

DCF members active in the sector in 2021	Croatia, Sweden, Italy / AICS, EBRD
Other key international organizations	Regional Cooperation Council; Energy Community of Southeast Europe; South East Europe Transport Observatory; Central European Free Trade Agreement, South East European Cooperation Process
Key government partners	CoM of BiH; Government of FBiH; Government of RS; Government of BD BiH; institutions, agencies, directorates at all levels of government in BiH, in line with their sectoral competencies
Total allocation / disbursement to the sector in 2021 by DCF members	<p>Total allocated € 10.63 million - in a form of grant</p> <p>Total disbursed €10.76 million - € 10.28 million in a form of grant and € 0.48 million in a form of loan.</p> <p>Out of total ODA in 2021, 2 % was allocated and 2 % was disbursed in the sector.</p>
Legal framework and sector strategies adopted in 2021	/
Coordination with and among development partners	<p>Single mechanism for coordination of development partners does not exist.</p> <p>For regional investments, coordination of development partners takes place in the context of the Western Balkans Investment Framework (WBIF) and partly in the context of the National Investment Committee (NIC).</p> <p>Development partners active in the sector and BiH Institutions from all levels of government regularly attended Development Partners Coordination Forum meetings (DCF meetings) hosted by BiH Ministry of Finance and Treasury/Sector for Financial Planning of Development and Coordination of International Economic Aid.</p> <p>Due to the outbreak of the COVID-19 pandemic and accompanying epidemiological measures, DCF meetings were not held in 2021.</p>

Overview of activities in 2021

Regional and territorial cooperation sector presented in this Report is based on the sector-based reporting methodology defined in the IPA II regulation, for period 2014 – 2020. The Ministry of Finance and Treasury of BiH has retained the IPA II classification in the Development Partners Mapping Report 2021, and in the next period the project is planned to upgrade the database that will enable the use of IPA III classification for the period 2021-2027.

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

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

Regional cooperation and good neighborly relations are an important part of the European Union accession process of Bosnia and Herzegovina and other Western Balkans countries. The economic and trade cooperation between the Western Balkans countries represents an important factor in the economic development and integration of the regional market into the the European Union single market.

The Covid-19 virus pandemic affected on better cooperation of the Western Balkans countries, and stepped up the efforts to improve the regional integration, connectivity of the markets in the region as well as the connectivity of the Western Balkans economies with the European Union. Considering that European perspective of the Western Balkans, the European Union continued to treat the region as privileged partners, connecting them with the Union mechanisms and instruments, including the exemption from the temporary restrictions of the European Union regarding the export of medical equipment.

During 2021, Bosnia and Herzegovina took part in numerous regional cooperation initiatives, such as the Central European Free Trade Agreement (CEFTA), the Energy Community, the Transport Community, the South-East European Cooperation Process (SEECP) and the Regional Cooperation Council (RCC).

Countries of the region continued activities throughout 2021 on implementation of the CEFTA Agreement, and in January 2021, Additional Protocol 6 of the CEFTA Agreement entered into force, which extended the principle of free trade within the CEFTA countries to the services sector, which will enable the development of service activities beyond the constraints of the domestic markets.

Within the "Berlin Process", the Summit of the European Union and the Western Balkans countries was held in an on-line format in July 2021, where further steps were defined for building of the common regional market in the Western Balkans, which will guarantee the freedom of movement of people, goods, and services and capital. The European Commission has announced aid to the region for the suppression of the Covid-19 virus pandemic and post-pandemic recovery, as well as the preparation of a financial package as part of the Investment Framework for the Western Balkans for implementation of the Economic Investment Plan. At the Summit, it was concluded that for increased regional integration and future membership in the European Union, the improvement of infrastructure and mobility of the workforce within the region is of crucial importance, which will directly affect the increase of the Western Balkans countries competitiveness.

Also, at Brdo near Kranj, the Summit was held of the European Union and the Western Balkans countries in October 2021, where the European Union leaders provided unequivocal support for the European perspective of the Western Balkans, which is of common strategic interest and a common strategic choice. At the Summit, special emphasis was placed on further economic integration of the region, the improvement of the transport connectivity and green and digital transition of the region. In addition, the European Union leaders announced the activation of an economic and investment plan worth EUR 30 billion, while it is expected from the countries of the region to implement the economic and the social reforms and strengthen the rule of law.

In July 2021, regional Agreement on Roaming Charges between the Western Balkans countries entered into force, which was signed at the Western Balkans Digital Summit held in April 2019 in Belgrade. Following the entry into force of this Agreement, the Western Balkans region has become a roaming free zone where citizens will pay for calls, SMS messages and internet traffic at the price of their home operators, which will to great extent facilitate the communication and the mobility within the region.

