

ANNEX: IPA 2011 – NATIONAL PROGRAMME - BOSNIA AND HERZEGOVINA

1. IDENTIFICATION

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| Beneficiary | Bosnia and Herzegovina |
| CRIS decision number | 2011/023-436 |
| Year | 2011 |
| Cost | EUR 91 280 000 |
| Implementing Authority | European Commission, partly in joint management with Council of Europe – projects ' <i>Support to the Justice Sector Reform</i> ' and ' <i>Strengthening human resources and institutional capacities for better employability</i> '; European Patent Office – project ' <i>Support to the improvement of the institutional and legal framework as well as the coordination and harmonisation of private sector development related public policies</i> '; European Investment Bank (EIB) and European Bank for Reconstruction and Development (EBRD) – project ' <i>Modernization and Development of Transport Infrastructure on the comprehensive network in Bosnia and Herzegovina</i> '; European Investment Bank (EIB) and World Bank (WB) - project ' <i>Support to infrastructure development and environmental standards approximation</i> '. |
| Final date for concluding the Financing Agreements | At the latest by 31 December 2012 |
| Final dates for contracting | 3 years following the date of conclusion of the Financing Agreement. These dates apply also to the national co-financing. |
| Final dates for execution | 2 years following the end date for contracting. These dates apply also to the national co-financing. |
| Budget line(s) concerned | 22.02.02 |
| Programming Unit | Unit C1, DG Enlargement |
| Implementation Unit/ Section | Operations section of the Delegation of the European Union to Bosnia and Herzegovina |

2. PRIORITIES FOR EU ASSISTANCE

The Multi-annual Indicative Planning Document (MIPD) 2011-2013 for Bosnia and Herzegovina identifies the priorities (1) to support the strengthening of the rule of law by assisting the country to reform its justice sector and to fight against organised crime and corruption; (2) to improve the capacity and efficiency of the public administration and setting a professional civil service, so to support the country's efforts to improve the functioning of the institutions at all level of governance; (3) to support the social and economic development, in particular assisting the country in its

efforts to develop the SME sector, to alleviate unemployment and to reform the education system to help adapting the qualification framework with the requirements of the labour market, and to invest in transport and environment infrastructure.

Strengthening the rule of law and public administration reform are priorities deriving from the EU Enlargement Strategy 2010-2011. The strategy calls for tangible results in strengthening the rule of law to fight against organised crime and corruption. Bosnia and Herzegovina, in particular, is called to improve the functioning of its institutions to be in a position to adopt, implement and enforce the laws and rules of the EU.

Support for the social and economic development will be in line with the requirements of the Europe 2020 strategy which calls for smart, sustainable and inclusive growth.

The selected priorities support the Copenhagen criteria of political and economic reform and Bosnia and Herzegovina's gradual approximation to the EU *acquis*.

2. a Priorities selected under this programme

Based on the MIPD priorities, the 2011 National Programme will support 12 projects in the sectors "Public Administration Reform", "Justice and Home Affairs", "Private Sector Development", "Transport", "Environment and Climate Change", "Social Development", and "*Acquis* related and other Actions". In addition, the programme will support Bosnia and Herzegovina's participation in EU programmes and will provide a project preparation and general technical assistance facility (PPF/GTAF). In all these sectors, the programme could benefit from important transition experiences and good practices of European Member States, in particular those who have joined the Union since 2004, in areas corresponding to the programme priorities.

Only relevant and eligible proposals, which are ready for implementation, have been accepted by the European Commission. Efforts were made to focus projects on Bosnia and Herzegovina's political priorities for the accession process as well to align them with sector priorities. The programme will support the objectives outlined in the section 2b.

2. b Sectors selected under this programme and donor coordination

The selection of sectors is a result of a thorough coordination process with beneficiaries, donors, international financial institutions and EU Member States. The European Commission, the Bosnia and Herzegovina Directorate for European Integration and the Bosnia and Herzegovina Ministry of Finance and Treasury held a series of consultation workshops in June 2010, where representatives from line ministries, Entities, donors and civil society organisations participated. Workshops addressed the sectors social inclusion, small and medium-sized enterprises (SME), education and employment, civil society, judiciary, law enforcement, public administration reform, environment, transport and energy. The objective of the workshops was to identify strategic objectives, results, benchmarks and indicators for financial assistance in the period 2011-2013. In combination with the outcome of the sector assessments, the workshops helped to identify areas where IPA and other donors' assistance can be better aligned with existing strategies to gradually move

towards a sector approach. These efforts continue in the regular donor coordination meetings which take place for most sectors.

A lesson learned in Bosnia and Herzegovina is that lack of ownership and political commitment is detrimental to the success of any assistance. In particular, despite the efforts of EU assistance to support key reforms, progress is rather limited in terms of state building, governance, rule of law implementation, and in the approximation to European Standards. The complex constitutional set-up, insufficient political support and an overall weak administrative capacity is not conducive to reform implementation. The workshops aimed to include final beneficiaries as early as possible in the programming and project identification process to encourage ownership and commitment. This approach has been confirmed by the recommendation of the Interim/Strategic Evaluation of IPA Pre-accession Assistance to Bosnia and Herzegovina in 2010, which recommends an adequate time frame for consultation and sufficient participation of all relevant stakeholders.

Following the workshops, the beneficiaries prepared sector strategy fiches, which defined the needs for assistance in the relevant sectors for 2011-2013. The fiches provided the basis for the selection of priorities for the 2011 IPA National Programme.

However, despite the thorough preparation and coordination of the programme, the European Commission observed that the internal- Bosnia and Herzegovina coordination process did not work efficient enough. Almost at the end of the programming process the two Entities could not agree on a final list of projects to be financed under the 2011 National Programme. The mediation of the European Commission and political engagement from the EU side eventually led to the programme at hand.

Setting effective coordination mechanisms to avoid similar delays in programming is an issue that the Bosnia and Herzegovina authorities need to address as a matter of urgency.

