

SUPPORT PROGRAMME FOR BOSNIA AND HERZEGOVINA IN 2001

1. IDENTIFICATION

Beneficiary state:	Bosnia and Herzegovina
Programme:	Council Regulation (EC) No.2666/2000
Year:	2001
Cost:	€63,55 Million¹
Expiry date:	31.12.2003 contracting 31.12.2004 disbursements
Budget line:	B7-541
Group:	AA
Sector:	M
Implementing Body:	European Commission Delegation on behalf of the local authorities

2. SUMMARY

This proposal is the third part of assistance to Bosnia and Herzegovina in 2001.

The purpose of the assistance is to support the participation of Bosnia and Herzegovina in the Stabilisation and Association Process (SAP). The specific objectives of the assistance are to contribute to the implementation of the General Framework for Peace, to create conditions conducive to inter-Entity and regional co-operation, to facilitate the return of refugees and displaced persons, to strengthen the institutions of the State, to strengthen the rule of law and respect for human rights, to enhance the capacity of the State to police its borders, to increase the customs and tax revenues of the Entities, to assist in the improvement of the country's transport infrastructure, to contribute to increased economic activity and private sector development, to improve the quality of university education and vocational educational training, and to improve the ability of civil society to play a full role in the development of the country.

¹ €40,3 million were already allocated in previous proposals on Return (€37,3 million), IJC (€2,0 million) and Civil Aviation (€1,0 million) support programmes.

This proposal consists of the following sectors and priorities².

1. DEMOCRATIC STABILISATION

1.1 Institutional capacity building with:

- State Level Ministries and the Constitutional Court € 3,50 Mio
- The Entities' Customs services and Tax administrations €10,50 Mio
- The bodies established under Annex 6 and 7 of the General Framework Agreement for Peace (GFAP) € 2.76 Mio

1.2 Public Broadcast Media Reform € 2,50 Mio

Total	€19, 26 Mio
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2. ECONOMIC DEVELOPMENT AND REFORM

- Private sector development (revolving loans) € 10,00 Mio
- Infrastructure improvement :Roads and Railways (EIB interest rate subsidies) € 11,89 Mio
- Social cohesion and development € 9,40 Mio
 - Higher Education (Tempus III) € 3,0 Mio
 - Vocational Training € 2,4 Mio
 - Health and Social Protection € 2,0 Mio
 - Civil Society Strengthening € 2,0 Mio

Total	€ 31,29 Mio
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3. JUSTICE AND HOME AFFAIRS

- State border service € 2,50 Mio
- Integrated border management € 7,50 Mio

Total	€10,00 Mio
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4. GENERAL TECHNICAL ASSISTANCE FACILITY

Total	€ 3,00 Mio
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Maximum available:	€ 63,55 Million
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² Individual programmes are described in Annexes 1 – 13

3. GENERAL BACKGROUND

3.1. Past EC Funding

In 1996 following the signing of the GFAP the EC began to deliver non-humanitarian assistance to BiH (ECHO had delivered humanitarian assistance since 1991 and continued doing so until 2000). This was done through two programmes: Phare, which in accordance with the Regional Approach was limited to projects in direct support to the GFAP, and OBNOVA, designed to support the post war reconstruction of the country including the return process. A total of €890 million were allocated in the period 1996 to 2000, out of which almost 90% had been contracted by July 2001.

EC assistance during this period was characterised by a multiplicity of different interventions in a wide range of sectors and was based on an annual programming approach. Projects were identified within the framework of the \$5,1 billion “Priority Reconstruction and Recovery Programme” developed through the joint efforts of the World Bank, the EU and other agencies.

1996 was a year of emergency and interventions which were designed to respond to the immediate post-war situation. The Phare Essential Aid Programme (EAP), focusing primarily on imports, provided critical assistance to kick start reconstruction. In 1998 independent experts evaluated the procurement component of the EAP and it was concluded that *“the impact could have been stronger with improved management, sufficient staff and more technical expertise”*. In 1996, Phare and Obnova also funded projects in the areas of return, basic infrastructure, housing, institution building, economic regeneration and civil society development.

