and 2% was disbursed in the sector.</p>
<b>Legal framework and sector strategies adopted in 2018</b>	<p>The Law on Amendments to the Law on Protection and Animal Welfare (BiH Off. Gazette No. 9/18); The Law on Changes and Amendments to the Law on Hunting (BD BIH Off. Gazette No. 52/18).</p> <p>Strategic Plan for Rural Development of BiH (2018-2021) - Framework Document</p> <p>Previously adopted legal framework and sector strategies are available on <a href="http://www.donormapping.ba">www.donormapping.ba</a></p>
<b>Coordination with and among development partners</b>	<p>Working Group of the Ministry of Foreign Trade and Economic Relations of BiH for planning and coordination of international aid in the Sector for agriculture, food and rural development is active in coordination of Development partners and institutions of BiH in this sector, through regular meetings and preparation of annual reports adopted by the CoM of BiH.</p> <p><b>Development partners active in the sector and BiH Institutions from all levels of government regularly attended Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.</b></p>

## Overview of activities in 2018

Agriculture and rural development sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for period 2014 – 2020.

**Agriculture and rural development sector consists of five sub-sectors:**

- Rural development,
- Capacity for Common Agricultural Policy (CAP),
- Food safety, veterinary and phytosanitary,
- Fisheries and
- Forestry.

Bosnia and Herzegovina possesses natural resources and conditions that create a superior environment for agricultural production, including the availability of labour, fertile land and favourable climate. Agricultural and the food industry are important economic branches that contribute to the development of the economy, employment and socio-economic development of any country. Agriculture and rural development sector is an important factor of social security in BiH, since large percentage of the population is engaged in agriculture in a formal and an informal way, particularly in underdeveloped parts of the country.

Activities undertaken within the Sector in 2018, mainly concerned the establishing of the sustainable agriculture and rural development system, improvement of the market competitiveness, advancement of the capacities of agricultural producers, diversification of rural production and strengthening of the relevant institutions capacities.

Strategic Plan for Rural Development of BiH 2018-2021 was adopted at the 128<sup>th</sup> session of the CoM of BiH held on January 4, 2018, with the aim to strengthen the competitiveness of Agriculture, Forestry and Rural areas as well as harmonization of BiH legal framework in this area with the EU legislation. Strategic Plan will contribute to the sustainable management of natural resources as well as the improvement of the marketability of agro-food products by increasing of the added value, improving quality standards and strengthening of the linkages within value chains. Previously adopted strategic documents in the area of Agriculture are in implementation in Republika Srpska and in the Federation of BiH, (RS Strategic Plan for the Development of Agriculture and Rural Areas for 2016-2020 and Federation of BiH Medium-Term Strategy for the Development of the Agricultural Sector for 2015-2019), while in Brcko District activities have been initiated on preparation of the strategic document for the area of Agriculture.

The adoption of the Strategic Plan for Rural Development of BiH 2018-2021, has now cleared the way for the use of the EU pre-accession funds. Accordingly, the Sector has been given the opportunity for preparation of the Action document "EU support in the field of Agriculture and Rural Development, Food safety, Veterinary and Phytosanitary standards". For its implementation the European Commission will allocate funds in the amount of EUR 30 million through the IPA II program.

In October 2018, the third meeting was held of the Sub-Committee on Agriculture and Fisheries between the BiH and the EU, with discussions related to the state of affairs in the Agricultural sector in BiH, production and trade of agricultural products, as well as agricultural, rural development and export policy support measures. The European Commission welcomed the adoption of the Strategic

Plan of Rural Development Plan at the state level, highlighting that positive effects will be experienced first by the farmers in BiH. At this meeting, the legislative framework for organic production, harmonization of BiH legislation with the EU *acquis* and capacities building in the areas of food safety, veterinary and phytosanitary policies as well as the analysis of the fish trade between BiH and the EU has also been discussed.

At the beginning of August 2018, the EU Commission approved export of all sorts of milk and dairy products from Bosnia and Herzegovina to the European Union. On that way BiH become one of the few non-EU countries that met the strict conditions for export of all sorts of milk to the EU market.

Also, the inspection team from the EU Directorate for Health, Food Audits and Analysis, stayed in BiH at the end of 2018, and as result it is expected that at the beginning of 2019, BiH will be granted to export the chicken meat and poultry meat products to the European Union.

In the course of 2018, Draft Strategy for Management of Animal By-Products in BiH was prepared and passed into the adoption procedure by the competent institutions in BiH. In addition, Action Plan and Feasibility Study have been prepared, which assess technological options and propose the best solutions for the treatment of animal waste in BiH.

In the Federation of BiH, Rulebook on Beekeeping (Official Gazette of FBiH no. 31/18) was adopted in 2018. Also, the Register of beekeepers and apiaries regulating this area in a systematic way was established in the FBiH.

In the course of 2018, Federal Ministry of Agriculture, Water Management and Forestry participated in the project entitled "Facilitation of Exchange Through Advice on Harmonized Wine Regulations in the West Balkans Countries", which was initiated by the Federal Ministry of Food and Agriculture of Germany, with the aim to harmonize regional regulations and facilitate trade between the West Balkans and the EU countries.

In the area of Food safety, a spectrum of activities were undertaken in 2018, with the aim to meet the conditions for the export of food products, as well as creating the setting for quality consumer health protection in Bosnia and Herzegovina.

Upon the proposal of the Food Safety Agency of BiH, in the course of 2018, the CoM of BiH, adopted six rulebooks that will transpose the EU *acquis* in this area and contribute to the improvement of the Food Safety System in Bosnia and Herzegovina (Official Gazettes of BiH, no. 33/18, 64/18, 84/18, 90/18, 41/18 and 71/18). This primarily refers to the adoption of the Rulebook on Quality Systems for Food Products (Official Gazette of BiH, no. 84/18), which prescribes the procedure for protection of designations of origin and protection of designations of geographical origin. With the adoption of this Rulebook, the EU Commission recommendation from the second meeting of the Sub-committee on Agriculture and Fisheries between the EU and BiH was implemented.

In the course of 2018, in order to improve the control programs, Food Safety Agency of BiH implemented the Monitoring program of pesticide residues in and on the food of plant origin in 2018 as well as it continued to implement the Project for researching dietary habits of the population in BiH.

In order to enable the non-GMO food production in in Bosnia and Herzegovina, in 2018 the Food Safety Agency prepared the Risk Based Guidelines for the control of the production without genetically modified organisms. These Guidelines, as the first of its kind in the countries of the

region, determine production processes without GMO in all food chain stages, as well as the production and the use of the "non-GMO" term for the purposes of marking, presentation and advertising.

In the field of Veterinary medicine, in the Federation of BiH, the Law on Veterinary-Medicinal Products was passed into the adoption procedure in 2018, while the FBiH Veterinary Law is in the drafting procedure.

During 2018, Bosnia and Herzegovina continued the activities related to the control, prevention and eradication of infectious animal diseases. Also, the activities were continued anticipated by the Multi-annual Operational Program for Control and Eradication of Rabies and Brucellosis. Laboratory capacities, including personnel and equipment are generally at satisfactory level as well as the number of accredited laboratory methods for the diagnosing of animal diseases.

In the area of Plant health protection, in 2018, Program of Special Monitoring (Systematic Control) of Quarantine Harmful Organisms on Potatoes in BiH for 2018 ("Official Gazette of BiH, no. 54/18) was adopted as well as the List of active substances allowed for the use in phyto - pharmaceuticals in BiH (Official Gazettes of BiH, no. 15/18, 35/18, 65/18 and 86/18). Management of BiH for Plant Health has been in the process of drafting the Rulebook on Procedures for Granting the Rights of Breeders and the Rulebook on the Content and Manner of Keeping a Register in Performing the Protection of New Varieties of Plants in BiH, which will be sent to the competent institutions for adoption in 2019.

In the area of Fisheries, at the beginning of 2018, Bosnia and Herzegovina signed the *MaltaMedFish4Ever* declaration, the multilateral strategy proposed by the EU, to ensure the future of the Mediterranean fishermen and coastal communities.

CoM of BiH, at its 131<sup>st</sup> session, held on January 1, 2018, adopted the Information on undertaking the activities on harmonization of domestic legislation and implementation of the *acquis* in the area of Fisheries and Aquaculture. Considering that fish and fish products are one of the strategic products of animal origin that BiH can export to the EU, the goal of the CoM of BiH is to create the conditions for new increase in the quota for fish export from Bosnia and Herzegovina into the European Union.

In the area of Forestry, some progress has been made in 2018. CoM of BiH, on its 164<sup>th</sup> session held on January 22, 2019, concluded that by the end of 2018, more than half of the state forests were certified, which is an obligation Bosnia and Herzegovina has to undertake in accordance with the Timber Regulation of the European Parliament and the EU Council.

Draft Law on Forests in the Federation of BiH, which will regulate the area of forests and forest land protection, is in the phase of adoption. This Law will enable strengthening of ecological functions, planning in forestry, forest and forest land management, financing of biological rehabilitation and improvement of forests at the territory of the BiH Federation. After the adoption of the Law on Forests, the FBiH Forestry Program also needs to be adopted.

Government of the FBiH, on its 154<sup>th</sup> session that was held on August 30, 2018, defined and passed into the Parliamentary procedure, the Draft Law on Reproductive Material of Forest and Ornamental Trees and Shrubs, which will regulate the production, placing on the market and import of reproduction material of forest and ornamental trees and shrubs in the Federation of BiH.

## Investments of DCF members in 2018

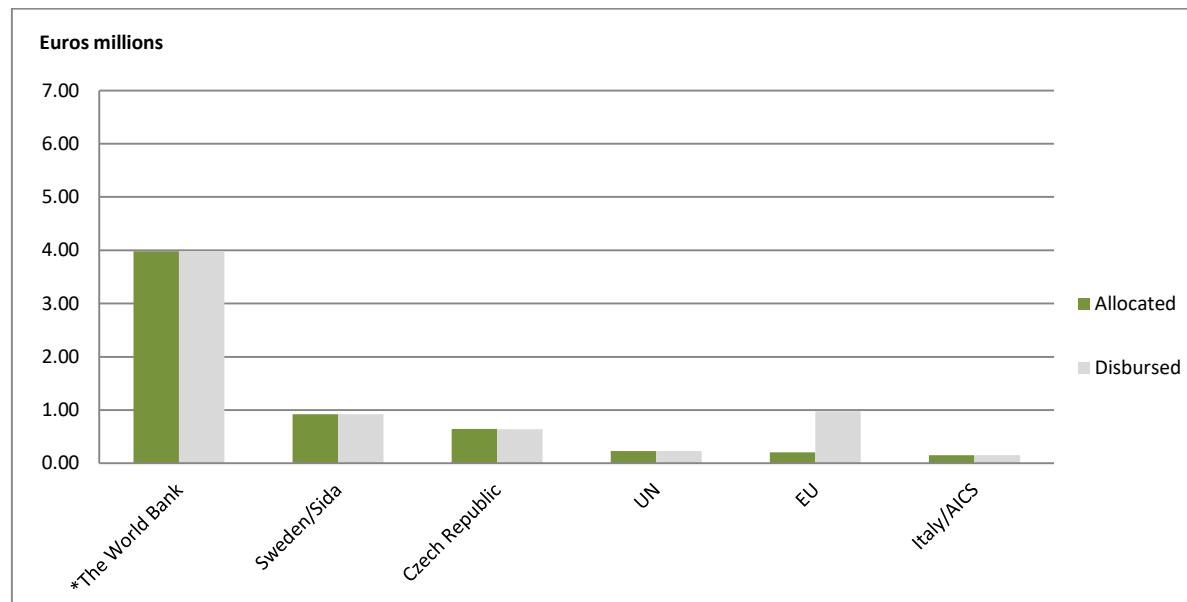
DCF members active in the Agriculture and rural development sector 2018 were The World Bank, Sweden/Sida, Czech Republic, UN, EU and Italy/ AICS.

Total allocations of DCF members to the Sector in 2018 amounted to €6.14 million, out of which €2.68 million in the form of grants and €3.47 million in the form of loans, from the creditor The World Bank.

Total disbursements of DCF members to the Sector in 2018 amounted to €6.90 million, out of which €3.44 million in the form of grants and €3.47 million in the form of loan, from the creditor The World Bank.

Figure 8.1. compares grants allocated and disbursed per development partners, according to the amount of invested funds, as well as allocated and disbursed loan funds from The World Bank. Leading development partners who allocated i.e. disbursed largest amounts were The World Bank, followed by the EU, Sweden/Sida and Czech Republic.

**Figure 8.1. Allocated and disbursed funds per development partners /creditors in 2018**



**\*Note:** The World Bank Loan

Agriculture and rural development sector consists of 5 sub-sectors.

Figure 8.2. presents the structure of total allocated funds per sub-sectors.

Out of total allocated funds in 2018, 87.7% was allocated to two sub-sectors: Rural development 64.5% and Food safety, veterinary and phytosanitary 23.1%, while 12.3% of funds was allocated to other sub-sectors.

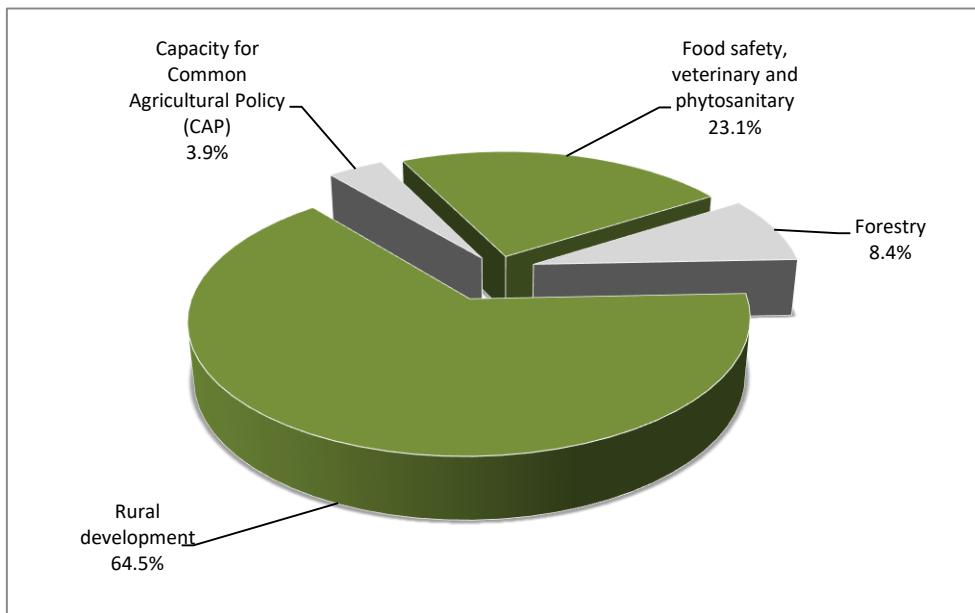
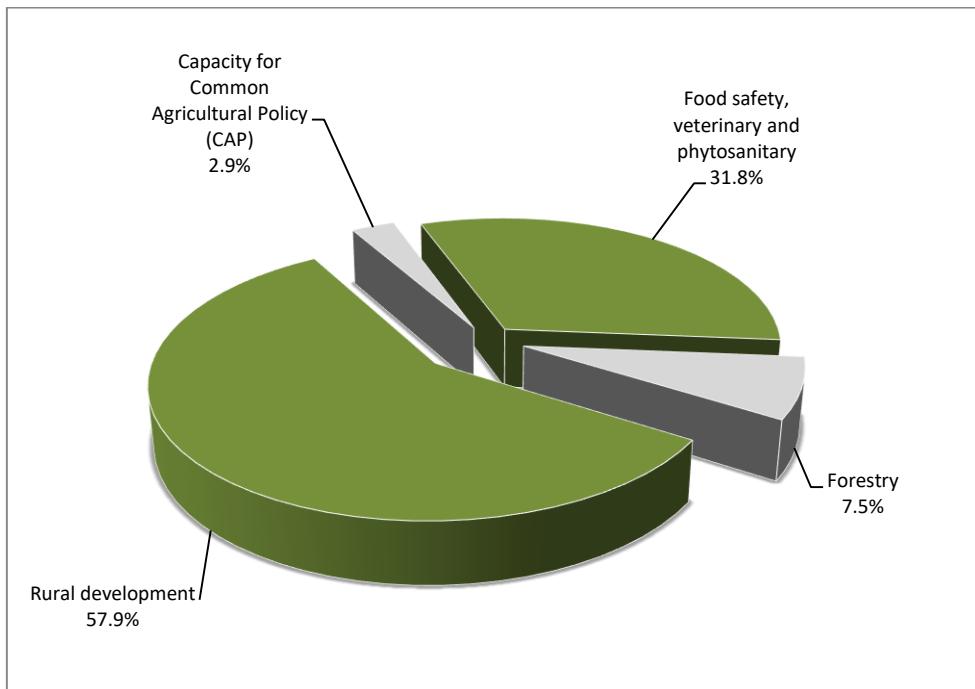
**Figure 8.2. Total allocated funds per sub-sectors in 2018**

Figure 8.3. presents the structure of total disbursed funds per sub-sectors in 2018.

Out of total disbursed funds in 2018, 89.6% of funds was disbursed in two sub-sectors: Rural development 57.9% and Food safety, veterinary and phytosanitary 31.8%.

**Figure 8.3. Total disbursed funds per sub-sectors in 2018**

Ten major projects in the sector that allocated or disbursed funds in 2018, are listed below:

PROJECT TITLE	Development partner	Total Project Value (Euros millions)
Irrigation Development Project	The World Bank	28.62
Local Integrated Development Project	UN	7.47
Global Environmental Facility (GEF) Sustainable Forest and Landscape management	The World Bank	4.01
Further strengthening of capacities of phyto-sanitary sector in the fields of plant protection products, plant health and seeds and seedlings, including phyto-sanitary laboratories and phyto-sanitary inspections	EU	1.50
High-quality, GMO-free soya from the Danube region	EU	1.09
Enhancing Export Potential & Improving Competitiveness of BiH Agri Producers	Sweden/Sida	1.02
Institutional Support for Certification and Control of Plant Material	Czech Republic	0.50
Increasing the Quality and Quantity of Milk in Brcko Region	Czech Republic	0.47
Increasing the Income of vulnerable families intensive horticulture in municipality Tesanj	Czech Republic	0.46
Sustainable production of traditional Livno cheese	Czech Republic	0.18

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

<http://dmd.donormapping.ba/dmd/faces/dmdPublicStart>

## Future activities

In the forthcoming period, activities should be continued on improving of the rural development and creating an efficient, sustainable and innovative agricultural and food sector in Bosnia and Herzegovina, which will be competitive at the International market, which will ensure employment and a better living standard for agricultural producers. Based on the responses gathered from BiH Institutions from all levels of government as well as members of DCF that participated in the preparation of this Report, further efforts should be made in the following period:

- efficiently implement the Strategic Plan for Rural Development of BiH (2018-2021), particularly by harmonizing rural development and support programs across the country;
- improve agricultural production and increase the volume of agricultural land use in order to strengthen competitiveness on the domestic and foreign markets;
- improve administrative capacities within the Sector and establish basic instruments and institutions for participation in the EU Common Agricultural Policy;
- continue with the activities of transposition of EU legislation in the field of agriculture, development of rural areas, food, veterinary and phytosanitary fields, ensuring standards that enable the trade of all agricultural products;

- in the area of food safety, it is necessary to develop quality systems for food products, strengthen the capacities of food control laboratories, harmonize GMO legislation as well as strengthen the capacity of competent inspection bodies;
- adopt laws on organic production and wine;
- draft the Law on Brandy and Other Alcoholic Beverages in FBiH;
- adopt regulations in the field of forestry in the Federation of BiH.

DCF members active in the sector in 2018	/
Other key international organizations	Regional Cooperation Council; Energy Community OF Southeast Europe; South East Europe Transport Observatory; Central European Free Trade Agreement.
Key government partners	CoM of BiH; Government of FBiH; Government of RS; Government of BD BiH; institutions, agencies, directorates at all levels of government in BiH, in line with their sectoral competencies
Total allocation / disbursement to the sector in 2018 by DCF members	Total allocated €0.00 Total disbursed €0.00
Legal framework and sector strategies adopted in 2018	/
Coordination with and among development partners	<p><b>Single mechanism for coordination of development partners does not exist.</b></p> <p>For regional investments, coordination of development partners takes place in the context of the Western Balkans Investment Framework (WBIF) and partly in the context of the National Investment Committee (NIC).</p> <p><b>Development partners active in the sector and BiH Institutions from all levels of government regularly attended Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.</b></p>

## Overview of activities in 2018

Regional and territorial cooperation sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for period 2014 – 2020.

### Regional and territorial cooperation sector consists of four sub-sectors:

- Horizontal support to sector policies and reforms,
- Regional structure and networks,
- Regional investment support and
- Territorial cooperation.

Regional cooperation and good neighbourly relations present an important part of Bosnia and Herzegovina's accession to the European Union, since they contribute to the stability of the region and create the conditions for economic progress and improved the standard of living for the population of all Western Balkans countries.

During 2018, Bosnia and Herzegovina has played an active role in regional initiatives, launched with the aim to enhance the cooperation and use the joint forces to stimulate the economic development of the countries in the region. Initiatives in which BiH has played a significant and constructive role include the South-East European Cooperation Process (SEECP), the Central European Free Trade Agreement (CEFTA), the Regional Cooperation Council (RCC), the Western Balkans Six Initiative (Berlin Process), the Process *Brdo-Brijuni* and the Adriatic-Ionian Initiative.

