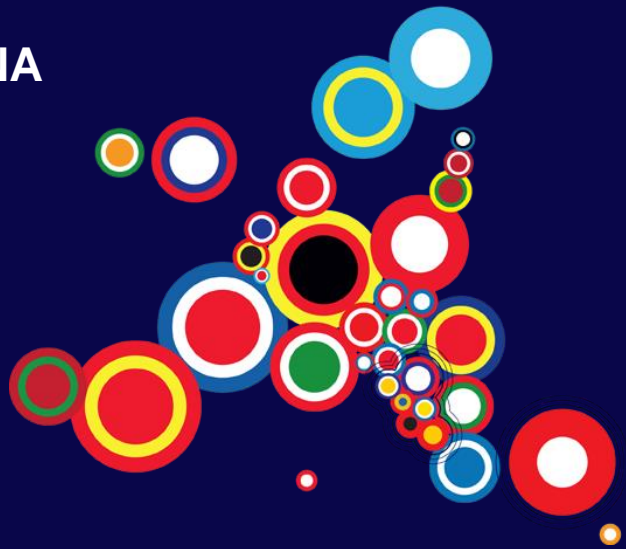




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

BOSNIA AND HERZEGOVINA EU SUPPORT TO TRADE



Action summary

This Action will help improve Bosnia and Herzegovina's capacity to generate growth by strengthening its competitiveness through an increase in its share in international and regional trade. This can be achieved by improved capacities and an enhanced regulatory framework for BiH trade facilitation aligned with best international practices. The Action will also improve the competitiveness of the country's service sector by upgrading BiH legislation and administrative capacities in trade in services in line with commitments stemming from its foreign trade agreements and best international practices. Thereby, greater integration of BiH service sectors with the regional and EU markets will be ensured, resulting in an increased trade volume and an improved trade balance.

Action Identification	
Action Programme Title	Annual Action Programme for Bosnia and Herzegovina for the year 2018
Action Title	EU Support to Trade
Action ID	IPA 2018/decisionnumber.sequencenumber/country/title(short)
Sector Information	
IPA II Sector	Competitiveness, innovation, agriculture and rural development
DAC Sector	33110 - Trade policy and administrative management
Budget	
Total cost	EUR 2 000 000
EU contribution	EUR 2 000 000
Budget line(s)	22.020102
Management and Implementation	
Management mode	Direct management
<i>Direct management:</i> EU Delegation	EU Delegation to Bosnia and Herzegovina
Implementation responsibilities	EU Delegation to Bosnia and Herzegovina
Location	
Zone benefiting from the action	Bosnia and Herzegovina
Specific implementation area(s)	Bosnia and Herzegovina
Timeline	
Final date for concluding Financing Agreement(s) with IPA II beneficiary	At the latest by 31 December 2019
Final date for concluding delegation agreements under indirect management	N/A
Final date for concluding procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
Final date for operational implementation	6 years following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement

Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	X	<input type="checkbox"/>	<input type="checkbox"/>
Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	X
Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

Bosnia and Herzegovina (BiH) is a potential candidate for European Union (EU) membership. BiH has reached a new level of its relations with the EU on June 1, 2015, with entry into force of the *Stabilisation and Association Agreement (SAA)* between BiH and the EU. This agreement replaced the *Interim Agreement (IA)*, only after BiH has shown a strong determination for taking a much-needed reform course that is agreed at all levels of government by adopting the *Reform Agenda for 2015-2018 (Reform Agenda)*, a policy document committed to by all levels of government in BiH. There is a regular political dialogue between the EU and BiH within the SAA framework. This dialogue includes preparation of the annual *Economic Reform Programme (ERP)* by BiH, with the aim to enhance the economic policy making and governance.¹

In the trade sector, BiH made significant progress regarding international integration over the past few years, in particular in regards to the EU accession process and the regional trade. Since January 2007 BiH is a member of the Central European Free Trade Agreement (CEFTA) together with Albania, FYR Macedonia, Kosovo*, Moldova, Montenegro and Serbia. The aim of this regional free-trade agreement is to foster economic development of the accession and pre-accession countries. BiH has been active within CEFTA and will be Chair in Office in 2020. This will require organising and chairing its 10 sub-committees including more than 30 meetings, workshops and other events.

Furthermore, in July 2017 the regional economic area (REA) initiative was agreed among the six Western Balkan (WB6) countries. The REA initiative provides for a further deepening and widening of CEFTA commitments on the basis of a comprehensive Multi-Annual Action Plan (MAP) with a very ambitious timeline. It is expected that BiH like other CEFTA Parties will actively participate in the fulfilment of all activities envisaged in the trade component of the MAP. Consequently, the BiH authorities will make special efforts to implement all actions and finish ongoing processes. This relates in particular to finalising and implementing CEFTA Additional Protocols 5 and 6 and initiating the process of adoption of Additional Protocol 7 pertaining to trade dispute settlement (AP7). Moreover, it is envisaged to establish a Contact Point and Service Centre in the area of trade in services.