The active participation of the civil society is of particular importance in the sectors public administration reform, justice and home affairs, social development, and environment and climate change. Civil society organisations will be supported through a Civil Society Facility Programme under the IPA transition assistance and institution building programme, for which a separate Commission implementing decision will be prepared.

The 2011 allocation for IPA component I is EUR 102.68 million. In addition to the assistance identified in this programme and the above Civil Society Facility (EUR 3.5 million), IPA supports activities in education (Tempus with EUR 2.4 million), nuclear safety and radiation protection (EUR 0.5 million) and the implementation of the Sarajevo process on refugee return in Bosnia and Herzegovina (EUR 5 million). These projects are coordinated and implemented under the relevant Multi-beneficiary programme and will be adopted by separate Commission implementing decisions. Consequently, this Financing Proposal covers the remaining EUR 91.28 million under the global allocation of EUR 102.68 million for Bosnia and Herzegovina.

The selected sectors contribute to the priorities identified in article 2 a.

Sector 1: Public Administration Reform

The Enlargement Strategy 2010-2011 concludes that Bosnia and Herzegovina needs to improve the functioning of the institutional structures so that it is in a position to adopt, implement and enforce the laws and rules of the EU. Support for this sector is based on Bosnia and Herzegovina's own reform strategies, in particular on the Public Administration Reform (PAR) Strategy and the associated action plan. An important objective of the public administration reform will be an increased participation of civil society in the policy formulation and decision making process.

Bosnia and Herzegovina's PAR strategy focuses on the development of general administrative capacity by strengthening policy making and coordination capacities, improving public finances, developing, harmonising and modernising the human resources policy, reforming the administrative decision making, strengthening institutional communication and increasing IT utilisation in public administrations.

The European Union provided substantial support to the public administration reform, in particular to support the Public Administration Reform Coordination Office (PARCO), the modernisation of the public financial management, and the Agency for Identification Documents, Register and Data Exchange (IDDEEA). Whereas the support for the PARCO and the public financial management did not lead to noteworthy progress, the support for the IDDEEA showed positive results. The IDDEEA had a key role in the successful efforts of Bosnia and Herzegovina to obtain the exemption for short term visa requirements for its citizen travelling to Schengen countries.

Lessons learned from previous assistance are that professional knowledge of civil servants in management positions varies significantly from institution to institution. In particular in the key area public administration reform, ownership is best ensured if all actors addressed by the reform are continuously consulted and involved in the process. These lessons were taken into account in the preparation of the 2011 programme. A substantial component of the public administration reform project will address the need to improve management capacities in public institutions. Furthermore, expert advisers will ensure the active involvement of key personnel in beneficiary institutions.

The programme will implement two projects which cover 9 % of the programme's budget.

Sector 2: Justice and Home Affairs

The justice sector reform is a key element of the EU integration process. The European Commission mandated an EU Member States team of judicial experts to conduct a fact finding mission in May 2010 to identify priority areas for future EU support for the sector. The objectives of the team were analyse specific areas where the lack of progress is particularly relevant to the European integration process and that could therefore be considered for future IPA support. The recommendations of the fact finding mission were presented to and discussed with the Ministries of Justice, the High Judicial and Prosecutorial Council, the court and the Bosnia and Herzegovina prosecutor's office in July 2010 and served as a basis for the sectoral

strategy planning for 2011 to 2013 and the selection of judiciary reform projects under the 2011 National Programme.

The development of an independent and effective judiciary in line with European standards, the reform of the penitentiary, and improving the law enforcement capacities to fight corruption and organised crime are important conclusions of the Enlargement Strategy 2010-2011. The support in this area is in line with Bosnia and Herzegovina's justice sector reform strategy and a number of police reform related laws. The cooperation with the civil society is an important element of the justice sector reform.

The strategic objectives of the justice sector reform are an independent, accountable, efficient, professional and harmonised judicial system, a harmonised system of criminal sanctions which respects European standards, ensures human and legal treatment, and leads to an effective re-socialisation. Further objectives are equal access to justice, support to economic growth and coordinated, well managed and accountable institutions.

The European Union provided substantial support to reform the judiciary and to strengthen law enforcement capacities, in particular through support for the State Court and Prosecutor's office to fight corruption and organised crime and to deal with war crimes, support for law enforcement agencies, support to improve the judiciary's IT systems, to improve case management systems and support to improve prison management. However, only limited progress has been made in the area of judicial reform.

An audit by the European Court of Auditors in the year 2009 on EU support for the judicial sector noted shortcomings on the side of the beneficiaries in ensuring the maintenance of buildings, infrastructure and equipment financed by the European Union. Future EU investments will be conditional on increased efforts by Bosnia and Herzegovina to ensure follow-up maintenance.

The programme will implement two projects which cover 16 % of the programme's budget.

Sector 3: Private Sector Development

In line with the conclusions of the Enlargement Strategy 2010-2011 and its obligations under the Interim Agreement/Stabilisation and Association Agreement (IA/SAA), Bosnia and Herzegovina needs to improve the regulatory framework, in particular as it concerns the development of the SME sector, and needs further substantial support to recover from the economic crisis. EU support will assist the country's efforts to cope over the long term with competitive pressure and market forces within the Union.

The European Union provided substantial support for the private sector development, in particular to support economic and fiscal policy making, planning capacities, trade policy, export promotion, single market integration, metrology and accreditation, regional development and SME policy. Progress in the sector so far has been limited.

Lessons learned: The support for private sector development over the past years has resulted in the set up of key institutions, such as the Indirect Taxation Authority, the Institute for Intellectual Property Rights and the Competition Council. However, the effectiveness of these institutions is limited because they do not employ sufficient staff and/or available staff needs better qualifications. The 2011 IPA programme will provide support for capacity building to these institutions. Future institution building support will be conditional to the availability of adequate human resources. Furthermore, the lesson learnt from previous support to SME development is that an inclusive approach, taking a variety of local initiatives at municipal level into consideration, is most successful.

The programme will implement two projects which cover 11 % of the programme's budget.