In 1997, following the conclusions of the London Peace Implementation Council, the Commission brought closer the reconstruction and refugee return aspects of its assistance. In addition to return, (the single most important area for Community assistance between 1996 and 2000), EC programmes concentrated on priority areas such as economic reform and employment regeneration, reconstruction of technical and social infrastructure, institution building and support for peace implementation.

In the period 1998 – 2000, the Commission sharpened the focus of its programmes with continued support to return and better targeted support in the areas of institution building, economic reform and social cohesion and development. The EC strengthened the institutional capacity of the Common Institutions, the customs services, and supported the Dayton Institutions (Human Rights Chamber, the Office of the Ombudsperson and the Commission for Real Property Claims) and the Public Broadcasting Service. Micro projects supported democratisation, human rights and civil society. In the economic reform sector, assistance was targeted at modernising the banking and finance systems, facilitating trade and investment, at enterprise privatisation and

restructuring, local development and SME development. This was complemented by support to the agriculture sector, principally through the procurement of livestock and the provision of small-scale loans. Finally, in the area of social cohesion and development, assistance was given to reform both the education and the health systems.

Concerning macro financial assistance, the Council of the European Union decided on 10 May 1999 to grant BiH a package of macro financial assistance of up to €60 million, composed of a loan facility of up to €20 million and a grant facility of up to €40 million. The first tranche, €25 million (€15 million grant and €10 million loan) was released in December 1999. The second tranche, €20 million (€10 million grant and €10 million loan) was disbursed in December 2000.

The total amount of humanitarian assistance provided by ECHO between 1991 and 2000 was €1,032 million.

Overview:

1991-1994	1995	1996	1997	1998	1999	2000	Total		2001	Total + CARDS
BOSNIA AND HERZEGOVINA										
Phare + Obnova										
		238.33	213.20	202.51 5	131.85 8	104.8	890.703	CAR DS	105.23	
ECHO (humanitarian assistance)										
495.26	145.03	142.45	105.00	87.950	56.400		1,032.090			
Mostar, voluntary return of refugees and demining										
	70.00	57.56	31.80	3.125	2.000	(4)	164.485		(4)	
Media										
0.21 (1)	0.65	1.65	4.09	(2)	(2)	(2)	6.600		(3)	
Democracy & Human Rights										
	0.70	4.80	4.80	1.800	(4)	(4)	12.100		(4)	
Balance of payments support										
					60.000		60.000			
Total										
495.47	216.38	444.79	358.89	295.39 0	250.25 8	104.8	2,165.978		105.23	2,271.208

1) In 1994 only.

(2) Included under OBNOVA.

(3) Included under CARDS.

(4) Complete figures not available yet

3.2 Socio-economic issues³

Since the war, the rehabilitation of the Bosnia and Herzegovina (BiH) economy has been primarily driven by donor investment (approximately 6 billion Euro) in infrastructure renewal and reconstruction, which has produced high annual growth rates (69% in 1996, 30% in 1997). Total Gross Domestic Product (GDP) has grown from 2.741 billion USD in 1996 to 5.441 billion USD projected for 2000, half of the pre-war levels. Per capita GDP, at 1,081 USD (2000 estimate) is well below the regional average. Furthermore, the pattern of economic growth has been uneven, the GDP per capita in Republika Srpska (RS) being only 75% of the national average.

In the last two years GDP growth rates have declined, largely as a result of the Kosovo crisis. In 1999, growth fell below 10% and is forecast to slip further to around 4-5% per annum by 2005 as the process of infrastructure renewal nears completion and donor investment begins to dry up. While donor commitments are slowing down, the disbursement of already committed funds should ensure that GDP growth rates remain stable around 10% until the end of 2002, and thereafter a decline can be expected unless the pace of domestically fuelled economic growth picks up.