In January 2015 BiH's free trade agreement with the European Free Trade Association (EFTA) came into force. BiH is active in both CEFTA and EFTA.

Bosnia and Herzegovina applied for World Trade Organisation (WTO) membership almost two decades ago and currently finalisation of bilateral negotiations with Brazil, Russia and Ukraine are still pending.

BiH trade integration with the EU is high. In 2016 more than 70 % of BiH exports went to the EU but more than half of those exports were directed to just three countries: Germany, Italy and Croatia. There is a low export diversification with the main export products being processed commodities and raw materials. Overall, the country's openness to trade is relatively low when taking into account its economic size, with exports and imports accounting for some 90 % of GDP. This points to a limited competitiveness of the economy which is even better illustrated when comparing BiH export shares of only 34% of GDP in 2015 with 98% of GDP prior to the war. The loss of competitiveness can be linked to many factors, but non-tariff trade barriers (including complex export procedures) and the absence of coordinated border controls are the most significant ones². Non-tariff barriers to trade with the EU such as mandatory sanitary, phytosanitary and food safety standards remain a significant problem and urgently require structural and regulatory reforms³.

Services are dominant in the BiH economy, generating about two thirds of GDP and accounting for more than half of the total employment, mainly due to the dominant size of the public sector and a high share of the (internal) trade and distribution sector. However, services comprise only one third of exports and 6% of total imports, indicating a low trade in services capacity. In services exports, traditional sectors like tourism

¹ Economic Reform Programme of Bosnia and Herzegovina for 2017-2019

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

² Commission Assessment of Economic Reform Programme of Bosnia and Herzegovina (2017-2019), Commission Staff Working Document, European Commission, April 2017, SWD(2017) 146 final

³ Bosnia and Herzegovina 2016 Report, Commission Staff Working Document, European Commission, November 2016, SWD(2016) 365 final

and transport are dominant, while the higher value-added sectors that are linked to higher efficiency, innovation and growth-promoting effects like professional and business services, telecommunications, information and computer services are less developed. The main reasons for the low economic performance of the BiH service sectors is that they are burdened by over-regulation and red tape, suffer from a lack of transparency, lack competitiveness (many have dominant and/or exclusive suppliers, usually state-owned) and provide a low level of service at an inflated cost.

While regional integration is part of the SAA commitments of BiH, it is at the same time a good tool for fostering economic development in BiH. Substantial progress has been made in CEFTA in liberalising trade within the region and work is still ongoing. However, trade within the CEFTA region is still impeded by numerous non-tariff barriers. Excessive and redundant trade-related procedures, overlapping compulsory document and data submission requirements for companies, as well as excessive physical inspections at the borders are amongst them.

MoFTER currently has limited means for sharing data with other trade facilitation (TF) related institutions including and most notably the Indirect Tax Authority (ITA). The public availability of trade-related information currently neither fully meets domestic economic operators' needs nor fulfils the transparency obligations under regional (Additional protocol 5 - AP 5) and international (WTO TFA) agreements. The currently enforced trade-related legal and procedural framework does not adequately provide for modern electronic risk-based import or transit and export controls and there is limited operational capacity for implementation of such controls. This means that modern trade-facilitating regimes and systems e.g. Authorised Economic Operator Programmes (AEO) and pre-arrival processing cannot be effectively implemented. Cooperation between border agencies is not systemic.

This makes trade in the region time consuming and expensive. Tackling these issues is important because post-crisis growth in BiH has been more than 4 times lower than its pre-crisis growth. While it has been observed⁴ that the BiH economy has recently started to show signs of recovery – exports have increased significantly by close to 18% in the third quarter of 2017 compared to 2016, industrial production is showing strong growth and so is consumer spending – BiH still faces important challenges such as low potential growth, high unemployment (20.5%, out of which 18.9 % for men and 23.1% for women)⁵, low efficiency of the public administration and a growth model with too much emphasis on private consumption largely financed by workers remittances.

Finally, having in mind that different institutions share jurisdiction in some part of this area, the lack of coordination between them and the lack of sufficient capacities may cause difficulties in the implementation of BiH obligations under the aforementioned agreements.

The main/direct stakeholders of this Action are primarily the BiH Ministry of Foreign Trade and Economic Relations (MoFTER) and the BiH Indirect Taxation Authority (ITA).

MoFTER is in charge of international trade relations and foreign trade policy which includes trade in goods and services in accordance with TF Policy Law and other relevant legislation (Customs Policy Law and Customs Tariff Law). Furthermore, ITA is the implementing agency for customs issues related to BiH international trade relations and foreign trade policy that are complementary to each other.