Sector 4: Transport

Transport is a key element in the EU's cooperation with its neighbouring countries to promote sustainable economic growth, trade and cultural exchange. Candidate and potential candidate countries are called to align themselves with EU legislation on transport in the interest of a well functioning internal market. Bosnia and Herzegovina is a transit country for the trans-European networks, in particular for the Corridor Vc from Budapest to the harbour of Ploče in Croatia. Therefore it is in the EU's best interest to support Bosnia and Herzegovina to comply with the Memorandum of Understanding on the development of the South-East Europe Core Regional Transport Network. Supporting the transport sector, in particular the upgrading of transport infrastructure will generate a number of catalytic effects, e.g. supporting industrial and agricultural production, trade, employment, and improving environmental conditions. Bosnia and Herzegovina adopted a number of transport related strategies, which will serve as a basis for EU support, in particular the transport master plan, the Sava River basin strategy, the investment plan for railway development and the air space development strategy.

The European Union provided substantial support, in particular to upgrade the trans-European transport networks (corridor Vc), to bring railway regulations in line with the relevant EU Directives, to support the civil aviation authority, to improve transport infrastructure and to rehabilitate the Sava river waterway.

The programme will implement one project in this sector which covers 15 % of the programme's budget.

Sector 5: Environment and Climate Change

Investments in environmental infrastructure will not only avoid further pollution and improve environment protection, but may also support the recovery from the economic crisis by attracting foreign investments and providing for new employment opportunities. Assistance to the environment will support the fulfilment of the targets of the Europe 2020 strategy.

The European Union provided substantial support to the environment sector, in particular regarding water policy, waste water management, policy making, and solid waste management. Progress has been limited, not least because Bosnia and

Herzegovina cannot finance the necessary infrastructure. This is why the EU will continue to support investments in water, waste water, and solid waste infrastructure. In addition, further support to build capacities in the water sector will be provided, notably in the area of transposition of EU legislation and river basin management.

The programme will implement one project which covers 18 % of the programme's budget.

Sector 6: Social Development

Supporting Bosnia and Herzegovina's efforts to bring unemployed people back into regular employment will assist the social protection system and will contribute to a reduction of wide spread poverty. Social inclusion and the support for vulnerable groups, including Roma, is an important element for Bosnia and Herzegovina under the Enlargement policy. The reform of the education sector and the implementation of an adult learning system will support the increasing requirements of the labour market. Increased labour market participation, promoting social inclusion and fighting poverty link to the Europe 2020 agenda.

The European Union provided substantial support to the social development sector, in particular regarding active labour market policies, education, public health, social protection and inclusion.

There are a number of lessons learned in the social development sector, in particular in the fields of education and social protection.

The highly complex system of competences and responsibilities for education (State-level, Entities, Brcko District and the ten Cantons in the Federation) requires more efficient communication and enhanced cooperation between stakeholders at all governance level to agree on the appropriate policy and institutional framework.

Results of support for the social protection policy reform were limited because there was no motivation to change to a system of needs based and targeted assistance. However the consequences of the financial crisis for the social protection system make the need for reforms obvious.

The projects planned in the 2011 programme will ensure the active participation of stake holders at all levels and will address the needs of the most vulnerable groups.

The 2011 National Programme implements two projects in this sector which cover 12 % of the programme's budget.

Sector 7: Acquis related and other Actions

IPA may finance actions that fall outside the scope of these sectors such as, but not limited to:

- i) Project/sector programme identification and preparation;
- ii) *Acquis* related actions that need to be adopted/implemented according to an established timetable (e.g. negotiating framework, National Programme for the Adoption of the Acquis NPAA, energy market liberalisation, electronic communication or information society);
- iii) Participation in EU Programmes to which the country becomes eligible unless they are included in one of the sectors above;

- iv) Support measures for the implementation, monitoring and audit of IPA programmes;
- v) Measures to support confidence building and reconciliation.

The programme will implement two projects, supports the participation in EU programmes, and provides a PPF/GTAF. This sector covers 19 % of the programme's budget.

2. c Description

Sector 1: Public Administration Reform

Sector objective 1: Support the alignment of the legislative framework with the EU acquis in sectors relevant to EU accession, including, if appropriate, domestic efforts to amend the constitutional framework, and help creating an efficient, professional, merit-based, accountable and transparent civil service.

Projects to be supported under this programme:

Project No. 1: Public Administration Reform (EUR 4 050 000)

The purpose of this project is

- To improve the system of human resources management in the public administration of Bosnia and Herzegovina through capacity building, improvement of the legislative framework and harmonisation of procedures and practices at all levels in all administrative structures of the civil service (Component I).
- To improve the qualification of managers and inspectors in administration at all levels in Bosnia and Herzegovina (State, Entities and Brcko District), in the administrative decision making processes through training (Component II).
- To strengthen the State', Entities' and Brcko District' capacities for coordination, management and supervision of implementation of the Public Administration Reform Strategy and Action Plan (Component III).
- To enhance the capacities of the Agency for Identification Documents, Registers and Data Exchange of Bosnia and Herzegovina (IDDEEA) (Component IV).

The project will be implemented through three service contracts (EUR 2 140 000, EUR 660 000, and EUR 500 000), tendering will start in Q2/2012. The activities related to the technical and human capacities of the IDDEEA will be implemented through one supply contract (EUR 150 000) and one Twinning contract (EUR 600 000), the tender and call for proposal will be launched in Q2/2012.

Sector objective 2: Adopt and implement the legal framework for public procurement and public financial management and control in compliance with EU standards.

Project to be supported under this programme:

Project No. 2: Strengthening Public Financial Management (EUR 4 000 000)

The purpose of this project is

- To improve the Treasury management in Bosnia and Herzegovina.

- To construct a single database of public revenue in the Federation Ministry of Finance.
- To strengthen capacities for public debt management.

The project will be implemented through two service contracts (EUR 1 550 000 and EUR 400 000), tendering will start in Q1/2012. Furthermore, a supply contract (EUR 2 050 000) will provide equipment and software; the tender will be launched in Q3/2012.