Bosnia and Herzegovina participated in the SEECP Summit, held on April 24, 2018 at the hill near Kranj, where the Joint Declaration "Hill Summit SEECP" was adopted, strongly confirming the commitment to cooperate within the SEECP, with particular focus on the EU perspective of the region, security and stability preservation as well as youth cooperation and connectivity in the field of the digital economy. Following the Summit, BiH assumed the chairmanship of the SEECP for the next year, where the next SEECP meeting will be held in the first half of 2019.

On June 2, 2018 the EU Commission adopted the Strategy for Credible Enlargement Perspective and Enhanced EU Engagement with the Western Balkans, thereby confirming the EU future of the region. The Strategy underlines the priorities and areas of joint enhanced cooperation, in particular highlighting the need for fundamental reforms and good neighbourly relations.

In 2018, BiH has taken numerous steps to implement the Connectivity Agenda, the Roadmap for Establishing of the Regional Economic Area in the Western Balkans and the Regional Investment Reform Agenda. In April 2018, BiH Presidency ratified the Transport Community Treaty, thus creating the preconditions for BiH to mobilize funding for important infrastructure projects.

As part of the Reform Agenda implementation, CoM of BiH at its 141<sup>st</sup> session, held on May 4, 2018 adopted the Decision on Establishing of the Trade Facilitation Committee of BiH in line with the Action Plan for the Western Balkans. The Committee will act as an inter-ministerial body composed of representatives of institutions from the level of BiH, Entities and Brcko District whose main objective is to simplify and harmonize customs and other border procedures in accordance with international standards established by the World Trade Organization Agreement on Trade Facilitation and other international trade commitments of BiH.

As part of the „Berlin Process“, on May 17, 2018 the Summit was held in Sofia, between the EU and the Western Balkans countries, also attended by the delegation of Bosnia and Herzegovina. The Summit reaffirmed its commitment to the European perspective of the region. A joint Declaration was adopted, as well as a Priority Program, in addition to the Declaration, that outlined new measures for improvement of European Union cooperation with the region.

The main topic of the Summit in Sofia was the region-wide connectivity, namely to strengthen the ties within the region as well as with the European Union. This primarily refers to the transport connectivity, energy security, digital economy, improving the business environment and opportunities for young people. At the Summit, it was also agreed to strengthen the cooperation in the field of security, primarily in the fight against illegal migration, fight against terrorism, corruption and organized crime.

Following the Summit in Sofia, on July 9/10, 2018 the Summit between the EU and the Western Balkan countries was held in London, which also highlighted the commitment to achieving a stable, secure and prosperous Western Balkans region and the European perspective of all countries in the region. Moreover, the importance of region connectivity and the implementation of the Western Balkans Connectivity Agenda were also emphasized. It was concluded that digitalization has major impact on enhancing innovation, employment and competitiveness in the countries of the region and that further efforts should be undertaken to increase the digital skills of the workforce in order to be prepared to participate in the digital transformation and boosting the economy in the region.

European Bank for Reconstruction and Development (EBRD) organized the Western Balkans Investment Summit in London on February 26, 2018, where representatives of the countries of the region presented the investment opportunities of the region to the business community, in order to attract the foreign direct investments. The Summit also introduced an online regional platform intended for investors, with the aim to promote the region as a unique destination for investment and business, established upon the initiative of the Western Balkans Chamber Investment Forum. (WB CIF). The platform will contribute to improvement of the investment climate, strengthening the rule of law and transparency in the economies of the region as well as to creating the conditions for faster growth and development of the economies in the region.

The first Digital Summit of the Western Europe was held in Skopje on May 17, 2018, thus carrying out one of the activities defined by the Multiannual Action Plan for Establishing the Regional Economic Area for the Western Balkans countries. The Summit reiterated the Western Balkan countries' commitment to build the digital future, which includes the digital connectivity, trust and security, digital skills and competences and digitalization of the society and the economy.

In the context of implementation of the Multiannual Action Plan for Establishing of the Regional Economic Area, in addition to two summits, in 2018 national coordinators meetings were held on January 30, 2018 and October 9, 2018 as well as two coordinators meetings of the MAP subarea on March 12, 2018 and May 15, 2018. At these meetings, the representatives of the countries of the region discussed the progress made in implementation of the MAP and the future activities and the timeframe for their implementation.

In October 2018, Western Balkans countries signed the Joint Action Plan on Counter-Terrorism for the Western Balkans, which envisaged harmonization of the legal and the institutional framework of

Western Balkan countries with the adequate EU instruments in this field, more intensive cooperation in the prevention and fight against terrorism and building capacities for combating money laundering and financing of terrorism.

During 2018, Bosnia and Herzegovina, together with Serbia, Croatia and Montenegro, took part in the Joint Regional Program in Durable Solutions for Refugees and Displaced Persons, known as the Regional Housing Program. In the context of this joint multiannual program, the goal is to provide durable housing solutions to approximately 27.000 displaced families in the region.

In 2018, regional multi-country program was under preparation "Strengthening of Central Bank Institutional Capacity in the Western Balkans with a view to Integrate into the European System of Central Banks", as part of the macro program - "Improving Economic Governance and Competitiveness". Financial support was secured from the EU IPA II.

In the area of Territorial cooperation, in February 2018, CoM of BiH adopted a Decision on Identification of Functions, Structures and Bodies of BiH responsible for implementing the territorial cooperation programs under the Instrument for Pre-Accession Assistance (IPA II) 2014-2020 (Official Gazette of BiH, no. 14/18 and 20/19). The adopted Decision specified the functions, structures and bodies in BiH and their competencies in implementation of the territorial cooperation programs.

Throughout 2018, Bosnia and Herzegovina has participated in the Cross-border cooperation projects that promote good neighbourly relations and through joint projects encourage the socio-economic development of border areas, particularly by increasing employment, mobility of labour, SMEs development and enhancement of public infrastructure.

Bosnia and Herzegovina participated in three bilateral cross-border cooperation programs with Croatia, Serbia and Montenegro as well as in three transnational programs: Danube, Mediterranean (MED) and Adriatic-Ionian (ADRION).

Territorial cooperation programs are implemented through public calls for proposals that are periodically published. During 2018, four calls were announced under IPA Cross-Border Cooperation Program BiH-Montenegro, Interreg IPA trilateral Croatia-BiH-Montenegro Cross-Border Cooperation Program, ADRION and MED Program.

In the Cross-Border Cooperation Programs implemented among IPA beneficiary countries, the European Commission Technical Assistance Project CBIB (Cross-Border Institution Building) was available to the competent institutions in all countries in the region, which is currently in its third phase that will last until the end of December 2021.

### Future activities

Regional cooperation is the key condition for the European perspective of the countries in the region still affected by the consequences of tragic conflicts. Reconciliation is of crucial importance for the region stability on the path to the EU association. In this context, it is necessary to:

- continue strengthening regional cooperation and good neighbourly relations;
- continue to implement the activities defined in the Multiannual Action Plan for Establishing of the Western Balkan Regional Economic Area (MAP);

- continue activities to harmonize legislation with the EU regulations;
- adopt countrywide strategies in areas relevant to the EU regional policy and ensure effective coordination of the cross-border, transnational and interregional cooperation programs, which is a significant step in the preparation of the regional development strategies;
- strengthen the administrative capacity in terms of programming, implementation, monitoring and evaluation of the European Union funds;
- implement the Strategy for Western Balkans which was published by the European Commission in February 2018.



<b>DCF members active in the sector in 2018</b>	The World Bank, Switzerland, UN, EU, Czech Republic, UK/DFID, USA/USAID, Slovenia
<b>Total allocation/disbursement to the sector in 2018 by DCF members</b>	<p>Total allocated €18.84 million – out of which €5.59 million in a form of grants and €13.25 million in a form of loans.</p> <p>Total disbursed €18.68 million – out of which €5.42 million in a form of grants and €13.25 million in a form of loans.</p> <p>Out of total ODA in 2018, 3% was allocated and 4% was disbursed in the sector.</p>
<b>Legal framework and sector strategies adopted in 2018</b>	Legal framework and sector strategies adopted in 2018 are presented for each individual sector within this Report.
<b>Coordination with and among development partners</b>	<b>Development partners active in the sector and BiH Institutions from all levels of government regularly attended Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.</b>

### Investments of DCF members in 2018

Cross – cutting sector replaced the so called Temporary sector, defined for projects which DCF members were not able to classify within the sectors existing in the PIMIS/DMD database.

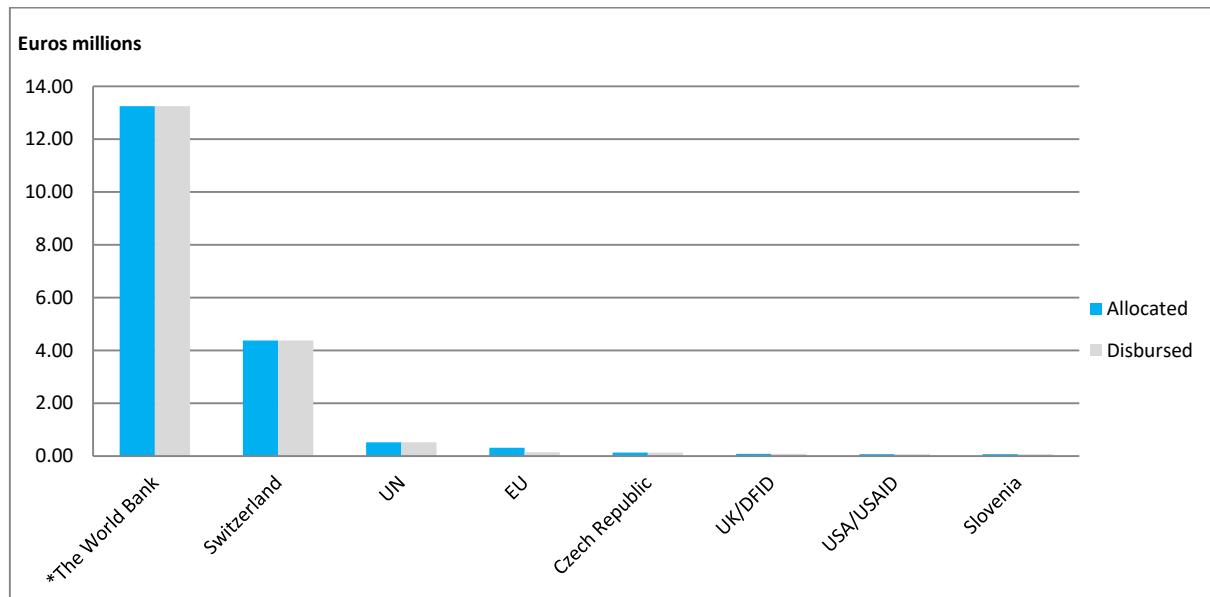
DCF members active in the Cross-cutting sector in 2018 are The World Bank, Switzerland, UN, EU, Czech Republic, UK/DFID, USA/USAID and Slovenia.

Total allocations of DCF members to Sector in 2018 amounted to €18.84 million, out of which € 5.59 million in the form of grants and € 13.25 million in the form of loans.

Total disbursements of DCF members to the Sector in 2018 amounted to €18.68 million, out of which €5.42 million in the form of grants and €13.25 million in the form of loans.

Figure 10.1. compares grants allocated and disbursed grant funds and loans according to the amount of invested funds of each individual development partner. Leading creditor who allocated i.e. disbursed largest amount of loan funds is The World Bank. Development partner who allocated i.e. disbursed largest amount of grant funds in 2018 is Switzerland.

**Figure 10.1. Allocated and disbursed grant funds per development partners in 2018**



\*Note: The World Bank, loan

Ten major projects in the sector that allocated or disbursed funds in 2018, are listed below:

PROJECT TITLE	Development partner	Total Project Value (Euros millions)
Flood Emergency Recovery Project	The World Bank	71.56
Floods - Drina Flood Protection Project	The World Bank	34.35
Real Estate Registration Project	The World Bank	24.60
Flood Recovery Housing Intervention in RS	UN	6.90
Reducing Health Risk Factors in Bosnia and Herzegovina	Switzerland	5.95
Mental Health Project in Bosnia and Herzegovina, Phase 2	Switzerland	5.13
Mental Health Project in BiH	Switzerland	4.69
Strengthening Nursing in BiH	Switzerland	4.40
Global Credit Cooperation	Switzerland	4.00
Support to more effective Mine Action and Strengthening of National Mine Action Capacities in BiH	Switzerland	2.20

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

<http://dmd.donormapping.ba/dmd/faces/dmdPublicStart>



Croatia

Czech Republic

France

Germany

Hungary

**Italy / Italian Agency for Development Cooperation (AICS)**

Japan

**The Embassy of the Kingdom of the Netherlands**

**The Royal Norwegian Ministry of Foreign Affairs**

Slovenia

**Sweden/Swedish International Development Cooperation Agency (Sida)**

Switzerland

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

**United Kingdom / DFID**

**European Bank for Reconstruction and Development (EBRD)**

**European Union (EU)**

**European Investment Bank (EIB)**

**United Nations (UN)**

**The World Bank**

**International Finance Corporation in Bosnia and Herzegovina (IFC)**





## Croatia

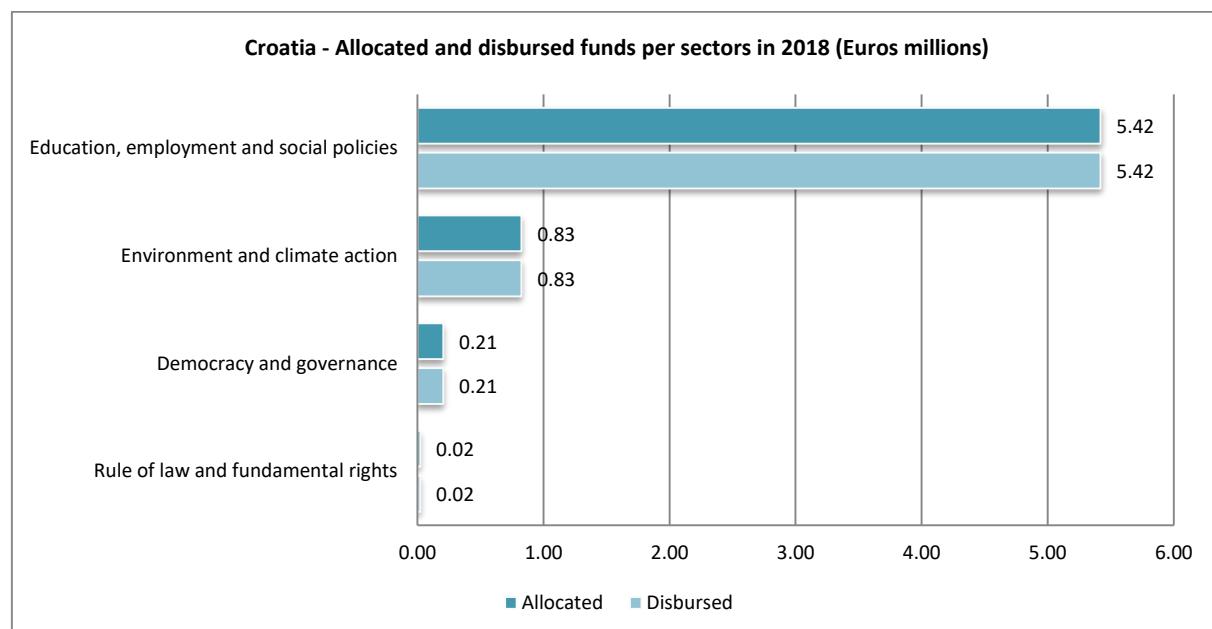
### Policy approach

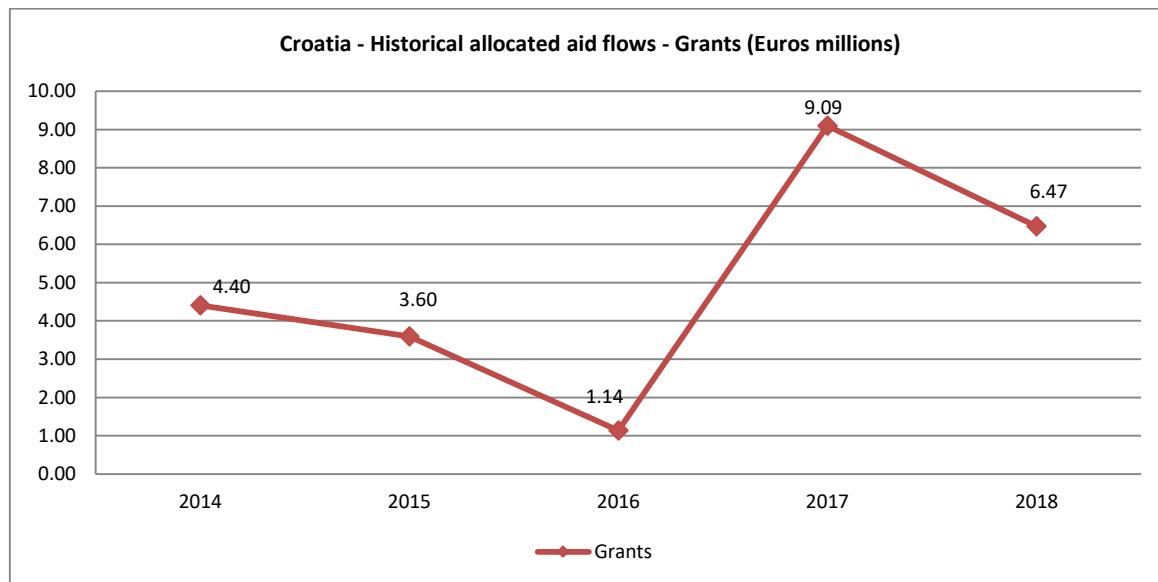
National Strategy for Development Cooperation of the Republic of Croatia for the term 2017 - 2021, defines Bosnia and Herzegovina as one of its priority countries, while Education, employment and social policies falls under the sectorial priorities of Croatia's development assistance. Ministry of Foreign and European Affairs serves as a national coordinating body for development cooperation and humanitarian assistance abroad. Croatia will continue to streamline its development assistance to Bosnia and Herzegovina based on the National Strategy priorities.

### Key activities in 2018

The Government of Croatia **allocated € 6.47 million and disbursed € 6.47 million in 2018 in the form of grant** to the following sectors: Education, employment and social policies, Environment and climate action, Democracy and governance and Rule of law and fundamental rights.

The increase in the overall amount is based on the strengthened reporting mechanism in the Republic of Croatia, including through the CRS (Creditor Reporting System) Report for 2017, which was submitted to the OECD DAC for the first time in November 2018. The CRS report enhances Croatia's profile as development partner globally, including in Bosnia and Herzegovina.





### Medium and long-term approach

Based on the National Strategy sectorial priorities, Croatia will continue financing projects in the field of education, health, culture and post-conflict reconstruction and relief, in particular in the field of housing and veterans resocialization, psychosocial support and employment. Our aim is to continue the policy of consolidation by reducing the number of projects and enlarging the existing ones.

### Development partners coordination efforts

N/A

### Contact information:

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## Czech Republic

### Policy approach

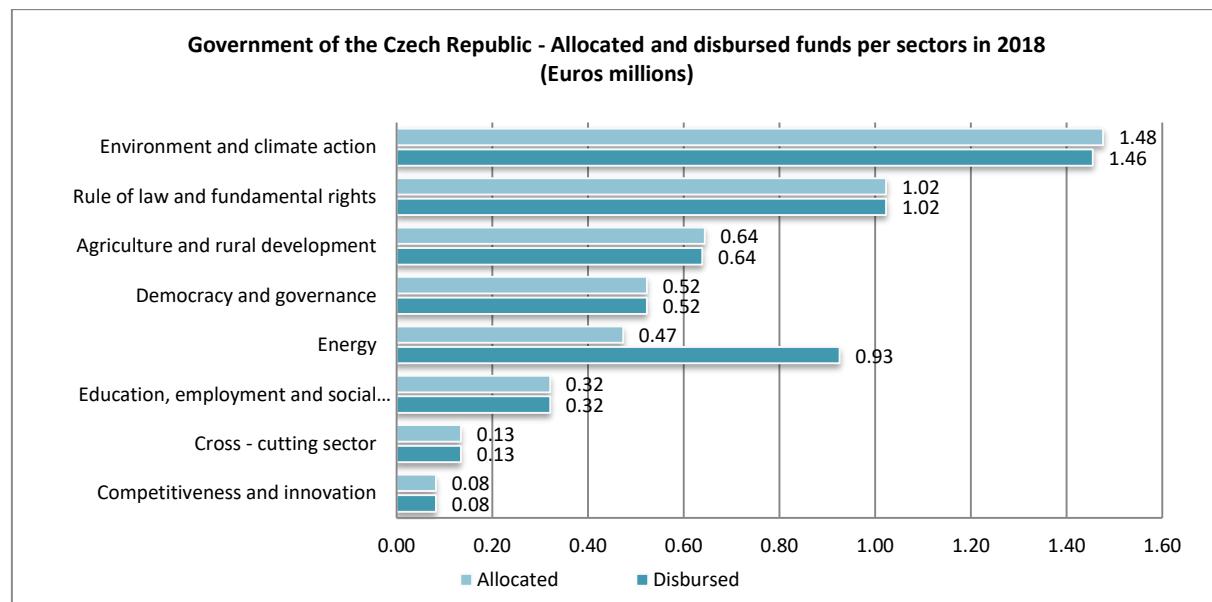
Bosnia and Herzegovina has been among the long-term priorities of the Czech Republic and as such, has been included within the Development Cooperation Strategy of the Czech Republic 2006 – 2010, 2011-2017 among programme priority countries for development cooperation. Current Development Cooperation Programme of the Czech Republic with Bosnia and Herzegovina, 2018 - 2023, defines the following priority sectors:

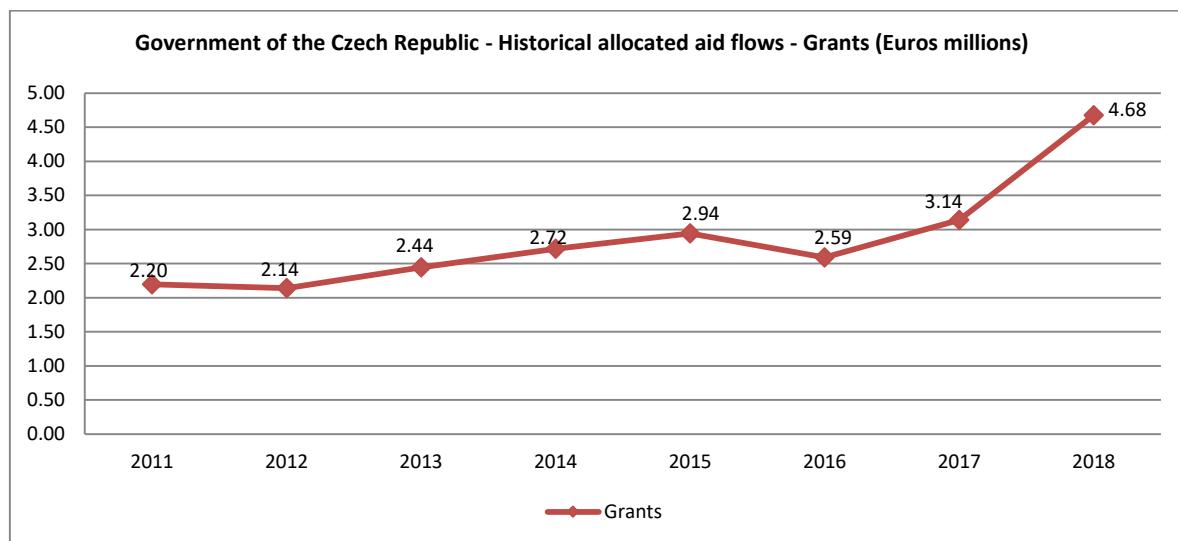
- I. Economic growth with focus on increasing the share of renewable energy generation in areas with optimum conditions
- II. Sustainable management of natural resources, with focus on improving the protection, use and development of water sources, water quality and access to quality drinking water, eliminating pollution and improving wastewater management including systematic measures
- III. Good democratic governance, with focus on building efficient, accountable and transparent institutions at all levels of public administration

Strong and transparent institutions have a key role to play in the process of transition to democratic and pluralist society. The added value of Czech development assistance in BiH lies mainly in the Czech Republic's own experience of transition and integration into Euro-Atlantic structures.