In order to efficiently undertake activities aimed at raising awareness and capacity building for trade in services throughout BiH, as well as to conduct necessary organisational and analytical activities in support of CEFTA during its chairmanship (during 2020), MoFTER needs firstly to address its lack of regulatory, administrative and institutional capacities for implementation of obligations related to trade. In addition to this, and especially in relation to trade facilitation, ITA needs to develop its risk management system aimed at establishing efficient risk management that will not impede or slow down movement of goods across the borders and throughout the country.

Other/indirect stakeholders include BiH and entity/BD level institutions in charge of foreign and/or internal trade in goods and services, chambers of commerce, the enterprise sector including primarily current and future exporters, business associations, academia and professionals dealing with trade in goods and services.

⁴ In the Report from the 2nd Annual EU-BiH SAA Subcommittee on Economic and Financial Issues and Statistics, held in Brussels on 14-15 November 2017.

⁵ BiH Agency for Statistics, 2017

The Ministry of Trade (MoT) of the Federation of Bosnia and Herzegovina (FBiH), the Ministry of Trade and Tourism (MoTT) of the Republika Srpska (the RS), the Ministry of Economic Relations and Regional Cooperation (MEORS), and the Department for Economic Development, Sport and Culture in Government of Brčko District have jurisdiction in selected trade-related issues and actively participate in structures established in BiH within trade agreements. Moreover, entity and Brčko District inspectorates should be involved in the Action's implementation to the extent their activities pertain to trade-related issues under this Action. Finally, other indirect beneficiaries may be identified in course of Action's implementation.

OUTLINE OF IPA II ASSISTANCE

To address the problems and challenges outlined above, the Action is focusing on the need in BiH to improve efficiency of its international trade procedures and develop a competitive services sector that will, in turn, support stronger economic growth and faster development of all sectors of the BiH economy. Specifically, in order to increase its exports of goods BiH needs to improve the facilitation of trade in goods by simplifying related procedures and ensure the electronic exchange of required information, as outlined in the Action and in line with the obligations contained in AP5 and in the REA initiative (where it relates to trade facilitation). In order to improve the BiH service sector competitiveness this Action proposes to implement the general obligations contained in CEFTA AP6 and WTO GATS, as well as to enable BiH to successfully negotiate and implement further commitments undertaken under CEFTA and REA.

In order to address the above-outlined issues, under this Action MoFTER – in cooperation with other relevant institutions (indirect stakeholders) – will carry out activities to modernize and improve existing regulatory and procedural frameworks for trade in both goods and services, and to raise awareness and build capacity of all (indirect) stakeholders in the sector. At the same time internal capacity will be enhanced, leading eventually to the establishment and efficient operation of the envisaged Service Centre within MoFTER. In cooperation with other relevant institutions (indirect stakeholders), ITA will conduct/compile the necessary analytical work and propose/implement the internal and external improvements necessary to simplify and shorten the processing of goods at the border and in transit, including required alignments of risk management procedures. This will include review and/or possible update of the regulatory framework for the introduction of the AEO Programme and improvement of the framework for pre/arrival processing of goods.

All stakeholders involved in foreign trade in goods and services, both domestic and international, will benefit directly from the improvements introduced and operationalized under the Action, as this will translate into better regulated and more efficient procedures to be followed in their daily operations. As for the direct beneficiaries, their capacities for tackling issues in the area of trade in goods and services will be sustainably enhanced.

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

According to the *Indicative Strategy Paper (ISP) for BiH 2014-2020 – Revised Version*, the objectives of IPA II assistance in the trade sector include support to capacity building and harmonisation of trade legislation and to ensure that BiH is able to implement relevant policy reforms in the area of trade in order to enable its economy to maximize the benefits from economic integration processes. IPA II should support BiH to adhere to its obligations under the international trade agreements (SAA, WTO, CEFTA) and other trade-related legal instruments resulting from the obligations from these international trade agreements, by fostering the modernisation of the institutional and legal framework. According to the ISP BiH 2014-2020 the expected result is the application of a coherent foreign trade policy that is in line with BiH's international obligations as pertaining to SAA, WTO and CEFTA.

According to SAA Article 86 Cooperation policies, BiH should strengthen its existing economic links, especially on the regional basis, on the widest possible foundation with the aim to bring about sustainable economic and social development of BiH.

The *EC Bosnia and Herzegovina 2016 Report*⁶ (BiH 2016 Report) finds that there is a significant direct state influence on the BiH economy and that achieving stronger and sustainable economic growth will require a more efficient public sector and a more dynamic private sector development. Achieving a more competitive and innovative economy and creating more jobs is one of the biggest challenges for BiH governments and institutions. According to BiH 2016 Report, the country is in the early phase of developing

⁶ Bosnia and Herzegovina 2016 Report, Commission Staff Working Document, EC, November 2016, SWD (2016) 365 final.

a market-oriented economy, mostly due to the lack of a single economic space in the country and the lack of a regulatory environment that is conducive for development of a competitive private sector.