Sector 2: Justice and Home Affairs

Sector objective 1: Strengthen the independence of the judiciary, enhance efficiency and effectiveness and improve the accountability of the judiciary.

and

Sector objective 2: Improve the situation of vulnerable groups in the penitentiary, ensure proper treatment of all prisoners in accordance with EU standards and reduce overcrowding in prisons.

Project to be supported under this programme:

Project No. 3: Support to the Justice Sector Reform (EUR 5 200 000)

The purpose of this project is to upgrade the ICT systems in the Judiciary as well as to align the Penitentiary system with European Standards.

- Delivery and installation licences of ICT equipment (Component I)
- Drafting of laws and by-laws, harmonised with the Council of Europe recommendations on the use of alternative criminal sanctions (community service, conditional release and conditional sentence), of a strategy and action plan for the introduction of a probation service as well as preparation of a sustainable professional training and education programme to international standards for all penitentiary staff and development of a program for the treatment of specific categories of prison population (Component II).

Component I will be implemented through one supply contract (EUR 4 000 000), the tender will be launched in Q2/2012.

Component II will be implemented in joint management with the Council of Europe (CoE) in accordance with Article 53d (1)(c) of the Financial Regulation. A contribution agreement with the CoE (EUR 1 200 000) is planned to be signed in Q2/2012.

Sector objective 3: Support the harmonisation of law enforcement legislation, based on European standards, between the different levels of governance and improve cooperation and coordination among law enforcement institutions, the judiciary and international partners.

Project to be supported under this programme:

Project No. 4: Support to the Law enforcement infrastructure (EUR 9 500 000)

This project foresees the construction of a new building for the Police of Brcko District which will also house the Border Police and Foreigners affairs service field

offices in Brcko to enhance effectiveness through improved access to modern facilities and equipment. In addition, a Border inspection post (BIP) will be constructed in Bijača on the Bosnia and Herzegovina border with Croatia to comply with the Schengen standards for external EU borders.

The police building will be constructed with the help of one works contract (EUR 2 825 000), one supply contract (EUR 425 000) and one service contract (supervision of works, EUR 250 000), tendering will start in Q4/2012. For the BIP one works contract (EUR 5 700 000) and one service contract (EUR 300 000) will be signed, the tenders will be launched in Q4/2012.

Sector 3: Private Sector Development

Sector objective 1: Improve the institutional and legal framework and the coordination and harmonisation of SME related policies and support Bosnia and Herzegovina to adhere to its obligations under the IA/SAA.

Project to be supported under this programme:

Project No. 5: Support for the improvement of the institutional and legal framework as well as the coordination and harmonisation of private sector development related public policies (EUR 7 000 000)

The purpose of this project is

- to strengthen the enforcement capacity and knowledge regarding intellectual property rights within the enforcement authorities (Component I),
- to strengthen the information and educational function of the Bosnia and Herzegovina Institute for Intellectual Property (Component II),
- to develop further the capacity of the Bosnia and Herzegovina Competition Council to become fully able to fulfil its mandate (Component III),
- to develop the institutional capacity of the Ministry of Foreign Trade and Economic Relations (MoFTER) and related institutions for the successful implementation of IA/SAA, WTO, CEFTA, EFTA and further trade negotiations (Component IV),
- to implement obligations deriving from the IA/SAA and Multilateral/Bilateral agreements by the Indirect Taxation Authority (ITA) and improvement of the performance of the ITA which will lead to further harmonization with the EU Customs and Taxation systems (Component V).

Component I will be implemented through one service contract (EUR 1 500 000), tender to be launched in Q2/2012.

Component II shall be implemented in joint management with the European Patent Office (EPO), among others for the following reasons: EPO is the most experienced and has the best experts for the implementation of proposed activities; EPO was the implementing agency in most of the similar projects in other countries of the region; if some other agency were to be selected to implement the project, this would significantly increase expenses because additional licenses would need to be obtained and their holder is the EPO; information-educational centres should become a part of the European network of PATLIB centres, the centres which would ultimately be verified by the EPO. A contribution agreement (EUR 700 000) shall be signed in

Q1/2013. Furthermore, a supply contract (EUR 300 000) shall be tendered by Q3/2012.

Component III will be implemented through a service contract (EUR 1 380 000) and a supply contract (EUR 120 000) to be tendered in Q3/2012 and Q2/2013.

Component IV will be implemented through a service contract (EUR 900 000), tender to start in Q2/2012 and a supply contract (EUR 100 000), tender to be launched in Q2/2013.

Component V will be implemented through a Twinning contract (EUR 2 000 000), the call for proposal shall be published in Q2/2012.

Sector objective 2: Advance the implementation of the Small Business Act, stimulate the innovation and increase competitiveness in growth sectors.

and

Sector objective 3: Increase the role of the private sector in the economy, create a better business environment, strengthen the business support infrastructure and services in particular at local level and improve the conditions for land management and land market development.

Project to be supported under this programme:

Project No. 6: Support to the Local Economic Development in Bosnia and Herzegovina (EUR 3 000 000)

This project is aimed at supporting the implementation of measures at the local level which will contribute to improve the institutional framework for the SME sector, support improvements in innovation and competitiveness and contribute to improvements in the business environment – through better infrastructure and services. These objectives will be achieved through initiatives undertaken at the local level consistent with the overall aim of improving economic stability in Bosnia and Herzegovina.

The project will include the provision of grants for the development of local partnerships to enhance support to SMEs and entrepreneurs. The implementation modality will be through a call for proposals (EUR 3 000 000) to be published in Q3/2012.

Sector 4: Transport

Sector objective 1: Develop a strategic framework for the transport sector at State- and Entity-level.

and

Sector objective 2: Improve the transport infrastructure, in line with the South East Europe Core Regional Transport Network.