### Key activities in 2018

The Government of the Czech Republic **allocated € 4.68 million and disbursed € 5.10 million in 2018 in the form of grant** to the following sectors: Environment and climate action, Rule of law and fundamental rights, Agriculture and rural development, Democracy and governance, Energy, Education, employment and social policies, Cross - cutting sector and Competitiveness and innovation.





### Medium and long-term approach

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 scale local projects**, which allow small and targeted development activities - unlike 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.

**Transformation cooperation**, 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 B-H counterparts.

**Local transition project**, which allow small and targeted development activities in the field of transformation and human rights.

**The Jiri Dienstbier Journalism Fellowship** is a joint program of the Ministry of Foreign Affairs of the Czech Republic and RFE/RL, funded by the Ministry. Launched in 2014, it is inspired by Jiri Dienstbier Sr.'s contributions to the fields of journalism, foreign policy, and human rights, and intended to further RFE/RL's legacy of promoting more just and open societies through journalism.

**Scholarship programme**, offers several scholarship programs for B-H 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.

**Other instruments:** Temporary Expert Assignment; program B2B (Programme for the Private Sector); Placement of Czech Teachers for Development Countries; Trilateral Development cooperation, Program on Security Cooperation of the Ministry of the Interior, Aid For Trade of Czech Ministry of Industry and Trade, Humanitarian aid, Support of the Czech Rep. in the field of demining through ITF.

### **Development partners coordination efforts**

Apart from the DCF chaired by the BiH Ministry of Finance and Treasury, the Czech Republic takes part in the informal development partners coordination meeting organized by UN, and EU coordination meetings organized by Delegation of the EU in Sarajevo. Sectoral development partners coordination meetings in the field of agriculture (organized by the BiH Ministry of Foreign Trade and Economic Relations), biomass (organized by UNDP), health development partners coordination organized by Swiss embassy, UNDP coordination on local governance.

### **Contact information:**

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## France

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### 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 these activities are financed with a large support of the European Union (including TAIEX), some others are financed directly by French government and French local collectivities.

### Medium and long-term approach

The Government of France will continue to finance projects in the field of education and linguistic cooperation, and to support civil society and institutions.

### Development partners coordination efforts

The Government of France representatives are participating in all development partners coordination efforts, including sector working groups such as friends of the National Museum, EUNIC, etc.

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## Germany

### Policy approach

Germany is committed to assist BiH on its long path towards the EU, to overcome its various obstacles and to support taking the steps spelled out in BiH Reform Agenda. Building on decades of economic co-operation, this today particularly requires an overall focus on fostering private investment schemes and adapting its business climate accordingly. Foremost, this is BiH development into a functioning market economy with private investments and a stable macro-economic outlook, efficient administrative and governmental structures, the alignment of its related legal system with the EU acquis and the overcoming of the aftermath of war.

For this purpose, the German government has provided and will provide bilateral development assistance to BiH directly and through several implementing agencies and non-governmental organizations. The most prominent are: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and KfW Entwicklungsbank (Development Bank). Projects are also implemented through political foundations and other German institutions represented in BiH. The Embassy oversees and co-ordinates these efforts and implements some funds directly.

### Socio-Economic Priorities – Private Sector Development

Ongoing programs implemented by GIZ build, *inter alia*, capacities in the BiH public and private sector for strengthening competitiveness of small and medium enterprises and their specific sectors, particularly in metal and wood processing and tourism sectors. In addition, we promote innovation based on digitization in SMEs. In order to improve employability, the VET (vocational education and training) project introduces important elements of Germany's dual VET system so that vocational education will better respond to the needs of the labor market.

KfW Development Bank provides concessional loans to local banks and microfinance institutions for onlending to micro, small and medium-sized enterprises in BiH.

### Focus Sector Energy

The Energy Sector in BiH stands out as one of the most promising sectors for economic investment and growth, as much as for a core need of service for the public to be fully secured in BiH and to further pursue an environmentally healthy and climate change sensitive path.

In the area of renewable energy, activities have focused on German governmental support for the rehabilitation of existing and construction of new hydro-electric power plants and the introduction of new renewable energy technologies (wind energy). Various large-size projects of KfW Development Bank in RS and the Federation BiH with a total financing volume of up to € 400 million are in different phases of implementation. These projects of German Financial Cooperation are most importantly related to hydropower and wind power generation. A project on renewable energy is implemented by GIZ since end of 2015. The objective of this project is to improve the framework conditions for the increased use of renewable energies in BiH. The project cooperates with all relevant partners at entity as well as state level.

In the area of energy efficiency, the ongoing GIZ supported project aims at capacity development essential to fulfilling requirements of Energy Community, monitoring and data management, legislative framework and its implementation, implementation of energy efficiency measures at

municipal, cantonal and entity level and in close coordination with MoFTER. KfW Development Bank signed in 2018 a loan agreement for EUR 15 million with Raiffeisenbank BiH for the promotion of energy efficiency in residential buildings. In addition, KfW is currently preparing an energy efficiency program for public buildings.

### Environment

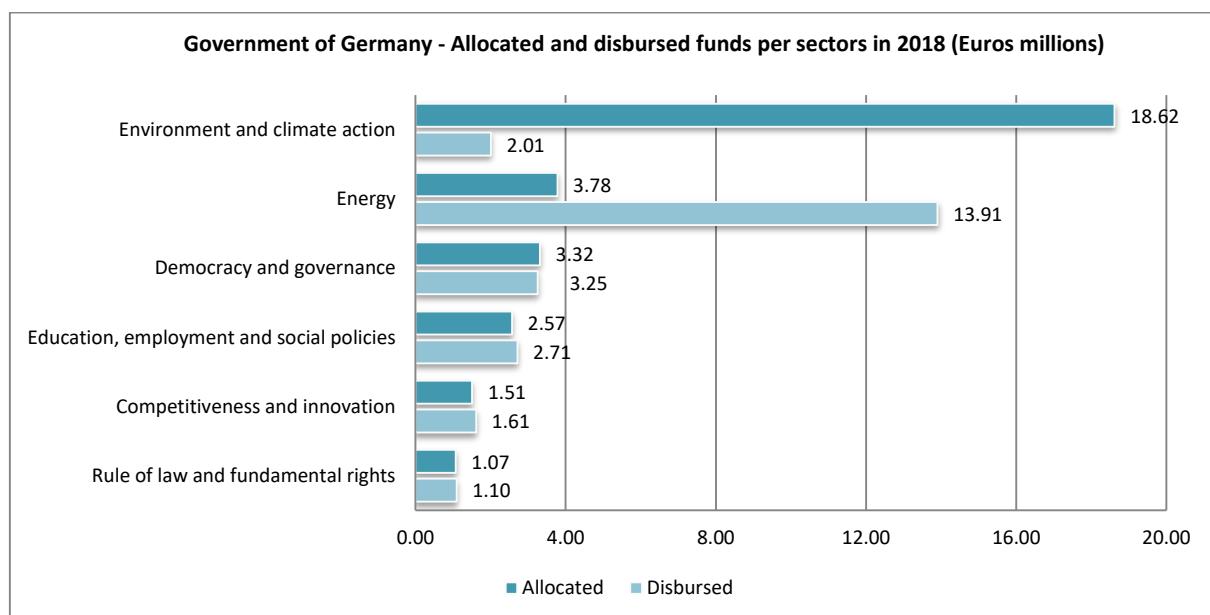
KfW Development Bank has an ongoing portfolio in this sector with grant-financed programmes to improve water supply and wastewater disposal in the cities of Zenica and Tuzla. In 2017, a grant agreement amounting to EUR 13.5 million was signed for the construction of a new wastewater treatment plant in Zenica. A further project for the construction of a wastewater treatment plant in Gradiška is under preparation.

### Public Administration Reform and Rule of Law Affairs

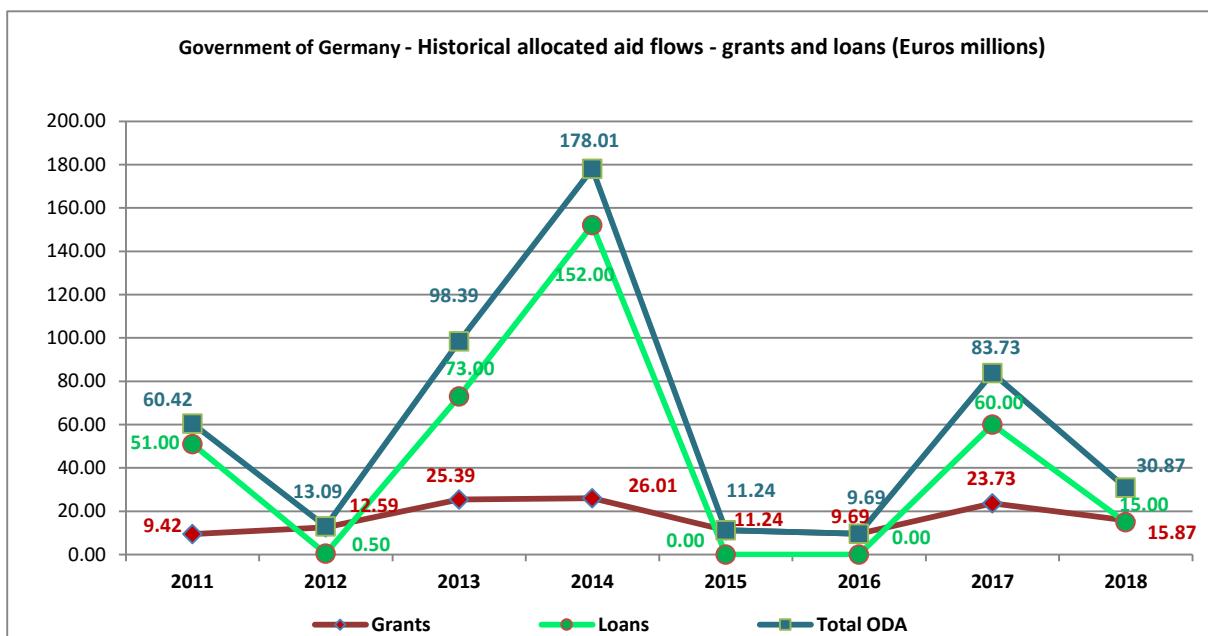
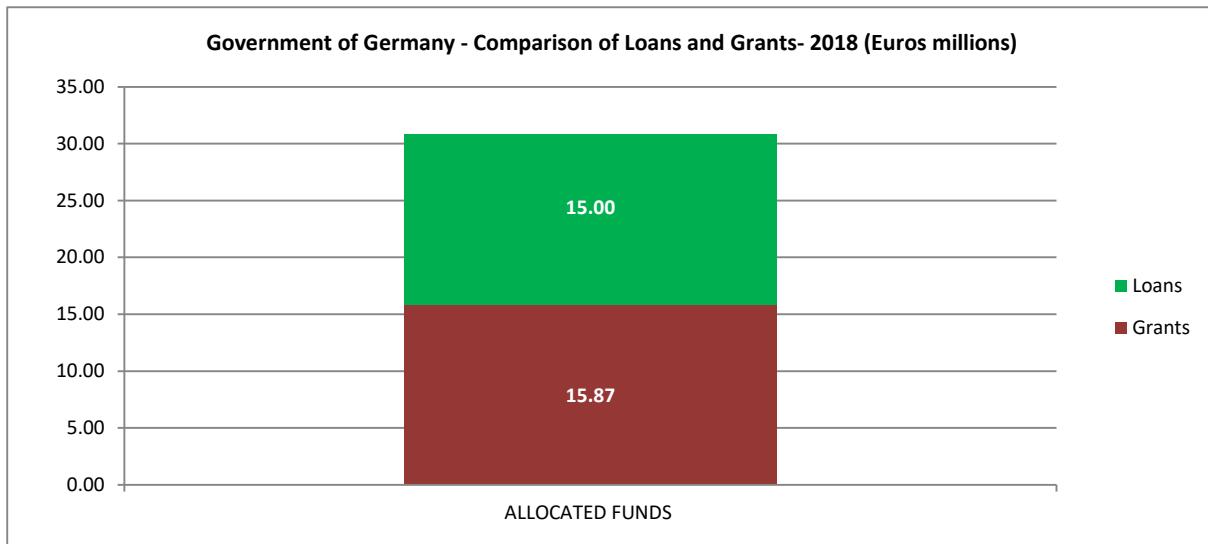
The German engagement with Bosnia and Herzegovina in Public Administration Reform tackles the pertinent issue of improving service delivery of public administration, also needed to allow for investment and growth of the private sector.

### Key activities in 2018

The Government of Germany **allocated € 30.87<sup>5</sup> million and disbursed €24.60 million in 2018 in the form of grant and loan** to the following sectors: Environment and climate action, Energy, Democracy and governance, Education, employment and social policies, Competitiveness and innovation and Rule of law and fundamental rights.



<sup>5</sup> German Development Bank KfW reports allocations by year of signing of loan or financing agreement



### Medium and long-term approach

In the context of the Berlin Process and Bosnia and Herzegovina's EU perspective, Germany will continue its path from a traditional donor to a stronger facilitator of investments and rely on enhancing Bosnia and Herzegovina's largest bilateral trade volume of currently about € 1.7 billion per annum and various forms of private investments. This would require mutual efforts in developing markets and adjusting the institutional setting.

Against this background, the German government will continue its commitment for technical and financial co-operation, primarily under the headers of (1) local economic and private sector development with (2) energy efficiency and renewable energy and (3) further sectors of business development according to developments on the BiH side, as well as (4) democracy and public administration, especially including (5) the rule of law. In all projects regional cooperation will remain an important aspect of German cooperation.

## Development partners coordination efforts

Coordination among development partners and investors is overseen by the German Embassy and eventually assigned to specialized agencies such as GIZ and KfW Development Bank. Aside regular participation in the Development Partners Coordination Forum, they also coordinate among EU Member States (Aid Coordination Meeting organized by the EU-Delegation).

KfW Development Bank, in all three active sectors of bilateral German Financial Cooperation (renewable energy and energy efficiency, municipal infrastructure and SME/microfinance), coordinates with BiH partners at State, Entity and Municipal levels and with other relevant development partners agencies. GIZ participates in several sector coordination groups with those development partners and implementing agencies that have interventions in the sector (local governance, energy efficiency and renewable energy group, agricultural sector group with MoFTER, Public Administration Reform with PARCO).

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## 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.

### Medium and long-term approach

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.
- Hungary would like to seek to finance initiatives, which supports the stability, the reconciliation and the peaceful co-existence in Bosnia and Herzegovina.

### Development partners coordination efforts

Hungary is involved in coordination of development partners through its embassies in the partner countries and as an EU member state, Hungary is particularly engaged in EU coordination both in Brussels and in the partner countries.

The Government of Hungary is targeting an increased participation in Twinning and TAIEX programs.

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## Italy / Italian Agency for Development Cooperation (AICS)

### Policy approach

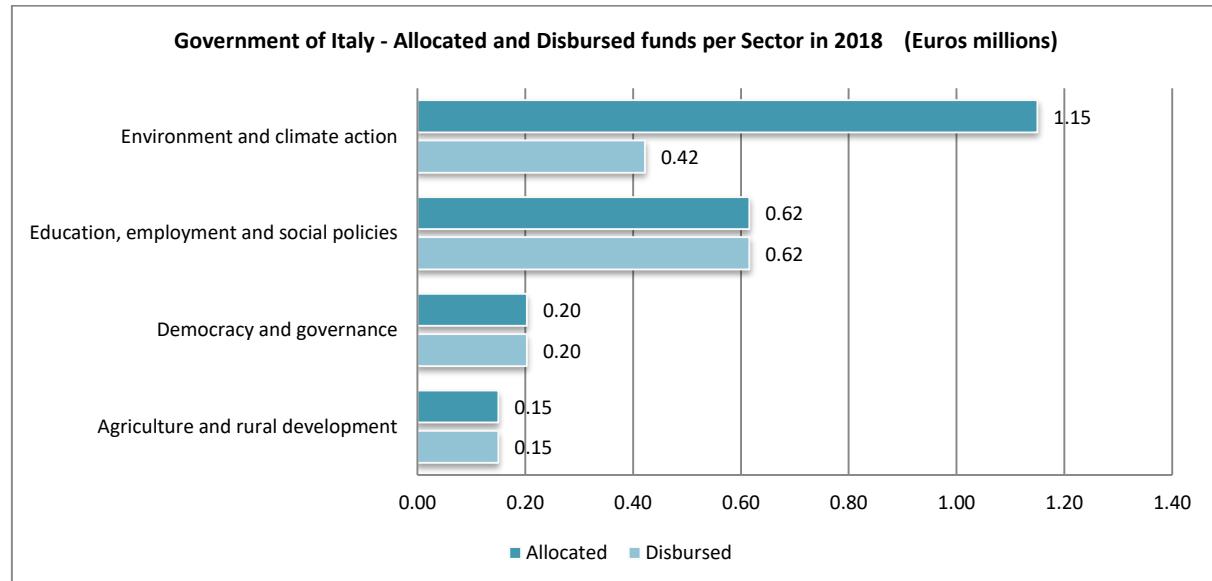
The Italian Agency for Development Cooperation (AICS) office in Sarajevo, contributes to the inclusive and sustainable growth of the country and its European integration path. It is therefore part of the institutional reforms that the B-H government is called upon to put in place for the continuation of EU accession negotiations and for the adoption of the *acquis communautaire*, as lately confirmed in the Annex 1 of the "Instrument for Pre-accession Assistance (IPAII), Indicative strategy paper for Bosnia and Herzegovina (2014-2020) - revised 2017 version.

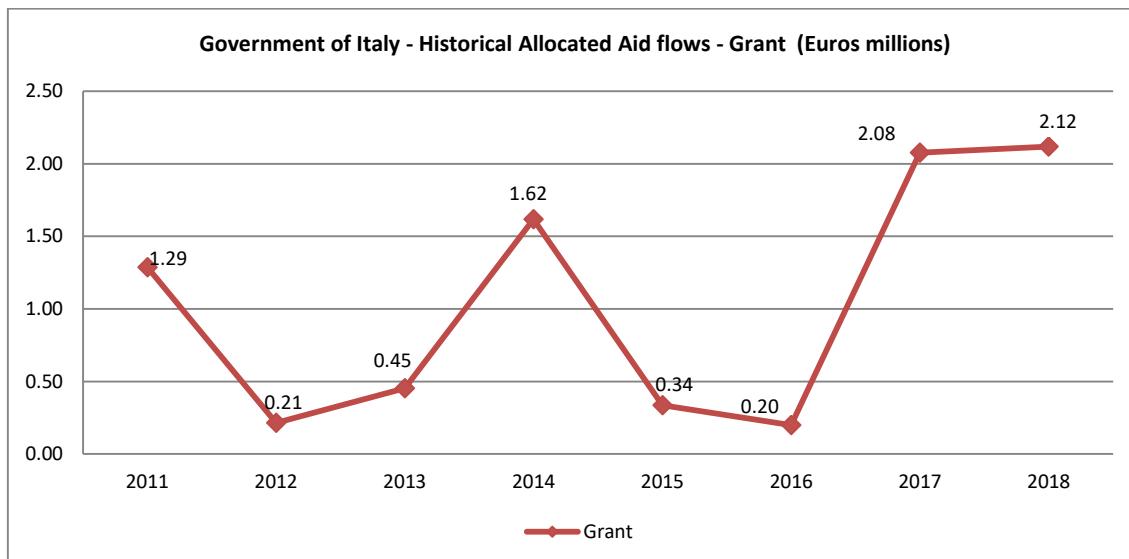
Priorities areas of intervention of AICS in Bosnia Herzegovina are: Environment and Local Development, Agriculture and Food Safety, Civil Protection, Education and Human Rights.