The **BiH ERP 2017-2019** has similar findings. A large and inefficient public sector with overlapping competencies and the absence of a single economic space throughout BiH are identified as two of the three structural obstacles to economic growth and competitiveness. It finds that there was very little progress in addressing the main issues in competitiveness, public sector inefficiency and too slow private sector development. BiH ERP states that the main challenge for foreign trade developments in BiH stems from its structure characterised by a low level of exports in GDP and relatively high dependence on imports, resulting in a rather high commodity foreign trade deficit. According to the **BiH Reform Agenda** one of the strategic goals for BiH is to facilitate exports by continuing the inspections reform and strengthening national quality control in line with EU requirements.

The first pillar of **SEE 2020** deals with foreign trade and includes the following objectives: addressing distortive SPS measures and unnecessary TBT measures within the region, liberalisation of intra-regional trade in services and facilitation of free trade of services, completing the full cumulation zone under the Pan-Euro-Mediterranean (PEM) Convention and gradual harmonisation of MFN duties in region with those of EU Common External Tariff (CET).

The most recent *EU Enlargement Strategy*⁷ finds that the adoption of REA/MAP is a very promising development: its implementation will further strengthen trade, investment and mobility within the region and between the region and the EU. It will help integrate the markets into the European and global value chains and promote the digitisation of the region's economies. It will also help accelerate enterprise and skills development, research and innovation and smart growth. According to the EU Enlargement Strategy, the European Commission (EC) will continue supporting the development of intraregional economic integration, including by mobilising its expertise to assist with the implementation of MAP/REA, in particular in areas covered by the EU acquis. The Annex to the Strategy outlines Action Plan in Support of the Transformation of the Western Balkans with two actions directly relevant for this project. Action 3.6 proposes to mobilise EU expertise to support the implementation of REA. Action 3.7 is oriented towards facilitation of trade between the EU and the Western Balkans and in the region, including developing mutual recognition programmes on the basis of CEFTA and REA (e.g. Authorised Economic Operators, AEO).

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

Previous assistance under IPA I⁸ in the sector included institutional capacity development and strengthening of the legal framework in the area of trade. Assistance provided to Bosnia and Herzegovina has been instrumental in improving the BiH legal environment and its institutional and administrative capacities. Nevertheless, despite the progress made so far, further technical assistance is needed in order to boost the country's long-lasting processes.

Generally, the beneficiary countries continue to suffer from poor implementation and enforcement of laws and policies. A lesson learned is to look not only at technical alignment of the laws, but also to ensure that the legislative drafting and policy-making processes ensure proper inter-ministerial coordination, impact assessment of proposed laws and policies as well as external (public) consultation of the relevant stakeholders. Moreover, the Action should start when there is a clear commitment from the whole government to fulfil the conditions for implementation, as assessed and agreed by the EC, including a high degree of ownership and cooperation, as well as a partnership between the public and private sector, at all relevant administrative levels. Furthermore, successful coordination of assistance provided through national and multi-beneficiary IPA projects is crucial to increase the benefit of the two support instruments. The national programme should coordinate with and build upon support received under multi-beneficiary programmes.

⁷ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A credible enlargement perspective for and enhanced EU engagement with the Western Balkans, European Commission, Brussels 6.2.2018, COM (2018) 65 final.

⁸ "Capacity Building for Trade Policies and Analysis", Contract Number: 2015/363-890,

"Support to trade policy and capacity building in Bosnia and Herzegovina" Contract Number: 2010/242-823

"Developing Trade Policy and Related Capacity in Bosnia and Herzegovina" Contract Number: 2007/135-795

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
To increase international and regional trade volume of Bosnia and Herzegovina	Progress made towards meeting accession criteria BiH total trade (total exports and imports of goods and services) as % GDP. BiH trade in goods as % GDP	EC Country Report BiH Central Bank BiH Agency for Statistics	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
To improve BiH competitiveness in foreign trade	Exports of goods and services as % GDP	BiH Central Bank BiH Agency for Statistics	Continued political support for implementation of further trade integration of BiH, including under the EU accession process. Continued political support for the implementation of the commitments already undertaken as well as those that BiH is expected to undertake within REA, AP5, AP6 and other international agreements as required. Support and cooperation of all sector stakeholders, including both public and private sector, civil society and donors.
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
Result 1: Regulatory and procedural framework for trade in goods and trade in services has been improved in line with the international integration requirements	Status of adoption of general obligations of CEFTA AP6 and WTO GATS	EC Country Report	CEFTA AP6 is adopted and/or WTO accession is successful.
Result 2. Risk-based systems and regimes for import, export and transit decision-making are improved	Logistics Performance Index (LPI) score	World Bank LPI scorecard	Support and cooperation of all sector stakeholders, including both public and private sector, civil society and donors.

