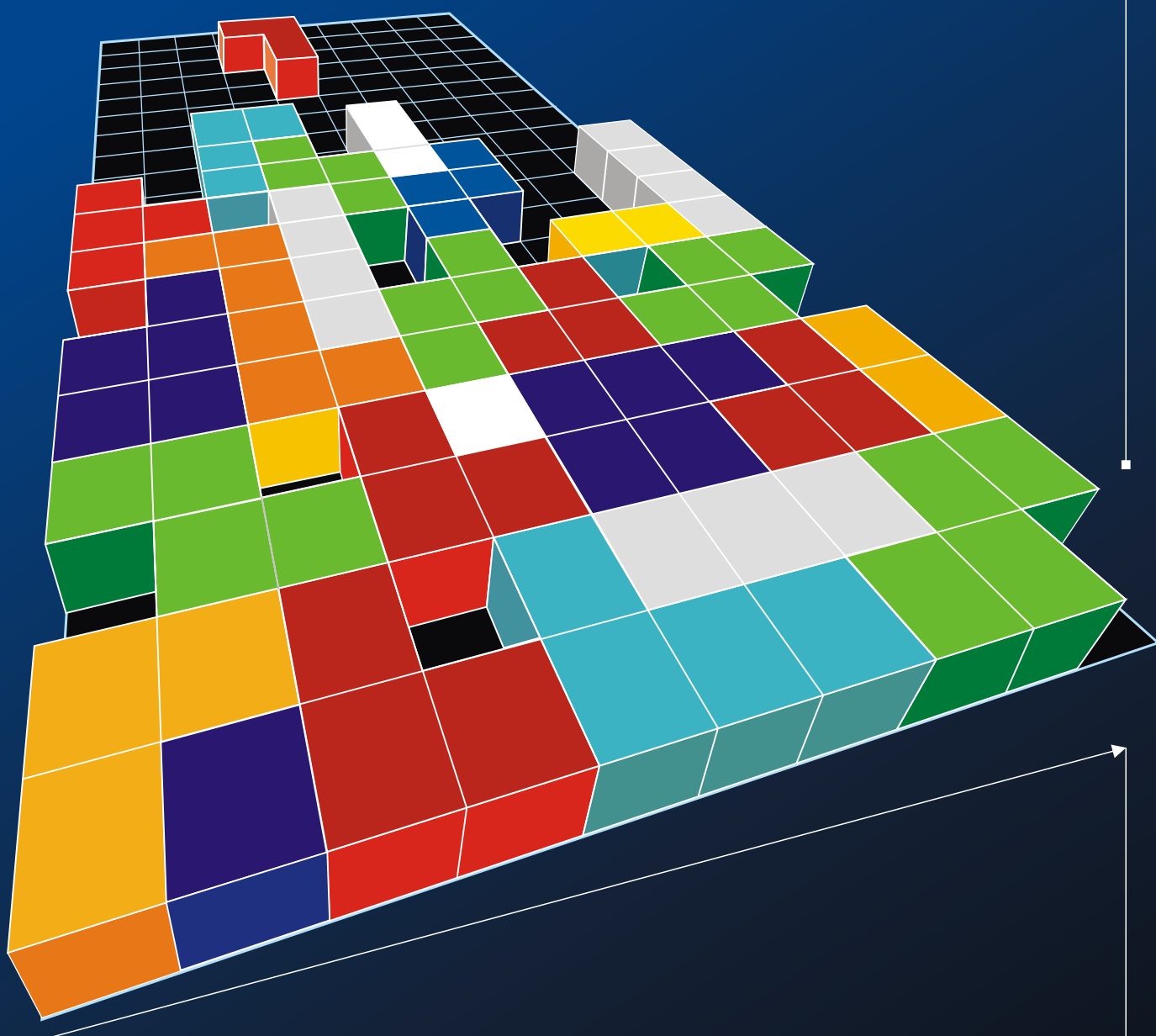




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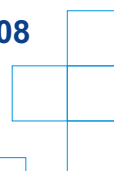
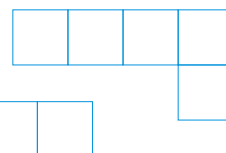
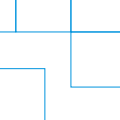
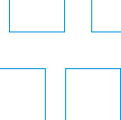
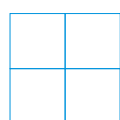
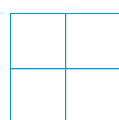
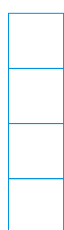
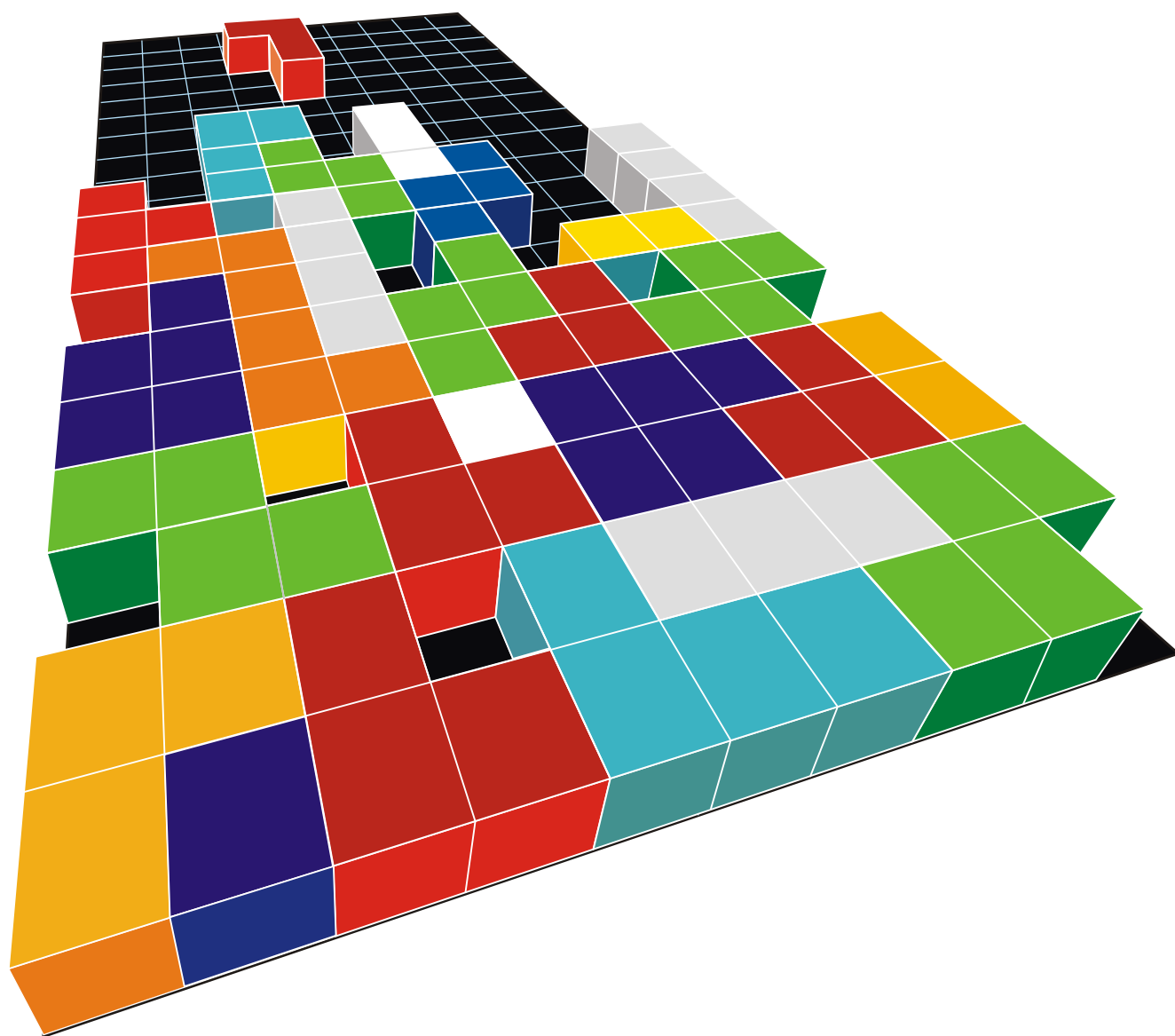
Donor Coordination Forum in BiH





Donor Mapping Report 2007

Donor Coordination Forum in BiH



April 2008





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Disclaimer

This report has been mandated by the Donor Coordination Forum (DCF), a platform for information exchange among 19 major donors. It therefore focuses on the activities and financial portfolios of these donors and it does not encompass all donor activity in Bosnia and Herzegovina (BiH).

The information and statistics presented in this report are based on the responses of the individual donor agencies. Although the data has been verified by the donors themselves, there is still the possibility of error. The same applies to the information provided in the narrative parts of the report.

With regard to the analysis by sector, the donors have selected the Development Assistance Committee (DAC) code for each of their projects. As the different DAC codes vary between very broad and very detailed classifications, some projects may not entirely fit into the allocated DAC code. In addition, some projects span over several DAC codes, or contain components that are relevant in other sectors as well, making a definitive placement difficult.