The impact of the decline in donor investment is compounded by an undercapitalised banking system and limited foreign direct investment. It is estimated that some 225 million Euro of domestic savings are held outside the formal banking system, and it is clear that the Bosnian public is suspicious of the banking system in general. In addition, foreign direct investment of 180 million Euro (cumulative 1996 -1999) into BiH is the second lowest in the region after Albania, largely as the result of the absence of legislation guaranteeing security of investments. In such circumstances it is expected that the GDP growth rate will decline still further.

The structure of the BiH economy is changing, albeit slowly: in 1998, services accounted for approximately 55% of GDP, industry 29% and agriculture 16%. Industrial recovery is extremely slow. By 1999, gross production had reached 26.3% of 1989 levels, as against an average of 41.2% for Southern European economies in transition. Employment in industry is 25.3% of the 1989 figures, compared with an index of 56% for transition economies in Southern Europe.

Although there has been a significant growth in the number of registered micro and Small and Medium Sized Enterprises (SMEs), economic activity is still characterised by the existence of large state-owned enterprises. These large enterprises operate with significant losses (estimated at 20% of GDP), at less than full capacity, and with out-dated technology and management techniques. In 1998, the private sector accounted for only 35% of GDP as compared to 60% in Croatia and 55% in the Former Yugoslav Republic of Macedonia (FYROM).

³ This section and the following section provide a general background to BiH. The background relating to the proposed specific interventions is included in the Annexes.

Only Belarus (20%), Turkmenistan (25%) and Tajikistan (30%) of the transition economies have lower shares of private sector in GDP.

Although the Government announced an ambitious reform programme in May 1998, supported by International Development Agency (IDA) adjustment lending and an International Monetary Fund (IMF) Stand-by Arrangement, and privatisation legislation was approved, the initiation of the privatisation process has been delayed. With the exception of small enterprises in the tertiary and quaternary sectors, privatisation has barely begun. Only Belarus of the transition states has a lower index for privatisation. It is anticipated that a mass privatisation process (combining voucher and tender privatisation) will soon commence.

The rate of economic growth is severely hampered by fiscal, legal and administrative constraints, which militate against entrepreneurship and enterprise development. Despite efforts to dismantle the Payment Bureaux, the tax regime is burdensome and is not conducive to business development. Annex 1.4 of the Constitution of BiH states that there shall be freedom of movement of persons, goods, services and capital throughout BiH. However, there has been little effort to create a single market in BiH and significant legislative, regulatory and institutional differences between the Entities persist. The EC and the international community has signalled that the creation of a single economic space is a precondition for the regeneration of the post-war Bosnian economy, the transformation from a planned to a market economy, and greater integration into European and world trade structures. Nevertheless, significant barriers to internal and external trade and foreign direct investment remain, and there are weaknesses in the legal base related to competition, public procurement, financial services, standards and regulations, and the regulation of essential services. The Peace Implementation Council (PIC) (Brussels, May 2000) identified a number of laws, which need to be enacted in the near future as a prerequisite for the opening of negotiations for a Stabilisation and Association Agreement between the European Union and Bosnia and Herzegovina.

A degree of macro-economic stability has been achieved with the introduction of a Currency Board, the establishment of a Central Bank, the creation of a single currency, the Konvertabilna Marka (KM), and the linking of the KM to the Deutschmark. Consequently, inflation has remained comparatively low (4% per annum). Fiscal discipline has been sustained, albeit with significant contributions from the international community. The budget deficit is averaging around 2.4% (1.3% in the FBiH and 3.5% in RS). Nevertheless, the situation is fragile: tax evasion is widespread, tax policy is weak, low inter-sector mobility of capital is creating a general resource misallocation, and fiscal pressures are high. Public expenditure has declined from 65% of GDP in 1996 to 45% (projected in 2000). Nevertheless, public expenditure remains problematic largely as a result of public sector subsidies, administrative costs, and health (12% of GDP) and social security payments. Current military expenditure (9% of Entity GDP in RS and 12% in the FBiH) is unsustainable, but it is hoped that the Stability and Accession Process will yield a peace dividend.