(*) All indicators should be formulated as measurement, without specifying targets in the Logical Framework Matrix. The targets should be included in the performance measurement table in section 4. More detailed guidance on indicators is provided in Section 4 on performance measurement.

(**) Relevant activities have to be included only in the following sub-section.

DESCRIPTION OF ACTIVITIES

Activities related to Result 1: *Regulatory and procedural framework for trade in goods and trade in services has been improved in line with the international requirements*

The Action will particularly be oriented towards improving the capacity of BiH to upgrade regulatory and procedural frameworks for both trade in goods and trade in services, in line with ongoing regional and other international integration initiatives, and will include relevant capacity building; it will also support BiH in activities – like those below - relating to these initiatives, and will provide targeted support to MoFTER in relation to its chairmanship of CEFTA in 2020, as well as awareness-raising activities for government bodies at all relevant levels that deal with trade in services. As a general principle, institutions that have competence for specific issues addressed by an activity shall participate in the implementation of that activity.

1.1 Improvement of regulatory and procedural framework for trade in goods

- Increase capacity to address Non-Tariff Barriers (NTBs) and support negotiations on Dispute Settlement Mechanism (DSM) within CEFTA (MAP I.1.1.a-c);
- Support the update of the Harmonised System (HS) Explanatory Notes - Sixth volume of the World Customs Organization (WCO) Explanatory Notes (HS2017);
- Improve linkages and dialogue between the private sector and public institutions on trade facilitation (TF) policy and regulatory competence in line with MAP Action I.1.1.d;
- Upgrade the Trade Model within MoFTER.

1.2. Improvement of regulatory and procedural framework for trade in services

- Support MoFTER's activities aimed at modernising the trade in services regulations in line with the general obligations of BiH (CEFTA/REA, WTO GATS, SAA and in particular related to EU approximation requirements);
- Provide support for the harmonisation of trade in services regulatory regime across BiH, in 2-3 chosen sectors, in line with international obligations and commitments (contained in CEFTA/REA, WTO GATS and EU approximation process) in particular with a view to adopting the EU Services Directive;
- Support MoFTER in further negotiations related to trade in services within CEFTA, WTO, EU approximation processes and in bilateral agreements, and identification of the sectors where it would be of interest for BiH to negotiate further liberalisation (MAP I.4.2.c and I.4.2.d);
- Build capacity for all stakeholders and government bodies directly in charge of services at all levels in BiH.

1.3. Development of the concept and establishment of the Service Centre

- Create a link between the institutions at all levels that have a competence for international trade in services to provide for a better coordination of activities relating to trade in services (MAP I.4.1.c);
- Collect all information pertaining to trade in services and disseminate it to the interested parties (AP6 Art. 9.3, GATS Art. III, MAP I.4.1.d, EU DS Art. 6-8);
- Establish channels of communication with all stakeholders and develop dialogue with the domestic service providers (MAP I.4.1.e);
- Collect data on services and cooperate with CEFTA on data collection (MAP I.4.1.h).

1.4 Support MoFTER during BiH chairmanship of CEFTA during 2020

- Facilitate meetings (preparation of agenda, materials, translation etc.);
- Prepare analyses and studies relevant for specific items of the meetings.

1.5. Awareness-raising about services and international trade in services (GATS)

- Raise public awareness and general understanding of services and their role in an economy, as well as what comprises international trade in services according to GATS;

- Raise awareness and promote advocacy in the enterprise and government sectors about what comprise services, their importance for the efficient functioning of a modern economy and the concept of international trade in services as per WTO GATS.

Activities related to Result 2 Risk-based systems and regimes for import, export and transit decision-making are improved.

This Action is aimed at improving the trade facilitation regulatory framework by reducing formalities relating to import, export and transit, as well as supporting improved risk-management and border-related inter-agency cooperation, in line with ongoing regional and other international integration initiatives. Activities like those below will include support to activities related to the prioritisation of perishable goods, the Time Release Study, the introduction of an Authorised Economic Operator programme and improving the framework for pre-arrival processing. As a general principle, institutions that have competence for specific issues addressed by an activity shall participate in the implementation of that activity.

2.1 Reduce burden of formalities connected with Import, Export and Transit:

- Support the organisation and implementation of the Time Release Study (TRS) and the subsequent publishing and analysis of the results;
- Conduct Business Process Analysis (BPA) for requirements and procedures for import/export/transit aimed at moving towards a harmonization of processes at all administrative levels (building on the results from GIZ project);
- Complement BPA with an analysis of all remaining administrative requirements for import, transit and export clearance in all control bodies, and possibly provide support to ensuring that the respective documents are organised in a harmonised digital form required to facilitate exchange through an interface;
- Identify ways to simplify procedures whilst retaining the Appropriate Level of Protection (ALP) including proposed regulatory changes.