UNDP Foreword

Efforts to synchronize the work of donor agencies in Bosnia and Herzegovina (BiH) have taken on a new intensity over the last few years. There are several reasons for this. On the global level, there is an increased awareness that donor coordination is intimately tied to the more effective use of development aid, as outlined by the Paris Declaration on Aid Effectiveness. In the BiH context, this understanding is combined with the reality that grants-based official development assistance (ODA) is continuously declining and therefore agencies and governments need to work closer together to increase the impact of their contributions. Finally, there is a strong intention on the side of the BiH Government to adopt a more proactive approach to external assistance, consistent with the growing maturity of the State.

Consequently, in the 2005-2007 period, considerable momentum was built around the establishment of a common aid coordination architecture, and donors have collectively and individually established mechanisms for increased harmonization. The founding of the Donor Coordination Forum (DCF) and the initiation of the Donor Mapping Exercise (DME) have constituted two elements within this framework, both aiming to bring clarity to the work of donor agencies, improve information-sharing, and serve as the basis for further coordination efforts. The DME has the additional purpose of highlighting ongoing positive practices, thereby encouraging similar initiatives.

The DME has two outputs: an online, public database containing over 800 ongoing and planned projects, financed by members of the DCF; and the present report which provides an analytical overview of donors' activities in a variety of sectors. Therefore, the DME contains a large amount of substantive and financial donor data in order to present a sector-by-sector picture of the latest developments in BiH as they pertain to donor coordination. Moreover, the report analyses both donor and government efforts at coordination in an attempt to highlight successes and show where there is more work to be done.

Following the first iteration of this Exercise in 2006, DCF agencies suggested very important changes in order to improve these products. Most importantly, they requested that the BiH authorities be involved in the implementation of the Exercise and contribute to the research phase with their own assessments. On the basis of this feed-back, the then- Committee for the Coordination of International Aid (CCIA) was invited to partner with us in the implementation. We are proud to present, on behalf of the DCF, the result of this collaborative effort. We truly believe that both the work of the Forum and the results of the DME are testimonies to the excellent cooperation of key members of the donor community and the BiH Government. It is our hope that these two mechanisms will prove useful in the coordination of international assistance and provide encouragement for the work that lies ahead.



Christine McNab
UN Resident Coordinator and
UNDP BiH Resident Representative



Stefan Priesner
UNDP BiH Deputy Resident Representative

Government Foreword

It is with pleasure that I introduce the publication of the 2007 Donor Mapping Report of Bosnia and Herzegovina (BiH). The document is the result of close cooperation and joint work between UNDP and the BiH Ministry of Finance and Treasury, with active involvement from a wide spectrum of participants, including representatives of the donor community and BiH institutions. The Report represents proof that the best results come through partnership and cooperation.

The 2007 Donor Mapping Report offers useful information and analysis of the current and future activities of major donors in BiH in key development sectors. Thus it will be a useful tool for BiH authorities during the process of taking the lead in defining their own development needs, with a clear view that donor aid has to be directed towards the realization of priorities defined by the BiH side.

In the last decade, with strong and constant support from the international community, BiH has moved from a phase of rebuilding and reconstruction to a stage of economic development, achieving macroeconomic stability. Moreover, BiH has initiated preparations for integrating into the regional and world economy, by meeting the conditions for signing the Stabilization and Association Agreement with the EU.

However, international aid is decreasing, and to succeed with long-term sustainable and balanced economic development as well as the integration of the BiH economy into the EU, it is necessary to achieve the maximum efficiency from invested funds. This will only be possible to achieve through the development of partnerships between national authorities and the donor community. Based on the principles of the Paris Declaration, stakeholders will strive towards the ownership of national institutions over the development processes, harmonization with national development strategies, and synchronization of cooperation with donors.

In order to take over the leadership in defining their own development needs and more efficiently use development funds, BiH institutions initiated a capacity-strengthening process in the area of international aid coordination. In 2007, the legislative procedure to transfer responsibility for aid coordination to the BiH Ministry of Finance and Treasury was implemented and the Board for the Coordination of International Aid was established. The process of forming the Aid Coordination Sector was initiated and is now reaching its final stages.

At the same time, the donor community also recognized the need to establish mechanisms to better use development aid and harmonize efforts with the changing needs of BiH. For the purpose of improved synchronization and cooperation within the donor community and the avoidance of duplication, the Donor Coordination Forum initiated the drafting of this Donor Mapping Report.

The 2006 Report, which analyzed the donor activities and budget allocations for BiH development needs and created an accompanying online database, received an excellent reception from the representatives of national authorities and donors, which is why the 2007 Report was developed.

I am convinced that the 2007 Donor Mapping Report will fulfill even the highest of expectations. It will be a useful tool for improving cooperation and developing partnerships between BiH institutions and the donor community, and in defining priorities and programs that are most optimal for the further development of BiH. Therefore, I truly support and recommend this product.