Project to be supported under this programme:

Project No. 7: Modernization and Development of Transport Infrastructure on the comprehensive network in Bosnia and Herzegovina (EUR 14 000 000)

The purpose of this project is

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- to strengthen the information and educational function of the Bosnia and Herzegovina Institute for Preparation of a general strategy and sub-sector strategies for transport and action plans for transport and its sub-sectors (Component I),
 - to prepare a Road Safety Strategy and an Action Plan for its implementation (Component II),
 - to prepare the Main Design and investment support for the section Zenica-Doboj (58,4 km) of Motorway on Corridor Vc (Component III),
 - to complete the Preliminary Design, updating of the Feasibility Study and Preparation of the Main Design for the E-road from Brod na Drini (Foca) to Hum (Scepan Polje) including the interstate bridge (Bosnia and Herzegovina and Montenegro) as well as several studies concerning the improvement of the E-road from Sarajevo to Foca (Brod na Drini) (Component IV).

Components I and II will be implemented through service contracts (EUR 1 000 000 and EUR 500 000), the tenders will be launched in Q2/2012. Components III and IV will be implemented in joint management with the EIB and EBRD in accordance with Article 53d(1)(c) of the Financial Regulation. Contribution agreements with EIB (EUR 10 000 000) and EBRD (EUR 2 500 000) are foreseen to be signed in Q2/2012.

Sector 5: Environment and Climate Change

Sector objective 1: Support the transposition and implementation of the environmental *acquis* and other international obligations.

and

Sector objective 2: Improve the environmental infrastructure, in particular for waste management and water and waste water treatment and enhance environmental protection.

Project to be supported under this programme:

Project No. 8: Support for infrastructure development and the approximation of environmental standards (EUR 16 100 000)

This project will support the implementation of integrated water and waste management systems in Bosnia and Herzegovina. To this end the following project components will be supported:

- Water management (Component I)

The construction of flood protection structures on the river banks of the Bosna River in Sarajevsko polje will be implemented through a works contract (EUR 3 200 000) and a service contract (supervision of works, EUR 200 000), tendering will be started in Q4/2012.

The rehabilitation and construction of water and sanitation infrastructure in selected municipalities in the Republika Srpska will be implemented in joint management with the EIB in accordance with Article 53d(1)(c) of the Financial Regulation. A Contribution Agreement (EUR 2 000 000) with the EIB will be signed in Q1/2013.

The construction of the boiler room of the Waste Water Treatment Plant (WWTP) in Butila, Sarajevo will be implemented in joint management with the World Bank in accordance with Article 53d(1)(c) of the Financial

Regulation. The signature of an Administrative Agreement with the World Bank (EUR 2 500 000) is planned for Q1/ 2013.

Capacity Building in the water sector will be implemented through a service contract (EUR 2 500 000, start of tendering Q4/2012) covering the preparation of the Sava River Basin Management Plan and assistance in transposition and implementation of water-related EU Directives in Bosnia and Herzegovina.

– Waste management (Component II)

The rehabilitation of the existing landfill “Klepovica” in the Neum municipality (EUR 1 200 000), the expansion of the sanitary landfill Smiljevici in Sarajevo - the first sanitary landfill in Bosnia and Herzegovina constructed and operated in accordance with EU directives and standards - (EUR 1 500 000) and the closure and land remediation of wild landfills Krivodol in Bosanska Krupa Municipality and Babunovici in Srebrenik Municipality (EUR 2 000 000) will be implemented in joint management with the World Bank in accordance with Article 53d(1)(c) of the Financial Regulation. The signature of an Administrative Agreement with the World Bank (EUR 4 700 000) is foreseen for Q1/2013.

The preparation of a number of technical studies to support the implementation of regional integrated waste management system in the Republika Srpska will be implemented through a service contract (EUR 1 000 000), tendering will start in Q1/2013.

Sector 6: Social Development

Sector objective 3: Support the reform of the primary and secondary education systems and further support the reform of the higher education system in the framework of the Bologna process.

and

Sector objective 4: Contribute to a more efficient, effective and better quality Vocational Education and Training (VET) system and support the implementation of the strategy for adult education in line with the recommendations from the European Training Foundation.

Project to be supported under this programme:

Project No. 9: Strengthening human resources and institutional capacities for better employability (EUR 3 500 000)

The purpose of the project is to improve and develop human resources and institutional capacities in entrepreneurial learning and higher education, as well as the quality assurance and a system of validation of qualifications which equally recognizes all forms of learning, and to prepare an action plan for the implementation of the Directive 2005/36/EZ on regulated professions.

The project will be implemented through a service contract (EUR 1 000 000) and two Twinning contracts (EUR 1 000 000 and EUR 500.000). The tenders and calls for proposal will be launched in Q3/2012. In addition, part of the project will be implemented in joint management with the Council of Europe in accordance with

Article 53d(1)(c) of the Financial Regulation. A contribution agreement with the Council of Europe (EUR 1 000 000) will be signed in Q4/2012.

Sector objective 2: Improve the social protection system at all levels of governance and address the specific needs of vulnerable groups.

Project to be supported under this programme:

Project No. 10: Strengthening social protection system at all levels of governance (EUR 7 500 000)

The purpose of project component I is to support the implementation of the Roma Action Plan. This included the provision of social housing for Roma and measures to improve employment, education, and health care. Project component II aims at enhancing monitoring, reporting and promotion of rights of vulnerable groups. It includes support to the social welfare legislation reform, capacity building of social welfare centres and other institutions in charge of the protection of vulnerable groups and promotion of human rights. Project Component III aims to improve the social protection of vulnerable and socially disadvantaged groups. The objective is to assist the policy making for support for disabled persons and to ensure that financial assistance programmes on training, education and support to disabled persons are effectively delivered. A sustainable social housing system for all vulnerable groups will be developed and a pilot project will be implemented.

Component I shall be implemented through a grant contract following a call for proposals (EUR 2 500 000) to be published in Q3/2012. Component II will be implemented through a service contract (EUR 2 200 000) and a supply contract (EUR 800 000), the tenders will be launched in Q3/2012 and Q3/2013 respectively. Component III will be implemented through two grants contracts (EUR 2 000 000 in total), the call for proposal is planned to be published in Q3/2012.