2.2 Improve use of Risk Management and border-related inter-agency cooperation:

- Analyse the border-related inter-agency cooperation, including Risk Management;
- Support the development of a forum to bring together all border inspections to develop a Risk Management Framework including principles and methodologies in preparation for Regional Strategy for joint risk management. Study national, regional and EU experience and best practices, in preparation for MAP activity 1.1.4;
- Review the lists of goods subjects to control of each body involved in risk-based control of goods at import, export and transit;
- Assess and address the risk assessment personnel and training needs in all border agencies;
- Analyse the national and international legal basis for the One-Stop border controls, in line with MAP Action 1.1.4 a and address any deficiencies.

2.3 Prioritise perishable goods:

- Define the needs based on international best practices for handling and processing the release of perishable goods, and propose appropriate procedures for preferential treatment of perishable goods including the separation of release from clearance of such goods where appropriate;
- Review and amend the legal and procedural framework in order to facilitate the processing of trade in perishable goods.

2.4 Review and update of provisions for an Authorised Economic Operators (AEO) programme:

- To review and where appropriate update the implementing provisions to fully implement the provisions of the New Customs Policy Law in respect of the AEO Programme in line with CEFTA requirements (MAP I.1.2.c).

2.5 Improve the framework and mechanism for pre-arrival processing

- Assess and address the inter-agency data needs and standard operating procedures for pre-arrival processing for products that are subject to import export control;
- Assess and address infrastructure and staffing / training needs for introducing pre-arrival processing of import documentation;

RISKS

Assumptions:

- Continued political support for implementation of further trade integration of BiH, including under the EU accession process.
- Continued political support for the implementation of the commitments already undertaken as well as those that BiH is expected to undertake within REA, AP5, AP6 and other international agreements as required.
- Support and cooperation of all sector stakeholders, including both public and private sector, civil society and donors.

Risks:

- Political turbulences that may hamper implementation of the Action's activities and processes.
- Sector complexity and a wide number of stakeholders throughout various levels of the administration may result in insufficient cooperation.
- Insufficient level of cooperation between the public and private sectors.
- Insufficient stakeholders' absorption capacities.
- Low level of effectiveness of implementation, monitoring and evaluation systems.

Mitigation measures to be undertaken will include:

- Overall facilitation of political processes required to take legislative and procedural steps necessary to advance the Action's agenda.
- Facilitation of cooperation between all relevant stakeholders including civil society. This will ensure that all agreed measures are deemed relevant by all stakeholders involved.
- Strengthening human resources capacities in the sector in accordance with principles of good governance and effective public administration, which is also an ultimate goal of the Reform Agenda.
- As regards the mitigation of the last risk, the Action will pay particular attention to introduction and maintenance of an effective implementation, monitoring and evaluation system for the activities to be undertaken as well as in relation to relevant subsectors.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

The direct beneficiaries of this Action include primarily the BiH Ministry of Foreign Trade and Economic Relations and the Indirect Taxation Authority of Bosnia and Herzegovina.

Other/indirect stakeholders include BiH and entity/BD level institutions in charge of foreign and/or internal trade in goods and services, chambers of commerce, the enterprise sector including primarily current and future exporters, business associations, academia and professionals dealing with trade in goods and services.

The Ministry of Trade (MoT) of the Federation of Bosnia and Herzegovina (FBiH), Ministry of Trade and Tourism (MoTT) of the Republika Srpska (the RS), Ministry of Economic Relations and Regional Cooperation (MEORS), and the Department for Economic Development, Sport and Culture in Government

of Brčko District have jurisdiction in select trade-related issues and actively participate in structures established in BiH within trade agreements. Moreover, entity and Brčko District inspectorates should be involved in the Action's implementation to the extent their activities pertain to trade-related issues under this Action. Finally, other indirect beneficiaries may be identified in course of Action's implementation.

A **Project Steering Committee** will be established in the inception phase, to monitor the progress of Action implementation, facilitate access to information, ensure timely and sufficient inputs from institutions when required, provide advice etc. It will include main institutional stakeholders in accordance with common practice under the chair of the EU Delegation to BiH. The composition of the Steering Committee and its rules of procedures will be determined in the Terms of Reference.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

The Action will be implemented under direct management by the EU Delegation to BiH.

The Action's activities 1.1 till 1.5 and 2.1 till 2.5 will be implemented through one service contract.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

In line with the IPA II Implementing Regulation 447/2014, an IPA II beneficiary who has been entrusted budget implementation tasks of IPA II assistance shall be responsible for conducting evaluations of the programmes it manages.