Fuad Kasumović
Deputy Minister of Finance and Treasury of BiH

Acknowledgements

This report is the direct result of a thoroughly collaborative effort by a broad spectrum of participants. There are many people without whom this report would not have been possible and who deserve a great deal of the credit for its completion.

First of all, I would like to thank our partners in the Government of Bosnia and Herzegovina (BiH). I am particularly grateful to Mr. Fuad Kasumović, Deputy Minister of Finance and Treasury (MoFT), and Ms. Dušanka Basta and Ms. Edina Topčagić of the Aid Coordination Unit within the Ministry of Foreign Trade and Economic Relations (MoFTER)¹ for their ongoing support throughout the project. In addition to providing advice, they assisted in coordinating interviews with domestic institutions and participated in research interviews themselves. These exchanges provided useful information on the government's role in coordinating Official Development Assistance (ODA). I would also like to thank Ms. Azemina Vuković, Assistant Director of the BiH Directorate for Economic Planning (DEP), Mr. Tarik Cerić and Ms. Jasmina Čengić of BiH Directorate for European Integration (DEI), and Ms. Aneta Raić, Head of Unit for Donor Coordination, Finance, Monitoring and Evaluation within the Public Administration Reform Coordinator's Office (PARCO) for taking the time to talk to us about these issues.

This report would have been impossible without input from donor agencies, whose representatives dedicated a significant amount of time to research interviews, providing financial data and reviewing draft chapters. For their patient input, I would especially like to thank our colleagues at DCF member agencies:

- Ms. Anna Hausmaning, Ms. Kristina Milošević, and Mr. Gunther Zimmer of **Austria/ADA**;
- Ambassador David Hutchings and Mr. Bruce Steen of **Canada/CIDA**;
- Ms. Azra Iković, Mr. Frederic Germain, Ms. Catherine Gardavaud, Colonel Dominique Grimaldi, and Mr. Mathieu Dumesnil of **France**;
- Mr. Gerald Kuehnemund, Mr. Matthias Heinz, Mr. Axel Sachs, Ms. Rubeena Esmail-Arndt, Ms. Edina Cubela, and Ms. Narcisa Poturak-Doenmez of **Germany/GTZ/KfW**;
- Mr. Aldo Sicignano and Ms. Carmen Giordano of **Italy/IC**;
- Ms. Kazuyo Hashimoto and Ms. Megumi Yoshii of **Japan/JICA**;
- Mr. Erik Litver and Ms. Leila Fetahagić of **the Netherlands**;
- Mr. Thomas Vanke and Ms. Lisa Michelsen Golden of **Norway**;
- Ms. Blanca Yanez, Ms. Eva Suárez Leonardo, Ms. Cristina Gutierrez Hernandez, and Ms. Aitziber Echeverria Arrillaga of **Spain/AECID**;
- Mr. Anders Hedlund, Mr. Joakim Molander, Mr. Mario Vignjević, Ms. Katica Hajruhalović, Ms. Slavenka Perković, and Mr. Nedim Bukvić of **Sweden/SIDA**;
- Mr. Thomas Ruegg, Ms. Maja Zarić, and Ms. Azra Sarenkapa of **Switzerland/SDC/SECO**;
- Mr. Gus MacKay, Ms. Ruvejda Aliefendic, Mr. Roger Batho, Ms. Amela Sadiković, and Ms. Armina Čerkić of **UK/DFID**;
- Mr. Greg Wittala, Ms. Susan Falatko, Ms. Jane Nandy, Ms. Kristine Hermann de Lucca, Mr. Randy Chester, Ms. Zubeida Kadić, Mr. Lawrence Odle, Ms. Karen Stone Exel, and Ms. Elvira Challenger of **USA/USAID**;
- Mr. Guilo Moreno, Mr. Tamir Mostarac, Mr. Josip Polić, Mr. Rijad Hasić, and Mr. Damir Čosić of the **EBRD**;
- Mr. Andre Lys, Ms. Dominika Skubida, Ms. Jadranka Mihić, Ms. Isabel Royo Pla, Ms. Irena Sotra, Ms. Sanja Tica, Ms. Gordana Suvalija, Mr. Goran Filipović, Ms. Judith Selman, Ms. Jelena Miloš, Ms. Jasmina Hadzimesić, Ms. Dina Karić, Ms. Vesna Grković, Ms. Dzenita Polić, and Mr. Vladimir Pandurević of the **EC**;
- Ms. Marion Hoenicke of the **EIB**;
- Ms. June Kunugi, Ms. Deborah McWhinney, and Ms. Sanja Kabil of **UNICEF**;
- Ms. Klelija Balta, Ms. Nicola Nixon, Ms. Amna Muharemović, Mr. Timothy O'Brien, Mr. Aris Seferović, Mr. Nešad Seremet, Ms. Bianca Schoenberger, Mr. Damir Ahmetović, Ms. Amna Berbić, Ms. Amela Gačanović-Tutnjević, Mr. Tarik Zaimović, Mr. John Furnari, Ms. Alma Dedić, Ms. Meliha Kozarić Fanning, Mr. Christian Hainzl, Mr. Slobodan Tadić, Mr. Goran Vukmir, Ms. Dinah Zelter (UNV), Ms. Larisa Kubat-Serdarević, Mr. Alexander Prieto, Ms. Adela Pozder, Mr. Damir Zarak, and Ms. Renata Radeka of **UNDP**;
- Mr. Marco Mantovanelli, Mr. Goran Tinjić, Mr. Toby Linden, Ms. Mirjana Karahasanović, Ms. Zorica Lesić, Mr. Michele Gragnolati, Mr. Vedad Ramljak, Ms. Vesna Frančić, Mr. Orhan Nikšić, and Mr. Haris Mešinović of **the World Bank**.