Sector 7: Acquis related and other Actions

The MIPD foresees that some projects may be financed that fall outside the scope of the main sectors of support such as, but not limited to:

- i) project/sector programme identification and preparation;
- ii) *acquis* related actions that need to be adopted/implemented according to an established timetable (e.g. negotiating framework, NPAA, energy market liberalisation, electronic communication or information society);
- iii) participation in EU Programmes to which the country becomes eligible unless they are included in one of the sectors chosen above;
- iv) support measures for the implementation, monitoring and audit of IPA programmes;
- v) as well as measures to support confidence building and reconciliation.

Projects to be supported under this programme:

Project No. 11: Support to energy market liberalisation (EUR 2 500 000)

The purpose of this project is to ensure the security of energy supply to end users with a specified level of continuity and quality in a sustainable manner, in line with the EU directives. It aims to support the energy stakeholders to continue the energy reform agenda and meeting the obligations of the Energy Treaty (transparent and well

functioning electricity market). The project will assist the development of a common harmonised base for monitoring, regulating and overseeing the energy sector through strengthening coordination and cooperation mechanisms between energy stakeholders thus promoting economic efficiency, market development and attracting investment.

The project will be implemented through one service contract (EUR 2 500 000), tender to be launched in Q3/2012.

Project No. 12: Confidence building by demining and preservation of cultural heritage (EUR 9 500 000)

The purpose of this project is

- to reduce the mine suspected and risk area in Bosnia and Herzegovina with the aim to enable the return of population to demined areas, improved safety of citizens concerning abandoned mines and unexploded explosive ordnances, reduction of mine casualties, and creating the preconditions for sustainable socio-economic development in demined areas. The project will also provide support to mine victims (Component I),
- to restore and preserve the endangered cultural heritage of greatest value of Bosnia and Herzegovina, in order to build confidence and promote reconciliation. The intervention under this project component includes rehabilitation and restoration works of the historic site of Fortress Kastel and its supervision (Component II).

The demining component shall be implemented through two calls for proposals and a direct award to the Bosnia and Herzegovina Mine Action Centre (EUR 1 200 000) according to Article 168 f) of the Implementing Rules of the Financial Regulation. This Centre is a technical body of the Demining Commission. It was established by a Council of Ministers' decision based on the state Demining law establishing the Demining Commission as a central body responsible for the long-term conduct of mine action activities and removal of mine danger. Four contracts are envisaged following the call for proposals for technical survey and clearance (EUR 4 500 000) and two contracts following the call for proposals concerning Mine Risk Education (EUR 300 000) and assistance to mine victims and their families (EUR 1 000 000). Both calls will be published in Q3/2012.

The cultural heritage component shall be implemented through a works contract (EUR 2 300 000), and a service contract (supervision of the rehabilitation works, EUR 200 000), tenders to be launched in Q4/2012 and Q3/2012 respectively.

Other activities financed under this sector:

- *Project Preparation/General Technical Assistance Facility (EUR 3 030 000)*

The purpose of the PP/GTAF is to provide flexible technical support to Bosnia and Herzegovina authorities aimed at addressing specific needs identified in the course of the IA/SAA implementation and the identification, preparation and implementation of support under IPA.

Due to the nature of the PP/GTAF, it is not possible to foresee the precise timing and type of contracting.

- *Participation of Bosnia and Herzegovina in European Union Programmes (EUR 2 400 000)*

The purpose is to co-finance the "entry-tickets" which Bosnia and Herzegovina has to pay to participate in relevant Union programmes, according to the Memoranda of Understanding establishing the terms and conditions of its participation in each programme concerned. The IPA 2011 programme will co-finance inter alia the entry tickets for FP7 in 2012 and for the Media 2007 Programme in 2012, 2013 and 2014.

Participation in these Union programmes shall follow the specific terms and conditions set out for each programme in the memorandum of understanding concluded by the Commission and Bosnia and Herzegovina. The research, science and technology and the audiovisual community of Bosnia and Herzegovina will benefit from the activities and opportunities that arise from the membership in the FP7 and in the Media 2007 Programme and will become more involved in international scientific as well as audiovisual and cultural cooperation.

Based on the call for funds for these European Union Programmes two EU contribution agreements are expected to be signed for the FP7 in Q1 and Q3/2012 (EUR 2 102 400) and one EU contribution agreement for the Media 2007 Programme in Q1/2012 (EUR 297 600). The project will be implemented as a reimbursement of a part of the entry tickets after they have been paid.

2. d Horizontal issues

This programme will provide support in the area of public administration reform and strengthening of the judiciary. These measures will have a positive impact on the achievement of good governance.

Equal opportunity for participation of men and women and the minority representation will be assured in all aspects of programme implementation. Participation in project activities will be guaranteed on the basis of equal access regardless of racial or ethnic origin, religion or belief, disability, sex or sexual orientation.

The respect for and protection of minorities and vulnerable groups will be further fostered by this programme, inter alia through a project providing support to the Roma population and vulnerable and socially disadvantaged groups.

The programme will also continue to contribute to environmentally sustainable economic development by bringing the country closer to EU environmental standards through supporting investments in water and waste water facilities and solid waste infrastructures, while ensuring that the necessary environment and climate change impact assessments of investments are carried out.

2.e Risks and Assumptions

The programme includes the following conditionalities:

- The Government formally endorses the projects described in the fiches, including the identified parallel co-financing commitments, by exchange of letter between the European Commission and the Bosnia and Herzegovina Government.
- The Government will ensure that beneficiary institutions have adequate financial, material and human resources in that EU financial support is used in the most effective and sustainable manner possible.

- Beneficiary institutions shall participate in the formulation of the design and tender documents, including terms of reference and shall formally endorse tender documents, including terms of reference, before tendering.
- The Government shall ensure the availability of land, free of ownership claims or disputes, for the construction of planned works. The Government shall ensure long-term sustainability of the actions by allocating the necessary resources, including running costs and maintenance costs.
- Beneficiary institutions organise, select and appoint members (including gender and ethnic balance) of working groups, steering and coordination committees, and seminars as required by the project activities.