The initiatives of the Bosnia Herzegovina country program are carried out in in bilateral, multilateral, direct management and promoted by civil society organizations, for a total amount of approximately 4,5 million euros for the period 2018-2020.

### Key activities in 2018

The Government of Italy **allocated € 2.12 million and disbursed € 1.39 million in 2018 in the form of grant** to the following sectors: Environment and climate action, Education, employment and social policies, Democracy and governance and Agriculture and rural development.





### Medium and long-term approach

AICS will keep on focusing and expanding its activities in the field of environment and sustainable development by supporting ongoing initiatives as well developing new ones aiming at enhancing the preservation and management of national parks and protected areas of B&H. AICS will also keep an important focus on social inclusion, reconciliation and human rights, while engaging more vigorously in the Phytosanitary and food safety sectors.

### ENVIRONMENT AND LOCAL DEVELOPMENT

Ongoing projects are: 'VIA DINARICA – 'A Platform for Sustainable Tourism Development and Local Economic Growth' implemented by UNDP: the project contributes to improved livelihoods and local economic growth, particularly for rural communities along its three trails.

BioSvi -Biodiversity for local development- Innovative model of participatory governance of the Protected Landscape Konjuh in Bosnia Herzegovina, implemented by the NGO CISP, which supports protection and management of protected landscapes trough the development of cross-institutional, participative and cross-sectoral management plans, exchange of know-how, experiences as well as good practices between partners from Italy and relevant stakeholders from Bosnia and Herzegovina.

### AGRICULTURE AND FOOD SAFETY

AICS in Bosnia Herzegovina supports the phytosanitary system towards the aquis alignment and implementation of policy measures in the phytosanitary sector, prioritizing the fields of plant health, plant protection products and, food safety controls. Activities carried within the framework on the initiative 'New Actions to support the Phytosanitary Sector in Bosnia Herzegovina for the Adaptation to European Standards' aim also at consolidating the technical, specialist and organizational skills of the B&H institutes responsible for phytosanitary analysis through the support in the accreditation process of laboratory methods, adaptation and supply of laboratory equipment and capacity development of the assigned personnel.

## EDUCATION AND HUMAN RIGHTS

The support to programs focusing on human rights promotion and protection represents one of the priorities of the Italian cooperation in Bosnia Herzegovina since years.

Two ongoing initiative in this sector are particularly relevant: the European Regional Master in Democracy and Human Rights in South East Europe (ERMA): an academic initiative that began in 2003 and has since been co-financed by the Italian Cooperation and the EU. Currently the ERMA program is in its 17th year of implementation; the Master focuses on human rights protection and democratization processes in south-eastern Europe. The other initiative, Inclusion4All -Inclusive education for all children in Bosnia and Herzegovina-, is implemented by the NGO Save the Children and aims at enabling children with disabilities to develop their potentials and fully enjoy their right to education and social inclusion.

## CIVIL PROTECTION

AICS in Bosnia Herzegovina has been funding the project IDRM -Interlink Disaster Risk Management in Bosnia Herzegovina- implemented by UNDP to develop disaster response strategic capacity assessment and roadmap, to improve the entity civil protection legislative framework and to advance the local level disaster risk management through risk assessment and implementation of strategic DRR actions and measures in selected municipalities. The project has been offering the opportunity to avail the support of the Italian Civil Protection for exchange of good practices and for technical support to the revision of the B&H entities civil protection legislations.

### Development partners coordination efforts

AICS has been taking part to the Agriculture Coordination Meetings and to the Disaster Risk Management International Coordination Meetings.

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## Japan

### Policy approach

According to Japan's Country Development Cooperation Policy for Bosnia and Herzegovina (revised in July, 2017), the basic policy of Japanese ODA for Bosnia and Herzegovina consists of 2 points: Assistance for Social Stabilization and Economic Development. Japan supports the stability and sustainable economic growth of Bosnia and Herzegovina, mainly in such areas where Japan's high technology and rich knowledge can be utilized and also supports its efforts to join the EU.

According to the Country Development Cooperation Policy for BiH, priority areas are as follows:

#### (1) Peace Consolidation and Ethnic Reconciliation

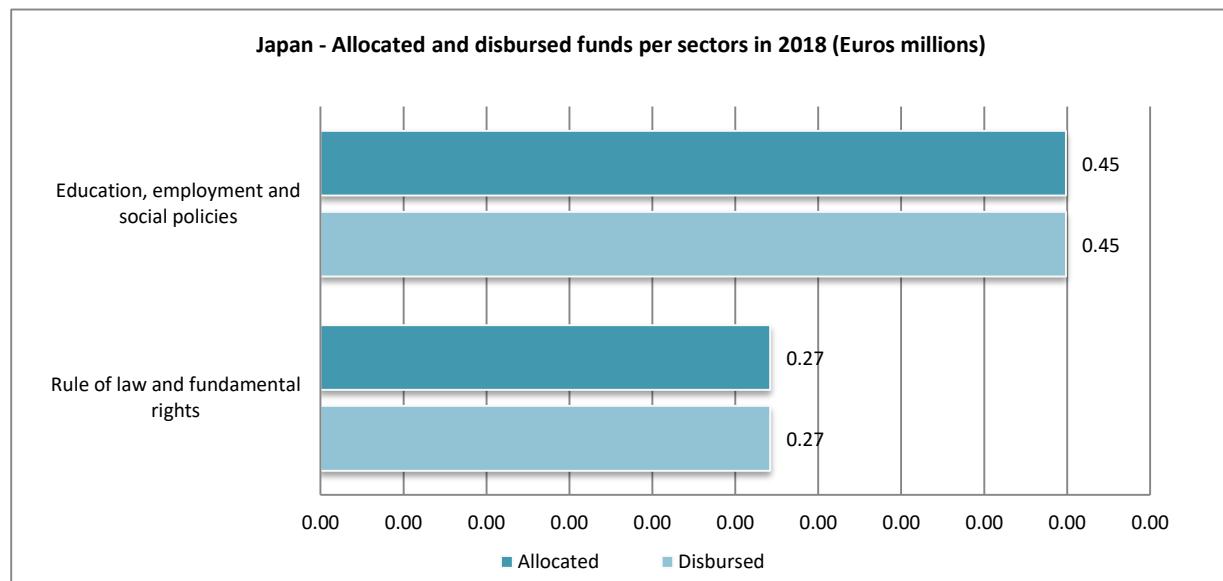
Japan provides support in the fields such as ethnic reconciliation, improvement of health, sanitation and educational services, removal of land mines and unexploded ordnances, in order to contribute to the consolidation of peace.

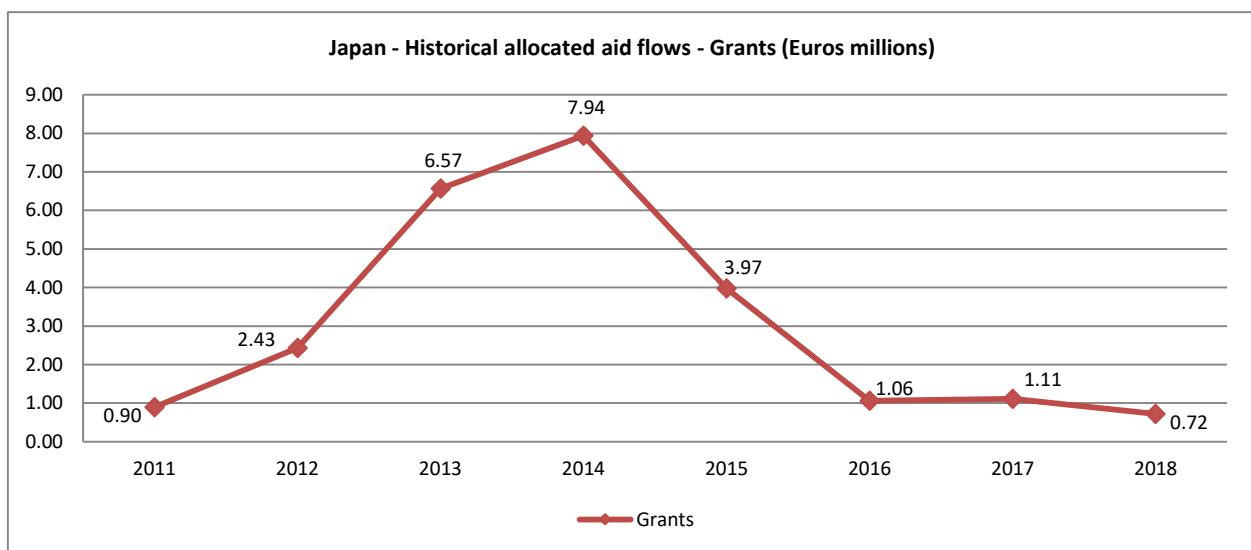
#### (2) Environmentally Friendly and Sustainable Economic Development

In order to make full use of rich nature of Bosnia and Herzegovina and to make economic growth achieved after the war sustainable, Japan utilizes its excellent technologies and knowledge as much as possible and also supports mainly the fields of environmental conservation, tourism promotion and the development of small and medium enterprises.

### Key activities in 2018

The Government of Japan **allocated € 0.72 million and disbursed € 0.72 million in 2018 in the form of grant** to the following sectors: Education, employment and social policies and Rule of law and fundamental rights.





### Medium and long-term approach

As medium and long-term approach, Japan supports the following sectors:

#### Education

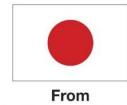
From 1997 to 2018, the Government of Japan granted EUR 28,731,498 in total under four types of schemes; General Grant Aid, Grant Assistance for Grassroots Human Security Projects (GAGP), Grant Assistance for Cultural Grassroots Projects (GACGP) and Technical Cooperation. Under General Grant Aid, GAGP and GACGP projects, altogether 97 primary schools and other institutions have been supported for constructing, reconstructing and rehabilitating their school buildings, classrooms, sports halls and laboratories, equipping school furniture and providing heating systems. Under the Technical Cooperation projects, more than 110 high schools and other institutions have been granted for informatics curriculum modernization, improving IT Education or technical equipment and so on.

#### Health

From 1997 to 2018, the Government of Japan granted EUR 82,839,507 in total under three types of schemes; General Grant Aid, Grant Assistance for Grassroots Human Security Projects (GAGP) and Non-Project Grant Aid. Altogether 168 Hospitals and Health Care Centres have been supported for reconstructing of buildings, providing medical equipment, ambulance vehicles and improving medical services.

#### Demining

From 1997 to 2018, the Government of Japan granted at least EUR 9,577,122 in total for demining under three types of schemes; General Grant Aid, Grant Assistance for Grassroots Human Security Projects (GAGP) and Technical Cooperation. Under these schemes, altogether 26 demining projects have been supported for provision of demining equipment, demining work, raising mine awareness and mine risk education, for 31 recipients, including cantons, municipalities & cities and demining organizations.



## Environment

In May 2017, construction of the flue gas desulphurization (FGD) plant started at Ugljevik Thermal Power Plant. This project is funded by Japanese ODA loan (E/N was signed in 2009) amounting up to 12 billion YEN 633.00 m (approx. KM 200.00 m). The construction will be completed by the end of 2019. The FGD is expected to reduce drastically sulphur dioxide that pollute the air and will also contribute to the protection of environment in BiH and improving the health condition of nearby residents.

The Government of Japan granted 500.00 m Japanese Yen (approx. KM 7.20 m) to BiH Government for purchasing 120 Japanese next generation vehicles (40 clean-diesel and 80 hybrid vehicles). These vehicles were delivered to 120 social and welfare institutions in the Federation of BiH, RS and Brcko District.

## Consolidation of Peace/Ethnic Reconciliation

In November 2016, JICA (Japan International Cooperation Agency) started a technical cooperation project in Mostar for confidence building through physical education. This project consists of two components: to support Agency for Preschool, Primary and Secondary Education of BiH (APOSO) with formulating the common core curriculum for physical education, and to support sports association plan and activities for the promotion of the interaction of different ethnic groups.

## Development of the Private Sector

In September 2017, JICA started a technical cooperation project "The Project on Establishment and Promotion of Mentoring Service for Small and Medium Enterprises in the Western Balkans (Phase 2)" to improve mentor services of SME assistance organizations in Bosnia and Herzegovina, Serbia, Montenegro and Macedonia.

JICA also has been offering and implementing training courses in Japan for BiH officials.

## Disaster Risk Reduction/Disaster Management

JICA has been offering and implementing training courses in Japan for BiH officials. In 2016, JICA started "Disaster Management and Response Training" for 4 years term. This program aims to enhance the capacity on disaster risk management focusing on activities for preparedness and response stages in the disaster risk reduction management cycle based on lessons and learnings to be obtained in Japan. The training course has been coordinated by the Ministry of Security of Bosnia I Herzegovina.

## **Development partners coordination efforts**

Japan participates in work at the meetings of the following groups:

Informal group for coordination of development partners

Development partners meeting of the Mine Action Board (UNDP and BiH Ministry of Civil Affairs)

Group for coordination of development partners in Education

Group for coordination of development partners in Health

UN Program - Disaster Risk Reduction Group



From  
the People of Japan

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## The Embassy of the Kingdom of the Netherlands

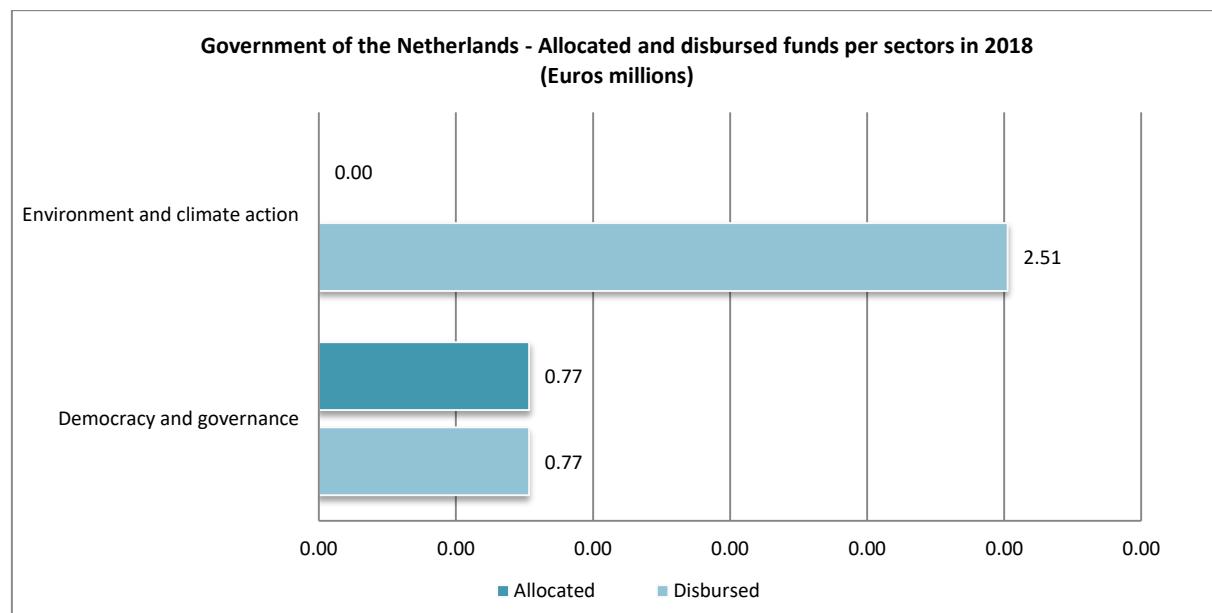
### Policy approach

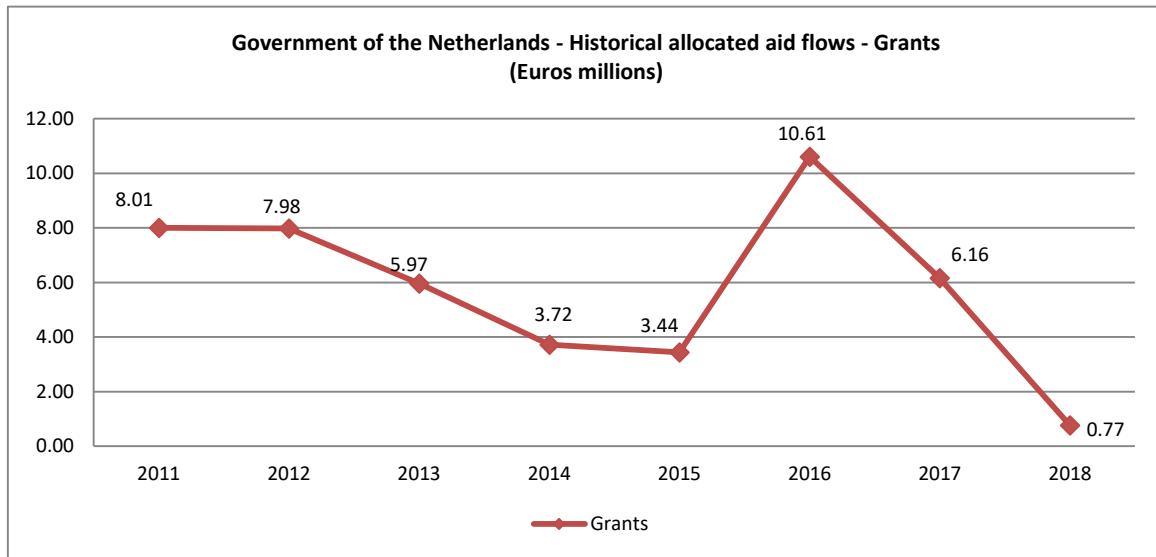
Bosnia and Herzegovina was one of the 36 partner countries worldwide that the Netherlands had a substantive bilateral development cooperation programme with.

By the end of 2011 bilateral development assistance for Bosnia and Herzegovina has phased-out and transformed from more traditional development relationship into a relationship geared towards EU accession: the creation of sustainable, transparent and accountable governance structures in line with criteria prescribed by the EU accession process. This new relationship comes with its own instruments, such as the MATRA programme. Its objective is to contribute to social transformation, leading to a sustainable relationship between government and the citizens in the areas of plural democracy, the rule of law, free media and human rights, using Dutch experience where possible.

### Key activities in 2018

The Government of the Netherlands **allocated € 0.77 and disbursed € 3.28 in 2018 in the form of grants** to the following sectors: Democracy and governance and Environment and climate action.





### Medium and long-term approach

The Embassy will continue supporting Bosnia and Herzegovina's EU pre-accession process with the emphasis on the development of democracies governed by the Rule of Law.

### Development partners coordination efforts

Besides participating in DCF, the Embassy has a good cooperation with other development partners active in the sectors of common interest.