Efforts have been made to liberalise trade and there is some evidence of success. Exports have grown from USD 336 – 970 million in the period from 1996 – 1999, while imports have risen from USD 1.882 to 2.394 billion. This has led to a small reduction in the balance of trade deficit from USD 1.546 billion in 1996 to an estimated 1.464 billion in 2000. The principal trading partner is the EC, although there is evidence that BiH is beginning to recover some of its former markets in ex-Yugoslavia and the Arab States. The growth in exports and the reduction in reconstruction-related imports have had a positive impact upon the current account deficit. The negative balance of USD 1.098 billion recorded in 1998 declined to USD 763 million in 1999, 17% of GDP.

Following agreements with the Paris Club to reschedule official debt, the external debt burden has been held at acceptable levels. The total debt is now equivalent to 68% of GDP, and debt servicing is 8% of exports. However, the burden is likely to increase in 2002, when BiH begins to make principal repayments. Provided that export performance continues to improve and BiH is able to optimise revenue flows, this should not significantly affect debt ratios.

The wartime destruction of economic infrastructure, social dislocation, demobilisation and the impact of enterprise restructuring have had negative repercussions on employment and the labour market generally, which are being exacerbated by continuing ethnic and political tensions. The unemployment rate is static between 35-40%, of whom approximately 3% receive benefits. The labour market remains rigid, with high tax rates on employment (55%), low wage levels and restricted labour mobility, encouraging the growth of the informal sector. Income levels are less than half the pre-war level (per capita incomes are under 1,100 Euro per annum, half the regional average).

Unverified data suggests that between 45-55% of the population exist in poverty, and that 15-22% is well below the relative poverty line, surviving on average monthly incomes of 10-46 Euro per month (the minimal food basket for an individual range from 16-55 Euro per month). There are also 415,000 registered pensioners and disabled persons, who receive pensions set below the indicator of relative poverty (50% of the average net wage). Moreover, it is estimated that economic reform will make thousands of workers unemployed, with no social safety net in place.

The Government's capacity to provide social welfare payments and services (unemployment benefits, social assistance, child benefits, pensions and invalidity support etc.) is extremely limited. A World Bank analysis suggests that less than 25 Euro per capita per annum be spent on social assistance programmes (including administrative costs). The legal base and delivery mechanisms are also weak, and do not allow for equitable, well-targeted assistance, and this is leading to an emerging rural/urban divide. Indeed, the existing model of social welfare in Bosnia and Herzegovina falls well short of the European models contained in the Amsterdam Treaty.

The Health Sector faces a similar crisis of under-funding and intermittent delivery. While expenditure has risen from approximately 198 MEUR in 1997 to

330 MEUR in 1999, the deficit of income over expenditure has grown to an estimated 26%. There has been limited reform to date of health policy, the provision of primary health care, and health financing mechanisms. This has led to inequities in access to health care, poor quality of service and a shortage of basic supplies. Some key areas have barely been addressed, notably psychosocial health. This is a major oversight in a country just recovering from war, and in which many of the population are psychologically scarred.

The Education Sector has partially recovered from the effects of the war: 75% of all schools have been reconstructed and refurbished since the war, enrolment rates are high, and pupil-teacher ratios remain within acceptable limits. However, the quality of educational provision, the content of the curriculum, the ratios of qualified staff, and educational expenditure varies markedly between the respective Entities, and between Cantons and Municipalities. The educational system remains divided and segregated. There is evidence of an increasing “brain drain” as younger people migrate abroad in search of work and a better quality of life.

Work has started on reform of the Vocational Education and Training system. Nevertheless, much remains to be done and the future economic reforms will dramatically increase the need for demand-driven vocational education and training corresponding to the requirements of modern market economy

Since the war, BiH has struggled to develop a sustainable and dynamic Civil Society. To date, a number of local NGOs have emerged and are contributing to the establishment of public opinion. Nevertheless, the third sector has had a limited impact and still faces major problems.