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

INDICATOR MEASUREMENT

Indicator	Baseline 2010 (2)	Target 2020 (3)	Final Target 2022 (4)	Source of information
Progress made towards meeting accession criteria				EC Country Report
BiH total trade (total exports and imports of goods and services) as % GDP.	81%	89%	90%	BiH Central Bank
BiH trade in goods as % GDP	67.9%	78%	79%	BiH Agency for Statistics
Exports of goods and services as % GDP	29.7%	35%	36%	BiH Central Bank BiH Agency for Statistics
Status of adoption of general obligations of CEFTA AP6 and WTO GATS	0	Progress made	Progress made	EC Country Report
Logistics Performance Index (LPI) score	World Bank Logistics Performance Index (LPI) score 2.66 (2010) World Bank LPI rank 90 (2010) World Bank LPI Customs score 2.33 (2010)	World Bank LPI score 2.90 World Bank LPI rank 90 World Bank LPI Customs score 2.90	World Bank LPI score 3.0 World Bank LPI rank 88 World Bank LPI Customs score 3.0	World Bank LPI scorecard Time Release Study (TRS) Official BiH Trade Statistics

(1) This is the related indicator as included in the Indicative Strategy Paper (for reference only)

(2) The agreed baseline year is 2010 (to be inserted in brackets in the top row). If for the chosen indicator, there are no available data for 2010, it is advisable to refer to the following years – 2011, 2012. The year of reference may not be the same either for all indicators selected due to a lack of data availability; in this case, the year should then be inserted in each cell in brackets. The baseline value may be "0" (i.e. no reference values are available as the Action represents a novelty for the beneficiary) but cannot be left empty or include references such as "N/A" or "will be determined later".

(3) The target year CANNOT be modified.

(4) This will be a useful reference to continue measuring the outcome of IPA II support beyond the 2014-2020 multi-annual financial period. If the Action is completed before 2020 (year for the performance reward), this value and that in the 2020 target column must be the same.

5. SECTOR APPROACH ASSESSMENT

This Action entails support to the trade sector which is a policy area within the overarching IPA II sector: Competitiveness and innovation: local development strategies, as defined by the Indicative Strategy Paper for IPA II for BiH. Within the overall IPA II sector, the Reform Agenda and NERP represent the main *policy implementing framework* for reform processes for all of its areas. For the trade area it can be added that a “Trade Policy Review” (TPR) for BiH was undertaken within the framework of the EU funded project “Developing trade policy and related capacity in Bosnia and Herzegovina” (EU TPP). This TPR Report was intended to describe the current situation for BiH trade policy components from the WTO, CEFTA and SAA perspective and was a result of a trade policy dialogue process with all relevant stakeholders as well as of a literature review (of trade related documents and key policy documents such as BiH’s overall development policy and poverty reduction strategy). Within the EU TPA project Screening for Harmonization of Trade Legislation with SAA resulted in defining an Action Plan for SAA Implementation.

The *institutional framework* for the sector is in place with the Ministry of Foreign Trade and Economic Relations of BiH as a competent sector institution at the state level. Its competences include: the Foreign trade policy and customs tariff policy of BiH; development of contracts, agreements and other documents in the field of economic relations and trade with other countries; development of bilateral and multilateral agreements and other documents in regard to reconstruction of BiH; relations with international organisations and institutions in the field of foreign trade and economic relations, designing and drafting strategic documents on macroeconomic relations in the field of economic relations; business environment, single economic space; development and promotion of entrepreneurship; control of turnover with goods and services under a special regime in the field of export and import; consumer protection; competition and co-ordination of international economic assistance to BiH, except from the part regarding the EU assistance. Relevant entity level institutions in trade are: FBiH Ministry of Trade and RS Ministry of Trade and Tourism, whereas at the level of the Government of Brčko district BiH, the Department for Economic Development deals with trade issues.

The *sector and donor coordination* is organized for each of the areas within the overall IPA II sector. In trade, the coordination among relevant institutions in BiH takes different forms. The BiH Working group for Chapter 30 – Foreign affairs is the structure for coordinating SAA trade issues. The CEFTA structure is established at regional and national level. CEFTA Parties communicate through national CEFTA Contact points in regards to all obligations and at regional and national level as well. MoFTER has established sectorial working groups as a coordination mechanism for implementing CEFTA obligations in BiH at all levels. As already mentioned, a wide dialogue process with all relevant stakeholders was also organised in the course of the preparation of the TPR. Also, during the preparation of this Action Document, MoFTER organised consultations with competent institutions from state, entity, Brčko District and cantonal levels.

Regarding *budget planning*, the Medium-Term Expenditure Framework (MTEF) with a three-year general budget planning of institutions in BiH and a general annual budget planning of institutions in BiH is in place. However, there is no mid-term, sector based budgetary planning process in BiH.

6. CROSS-CUTTING ISSUES

GENDER MAINSTREAMING

The Action will ensure equal opportunities for women and men to participate in its implementation and the composition of any of the structures created in course of implementation of the Action will take the gender balance into consideration. Regarding all capacity building activities, they will be available and accessible equally to men and women. Envisaged training(s) will be equally available to men and women. Gender sensitive language will be maintained throughout the entire project cycle. All analyses and drafting legislation will be conducted using gender-sensitive methodologies, and gender will be mainstreamed in all activities and deliverables related to the implementation of this Action. In that sense the Action is designed not to exacerbate gender inequalities.