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## The Royal Norwegian Ministry of Foreign Affairs

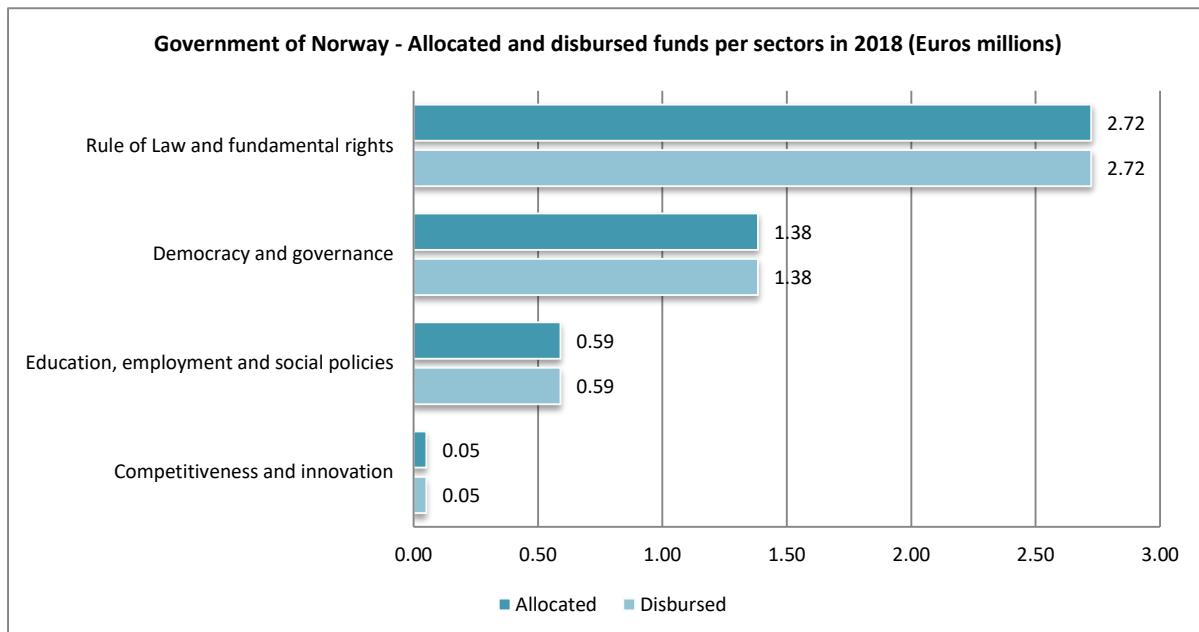
### Policy approach

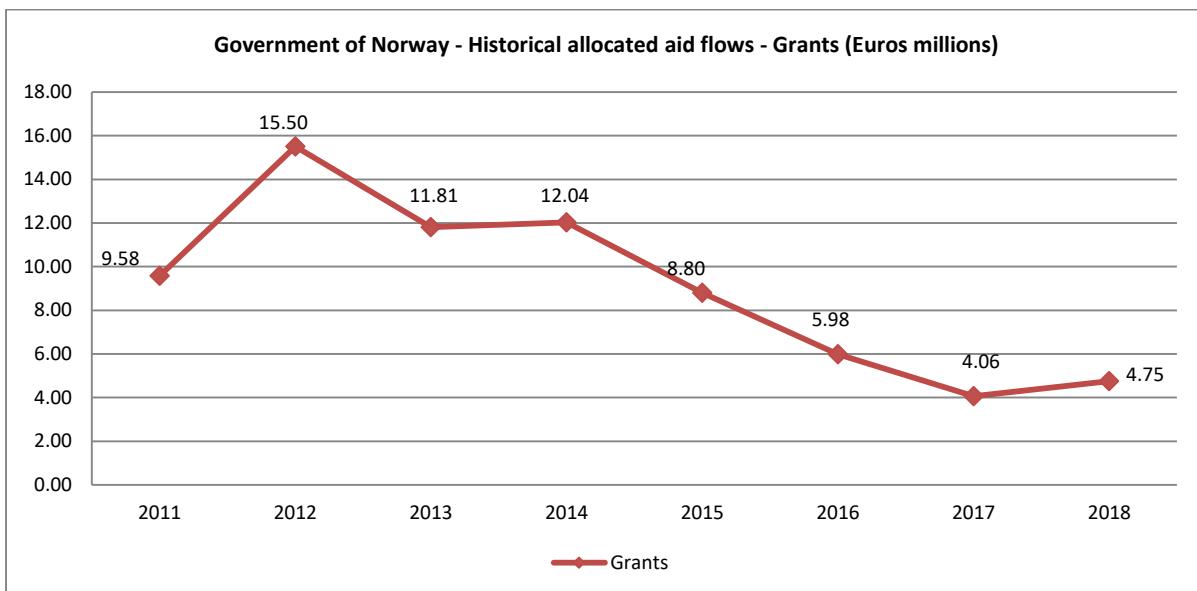
Much of Norwegian development cooperation internationally involves long-term assistance in the form of grants. Norwegian long-term development cooperation in general emphasizes both bilateral assistance, channelled directly to the governments of partner countries, and multilateral assistance, which is 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.

### Key activities in 2018

The Government of Norway **allocated € 4.75 million and disbursed € 4.75 million in 2018 in the form of grant** to the following sectors: Rule of law and fundamental rights, Democracy and governance, Education, employment and social policies and Competitiveness and innovation.





### Medium and long-term approach

We expect to continue with the current initiatives within the following priority areas:

- Good governance, including justice and security sector reform
- Human rights, peace and reconciliation
- Economic development
- Strengthening civil society

### Development partners coordination efforts

Embassy of Norway participates in Working groups on Gender Equality and Women Empowerment, Judiciary and Security.

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## Slovenia

### Policy approach

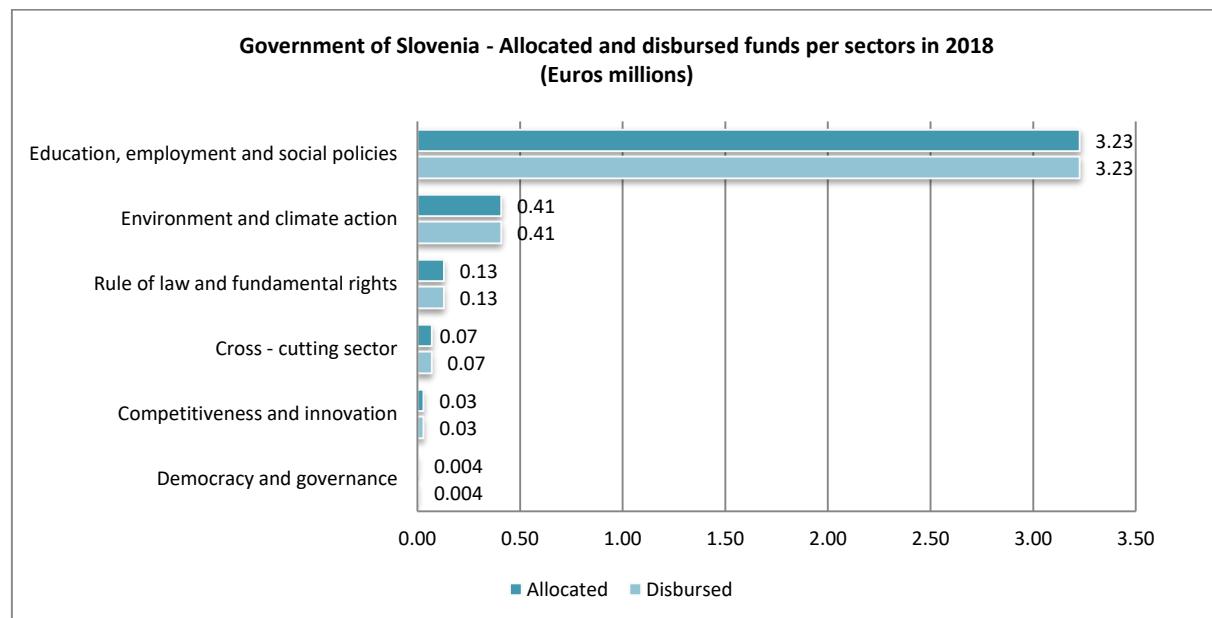
The new Development Cooperation and Humanitarian Aid Strategy of the Republic of Slovenia until 2030 defines into more detail the goals and principles, geographic and thematic focus of future Slovenian development co-operation, humanitarian aid, strategic orientation towards international organisations, institutional set-up for effective development co-operation, partnerships, awareness-raising and plans for results-management. It confirms sustained efforts and continued presence of Slovenia in the Western Balkan countries in the near future.

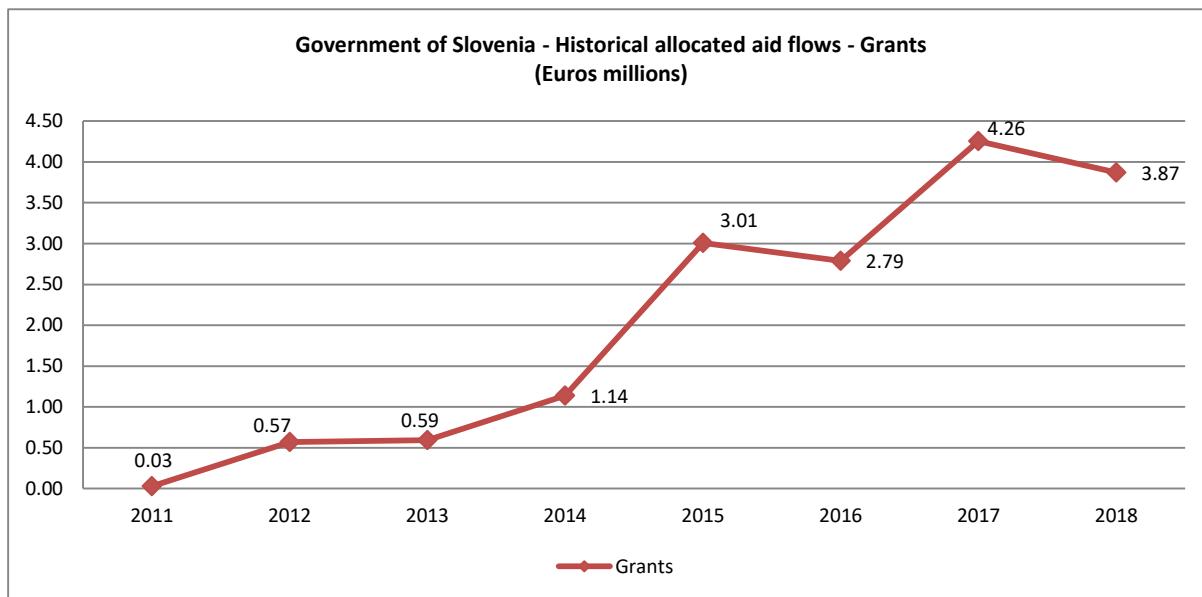
The Framework Programme of Development Cooperation and Humanitarian Aid of the Republic of Slovenia for the period 2016 and 2019 operationalizes planned activities, which in the case of BiH include the following sectors: Education, employment and social policies, Environment and climate action, Competitiveness and innovation, Rule of law and fundamental rights, Cross - cutting sector (demining) and Democracy and governance.

The priority areas of bilateral development cooperation are listed in the Agreement on development cooperation between the Government of the Republic of Slovenia and the CoM of Bosnia and Herzegovina, which will be revised upon recently concluded reform of development cooperation system in Slovenia.

### Key activities in 2018

The Government of Slovenia **allocated € 3.87 million and disbursed € 3.87 million in 2018 in the form of grant** to the following sectors: Education, employment and social policies, Environment and climate action, Rule of law and fundamental rights, Cross - cutting sector, Competitiveness and innovation and Democracy and governance.





### Medium and long-term approach

In the medium term Slovenia will continue to offer its support to Bosnia and Herzegovina in more or less the same sectors as in the previous period, where Slovenia has comparative advantage. Slovenia will focus on strengthening the rule of law and good governance, particularly in the context of EU integration, employment and decent work agenda, especially for women, and on environmental protection, with an emphasis on sustainable water management, as well as on mitigation and adaptation to climate change.

Slovenia will also support projects fostering respect of human rights with an emphasis on women empowerment and on strengthening of the role of young people in the society (teacher-training programmes to work with children with special needs, school and peer mediation, promotion of entrepreneurship among young people and their regional cooperation). Slovenia will also continue to support projects in the field of mine action. Slovenia can also provide support in improving the technical expertise of civil servants, especially on the harmonisation of legislation with the EU *acquis*. In line with the effectiveness principle of ownership, we remain open to receive proposals for cooperation from Bosnia and Herzegovina.

In line with the Protocol between the Government of the Republic of Slovenia and the CoM of Bosnia and Herzegovina on Cooperation in the Field of Education (Official Gazette of the Republic of Slovenia – International Agreements, No. 6/14), and the rising interest of students from Bosnia and Herzegovina to study in Slovenia, this field will foreseeably continue to play an important part of the development co-operation.

## Development partners coordination efforts

Slovenia participates in meetings of development partners in different formats. Slovenia does not participate in sector working groups but has bilateral contacts with other development partners agencies where necessary.

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## Sweden/Swedish International Development Cooperation Agency (Sida)

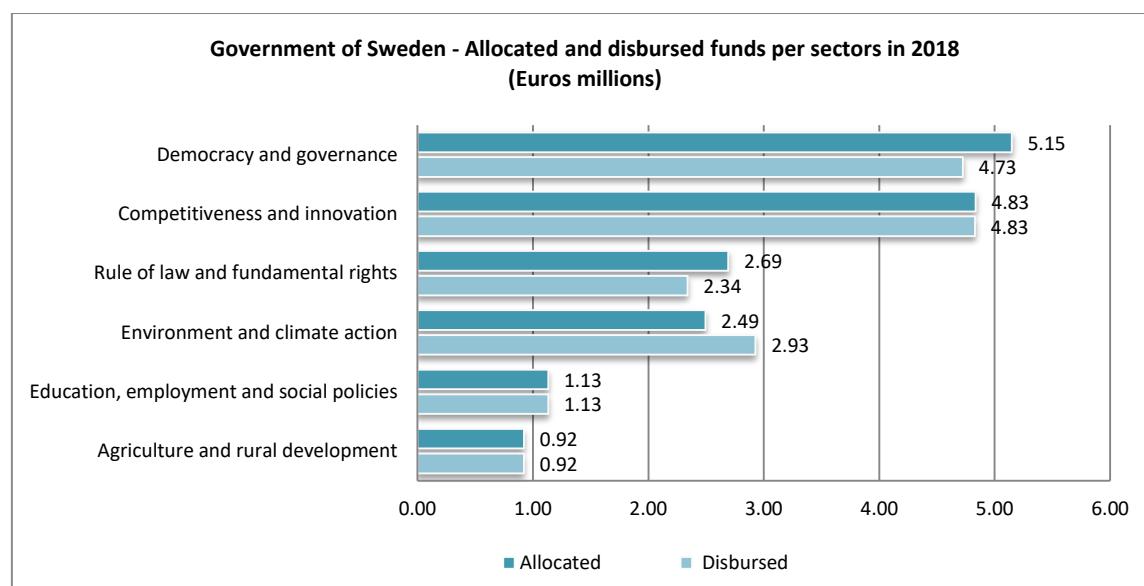
### Policy approach

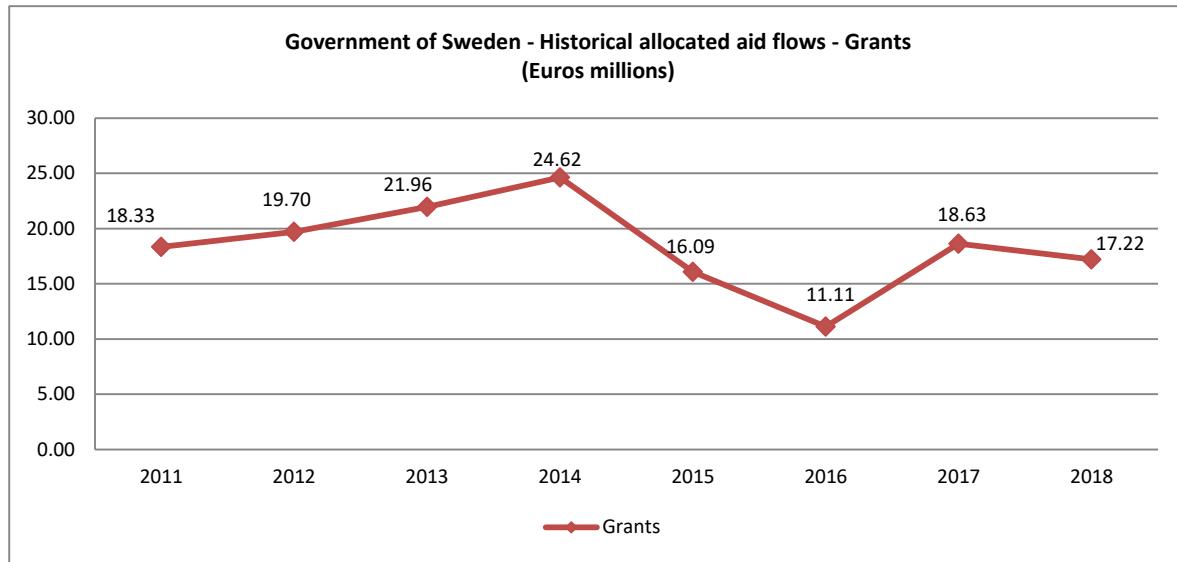
The Swedish Development Cooperation with Bosnia and Herzegovina is guided by a result strategy for Swedens reform cooperation with the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia. The strategy covers 2014-2020. (<https://www.swedenabroad.se/en/about-sweden-non-swedish-citizens/bosnia-and-herzegovina/development-and-aid/>)

Sweden is committed to a long-term responsibility for these countries development into a free and democratic market economy. The Swedish support focuses on enabling sustainable democratic development and focus on the public administration and judicial reforms, democracy, human rights, civil society, economic integration, environment and energy. This support is to be carried out in cooperation with, or as an addition to, the efforts made by the EU within the frame of the European Neighborhood Instrument (ENI) and the Instrument for Pre-Accession Assistance (IPA). The basis of the Swedish fund distribution is the EU's reports of the partner countries individual, EU, accession progress as well as the embassies evaluation.

### Key activities in 2018

The Government of Sweden allocated **€ 17.22 million and disbursed € 16.88 million in 2018 in the form of grant** to the following sectors: Democracy and Governance, Competitiveness and innovation, Rule of Law and Fundamental Rights, Environment and climate action, Education, employment and social policies, Agriculture and rural development.





### Medium and long-term approach

In the aforementioned Results Strategy it is stated that engagements in the Western Balkans are expected to contribute to three main areas.

The first area contributes to increased economic integration with the EU and economic development. This includes strengthening the administrative capacity of institutions and the competitiveness of small and medium-sized enterprises.

The second area focuses upon the strengthening of democracy, including increased respect for human rights and a more developed judiciary system. In this area there are several integral parts e.g. initiatives that strengthen the local government and bring decisions closer to the people, supporting actions that increase the capacity and sustainability of the civil society, the prosecution of war crimes, and the contribution towards transparent and democratic institutions. Another important aspect is contributing to the strengthening of the rights, recognition and respect for minorities, vulnerable children and LGBT persons. Another important task for the Swedish support is to contribute towards raising awareness of, and strengthening gender equality.

The third, and final, area where support in the Western Balkans is expected to make a contribution is that of environmental improvement and decreased climate impact. This area is also expected to contribute to a stronger resistance against environmental impacts and climate change. Here the support can contribute to innovative and cost-efficient initiatives to integrate environmental issues into the overall policy. The actions for sustainable social services can, and should, be complemented by actions that promote increased economic, social and ecologically sustainable management of natural resources.

### Development partners coordination efforts

The Government of Sweden participates in most coordination initiatives of development partners i.e. in the area of Agriculture and development partners' forums (Local Governance, Anti-corruption,

Rule of Law, PAR, EU Councillors) and other relevant sector meetings. The Government of Sweden fully supports all initiatives to coordinate development partners interventions and prevent overlapping activities.

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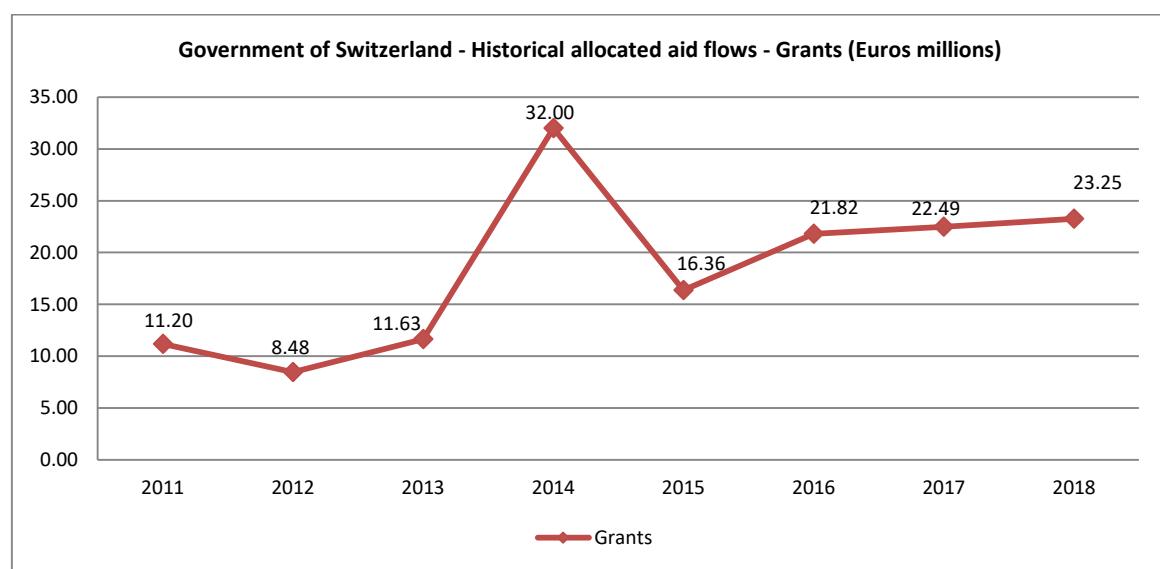
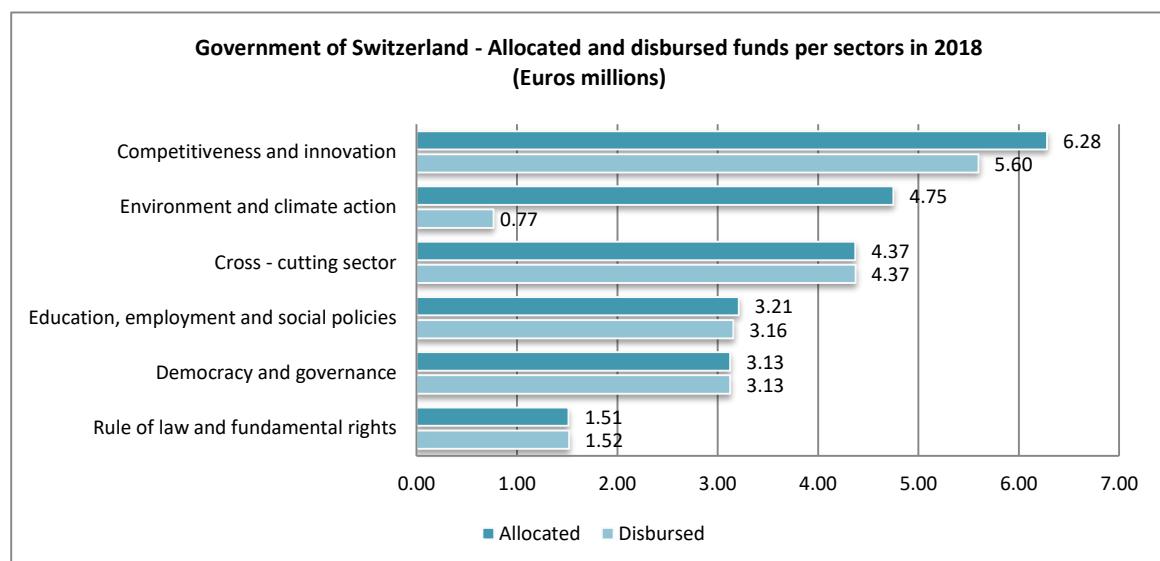
## Switzerland

### Policy approach

The Government of Switzerland provides its support to reforms in Bosnia and Herzegovina within the framework of the Swiss Cooperation Strategy BiH 2017-2020. A particular focus is given to support the establishment of supportive normative frameworks at all institutional levels and quality services to citizens, responsive to their needs, particularly of the most vulnerable and excluded population.