3.3 Socio-political issues⁴

In November 1995, the State of Bosnia and Herzegovina, comprising two Entities, the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS), was established as a result of the signature of the GFAP in Dayton. The Constitution of Bosnia and Herzegovina, which comprised Annex IV of the GFAP, allowed for the creation of a number of Common Institutions: the Parliamentary Assembly, the Council of Ministers, the Constitutional Court, the Central Bank and a rotating Presidency. The procedures under which other State institutions might be created were also defined.

Since 1995, six Ministries have been established at the State level: the Ministry of Foreign Affairs, the Ministry of Civil Affairs and Communication, the Ministry of Foreign Trade and Economic Relations, the Ministry of Human Rights and Refugees, the Ministry of European Integration and the State Treasury. In addition, eight Agencies have been set up at the State level.

⁴ This section provides a general background to BiH. The background relating to the proposed specific interventions is included in the Annexes.

Although the Common Institutions now have a firm legal and regulatory basis and have clearly defined procedural rules, there remain a number of constraints regarding the capacity of the State to assert its authority and legitimacy with respect to the Entities. The relationships between the State and the authorities in the Entities, the Cantons and the Municipalities remain tense, largely as a result of poor inter-institutional communication, but also because there remain grey areas with regard to status and competencies. This is in part the result of the inherent weaknesses of the Common Institutions, in part a reflection of the unwillingness of the Entity authorities and the political parties to co-operate and collaborate. There exists a significant body of opinion in the Entities, which is opposed to the further development of the State apparatus, and is resistant to what is seen as the annexation of the rights of the Entities to determine their own political, economic and social arrangements. There is little enthusiasm to go beyond the provisions of the Constitution and to allocate more than a minimal competence to the State structures, even when such a delegation of authority would be mutually beneficial.

The State has a very limited capacity to raise revenue. At present only 12.4% of the State budget is derived from taxes levied by the State. The remainder comes from contributions provided by the Entities on a ratio of 2 (FBiH): 1 (RS). This constrains the State's ability to equip, staff and finance the operations of the Common Institutions and to lever the compliance of the Entities. Furthermore, the State has limited, and largely inexperienced, human resources. A Law on the Civil Service has been prepared and once enacted will create the legal basis for the development of a modern, efficient and non-partisan public administration.

To date, the State and Entity authorities have been unable to agree a common agenda or to assume responsibility for driving the reform process. Politicians are unwilling to reach accommodations at the national level if such compromises are deemed to threaten their power base within the Entities. Furthermore, politics in Bosnia and Herzegovina is characterised by cronyism, clientelism, and corruption. Consequently, the international community, and in particular the Office of the High Representative, have guided political change and ensured post-war stability and security. Since being given extended powers by the Bonn Peace Implementation Council in 1997, the High Representative has used his authority to promote reform, to impose legislation, and to remove from office those who wilfully obstruct progress. Undoubtedly this has advanced the reform process, but has permitted the Bosnian authorities to remain passive and to disown unpopular measures.

However, there are signs that the situation is improving. The latest local elections (Spring 2000) and General Election (November 2000) have been marked by an increase in support for the multi-ethnic Social Democratic Party, and while the nationalist parties have not disappeared, there has been a clear erosion in their support over the past five years. The status of the District of Brcko has been settled through arbitration. The legal difficulties regarding the competencies of the Council of Ministers have been resolved, and the Parliament now has a Secretariat. The Constitutional Court has issued (01.07.2000) an important ruling outlawing provisions within the Entity

Constitutions that create legal distinctions between ethnic communities, and rejecting claims by the Republika Srpska to be able to establish sovereign links with other Serb states. The individual Ministries have themselves taken some important steps towards the creation of a multi-ethnic, unified State apparatus, notably through the adoption of open public competition for posts.