¹The BiH Government has recently transferred the responsibility for aid coordination at the state level from the Ministry of Foreign Trade and Economic Relations (MoFTER) to the Ministry of Finance and Treasury (MoFT) and is in the process of establishing a new Sector in MoFT to carry out this function.

In order to ensure that the Report provided as wide coverage as possible, other international organizations, who are not members of the DCF, were also interviewed. I am grateful to their representatives for taking the time to participate in our research. They are:

- Mr. Emir Adžović, Ms. Sanel Karadžić, and Mr. Nedim Vrabac of the **CoE**;
- Mr. Will Thomas and Mr. Danni Saracino of **NATO**;
- Ms. Arlett Stojanović, Mr. Luc Lietaer, Ms. Valery Perry, Mr. James Lin, Ms. Meagan Hrlle, Mr. Tobias Rahm, Mr. James Rodehaver, and Ms. Eva Katinka Schmidt of the **OSCE**;
- Mr. Haris Hajruhalović of **WHO**.

The Donor Mapping Exercise benefited from the active collaboration and intellectual contributions of a UNDP Editorial Team, with the membership of Ms. Klelija Balta, Ms. Amna Muharemović, Ms. Nicola Nixon, Mr. Timothy O'Brien, and Mr. Aris Seferović. The Editorial Team provided thoughtful comments and insights on the various chapters and helped markedly improve the quality of the report.

I am also grateful to Mr. Ognjen Krstulović and Mr. Haris Tafro for their invaluable assistance and suggestions regarding the technical portions of the Report, and especially for their work on the Donor Mapping database which accompanies this document. Furthermore, Ms. Molly Kleiman deserves praise for her countless readings of the document. Thanks are also due to Ms. Elzemina Bojičić for her constant support, and to the many other colleagues at UNDP, whose help made the work of the Donor Mapping Exercise Team much easier.

Finally, the Donor Mapping Exercise - Team - Ms. Galia Chimiak, Ms. Nina Čepon, Ms. Hanne Kristofferson, and Ms. Bojana Vujeva should be credited for their commitment to the realization of this Exercise. Without their dedication and hard work, expert contributions and relentless drive to improve the product, none of this would have been possible. Together they formed a team of excellence.