Additional project specific conditions are described in the project fiches. In the event that these conditions are not met, suspension or cancellation of the project or specific activities will be considered by the implementing authority.

2.f Roadmap for the decentralisation of the management of EU funds.

The Decentralised Implementation System (DIS) Strategy of Bosnia and Herzegovina was adopted in July 2008. In April 2010, the Council of Ministers of Bosnia and Herzegovina adopted decisions to nominate the Competent Accrediting Officer (CAO), the National Authorising Officer (NAO), and the National IPA Coordinator (NIPAC). The CFCU (Central Finance and Contracts Unit) and National Fund (NF) were established within the Ministry of Finance and Treasury and are functional although not yet fully staffed. There has been some progress concerning the decision for the establishment of the functions and structures for the IPA Component II. As regards the other components no progress was made due to a lack of political agreement on the division of tasks.

3. BUDGET (AMOUNTS IN EUR MILLION)

3.a Indicative budget table

| | Institution Building (IB) | | | | | Investment (INV) | | | | | Total (IB + INV) | | Total IPA EU contribution | |
|--|---------------------------|---------------------|------------|------------------------|-----------|-------------------|---------------------|-----------------|------------------------|------------------|--------------------|-------------------|---------------------------|---------|
| | Total expenditure | IPA EU contribution | | National contribution* | | Total expenditure | IPA EU contribution | | National contribution* | | EUR (g)=(a)+(d) | EUR (h)=(b)+(e) | % ⁽²⁾ | |
| | | EUR (a)=(b)+(c) | EUR (b) | % ⁽¹⁾ | EUR (c) | | % ⁽¹⁾ | EUR (d)=(e)+(f) | EUR (e) | % ⁽¹⁾ | | | | EUR (f) |
| Sector 1 Public Administration Reform | 5 850 000 | 5 850 000 | 100 | | | 2 487 777 | 2 200 000 | 88 | 287 777 | 12 | 8 337 777 | 8 050 000 | 9% | |
| <i>Public Administration Reform</i> | 3 900 000 | 3 900 000 | 100 | | | 210 000 | 150 000 | 71 | 60 000 | 29 | 4 110 000 | 4 050 000 | | |
| <i>Public Financial Management</i> | 1 950 000 | 1 950 000 | 100 | | | 2 277 777 | 2 050 000 | 90 | 227 777 | 10 | 4 227 777 | 4 000 000 | | |
| Sector 2 Justice and Home Affairs | 1 600 000 | 1 200 000 | 75 | 400 000 | 25 | 16 025 000 | 13 500 000 | 84 | 2 525 000 | 16 | 17 625 000 | 14 700 000 | 16% | |
| <i>Justice Reform</i> | 1 600 000 | 1 200 000 | 75 | 400 000 | 25 | 4 000 000 | 4 000 000 | 100 | 0 | 0 | 5 600 000 | 5 200 000 | | |
| <i>Law Enforcement Infrastructure</i> | | | | | | 12 025 000 | 9 500 000 | 79 | 2 525 000 | 21 | 12 025 000 | 9 500 000 | | |
| Sector 3 Private Sector Development | 6 580 000 | 6 480 000 | 98 | 100 000 | 2 | 4 134 000 | 3 520 000 | 85 | 614 000 | 15 | 10 714 000 | 10 000 000 | 11% | |
| <i>Private Sector Development</i> | 6 580 000 | 6 480 000 | 98 | 100 000 | 2 | 604 000 | 520 000 | 86 | 84 000 | 14 | 7 184 000 | 7 000 000 | | |
| <i>Local Economic Development</i> | | | | | | 3 530 000 | 3 000 000 | 85 | 530 000 | 15 | 3 530 000 | 3 000 000 | | |
| Sector 4 Transport | | | | | | 16 500 000 | 14 000 000 | 85 | 2 500 000 | 15 | 16 500 000 | 14 000 000 | 15% | |
| <i>Transport</i> | | | | | | 16 500 000 | 14 000 000 | 85 | 2 500 000 | 15 | 16 500 000 | 14 000 000 | | |
| Sector 5 Environment and Climate Change | 2 500 000 | 2 500 000 | 100 | | | 35 800 000 | 13 600 000 | 38 | 22 200 000 | 62 | 38 300 000 | 16 100 000 | 18% | |
| <i>Environment</i> | 2 500 000 | 2 500 000 | 100 | | | 35 800 000 | 13 600 000 | 38 | 22 200 000 | 62 | 38 300 000 | 16 100 000 | | |
| Sector 6 Social development | 7 910 000 | 7 500 000 | 95 | 410 000 | 5 | 3 850 000 | 3 500 000 | 91 | 350 000 | 9 | 11 760 000 | 11 000 000 | 12% | |
| <i>Education</i> | 3 690 000 | 3 500 000 | 95 | 190 000 | 5 | | | | | | 3 690 000 | 3 500 000 | | |
| <i>Social inclusion</i> | 4 220 000 | 4 000 000 | 95 | 220 000 | 5 | 3 850 000 | 3 500 000 | 91 | 350 000 | 9 | 8 070 000 | 7 500 000 | | |
| Sector 7 Acquis related and other Actions | 5 730 000 | 5 730 000 | 100 | 0 | | 13 907 490 | 11 700 000 | 84 | 2 207 490 | 16 | 19 637 490 | 17 430 000 | 19% | |
| <i>Energy</i> | 2 500 000 | 2 500 000 | 100 | | | 0 | 0 | | 0 | | 2 500 000 | 2 500 000 | | |
| <i>Confidence Building</i> | 200 000 | 200 000 | 100 | | | 10 929 490 | 9 300 000 | 85 | 1 629 490 | 15 | 11 129 490 | 9 500 000 | | |
| <i>EU Programmes</i> | | | | | | 2 978 000 | 2 400 000 | 81 | 578 000 | 19 | 2 978 000 | 2 400 000 | | |
| <i>PPF/GTAF</i> | 3 030 000 | 3 030 000 | 100 | | | | 0 | | | | 3 030 000 | 3 030 000 | | |
| TOTAL | 30 170 000 | 29 260 000 | 97 | 910 000 | 3 | 92 704 267 | 62 020 000 | 67 | 30 684 267 | 33 | 122 874 267 | 91 280 000 | | |

Amounts net of VAT

* contribution (public and private national and/or international contribution) provided by national counterparts

(1) Expressed in % of the Total expenditure IB or INV (column (a) or (d)).