The present relationship between the central authorities represented by the State and the Entities and the local administrations represented by the Cantonal Governments and the Municipalities remains precarious. However, there are some signs of improvement in the collaboration between the State and the Entities, and growing evidence of a willingness to co-operate at the local level. Two Associations of Local Governments have been formed: the Union of Cities and Municipalities in the Federation of Bosnia and Herzegovina, and the Union of Municipalities and Towns in the Republika Srpska. However, both Associations are weakly structured, have few professional employees, and have great difficulties in financing their activities. Nevertheless, in the past few years the Associations and their members have been proactive in developing cross-border co-operation in the form of twinning arrangements with EU Associations, cities and towns.

At the international level, the recent political changes in the region may have a positive impact upon attitudes within Bosnia and Herzegovina. The realignment of Croatian politics means that the Croatian nationalists within BiH can no longer rely upon political and economic support from Croatia. The election of President Kostunica in the Former Republic of Yugoslavia (FRY) also offers an opportunity for constructive dialogue.

Three institutions were established within the General Framework Agreement for Peace: the Office of the Human Rights Ombudsperson of Bosnia and Herzegovina, the Human Rights Chamber, and the Commission for Real Property Claims of Displaced Persons and Refugees. The European Union has committed itself to develop the institutional and operational capacity of these institutions in order to ensure that the State of Bosnia and Herzegovina establishes the institutional and legal framework necessary to secure the respect for human rights and to facilitate the return of Refugees and DPs. It was anticipated in the GFAP that the State would assume budgetary and administrative responsibility for these institutions in December 2000. This target date has not been met and financial support will continue. The numbers of referrals and applications to these institutions has risen steadily, which is both an indicator that much still needs to be done to restore and guarantee human rights, but also a mark of growing self-assertiveness within Civil Society. The international NGOs have also made a substantive contribution to the restoration of Civil Society, but at present the access of citizens to decision-makers and their ability to articulate and defend their interests and rights is limited, particularly when returning as minorities to their pre-war place of residence.

In addition, the judicial system remains weak. Despite international efforts to consolidate the Constitutional Court, to strengthen the law enforcement agencies, and to establish efficient border and customs controls, effective safeguards against smuggling, trafficking and organised crime service are not

yet in place, and the State lacks the capacity to guarantee customs and excise revenues.

4. PROGRAMMING CONTEXT

4.1 The current situation

Bosnia and Herzegovina is currently participating in the Stabilisation and Association Process with a view to conclude a Stabilisation and Association Agreement. This will offer substantial benefits to Bosnia and Herzegovina such as better access to the EU markets and formal political relations with the EU, but it also entails obligations; to respect human rights and the right of minorities, the rule of law, to carry out economic reforms, to move towards free trade, to align legislation with EU standards.

4.2 The programme rationale

The purpose of the assistance is to support the participation of Bosnia and Herzegovina in the Stabilisation and Association Process (SAP).

4.3 The programming criteria

The main criteria are:

- To assist in the reform of sectors which will allow the country to participate in the Stabilisation and Association Process.
- To ensure that the programme is in line with the Government's own priorities
- To intervene in sectors where the EU has a comparative advantage
- To ensure there is no overlapping with activities undertaken by other donors

4.4 The choice of sectors

The sectors have been selected by reference to the priorities established in the SAP and an assessment of the challenges facing the country and the areas in which the European Community enjoys a comparative advantage as a donor. The sectors and priorities have been discussed with both the Government and the High Representative. Full account has been taken of the activities of other donors. The priorities are consistent with the Brussels Peace Implementation Council (PIC) Declaration of 24 May 2000, which covers a two-year period.

5. IMPLEMENTATION

Full devolution will apply to the management of the Programme by the EC Delegation.

A Financing Agreement corresponding to this Financing Proposal will be concluded with the counterpart authorities.

The contracts for services, works and supplies shall be concluded in accordance with the contract award procedures laid down in the "Manual of instructions for contracts concluded for the purpose of Community co-operation with third countries" (adopted by the Commission on 10 November 1999).