Gyöngyvér Jakab
Task Manager



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ABD - Area-based Development Programme
 ADA - Austrian Development Agency
 AECID - Spanish Agency for International Development Cooperation
 AFBiH - Armed Forces of Bosnia and Herzegovina
 AMCs - Association of Towns and Municipalities of the RS and the Association of Municipalities and Cities of FBiH
 AoM - Association of Mediators
 AP - Action Plan
 BAM - Convertible Mark
 BCIA - Board for the Coordination of International Aid
 BD - Brčko District
 BH MAC - Bosnia and Herzegovina Mine Action Centre
 BHDCA - Bosnia and Herzegovina Directorate for Civil Aviation
 BiH - Bosnia and Herzegovina
 BoP - Board of Principals
 CAD - Canadian Dollar
 CARDS - EU Community Assistance for Reconstruction, Development and Stabilization
 CBD - Convention on Biological Diversity
 CCI - Centres for Civic Initiatives
 CCIA - Committee for the Coordination of International Aid
 CCM - Global Fund's Country Coordination Mechanism
 CCYI - Commission for Coordination of Youth Issues
 CDS - Country Development Strategy
 CEB - Council of Europe Development Bank
 CFS - child-friendly schools
 CGF - Credit Guarantee Facility
 CIDA - Canadian International Development Agency
 CJD - Centre for Judicial Documentation
 CoE - Council of Europe
 CoM - Council of Ministers
 CPS - Country Partnership Strategy
 CRA - Communications Regulatory Agency
 CREDO - Competitive Regional Economic Development in North East Bosnia and Herzegovina
 CRPRP - Community Reconciliation through Poverty Reduction Project
 CSA - Civil Service Agency
 CSOs - civil society organizations
 DAC - Development Assistance Committee
 DCF - Donor Coordination Forum
 DEI - Directorate for European Integration
 DEP - Directorate for Economic Planning
 DFID - Department for International Development
 DME - Donor Mapping Exercise
 DPA - Dayton Peace Agreement
 DRPC - Danube River Protection Convention
 DRR - disaster risk reduction
 DZ - Dom Zdravlja
 EBRD - European Bank for Reconstruction and Development
 EC - European Commission
 ECSEE - Athens Energy Community of South East Europe Agreement
 EFBH - European Fund for Bosnia and Herzegovina
 EFSE - European Fund for South East Europe
 EIB - European Investment Bank
 EOD - Explosive Ordinance Disposal
 EPHZHB - Elektroprivreda Hrvatske Zajednice Herceg-Bosne
 ERW - explosive remnants of war
 ESRF - Enterprise Sector Recovery Fund
 EUFOR - European Union Forces
 EUPM - European Union Police Mission
 EUSR - European Union Special Representative
 EVS - European Voluntary Service
 EWS - Early Warning System
 FAO - Food and Agriculture Organization
 FBiH - Federation of BiH
 FID - Financial Intelligence Unit
 FIPA - Foreign Investment Promotion Agency
 GAP - Governance Accountability Project
 GDP - Gross Domestic Product
 GEF - Global Environment Facility
 GEI - Georg Eckert Institute for International Textbook Research
 GFAP - General Framework Agreement for Peace
 GFATM - Global Fund to Fight AIDS, Tuberculosis, and Malaria

GOV-WADE - Governance Project in Municipal Water and Environmental Development
GRMS - Grants Resources Management System
GTZ - Deutsche Gesellschaft fuer Technische Zusammenarbeit
HJPC - High Judicial Prosecutorial Council
HR - High Representative
IBM - Integrated Border Management
IC - Italian Cooperation
ICJ - International Court of Justice
ICMP - International Commission on Missing Persons
ICT - Information and Communication Technology
ICTY - International Criminal Tribunal for the Former Yugoslavia
IFC - International Finance Corporation
IFIs - International financial institutions
IDA - International Development Association
IDPs - Internally displaced persons
ILDLP - Integrated Local Development Project
IO - international organization
IPA - Instrument for Pre-Accession Assistance
IPAP - Individual Partnership Action Plan
IPARD - European Union Instrument for Pre-Accession Assistance for Rural Development
ISO - Independent System Operator
ITA - Indirect Taxation Authority
ITF - International Trust Fund for Demining and Mine Victims
JICA - Japan International Cooperation Agency
JRP - Judicial Reform Project
JSRS - Justice Sector Reform Strategy
KfW - KfW Entwicklungsbank
LAGs - Local Action Groups
LAP - Land Administration Project
LEAPs - Local Environmental Action Plans
LED - Local economic development
LJR - Legal and Judicial Reform
LLL - life long learning
MDG - Millennium Development Goals
MDP - Municipal Development Project
MFA - Ministry of Foreign Affairs
MHRR - Ministry of Human Rights and Refugees
MoCA - Ministry of Civil Affairs
MoCT - Ministry of Communications and Transport
MoD - Ministry of Defense
MoFT - The Ministry of Finance and Treasury
MoFTER - Ministry of Foreign Trade and Economic Relations
MoJ - Ministry of Justice
MoS - Ministry of Security
MoU - Memorandum of Understanding
MTDS - Medium-Term Development Strategy
MTS - Municipal Training System
NSG - National School of Government
NATO - North Atlantic Treaty Organization
NBMFI - Non-bank microfinance institution
NEAP - National Environmental Action Plan
NERDA - North East Regional Development Association
NGO - non-governmental organizations
NPA - Norwegian People's Aid
ODA - Official Development Assistance
OECD - Organization for Economic Cooperation and Development
OHR - Office of High Representative
OSCE - Organization for Security and Cooperation in Europe
PAR - Public Administration Reform
PARCO - Public Administration Reform Coordinator's Office
PBS - Public Broadcasting System
PEM - Public Expenditure Management
PfP - Partnership for Peace
PHCPP - Primary Health Care Policy Project
PIC - Peace Implementation Council
PIP - Public Investment Programme
PMC - Programme Management Committee
PO - Prosecutor's Office
PRSP - Poverty Reduction Strategy Paper
PSOTC - Peace Support Operation Training Centre
RDAs - Regional Development Agencies