EQUAL OPPORTUNITIES

The principle of non-discrimination is stipulated in Article 6 of the Labour Law for Institutions of BiH which stipulates that a person will not be discriminated against based on race, colour, sex, language, religion, political or other opinion, ethnic or social background, sexual orientation, financial situation, birth or any other circumstance. The same principle is integrated and will be maintained throughout the proposed Action. Therefore, participation in the implementation of the Action will be guaranteed on the basis of equal access regardless racial issues or ethnic origin, religion and beliefs, age or sexual orientations.

MINORITIES AND VULNERABLE GROUPS

Bosnia and Herzegovina is committed to a policy of social inclusion of minority and marginalised social groups, notably Roma, persons with disabilities, young persons, internally displaced persons. During implementation of activities anticipated in the Action, full respect of minorities and vulnerable groups will be ensured. Thus, during the implementation of the action, there shall be no direct or indirect discrimination against any person based on gender, age, marital status, language, sexual orientation, political affiliation or conviction, ethnic origin, religion, social origin or any other status.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

Recommendations from “Trade Policy Review” (TPR) for BiH that was undertaken within the framework of the EU funded project “Developing trade policy and related capacity in Bosnia and Herzegovina” (EU TPP) are used during preparation of this Action. The reason for using these recommendations is that they have been drafted based on inputs received from a dialogue which included both the governmental and non-governmental sectors.

When it comes to the implementation of this Action, all envisaged activities will be open to cooperation and synergies with CSOs and other non-state stakeholders. Activities described above rely on the active participation and contributions of stakeholders outside of government, in particular representatives of the business communities in regard to the activity 1.3. Given the importance of the dialogue between public and private sector in the implementation of this Action the participation of relevant stakeholders, such as business associations, professional organizations, think tanks etc. will be encouraged in its implementation. These stakeholders will be invited to identify how to best facilitate trade in goods and services through research, technical knowledge, awareness raising activities and monitoring. Also, the private sector operators will contribute to stimulating the demand in the private sector for better quality public services and a higher level of public commitment aimed at removing barriers to trade. The development of new legislation/amendments to existing legislation shall be carried out respecting the rules for public consultations and inter-ministerial coordination. In that sense, both business community and academia will be involved in the review of the legislative framework through their involvement in the legislative development process.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

The activities envisaged under this Action do not imply direct and major impact to environmental issues. The activities aimed at improving the regulatory and procedural framework for trade in goods and services will encourage resource-efficient development to the extent possible.

Climate action relevant budget allocation: EUR 0
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7. SUSTAINABILITY

Development of new legislation/amendment to existing legislation shall be carried out respecting all national procedures, especially those related to fiscal/ regulatory impact assessments, public consultations and inter-ministerial coordination. As a rule, projects should start by providing support to the beneficiaries with 'options analysis', regulatory impact assessments, concept papers, etc. prior to supporting them with drafting of legislation/ amendments.

Training organised for many different public administration organisations shall be coordinated with the institutions centrally responsible for training of civil servants.

Any IT development, including establishment of new registries, shall respect the national standards for interoperability. In cases when these are missing, relevant consultations with the coordinating state authority for ICT should be a prerequisite for launch of any tenders, regardless of the area of the EU funded project.

Any written procedure and/or guidelines developed with the support of this Action shall be simple enough to be regularly updated and changed by the staff of the respective organisations without additional external support. Any guidelines or procedures developed shall not contradict with any legal provision of the country. Harmonisation of procedures and approaches across the different levels of administration shall be promoted.

The projects will not promote the elaboration of special regulations unless specifically needed and justified. If the development of special administrative procedures is necessary, the degree of deviation from the provisions of the (4) Laws on General Administrative Procedures should be minimised.

The sustainability will be ensured through the capacity building of relevant stakeholders for monitoring and evaluation for better policymaking, and gradual approximation to the EU policies. It will enhance ownership and support of the governments in BiH to the sector policies. The Action performance measurement will be ensured which will enable proper trends and impact dynamics analyses, with relevant follow up mechanisms.

Strong involvement of the sector base and non-state actors in concrete incentives will ensure the ownerships and viable sector linkages, both institutional and across the sector (business) base.

8. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the EU communication and visibility requirements in force. All stakeholders and implementing partners shall ensure the visibility of EU financial assistance provided through IPA II throughout all phases of the programme cycle.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.

Visibility and communication aspects shall be complementary to the activities implemented by DG NEAR and the EU Delegations in the field. DG NEAR and the EU Delegations should be fully informed of the planning and implementation of the specific visibility and communication activities carried out by the beneficiaries and the implementing partners.