6. INDICATIVE DISBURSEMENT SCHEDULE (M€CUMULATED)

Sector	Mar 02	Jun 02	Sep t 02	Oct 02	Dec 02	Mar 03	Jun 03	Sep t 03	Oct 03	Dec 03	Mar 04	Jun 04	Oct 04	Dec 04
A) DEMOCRATIC STABILISATION														
1. State Level Ministries and the Const. Court	0	2.50	2.50	2.50	3,50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
2. Customs services and Tax Adm.	2.00	4.00	4.00	6.00	8.00	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
3. General Framework Agreement for Peace	2.00	2.00	2.00	2.30	2.30	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76
4. Public Broadcast Media Reform	1.30	1.30	1.30	2.30	2.30	2.30	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
B) ECONOMIC DEVELOPMENT AND REFORM														
5. Private Sector development	5.00	5.00	5.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
6. EIB Interest rate subsidies	0	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89
7. Higher Education	0.75	0.75	0.75	1.21	1.21	1.90	2.22	2.22	2.22	3.0	3.00	3.00	3.00	3.00
8. Vocational Training	0.72	0.72	0.72	1.20	1.20	1.68	1.68	1.68	2.16	2.16	2.40	2.40	2.40	2.40
9. Health and Social Protection	0.60	0.60	0.60	1.00	1.00	1.40	1.40	1.40	1.80	1.80	2.00	2.00	2.00	2.00
10. Civil Society Strengthening	0	0.60	0.60	0.60	0.80	1.00	1.20	1.20	1.50	1.80	2.00	2.00	2.00	2.00
C) JUSTICE AND HOME AFFAIRES														
11. Border control	0	1.80	1.80	1.80	2.00	2.30	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
12. Integrated Border management	0	0	0,3	4.00	4.00	4.00	4.00	6,50	6,50	6,50	7.50	7.50	7.50	7.50
D) GTAF	0.50	0.80	0.80	1.00	1.20	1.60	2.00	2.00	2.50	3.00	3.00	3.00	3.00	3.00

7. MONITORING, EVALUATION AND AUDIT

This programme will be monitored and supervised by the EC Delegation in Sarajevo who shall:

- a) monitor the implementation of the programme on the basis of regular reports;

- b) Carry out regular monitoring and evaluations to follow the progress of the programme and its components as well as ex-post evaluations after the completion of the programme.
- c) The accounts and operations of the programme components will be checked at intervals by an outside auditor contracted by the Commission without prejudice to the responsibilities of the European Commission, including the European Antifraud Office (OLAF) and the European Union's Court of Auditors.

Rules on monitoring, evaluation and audit apply to all programmes as described in the Annexes 1-13, in accordance with the CARDS Regulation.

8. RISKS AND ASSUMPTIONS

Risks

The Programme will be implemented in a complex and fragile environment, and its successful completion will be dependent upon a number of conditions. The principal risks which may affect the implementation of the Programme:

- The failure of the State and Entity Governments to fulfil their obligations under the General Framework for Peace and the Stability Pact, the conditions set out in subsequent Peace Implementation Councils, or the deadlines established by the High Representative;
- The unwillingness of local communities to work constructively and effectively towards the reintegration of returnees;
- The uncertainties surrounding the peace process within BiH, and the possibility that hostilities might be resumed in parts or the whole of BiH;
- The possibility that a new political or military crisis might erupt in the region, which might threaten the stability of the State of Bosnia and Herzegovina, or might inhibit the inter-regional or cross-border co-operation;
- The possibility that the international community might become frustrated by the lack of progress in the peace and reform processes and consequently withdraw or reduce their financial support to BiH;
- The Recipients of the assistance lack the institutional, budgetary and human resource capacity to support the implementation of the Programme.

Assumption

This Programme is predicated on the assumption that the Governments of the State of Bosnia and Herzegovina and its constituent Entities will:

- accept their responsibilities under the General Framework Agreement for Peace, and
- work constructively to create the legislative, economic, social and security environment supportive of the return of refugees and displaced persons