### Key activities in 2018

The Government of Switzerland **allocated € 23.25 million and disbursed € 18.54 million in 2018 in the form of grant** to the following sectors: Competitiveness and innovation, Environment and climate action, Cross - cutting sector, Education, employment and social policies, Democracy and governance and Rule of law and fundamental rights.



## Medium and long-term approach

In the democracy and governance sector, the Swiss program supports the establishment of strategic development planning systems in BiH and the introduction of innovative planning and management methodologies at the municipal level. Support is provided for the improvement of the local administrations' performance, access to services for citizens, including for socially excluded groups, and more citizens' participation in relevant decision-making processes. Mechanisms for inclusive access to water services are also being established. Particular focus is at ensuring gender equality and social inclusion in all interventions.

In the environment and climate action sector, Switzerland together with KfW supports the rehabilitation of water supply and sanitation systems in the towns of Tuzla and Zenica and prepares to support the construction of the new facilities for wastewater treatment in Gradiska.

In the Sector of rule of law and fundamental rights, support is provided to the High Judiciary and Prosecutor Council of BiH with an aim to raise efficiency, effectiveness and accountability of the judiciary and increase access to justice for all citizens. Access to justice for children is specially targeted through the establishment of a functional and sustainable institutional set up in BiH's Juvenile Justice System. Support to the State authorities in BiH is provided for further improving the management of regular and irregular migration. Finally, the support is provided to development of efficient mechanisms for cooperation with diaspora, provision of better services for diaspora at different levels and business to business cooperation and know-how transfer with diaspora.

In the field of employment, interventions address new and better employment opportunities by creating a favorable economic environment for businesses with the engagement of public and private sector, including the Diaspora. Swiss Youth Employment Portfolio continues to work on the three major aspects around the labor market (skills gap, connection gap, jobs gap) aiming at creating decent and sustainable jobs for young people. The development of social enterprises and support to self-employment of youth and their engagement in local community projects is also continued.

In the competitiveness and innovation sector, Switzerland works through the International Financial Institutions and other partners on creating better regulatory frameworks on national and entity levels for private sector growth and better export opportunities, as result of more transparent and efficient public financial management schemes. Support is provided to debt restructuring and efficient insolvency procedures creating opportunities to indebted companies to save jobs and remain in the market. Business support organizations are assisted in developing efficient and client oriented export promotion services. Counselling services provided by municipalities to over-indebted citizens are also supported, increasing financial literacy of the population. Switzerland also supports innovations through improving entrepreneurial eco systems and supporting business start-ups.

In the cross-cutting sector, support is provided to the health sector reforms and strengthening of primary healthcare. Focus is put on health promotion, changing the population's health-related behaviour, and on cost-containments of the health system. The role of local communities in creating

health-promoting environment is being strengthened. Successfully developed community nursing models are rolled out to other parts of the country. Support to improved community-based mental health services is continued, as well as to quality education of nurses and services provided by nurses. Support is also provided to the strengthening of national mine action capacities and to demining in nine communities. Small-scale grants are provided for initiatives of civil society, public and private organisation, including the institutional capacity building, addressing needs of vulnerable groups (specific focus on youth and children, the elderly, Roma, people with disabilities), and promoting gender equality.

In the medium term the focus and domains of intervention of the Swiss Cooperation Program in BiH will remain the same: local governance and municipal services, economy and employment, and health. In the future, special focus will be also placed at supporting the prevention of illegal migration, climate change mitigation and anti-corruption interventions. Opportunities for cooperation with the private sector will be actively explored.

### **Development partners coordination efforts**

Government of Switzerland participates in the work of the following groups for coordination of development partners:

- Local Governance
- Gender Equality and Women Empowerment
- Justice Sector
- Prosecutorial Service
- Education Sector
- Health

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

### Policy approach

USA/USAID will increase independence, accountability, and effectiveness of the justice sector by strengthening the capacity of justice sector institutions to fight corruption and organized crime.

USAID/USA reconciliation programs will continue to help BiH citizens work across ethnic lines on important social, economic, and political issues. In order to more aggressively address the widespread corruption that permeates BiH's political system and economy, USAID's assistance programs will tackle corruption using a multi-faceted approach. USAID's programs will also improve BiH's response to victims of trafficking and promote human rights of the most marginalized persons in BiH society.

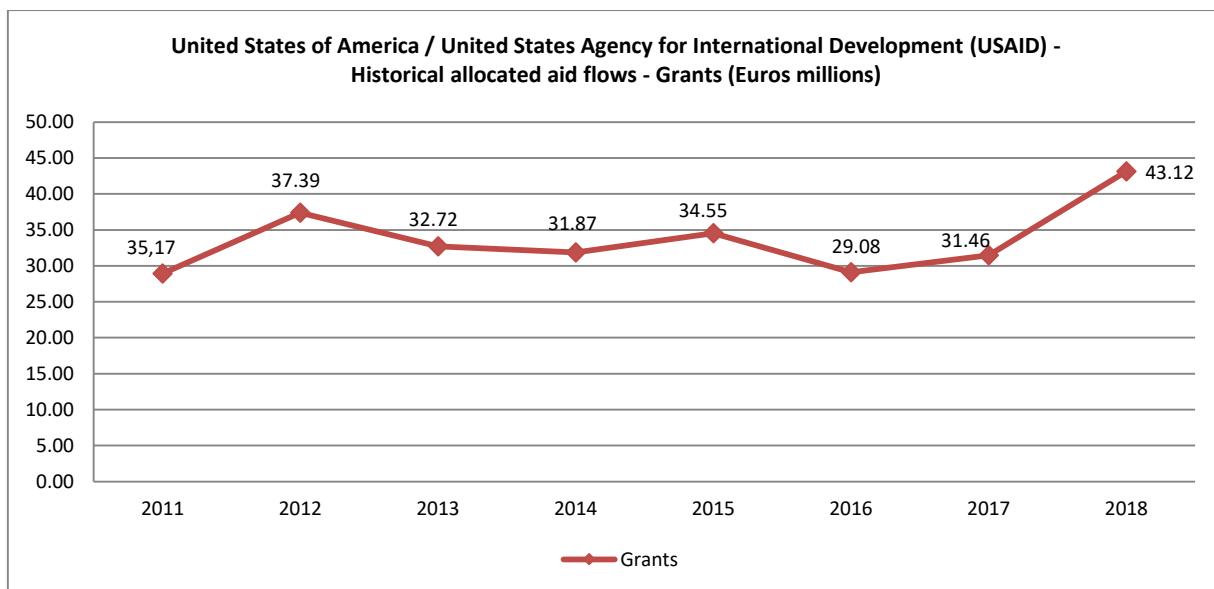
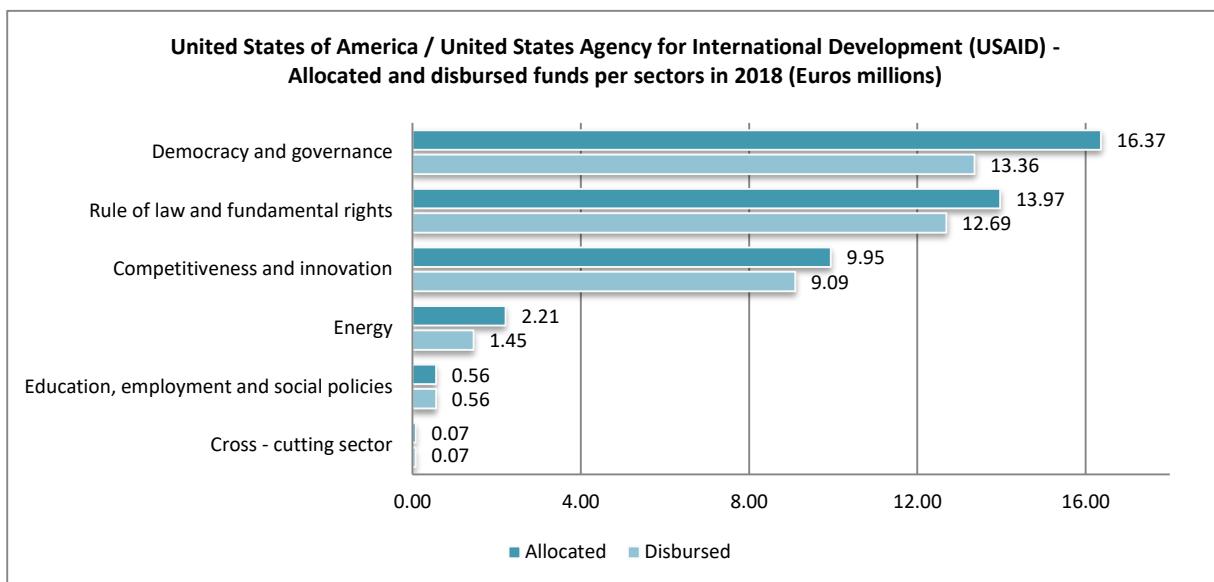
USAID/USA will help BiH government partners and public sector institutions implement policies that promote a business environment that improves competitiveness, creates jobs, and increases incomes. It will also continue to support reforms that align with EU requirements and International Monetary Fund benchmarks in order to increase BiH's financial and fiscal stability and integration with Western financial institutions. Through private sector programming, USAID will address specific issues that inhibit the growth and development of small-and medium-sized enterprises (SMEs), leading to more sustainable job growth, increased economic stability, and greater integration with Western markets.

USAID/USA assistance will enable BiH to strengthen its energy security and further integrate its energy sector with regional and European markets, consistent with Energy Community requirements.

USAID/USA education programs will help build a common vision for overall educational reforms aimed at reducing ethnic divisions and promoting tolerance and diversity.

### Key activities in 2018

United States of America/United States Agency for International Development (USA/USAID) **allocated €43.12 million and disbursed approximately €37.22 million in 2018 in the form of grants**, in the following sectors: Democracy and governance, Rule of law and fundamental rights, Competitiveness and innovation, Energy, Education, employment and social policies and 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 development partners resources. The United States and the United States Agency for International Development (USAID) will carry out assistance programs that help the country progress toward a harmonized economic space, improved rule of law, effective and transparent government institutions with a strong civil society, and a multi-ethnic, tolerant society.

## Development partners coordination efforts

USG staff participates in general coordination meetings, bilateral meetings and other forums. U.S. Mission staff will continue to participate in development partners coordination meetings and sector-specific meetings including civil society, local governance, rule of law and energy to avoid overlapping or duplication of efforts.

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#### U.S. Agency for International Development (USAID)

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## United Kingdom/Department for International Development (UK /DFID)

### Policy approach

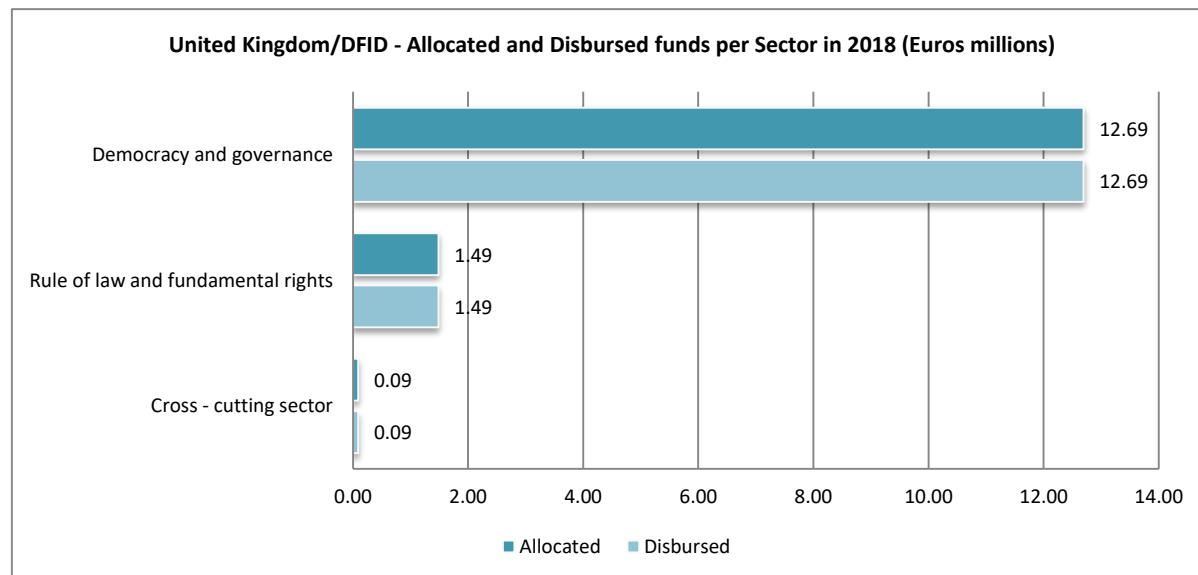
The UK is committed to Bosnia and Herzegovina's success on its Euro Atlantic path as a single, sovereign, secure and peaceful country, and promotes a range of socioeconomic and political reforms through its assistance.

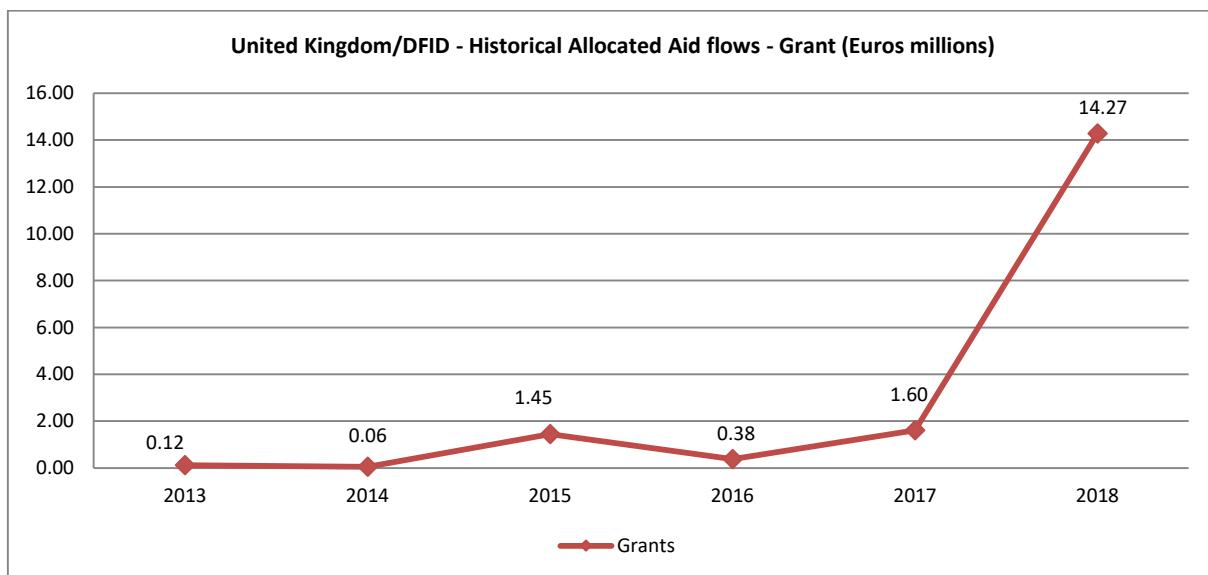
Our programming work covers a range of issues, including:

- Improving governance, transparency and democracy and reducing corruption;
- Improving the business environment;
- Supporting education through building digital and critical thinking skills in schools;
- Strengthening the effectiveness of BiH's rule of law system through supporting reforms in rule of law institutions;
- Supporting BiH to resolve the legacy of previous conflict through identifying missing persons, processing war crimes and supporting survivors;
- Helping communities and institutions in BiH prevent and counter all forms of violent extremism;
- Supporting the development of a strong and independent media in BiH;
- Strengthening BiH's defense capability.

### Key activities in 2018

The Government of the United Kingdom **allocated € 14.27 million and disbursed € 14.27 million in 2018 in the form of grant** to the following sectors: Democracy and Governance, Rule of law and fundamental rights and Cross - cutting sector.





### Medium and long-term approach

UK financial support for activities in BiH is currently delivered through the Western Balkans Conflict, Stability and Security Fund (CSSF) and within this, through the Good Governance Fund. At the Western Balkans Summit in 2018 the UK announced an increase in funding for the Western Balkans region from £41m in 2018-19 to £80m in 2020-21. The priorities within the strategy include support for governance and economic development, rule of law, democracy, media freedom and combatting serious and organized crime.

### Development partners coordination efforts

The UK attends a number of formal and informal meetings for coordination of development partners, particularly those focused on the thematic areas mentioned above.

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## European Bank for Reconstruction and Development (EBRD)

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### Policy approach

The European Bank for Reconstruction and Development is an international financial institution owned by 67 countries from five continents, as well as the European Union and the European Investment Bank. Our mission is to develop open and sustainable market economies in countries committed to, and applying, democratic principles.

The EBRD's objectives are to promote transition to market economies by investing mainly in the private sector, to mobilize significant foreign direct investment, to support privatisation, restructuring and better municipal services. 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 159 projects and cumulative business volume of €2.3 billion.

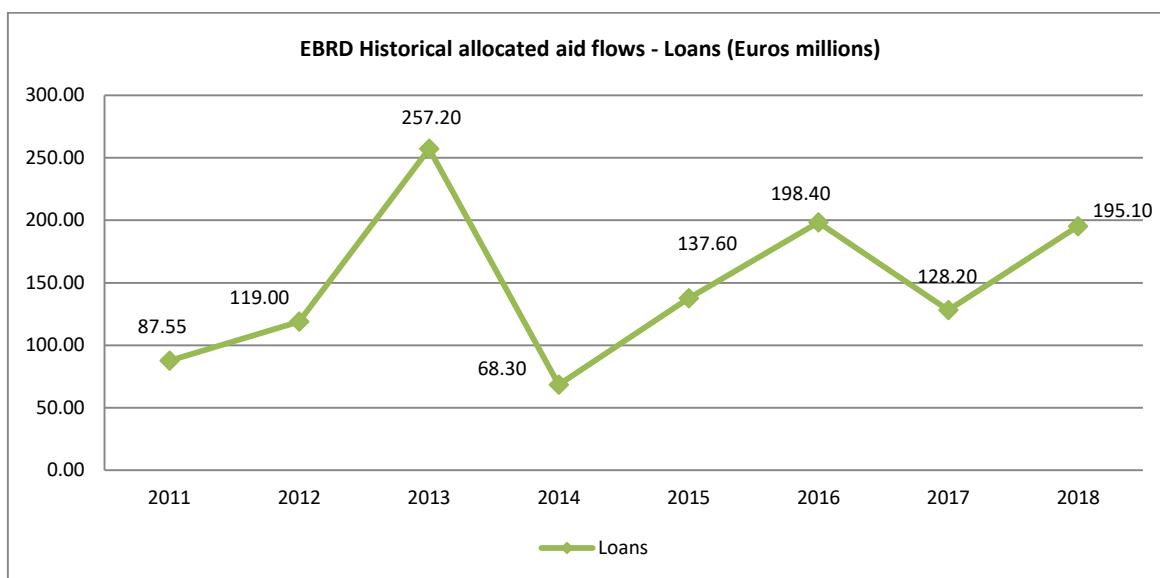
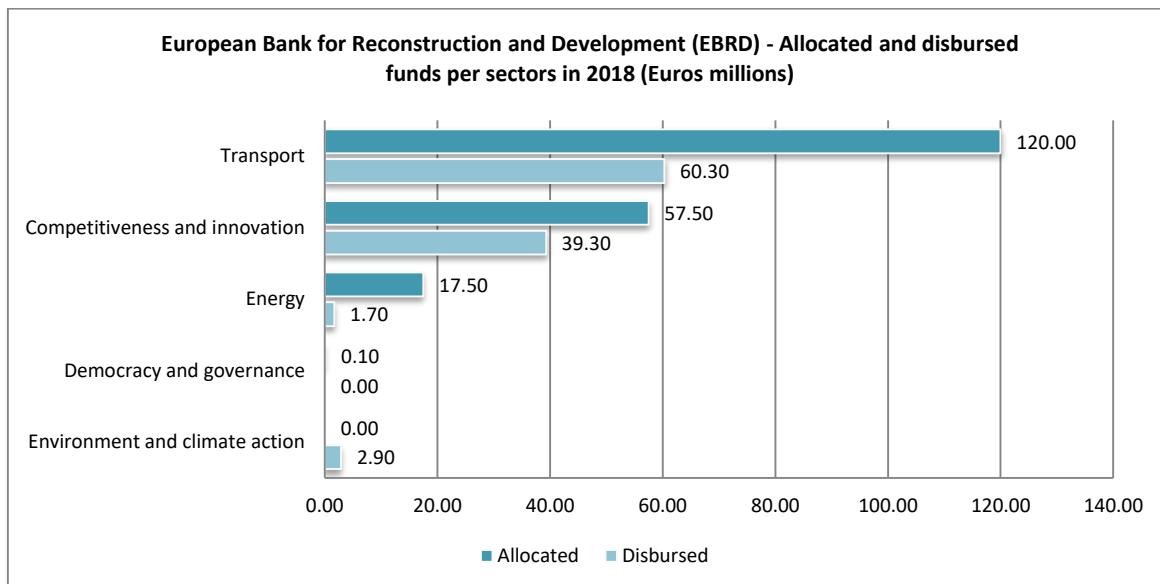
The Bank signed 15 new projects in 2018, totalling EUR 195.1 million. Three projects in the public sector included (i) financing of further new sections of Corridor Vc in the Federation of BiH in the amount of EUR 120 million; (ii) financing of ElektroBijeljina power distribution project of € 7.5 million and (iii) Energy efficiency refurbishment of Zenica Hospital in the amount of € 10.0 million.