RDC - Research and Documentation Centre
 REBIS - Regional Balkans Infrastructure Study
 REC - Regional Environmental Centre
 REDAH - Regional Development Agency for Herzegovina
 RGT - Reference Group Tuzla
 RMAP - Rights-based Municipal Development Programme
 RS - Republika Srpska
 SAA - Stabilization and Association Agreement
 SACBiH - Small Arms Control and Reduction project
 SALW - Small arms and light weapons
 SAP - Stabilization and Association Process
 SCRDP - State Commission for Refugees and Displaced Persons
 SDC - Swiss Agency for Development and Cooperation
 SECO - Swiss State Secretariat for Economic Affairs
 SEE - South East Europe
 SEETO - South East Europe Transport Observatory
 SERDA - Sarajevo Economic Region Development Agency
 SHC - Swedish Helsinki Committee
 SIDA - Swedish International Development Agency
 SIPA - State Investigation and Protection Agency
 SIS - Social Inclusion Strategy
 SITAP - Social Insurance Technical Assistance Project
 SME - Small and Medium-sized Enterprise
 SSPACEI - Sector for Strategic Planning, Aid Coordination, and European Integration
 SPEM - Strengthening Public Expenditure Management programme
 SPPD - Strategic Planning and Policy Development programme
 SRRP - Srebrenica Regional Recovery Programme
 SSU - Special Support Unit
 SUTRA-PL0D - Support to Results-based Approach Partnership for Local Development
 TA - technical assistance
 TB - Tuberculosis
 TIRS - Transport Infrastructure Regional Study
 UDRDP - Upper Drina Regional Development Programme
 UNCCD - United Nations Convention to Combat Desertification
 UNDAF - United Nations Development Assistance Framework
 UNDP - United Nations Development Programme
 UNEP - United Nations Environmental Programme
 UNESCO - United Nations Educational, Scientific, and Cultural Organization
 UNFPA - United Nations Population Fund
 UNGG - United Nations Gender Group
 UNHCR - United Nations High Commissioner for Refugees
 UNICEF - United Nations Children's Fund
 UNIFEM - United Nations Development Fund for Women
 UNRC - United Nations Resident Coordinator
 UNTG - United Nations Theme Group
 UNV - United Nations Volunteers
 USAID - United States Agency for International Development
 USG - United States Government
 USM - Association of Civil Servants for Youth
 UXO - unexploded ordnances
 VAT - Value Added Tax
 VET - vocational education and training
 WHO - World Health Organization
 WME - weapons and military equipment
 YiA - Youth in Action



INTRODUCTION

Since the end of the 1992-1995 conflict, Bosnia and Herzegovina (BiH) has received significant development aid from a variety of international donors and multilateral agencies, as well as non-governmental organizations (NGOs). In the initial postwar period, the main focus of peace implementation was on rebuilding infrastructure, guaranteeing security and organizing elections. There were few efforts made to reform the state structures or to contribute to the economic development of the country. However, recognizing the obstacles that inefficient governance poses to peace implementation, numerous international organizations and agencies began to widen their activities to address long-term development issues.

Today, international support is provided to virtually all aspects of reform, simultaneously assisting BiH with its foreseen accession to the European Union (EU), and with its transition from international supervision to full sovereignty. Interventions range from support to education and health systems reform, institution building, promotion of human rights and protection of vulnerable groups, economic development, infrastructural upgrades, programmes in agriculture, forestry and the environment, as well as assistance to good governance at the local level. Even though the volume of grant-based Official Development Assistance (ODA) to BiH is in decline, donor agencies continue to provide significant financial and technical support, as well as capacity building to domestic institutions and organizations.

Donors' assistance has contributed significantly to BiH's recovery and helped set the country on a path to constructive development. However, it has often been noted (by citizens, academics, and even international agencies themselves) that the insufficient coordination within the international community and the sometimes limited levels of domestic ownership have detracted from the effectiveness of their work. This is not surprising, given the large number of actors in any given field and the disintegration of the centralized state following the war. Indeed, until recently, a comprehensive overview of the numerous projects, programmes, exercises and other activities had not existed and, other than the Board of Principals (BoP)², there were no regular meetings that facilitated and encouraged an exchange of information between and among the largest contributors to the country.

In recognition of these gaps, several recent initiatives have aimed to clarify the funding situation in BiH, contributing to more coherent information sharing and attempting to establish synergies in donors' approaches. These efforts include the following: the Public Investment Programme (PIP) and the aid coordination database, which have enabled the government to programme and record aid resources; the EC's support to the Directorate for European Integration (DEI) for the coordination of external assistance linked to the EU integration process; and the work of several donors to improve sectoral coordination.