The fourth Digital Summit of the Western Balkans countries was held in October 2021, where it was highlighted that the countries of the region have made progress in the field of digitization, despite the challenges and difficulties caused by the outbreak of the Covid-19 virus pandemic. Western Balkans countries have pledged they will work together in the upcoming period to integrate the region into the pan-European digital zone, which should lead towards the digital economy based on the European Union standards and practices.

During 2021, the Directorate for European Integration of BiH continued its participation in the work of the regional Network of institutions responsible for the EU integration, which is implemented within the GIZ project "Promoting of the EU Integration in the Western Balkans". The project supports the countries of the region in implementation of the agreements reached within the Berlin process, and encourages a common approach to the challenges arising from the transposition of the European Union rights and provides support when reporting on the progress towards the European Union. In February 2021, the Operational Plan was adopted for implementation of the planned activities of the regional network members, which will help the countries to overcome the challenges of the European integration processes.

During 2021, Bosnia and Herzegovina continued to participate in territorial cooperation programs: bilateral with the Republic of Serbia and Montenegro, the trilateral Interreg program with Croatia and Montenegro and three transnational programs - Danube, MED and ADRION. In parallel with the implementation of the existing programs, considerable efforts were deployed throughout 2021 on the programming of the new generation of territorial cooperation programs for 2021-2027 financial perspective. Completion of the programming process and approval of the new programs by the European Commission is expected in 2022.

Investments of DCF members in 2021

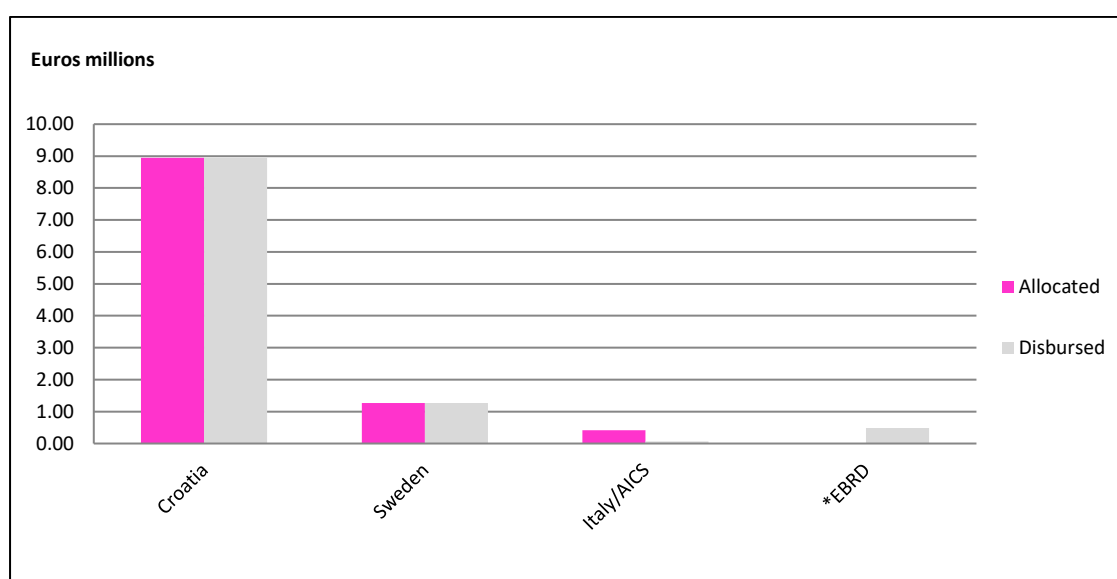
DCF members active in the Regional and territorial cooperation sector in 2021 were Croatia, Sweden, Italy/AICS and EBRD.

Total allocations of DCF members to the Sector in 2021 amounted to € 10.63 million, in the form of grants.

Total disbursements of DCF members to the Sector in 2021 amounted to € 10.76 million, out of which € 10.28 million in the form of grants and € 0.48 million in the form of loans.

Figure 9.1. compares ODA grants allocated and disbursed per development partners, according to the amount of invested funds of each individual development partner, as well as disbursed loan funds from the European Bank for Reconstruction and Development (EBRD).

Figure 9.1. Allocated and disbursed grant funds per development partners in 2021



*Note: EBRD loan

Regional and territorial cooperation sector consists of 4 sub-sectors.

Figure 9.2. presents the structure of total allocated funds per sub-sectors.

Out of total allocated funds in 2021, 55.0% was allocated to the sub-sector Regional investment support, while 39.9% was allocated to the sub-sector Regional structures and networks and 5.1% to the sub-sector Horizontal support to sector policies and reforms. Sub-sectors that did not have funding are not presented in the chart.