Twelve private sector projects were signed in 2018 amounting to € 57.6 million, which included investments in local companies as well as SME and energy efficiency credit lines with local banks.

The EBRD disbursed funds in the amount of € 104.2 million to final beneficiaries in 2018.

### Key activities in 2018

European Bank for Reconstruction and Development (EBRD) **allocated €195.10 million and disbursed €104.20 million in 2018 in the form of loan** to the following sectors: Transport, Competitiveness and innovation, Energy, Democracy and governance and Environment and climate action.



## Medium and long-term approach

The new 5-year Country strategy for Bosnia and Herzegovina was approved by the EBRD Board of Directors on 5 July 2017.

The strategy sets out the following strategic priorities in Bosnia and Herzegovina in the period 2017-2022:

- Enable capacity-building and scaling up of the private sector, while promoting commercialisation of public utilities, and supporting privatisation of viable state-owned enterprises to enhance Competitiveness
- Support development of key transport and energy cross-border links with a view to promote Integration with the region while enhancing Resilience of the economy, and
- Support energy efficiency and renewable energy generation, while helping municipalities upgrade quality of services to promote Green Economy

## Development partners 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 development partners, including the European Union, both by co-financing selected projects and by coordinating policy dialogue initiatives.

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## European Union (EU)

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### Policy approach

The main strategic objective of the EU assistance remains to support BiH in its transition from a potential candidate country to a candidate country, through to membership in the European Union.

EU assistance to Bosnia and Herzegovina (BiH) has contributed to bringing the country back on the reform path necessary to move forward in the EU integration process. Bosnia and Herzegovina applied for EU membership in February 2016 and, on the basis of meaningful progress in the Reform Agenda, EU Member States asked the European Commission (EC) in September to provide its Opinion on the application. The Opinion was not provided by EC in 2017, as the additional set of questions was handed over to BiH authorities by EC in June 2018. BiH delivered the replies to the additional set of questions to the EC in February 2019 that made possible for the European Commission to provide in May 2019 its Opinion to the EU Council and EU Parliament on the membership application of BiH. The Opinion identified 14 key priorities for the country to fulfil in order to be recommended for opening of EU accession negotiation.

Key findings of the **Opinion on Bosnia and Herzegovina's EU membership application and analytical report** can be consulted on the EU Delegation to BiH's web page: <http://europa.ba/?p=63808>

A comprehensive Reform Agenda was adopted in July 2015 providing for a set of socio-economic, rule of law and public administration reforms. As part of the Reform Agenda implementation and with EU support, including policy advice and technical assistance, Bosnia and Herzegovina authorities have adopted and started to implement key strategic documents, notably as regards the judiciary, fight against corruption and organised crime.

Since 2007, through its national and multi-beneficiary programmes, the Instrument for Pre-Accession Assistance (IPA) 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.

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 should contribute to fostering employment. Additional sectors supported under the economic requirements are trade, small and medium enterprises and local economic development.

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

BiH almost finalised all the projects from the first two components of the IPA 2017-2013 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.

The new generation of Instrument for Pre-accession Assistance (IPA) – IPA II 2014-2020 has been available to BiH as of August 2015, when the Framework Agreement between the EC and BiH was signed and ratified. The financial assistance under IPA II for BiH the period 2014-2017, foreseen in the Indicative Strategy Paper (ISP) for BiH amounted € 165.8 million (annual allocation amounted € 40 million on average).

It supported four sectors:

1. Democracy and governance
2. Rule of law and fundamental rights
3. Competitiveness and innovation: local development strategies
4. Education, employment and social policies

Such a limited annual allocation of IPA II 2014-2017 funds for BiH derived from the absence of sector country wide strategies in BiH in the sectors such as environment, energy and agriculture and rural development - the sectors to which greater funds were earmarked to be allocated under IPA II.

However, due to the adoption of Framework Transport Strategy of BiH 2016-2030 in July 2016, the EC swiftly revised the ISP 2014-2017 for BiH in November 2017 and allocated additional €20 million to the IPA 2017 national annual programme that amounted €60.3 million in total.

Following the adoption of country wide strategies in BiH in sectors of **environment, agriculture and rural development and energy** during 2017-2018, it made possible the EC to revise the ISP II 2014-2020 for BiH, enabling support to all the sectors, foreseen by IPA II. To that end, the ISP 2014-2020 for BiH was revised and adopted by the EC on 3 August 2018.

The revised ISP 2014-2020 for BiH supports the following sectors, clustered in the revised manner:

1. Democracy and governance
2. Rule of law and fundamental rights
3. Environment, climate action and energy
4. Transport
5. Competitiveness, innovation and agriculture and rural development
6. Education, employment and social policies

It is worth to be noted that the inclusion of new sectors allowed the EC to increase the annual allocation for the remaining three years of IPA II (2018-2020) for more than a double amount of

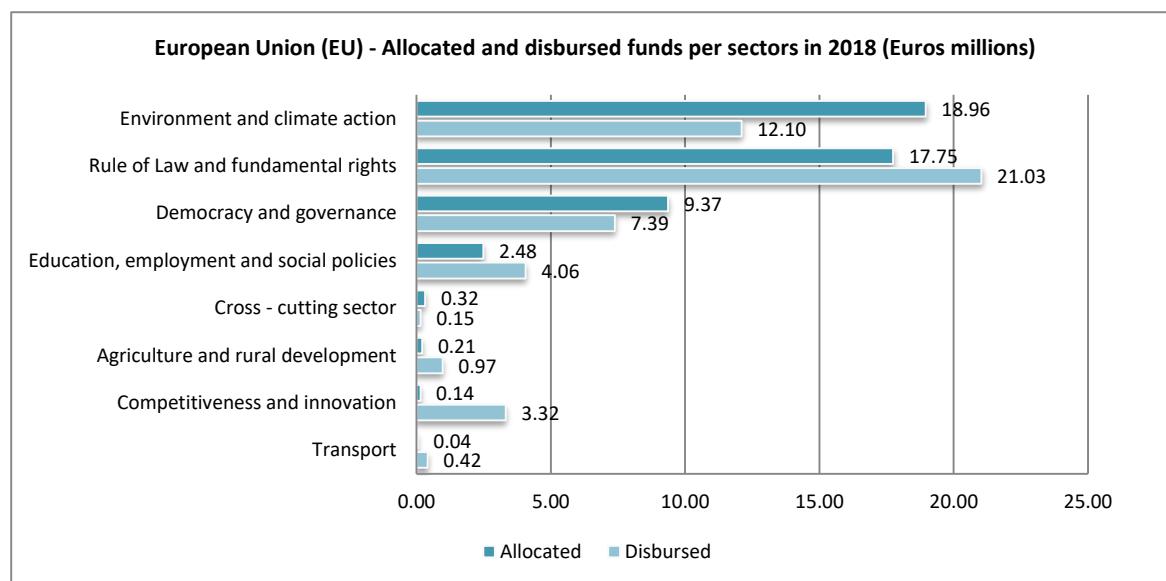
previous annual allocation, i.e. allocating more than €100 million for each remaining year (total allocation for IPA 2018-2020 amounts €314.9 million).

The revised ISP II 2014-2020 for BiH is available on DG NEAR web page:

<https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180817-revised-indicative-strategy-paper-2014-2020-for-bosnia-and-herzegovina.pdf>

## Key activities in 2018

The European Union (EU) **allocated € 49.27 million and disbursed € 49.45 million in 2018 in the form of grant** to the following sectors: Environment and climate action, Rule of law and fundamental rights, Democracy and governance, Education, employment and social policies, Agriculture and rural development, Competitiveness and innovation, Transport and Cross - cutting sector.



As per the above graph, it is to be noted that in 2018 the EU provided most of assistance in three sectors: Environment, climate action and energy, Rule of Law and fundamental rights and Democracy and governance. The assistance mainly related to continued support to flood preventing measures in flood affected municipalities, including support to regulation of rivers in BiH and preparation of BiH to join EU Civil Protection Mechanism. The assistance also included the support to build an effective and citizen-friendly Judiciary as well as to fight against organised crime and corruption in BiH, by providing, *inter alia*, the assistance in the implementation of anti-corruption strategies in BiH. Due to the migrants' flows that hit BiH in second half of 2018, the EC, by swiftly adopting the Special Measure to support the response to the Refugee and Migrant Situation in BiH, provided significant funds to address the migration crisis in BiH already in summer 2018. Strengthening capacities of relevant BiH institutions in public procurement, public internal financial control and indirect taxation was also provided in the course of the reporting year. The EU also provided support to strengthening capacities of BiH institutions in other areas, such as: education, civil society, freedom of media, mine actions as well as the support to BiH to participate in the increased number of EU Programmes.

In addition to the national annual programmes, BiH benefited from the IPA II Multi-country Programmes 2014-2020, 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-country 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-country programmes include cooperation between regional prosecutors and mutual legal assistance between the courts, improved police cooperation, integrated border management and cooperation on migration issues. It also included the support to Erasmus + programmes through the cooperation between 'IPA countries and EU Member States' universities in the form of mobility of students, professors and university personnel.

Assistance under the Cross-Border Cooperation component is supporting BiH's participation in IPA II 2014-2020 CBC Programmes BiH – Montenegro and Serbia – BiH, its participation in the Interreg IPA CBC Croatia – BiH - Montenegro 2014 – 2020, Interreg ADRION Programme with EU Member States and other Western Balkan Countries (Albania, Montenegro and Serbia), Interreg MED Programme with EU Member States and other Western Balkan Countries (Montenegro and Albania), and Danube Transnational Programme with EU Member States, other Western Balkan Countries (Montenegro and Serbia), Ukraine and Moldova.

IPA II Multi-country programmes (MCP) 2014-2020 is the new generation of IPA Multi-beneficiary programmes 2007-2013. It continues to support the regional structures and projects that were initiated and established under the IPA I MBP 2007-2013, but it also includes the substantial support for infrastructures projects in transport, environment and energy sectors under the Western Balkan Investment Framework (WBIF) instrument. The WBIF mainly focuses on co-financing mature energy and transport infrastructure projects together with loans from the international financial institutions, as part of the Connectivity Agenda/Berlin Process for WB region. The ultimate goal of the Connectivity agenda is to improve connectivity within the Western Balkans, as well as between Western Balkans and the European Union, and hence will serve as a driver for economic growth, jobs, and new investments in the region.

In the last quarter of 2018, the EC together with BiH authorities, launched the programming exercise of the remaining two years of IPA II national annual programmes, i.e. IPA 2019 and 2020 programmes for BiH, amounting in total nearly €200 million.

### **Medium and long-term approach**

The EU will keep supporting 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 medium-term period, the EU assistance will further support the public administration reform, including strengthening of capacities of institutions at all levels of government for Economic Reform Programme preparation and implementation, strengthening capacities, in particular, of young civil

servants for accession negotiation, transposition of EU *acquis* and implementation of EU policies as well as participation of BiH in various EU Programmes under the scope of Democracy and governance sector. It will support the effective justice, by strengthening the independence, transparency, efficiency, accountability and ultimately public trust in justice system of BiH and by enhancing cooperation between law enforcement and prosecution services; the support for the increased efficiency of police agencies will be provided to faster identify the perpetrators of criminal acts, through improved biometric data processing in the Automated Fingerprint and Palm Print Identification System (AFIS/APIS) as well as support to improve performance of the mandate of gender institutional mechanisms and key personnel mandated for EU integration and gender equality under the scope of Rule of law and fundamental rights sector. As far as the Environment, climate action and energy sector is concerned, the EU assistance will focus on key priorities in the sector of environment in the area of water management, aiming at accelerating of the reforms and the enhancement of infrastructure, with the purpose of meeting EU standards. Under the sector of Competitiveness, innovation and agriculture and rural development, the EU assistance will focus on continued support to improve BiH competitiveness in foreign trade, by increasing international and regional trade volume of BiH. The EU assistance will also focus on increasing the competitiveness of agricultural production and rural jobs and services as well as to support EU *acquis* alignment and implementation of policy measures in the area of food safety, veterinary and phytosanitary standards.

In addition, the EU will further provide assistance to Mine action, by strengthening capacities of national mine action authorities and operators as well as to increase the number of mine free municipalities in BiH.

In long-term period, EU assistance will support the following sectors: Democracy and governance, contributing to implementation of public administration reform (PAR) and further development of an effective and professional public administration providing better services to the citizens and business, assistance for general capacity building to support accession negotiations and participation to EU programmes; Rule of Law and fundamental rights, with actions related to continued support to BiH's justice system alignment with European standards and the *acquis* and enhancing independence, effectiveness, accountability and efficiency in the justice sector and an action to accelerate the transitional justice process by supporting the processing of the war crime cases and the accounting for missing persons from the conflict of 1992-1995 and the reconciliation process; Environment, climate action and energy, supporting energy for the first time under IPA II, to ensure access to affordable, reliable, sustainable and modern energy for citizens and contribute to the fulfilment of BiH's obligations under international agreements; Transport, following-up from assistance under the 2017 programme, an action will contribute to the improvement of connectivity within the country, the region and with the EU by increasing BiH's readiness to implement priority transport projects; and finally Education, employment and social policies aiming at contributing to the improvement of BiH's socio-economic situation and living conditions by enhancing the responsiveness of education to labour market needs, improve internationalisation and mobility in higher education, contribute to the development of social inclusion policies in sport and pre-school at relevant levels, and better employability in local communities.

## Development partners coordination efforts

To increase effectiveness and efficiency in the delivery of assistance through coordination of development partners, 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 development partners. At state-level, coordination meetings with IFIs as well as with EU and non-EU development partners 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 EU finances designs, studies, works and technically assists in helping to meet the conditions for investment by the IFIs. Moreover, the EU and the IFIs cooperate within the framework of the Western Balkans Investment Framework (WBIF).

In addition, the EU Delegation maintains regular cooperation with other development partners, through bilateral meetings and/or sector working groups related to areas of judicial reform and juvenile justice, fight against corruption, public administration reform, agriculture and rural development, energy efficiency, environment, return, gender, human rights, social protection, employment and education, mine action civil society and many others. The coordination mechanisms described above ensure that EU assistance and the assistance of other development partners 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 development partners coordination efforts.

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## 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.

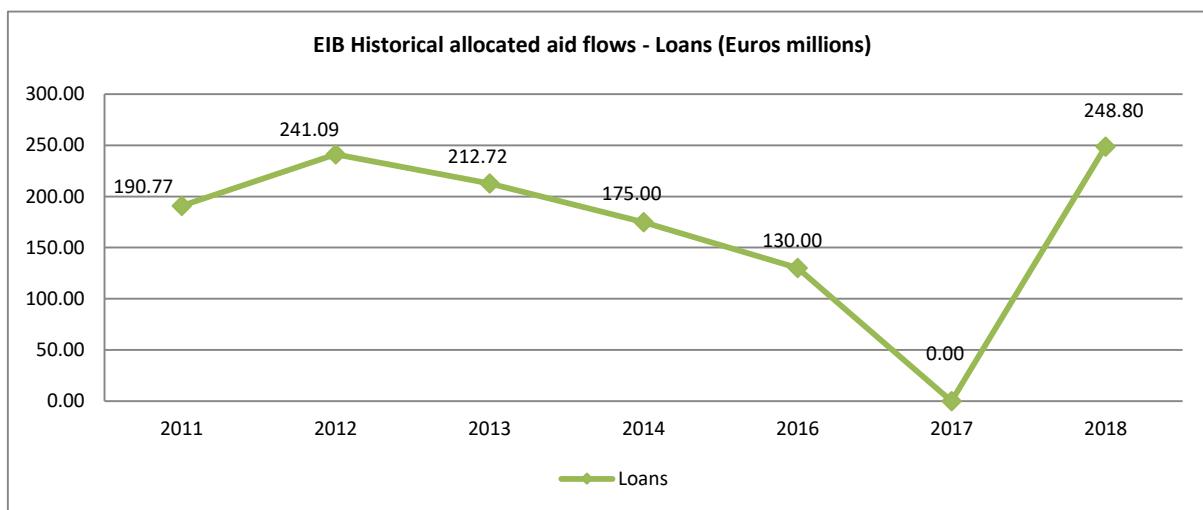
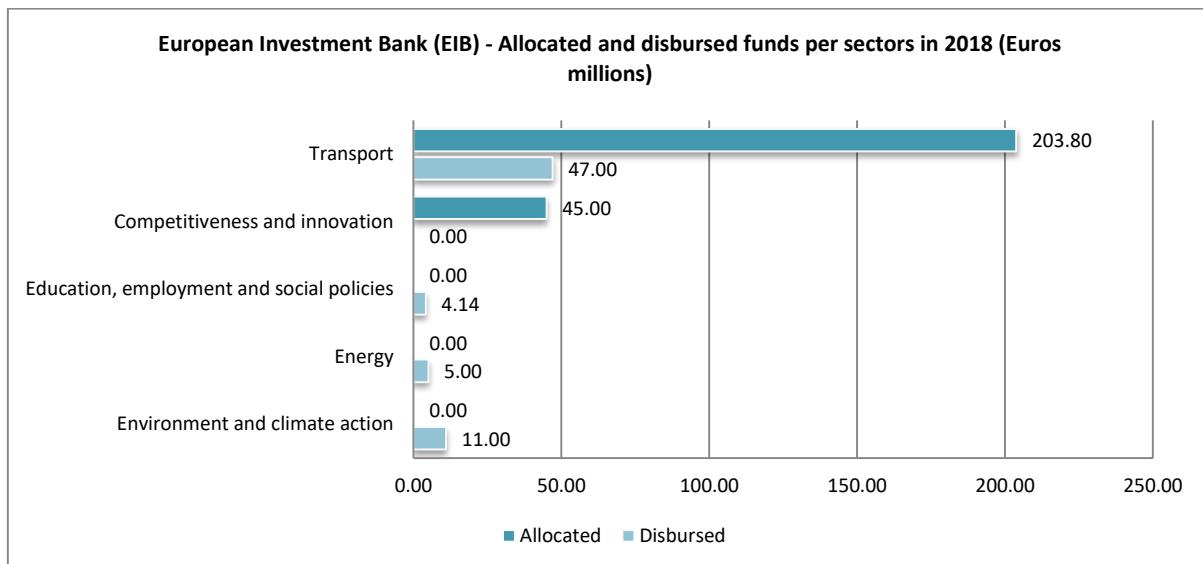
The Bank has lent over EUR 2.4 billion to support projects in Bosnia and Herzegovina since 2000. Out of this, total EUR 725 million has been used for credit lines to develop SMEs and midcaps. This is a core component of the EIB's lending priorities.

A further EUR 582 million has been used to develop the country's transport infrastructure, both regional projects and Trans European Transport Networks, which are another priority for the EIB. The bank has also contributed EUR 163 million to rebuild and improve the reliability of B-H's energy transmission networks. This was an on-going project in the last decade (source: <http://www.eib.org/projects/regions/enlargement/the-western-balkans/bosnia-herzegovina/index.htm>)

### Key activities in 2018<sup>6</sup>

The European Investment Bank (EIB) **allocated € 248.80 million and disbursed € 67.14 million in 2018 in the form of loan** to the following sectors: Transport, Competitiveness and innovation, Environment and climate action, Energy and Education, employment and social policies.

<sup>6</sup> The source for data on EIB profile and allocations for 2018 is <http://www.eib.org/en/projects/loan/list/index.htm?from=2017&region=3&sector=&to=2017&country=BA>, while the source for disbursements in 2018 are the MFiT data.



### Development partners 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 development partners. 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 Instrument for Pre-Accession Assistance (IPA).

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## United Nations (UN)

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### Policy approach

The partnership agreement (United Nations Development Assistance Framework - UNDAF) between the United Nations and Bosnia and Herzegovina was approved in May 2015 for the period 2015-2019. In July 2018, the agreement has been extended until 2020 in order to better align the next UNDAF for Bosnia and Herzegovina with the election cycle in the country, the EU IPA III planning cycle, the SDGs roll-out activities as well as internal planning processes at the state and entity levels. Full implementation of the UNDAF foreseen an **estimated total of USD 264,592,034**. This includes an indicative USD 54,871,620 from regular or core resources and a projected USD 78,533,932 from other or non-core resources. The total estimated funding gap during UNDAF creation was USD 131,186,482 which was expected to be mobilized during the UNDAF implementation. As of the end of 2018, after four years of implementation, the **collective UN Country Team (UNCT) delivery is USD 250.66 million, or 94.7% of the indicative five-years UNDAF budget**. The expected 2019/2020 delivery in line with the biennial (2019/2020) Joint UN Work Plans is USD 125.3 million, which estimates the **total UNDAF 6-year value to USD 375.96 million**.