(2) Sector rows only and for Centralised only. Expressed in % of the grand total of column (h). It indicates the relative weight of the sector with reference to the total IPA EU contribution of the entire FP.

3.b Principle of Co-Financing applying to the programme

The IPA EU contribution, which represents 74,3 % of the total budget allocated to this programme, has been calculated in relation to the eligible expenditure, which in the case of centralised management and joint management is based on the total expenditure.

In the case of grants, final grant beneficiaries will contribute with a minimum of 10 % of the eligible expenditure of the project.

The European Commission agreed with the National IPA Coordinator to waive the co-financing requirements for technical assistance projects in the 2011 National Programme. This waiver was requested by the NIPAC because, as a consequence of the failure to create a State Government in Bosnia and Herzegovina since the October 2010 elections, no State budget has been adopted at the time of the programming of the 2011 National Programme.

4. IMPLEMENTATION

4.a Management modes and Implementation modalities

The programme will be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation¹ and the corresponding provisions of the Implementing Rules² except for the following projects which will (partly) be implemented in accordance with Article 53d of the Financial Regulation by the European Commission in joint management with the Council of Europe (CoE), (projects no. 3 and no. 9), the European Patent Office (EPO), (project no. 5), the European Investment Bank (EIB), (projects no. 7 and no. 8), the European Bank for Reconstruction and Development (EBRD), (project no. 7), and the World Bank (WB), (project no. 8). To this end, the European Commission will conclude contribution agreements with CoE, EPO, EIB and EBRD and an administration agreement with the World Bank. Article 53d of the Financial Regulation and the corresponding requirements of the Implementing Rules require that the European Commission, before signing a contribution agreement with an international organisation, assesses the organisation's accounting, audit, control, and procurement procedures for conformity with the requirements of international accepted standards (the so-called 4-pillar assessment). In case of EIB and EBRD the assessment is ongoing. The authorising officer by sub-delegation (AOSD) will, based on the long-standing and problem free cooperation with these organisations, waive the requirement to have the assessment completed before the contribution agreement will be signed.

4.b General rules for procurement and grant award procedures

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the European Commission on 24 May 2007 (C (2007)2034).

¹ Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1) as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1)

² Regulation 2342/2002 (OJ L 357, 31.12.2002, p. 1) as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.4.2007, p. 13).

Grant award procedures shall follow the provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The European Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EU external actions" ("Practical Guide") as published on the DEVCO website at the date of the initiation of the procurement or grant award procedure. The essential selection and award criteria for the award of grants are laid down in the Practical Guide. The detailed selection and award criteria will be laid down in the Calls for proposals – Guidelines for applicants

The general rules for procurement and grant award procedures shall be defined in the Contribution Agreement between the European Commission and the international organization implementing such programme/activity.

4.c Implementation Principles for Twinning Projects

Twinning projects shall be set up in the form of a grant agreement, whereby the selected EU Member State administrations agree to provide the requested public sector expertise against the reimbursement of the expenses thus incurred.

The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the beneficiary country as resident twinning advisor.

The twinning grant agreement shall be established in accordance with relevant provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The twinning manual is available on the Website of DG ELARG at the following address: http://ec.europa.eu/enlargement/financial_assistance/institution_building/twinning_en.htm

4.d Environmental Impact Assessment and Nature Conservation

All investments shall be carried out in compliance with the relevant EU environmental legislation.

As a consequence, since the investment projects in the environment and transport sector correspond to projects which fall within the scope of annex 2 of the EIA-Directive³, with the exception of the preparation of the Main Design for the section Zenica-Doboj on Corridor Vc which falls into the scope of annex 1, an environmental impact assessment shall be made for each project⁴, equivalent to that provided for by the EIA-directive.

³ Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175 5.7.1985, p. 40). Directive as last amended by Directive 2003/35/EC (OJ L 156, 25.6.2003, p. 17).

⁴ Cf. Annex EIA to the corresponding investment project fiche.

5. MONITORING AND EVALUATION

5.a Monitoring

The European Commission may undertake any actions it deems necessary to monitor the programmes concerned. These actions may be carried out jointly with the international organisation(s) concerned.

5.b Evaluation

Programmes shall be subject to ex ante evaluations, as well as interim and/or, ex post evaluations in accordance with Articles 57 and 82 of IPA Implementing Regulation, with the aim of improving the quality, effectiveness and consistency of the assistance from EU funds and the strategy and implementation of the programmes.

The results of evaluations shall be taken into account in the programming and implementation cycle.

The European Commission may also carry out strategic evaluations.

6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the European Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the EU Delegation in the Beneficiary.

In order to ensure the efficient protection of the financial interests of the European Union, the European Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96⁵.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received EU funds.

7. NON SUBSTANTIAL REALLOCATION OF FUNDS

The authorising officer by delegation (AOD), or the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him/her by the AOD, in accordance with the principles of sound financial management, may undertake non substantial reallocations of funds without an amending financing decision being necessary. In this context, cumulative reallocations not exceeding 20% of the total amount allocated for the programme, subject to a limit of EUR 4 million, shall not be considered substantial, provided that they do not affect the nature and objectives of the programme. The IPA Committee shall be informed of the above reallocation of funds.

⁵ OJ L 292; 15.11.1996; p. 2

8. LIMITED CHANGES

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature⁶, may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

⁶ These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.