Figure 9.2. Total allocated funds per sub-sectors in 2021

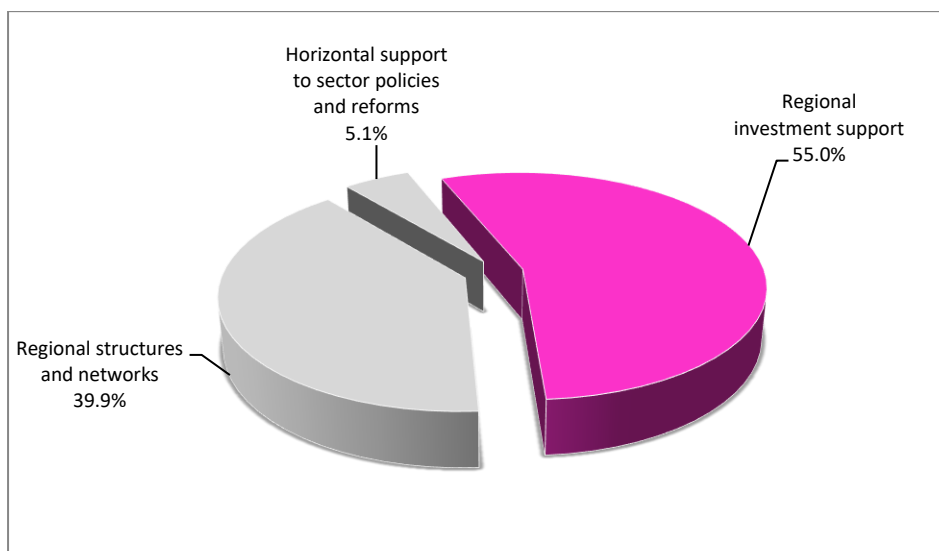
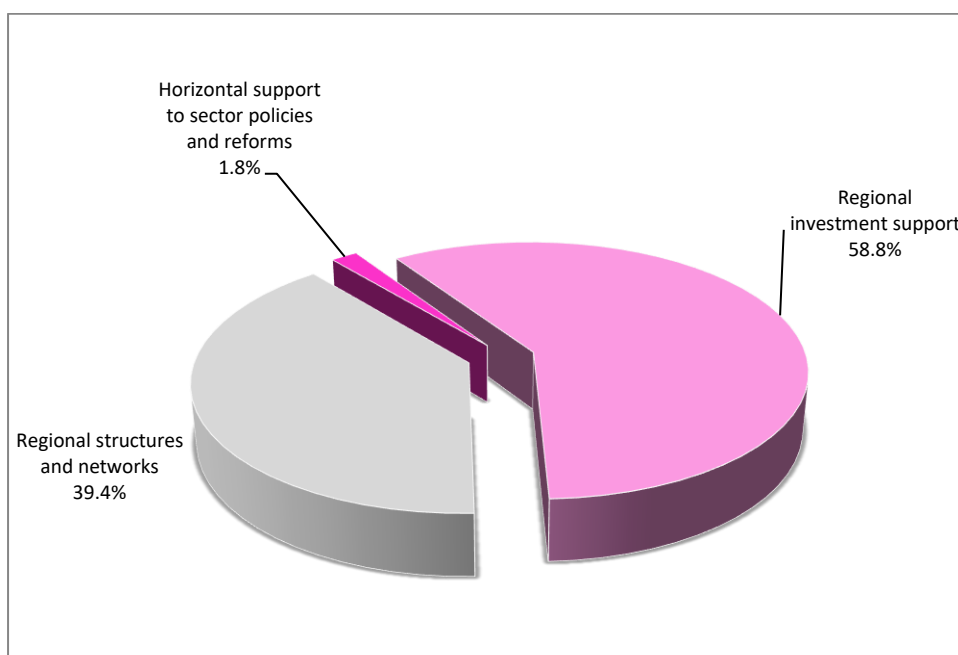


Figure 9.3. presents the structure of total disbursed funds per sub-sectors in 2021.

Total disbursed funds in 2021 are disbursed in 3 sub-sectors: Regional investment support 58.8%, while 39.4% was allocated to the sub-sector Regional structures and networks and 1.8% to the sub-sector Horizontal support to sector policies and reforms.

Figure 9.3. Total disbursed funds per sub-sectors in 2021



Future activities

Regional cooperation is the key condition for the European perspective of the Western Balkans countries and their further economic progress. In this context, it is necessary to:

- continue strengthening regional cooperation and good neighbourly relations;
- finalize the programming process of the new generation of the territorial cooperation programs for 2021-2027 financial perspective;
- adopt the strategic framework in areas relevant for the EU regional policy and ensure the effective coordination of the cross-border and interregional cooperation programs, as a significant step in the preparation of the regional development strategies;
- continue activities to provide the support and coordinate the use of the assistance under the Western Balkans Investment Framework.