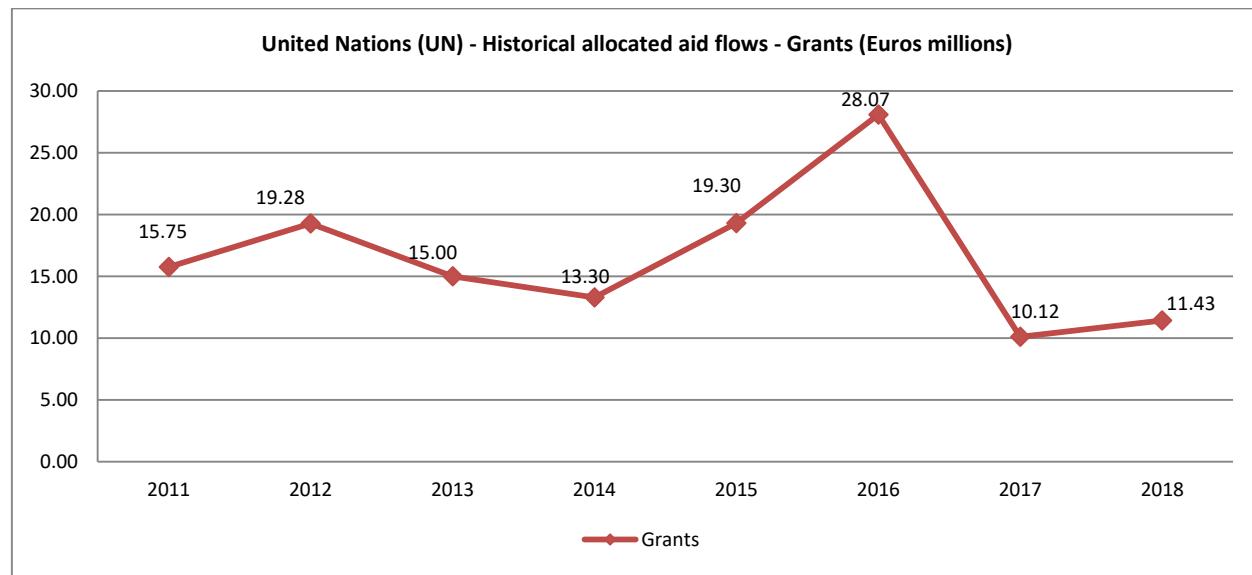
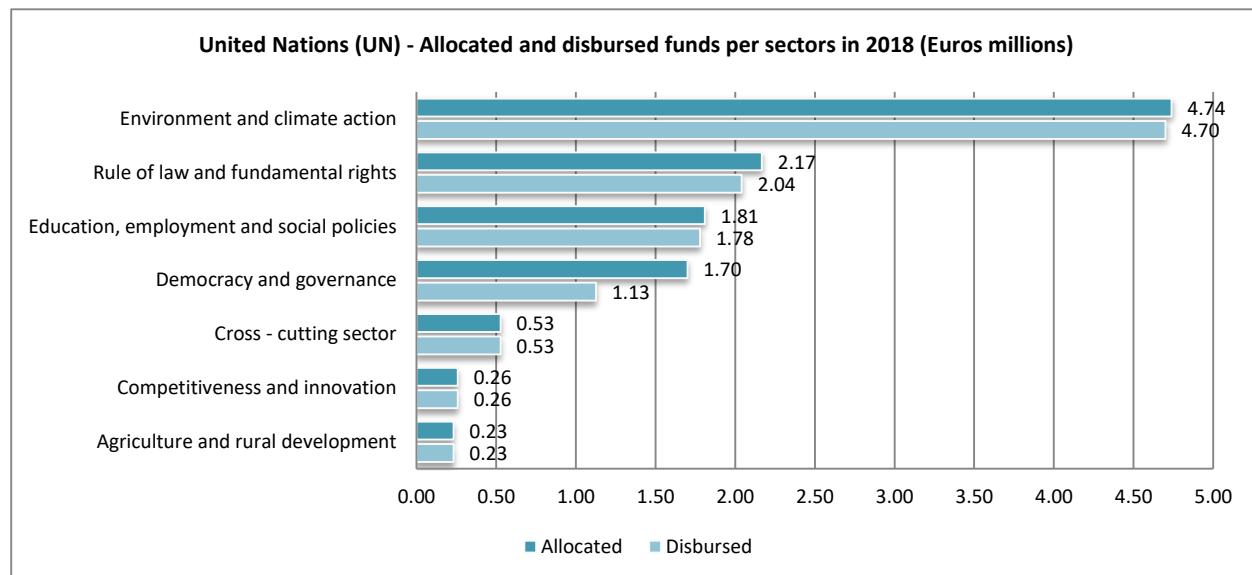
The programmatic focus of the United Nations in 2018 was guided by the 2017/2018 Joint UN Work Plans endorsed by the Joint BiH/UN Steering Committee (JSC) in May 2017 in support of the implementation of the 2015-2020 UNDAF sectors: 1) Rule of Law/Human Security, 2) Sustainable and Equitable Employment and Development, 3) Social Inclusion and 4) Empowerment of Women. The strategies outlined in UNDAF are intended to reach the most deprived and vulnerable sections of the population, and are designed to reflect the UN's commitment to assisting BiH in meeting its human rights obligations and ensuring compliance with the UN and other international treaties ratified by BiH, including the 2030 Agenda and the Sustainable Development Goals (SDGs).

The overall UN policy approach in BiH continues to be embedded in ensuring a full, country-wide ownership of the UN activities as well as inclusive engagement of the relevant BiH authorities from various government levels. It attempts to overcome the gap in the absence of a country-wide strategic planning processes and defined development priorities and needs. Where available, the reference and alignment to the existing sector strategies in the country is utilized, ensuring provision of technical support to the identified needs and priorities. Working at both ends, the policy development and grass-root initiatives implementation, the UN is uniquely positioned to strengthen the connectivity between the two – turning projects into policies and policies into actions.

For the more detailed overview of the UN activities and results in 2018 in the targeted sectors, please refer to the [2018 UN Country Results Report](#), reviewed and endorsed by the JSC in March 2019.

## Key activities in 2018

United Nations allocated €11.43 million and disbursed €10.67 million in 2018 in the form of grant to the following sectors: Environment and climate action, Rule of law and fundamental rights, Education, employment and social policies, Democracy and governance, Cross - cutting sector, Competitiveness and innovation, Agriculture and rural development. In this regard, it is important to note that United Nations in Bosnia and Herzegovina implemented total amount of € 47.9 million in 2018.



## Medium and long term approach

In 2019, the United Nations in BiH has launched the process of preparation and formulation of the next United Nations Sustainable Development Cooperation Framework (Cooperation Framework) for BiH (formally known as the United Nations Development Assistance Framework – UNDAF) as the next partnership strategy between the BiH authorities and the UN in BiH towards achievement of the 2030 Agenda and the SDGs in BiH. The next Cooperation Framework will cover the period 2021-2025 and will be prepared in close partnership with the BiH authorities, international partners, private sector, civil society organizations and other relevant stakeholders in BiH. The process of preparation of the next Cooperation Framework is conducted in line with the Roadmap developed and shared with the BiH authorities in February 2019, which outlines all the components of the process as well as the timetable for their implementation.

Through this process, the UN will re-examine and re-assess its position and comparative advantage in BiH with the objective to ensure effective and relevant contribution of the UN towards the SDGs achievement in BiH. The UN Cooperation Frameworks are expected to be reflective of the country context and its specific needs and priorities within implementation of the 2030 Agenda and the SDGs. BiH is an upper middle-income country with the aspirations to become a member of the European Union (EU). At the same time, 23 years following the end of the 1992-1995 conflict, BiH continues to struggle with its peacebuilding process and internal efforts to establish a common vision for the country's future and its complex governing structures. With the recent challenges in managing the migration crisis as well as the emigration wave, of young people in particular, the development context of BiH becomes even more challenging. Within this new context of BiH, the UN will, together with its counterparts, look to define the right set of activities geared over the next 5-year period geared towards assisting the BiH authorities address these challenges in a systematic and sustainable manner in line with the SDGs and other international norms and standards.

## Development partners coordination efforts

In line with the UNDAF provisions, the United Nations co-chairs and participates in the Joint Steering Board, which coordinates and oversees the implementation of the current United Nations Development Assistance Framework for Bosnia and Herzegovina (2015-2020). In addition to this, the United Nations is also represented and participates in the following coordination efforts of development partner in: Local Economic Development, Education, Conference of Ministers of Education, Gender Equality and Empowerment, Mine Action, Small Arms and Light Weapons, Disaster Risk Reduction, National Museum Coordination Group, Violent Extremism and Conference of Ministers of Health.

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## The World Bank

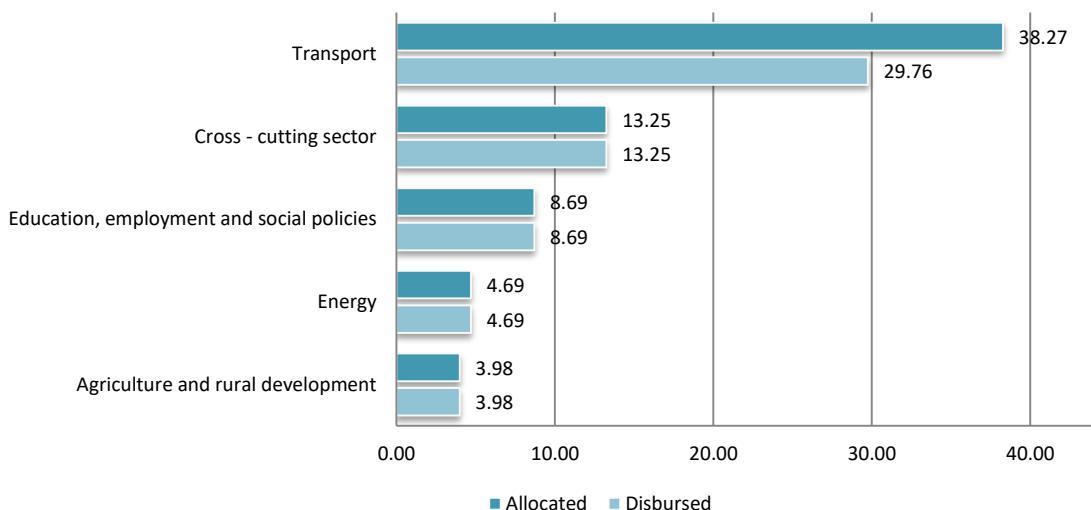
### Policy approach

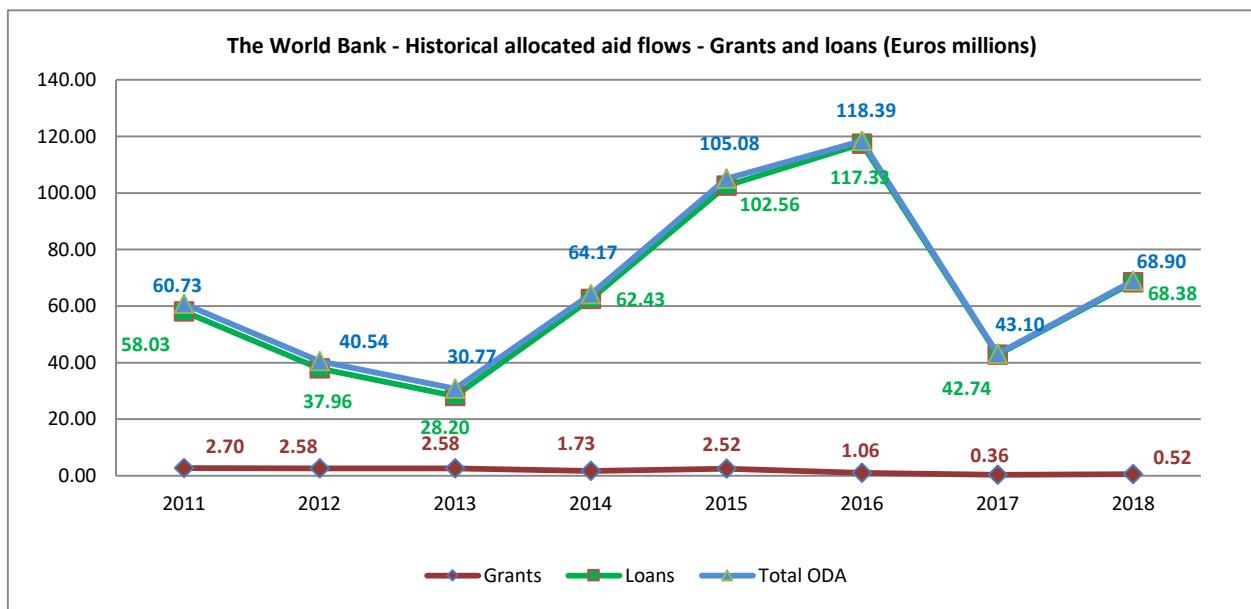
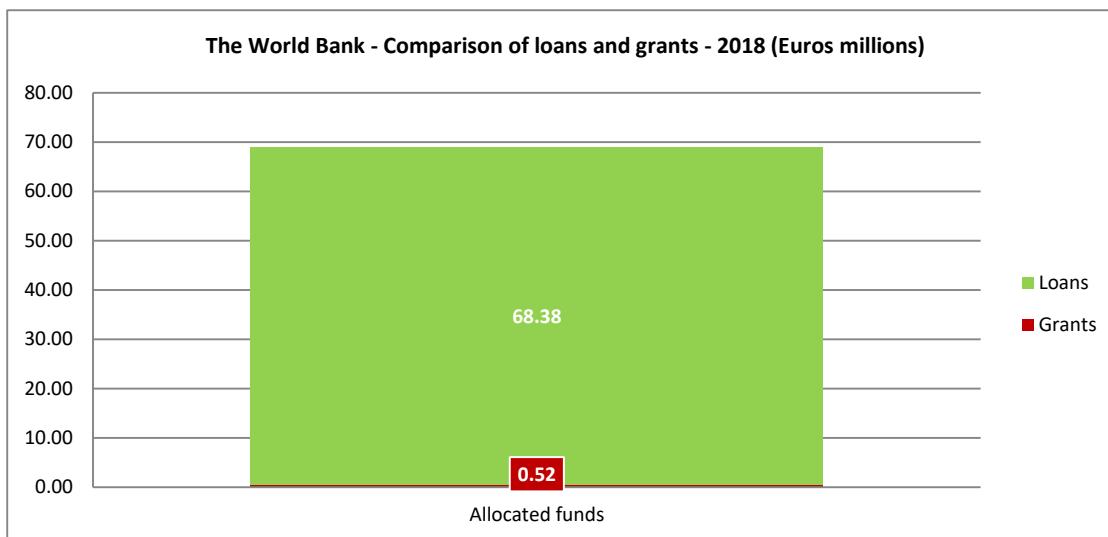
In December 2015, the World Bank Groups' Board of Executive Directors endorsed the WBG Country Partnership Framework (CPF) for FY16-20 **for Bosnia and Herzegovina**. The CPF has three focus areas for WBG support: increasing public sector efficiency and effectiveness, creating conditions for accelerated private sector growth, and building resilience to natural shocks. Support to **increasing public sector efficiency and effectiveness** includes improving the management and efficiency of public finances; strengthening governance and reducing fiscal burden of state-owned enterprises; and improving public service delivery, such as health, water supply and sanitation. **Creating conditions for accelerated private sector growth** implies continued work on competitiveness and business environment, including building a more stable and accessible financial sector, particularly for underserved segments in the market, corporate governance and resource efficiency improvements, as well as support for greater labour market flexibility so that private companies can create more and better jobs, and upgrading key economic infrastructure, such as transport, energy and possibly ICT. Finally, **building resilience to natural shocks** largely focuses on the successful implementation of the existing portfolio of water resource management operations as well as analytic and advisory work to identify key challenges and opportunities in disaster risk management and sustainable management of natural resources. **Strengthening inclusion** is a cross-cutting theme for the entire strategy, informing the choice and design of specific operations so as to ensure that many groups in society can benefit from the structural reforms the WBG program supports.

### Key activities in 2018

The World Bank **allocated €68.90 million and disbursed €60.38 million in 2018 in the form of grants and loans** to the following sectors: Transport, Cross - Cutting Sector, Education, employment and social policies, Energy and Agriculture and rural development.

The World Bank (WB) - Allocated and disbursed funds per sectors in 2018 (Euros millions)





### Medium and long-term approach

Through the strategic framework, the WBG supports reforms in three areas: (1) increasing public sector efficiency and effectiveness; (2) creating conditions for accelerated private sector growth; and (3) building resilience to natural shocks. The framework includes a cross-cutting theme of inclusion that informs the choice and design of specific interventions under the strategy, to ensure that reforms are socially sustainable, and that vulnerable groups are not left behind as new opportunities open. Since the CPF approval, the World Bank delivered five IBRD loans worth US\$ 321 million (one Development Policy Financing (DPF) operation, and four Investment Project Financing operations), or 43 % of the originally planned lending program. The reform processes have slowed down due to shift of priorities during the period leading to local elections in 2016 and general elections in 2018, and the originally planned World Bank lending of US\$ 750 million will not be delivered in full. For the remaining part of the CPF cycle, the focus will be on addressing systemic deficiencies and a holistic approach to stimulate growth and jobs. With regards to addressing systemic shortcomings, the World Bank will work closely with authorities to enhance the long-term sustainability of municipal



services and strengthening the performance of the health sector. Also, supporting the growth and jobs agenda through targeted ASA, IBRD lending to improve business environment and stimulate investments in key sectors such as agribusinesses, manufacturing and infrastructure. During the second half of the CPF cycle, the World Bank plans to support 3 new operations and provide additional financing for two ongoing operations for a total amount of US\$ 215 million. This would bring the total World Bank commitments to US\$ 536 million or 71% of the originally planned commitments.

*Focus Area I – Increasing Public Sector Efficiency and Effectiveness.* There has been satisfactory progress against the objective of improving management and efficiency of public finances. This area will also contribute with strengthening governance and reducing fiscal burden of SOEs through the RS Railways Restructuring Project. Through the Banking Sector Strengthening Project will assist with implementation of the new banking sector laws in BiH.

*Focus Area II – Creating Conditions for Accelerated Private Sector Growth.* Real Estate Registration Project completed activities in 413 cadastral municipalities and is contributing significantly to this area and so is Energy Efficiency Project with the end goal of increasing lifetime energy savings to 650,000 MWh, and thus contributing to the objective of upgrading economic infrastructure. It is expected that the Federation Road Sector Modernization Project will also contribute to the upgrading of economic infrastructure. In the coming period, this focus area will contribute to supporting a competitive business environment and access to finance through a project under preparation.

*Focus Area III – Building Resilience to Natural Shocks.* GEF Sustainable Forest and Landscape Management has made satisfactory progress in restoring sustainable land management practices. Under the Floods Emergency Recovery Project 840,367 people directly benefited from delivery of emergency goods and rehabilitation of 416 regional and local infrastructure facilities. Irrigation Development Project reached 5,000 water users with improved irrigation services and will together with the Drina Flood Protection further contribute to the achievement of this objective of building resilience to floods.

### **Development partners coordination efforts**

Besides participating in the DCF meetings, the World Bank participates in several sector level coordination efforts of development partners. The World Bank also has periodic coordination meetings with the international financial organizations active in Bosnia and Herzegovina as well as with other development partners, in order to maximize development outcomes of different programs through better coordination and partnership.

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## International Finance Corporation (IFC) in Bosnia and Herzegovina

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### Political approach

International Finance Corporation (IFC), a member of the World Bank Group, provides comprehensive solutions to address the greatest challenges that developing countries are facing, through support designed to meet the specific needs of our partners, with 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 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, 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 long term finance investment in Bosnia and Herzegovina totaled \$375 million, including \$23 million mobilized from IFC partners. IFC committed investment portfolio in Bosnia and Herzegovina as of 31 December 2018, is \$43.33 million.

### Medium and long-term approach

Through combination of investment and advisory services, IFC will continue to partner with clients in strategic sectors crucial for country's long-term sustainable development, with focus on:

- Financial sector with a special emphasis on small and medium enterprises and energy efficiency lending
- Climate change including investments in infrastructure and energy sectors
- Agribusiness with an emphasis on food retail and manufacturing
- Value-added manufacturing
- Business infrastructure with a focus on logistics and distribution
- Sub-national finance with a focus on municipal infrastructure and waste management
- Health and education

IFC will explore opportunities to provide support through direct investments in real sector, general manufacturing, agribusiness, services, economic infrastructure, and distressed assets. Advisory work will support reform efforts of BH governments geared towards increased private sector activity and participation in country's economic activity. Primary focus of IFC advisory work will be on better business environment, cutting the red tape for businesses, unlocking viable assets by instituting modern insolvency regimes, reducing administrative burden, strengthening investment policy and promotion, introducing advanced trade facilitation regimes, further consolidating microfinance sector, supporting development of quality infrastructure to encourage exports and help companies.

### Development partners coordination efforts

IFC is actively coordinating with other development partners where needed in sectors specific areas or policy level issues. Notably, IFC is involved in coordination of activities related to the Reform Agenda implementation with the EU and key IFIs in the country.

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1. Communication from the Commission to the European Parliament and the Council - Commission Opinion on Bosnia and Herzegovina's application for membership in the European Union;
2. Analytical Report Accompanying the document - Communication from the Commission to the European Parliament and the Council - Commission Opinion on Bosnia and Herzegovina's application for membership in the European Union;
3. Reform Agenda for Bosnia and Herzegovina for the period 2015 – 2018;
4. Annual Report on Implementation of the Multi-Annual Action Plan for Establishing of the Regional Economic Area of the Western Balkans countries;
5. Communications strategy for informing the public on the accession of Bosnia and Herzegovina to the European Union;
6. Framework Energy Strategy of Bosnia and Herzegovina by 2035;
7. Strategy Plan of Ruralnog Development of BiH for the period 2018-2021;
8. WB Group - Western Balkans Regular Economic Report No. 14 - Higher But Fragile Growth.