Paris Declaration on Aid Effectiveness³

In the Paris Declaration of March 2005, ministers of 91 nations, 26 multilateral bodies and 14 international civil society organizations jointly committed themselves to undertake far-reaching reforms to better deliver and manage ODA.

This declaration marks the latest milestone in a process that began with the aid commitments made at Monterrey in 2002 and re-affirmed at the Rome Summit in 2003. It calls for a renewed focus on aid effectiveness rooted in the principles of ownership, alignment with national development strategies, harmonization, management based on results, and mutual accountability.

BiH is not yet a signatory to the Paris Declaration, but MoFT has recently approached UK/DFID to help facilitate this process.

² The BoP is the main coordinating body of the international community in BiH aiming to eliminate overlaps in efforts and responsibilities, and to increase effectiveness. The BoP, which functions under the chairmanship of the High Representative, meets once a week. Its permanent members are EUFOR, OHR, NATO HQ Sarajevo, the OSCE, UNHCR, EUPM and the EC. UNDP as well as the international financial institutions, such as the World Bank and the IMF, are also regular participants at the BoP. None of the bilateral donor agencies participate in these meetings, however.

³ Document retrieved from www.oecd.org/dataoecd/11/41/34428351.pdf.

The Donor Coordination Forum and the Donor Mapping Exercise

The DCF was established in December 2005 by 17⁴ of the major donor agencies in BiH.⁵ It was intended to serve as a semi-formal platform for information exchange among these organizations, meeting on a quarterly basis. Since its founding, however, the scope of the Forum has expanded and several discussions have focused on how the coordination of donor activities can be further improved. Meetings of the DCF are often complemented by expert presentations from the government and international organizations active in the country. Therefore, the DCF provides an opportunity for coordination among donor agencies, which is based on sharing knowledge, experiences and best practices.

As a basis for enhanced donor coordination, the DCF decided to carry out a mapping exercise of ODA-supported activities by its members in BiH. The DCF mandated its Secretariat UNDP and the United Nations Resident Coordinator's (UNRC) Office to undertake this initiative. It was decided that the DME would consist of two outputs: an online, public database, enumerating donor-financed activities; and a corresponding report, providing an analytical overview of how these funds contribute to reforms within each sector. The database would be continuously updated by donor agencies and the report would be published on an annual basis to contextualize and to reflect the changes in donor activities in any given year.

The first DME was released in 2006. Given the novelty of the Exercise, it was a highly successful product, positively assessed by members of the DCF. However, donor agencies suggested a few improvements for the second, current iteration, which the Secretariat has attempted to implement in the following ways:

- In order to ensure that the Exercise is an effective tool for coordinating donor efforts, the 2007 DME has relied on a more extensive information base than in the previous year. Namely, the Secretariat conducted over 120 interviews with donor agencies, domestic institutions as well as other, non-DCF international organizations in the process where it was considered necessary. Consequently, the 2007 report provides a more in-depth review of the following areas: the latest developments in donors' work; donors' and the government's efforts to coordinate and align their activities; the gaps that exist in their aid coverage. In addition, the Report reviews best practice examples, in the hope that this will inspire other agencies to adopt similar initiatives in their own work. In this way, the 2007 edition takes knowledge- and experience-sharing as the basis for coordination.
- The Donor Mapping database has also undergone significant changes. Instead of collecting programme-level data (as in 2006), the database now stores a collection of over 800 donor-funded projects. This shift of focus was made in an attempt to provide as precise and detailed information as possible, and to highlight co-financing as a form of coordination among donor agencies. Furthermore, the database now contains information about implementing agencies as well as a more precise break-down of donors' funding in each given year.
- DCF members suggested that BiH authorities should be involved in the implementation of the Exercise and contribute to the research phase with their own assessments. On the basis of this feedback, the then- Committee for the Coordination of International Aid (CCIA)⁶ was invited to work in partnership with the Secretariat. As a result of this collaboration, during the implementation of the Exercise, the domestic institutions responsible for aid coordination provided regular advice. Furthermore, the Report also benefited from research interviews with the Deputy Minister of Finance and Treasury, the Aid Coordination Unit within the Ministry of Foreign Trade and Economic Relations (MoFTER), the Directorate for European Integration (DEI), the Directorate for Economic Planning (DEP), and the Public Administration Reform Coordinator's Office (PARCO).

⁴ In 2007, their number grew to 19.

⁵ Throughout the Report, these agencies will be presented in the same order.

⁶ At the time of launching the 2007 DME, the transfer of competencies for aid coordination from the Ministry of Foreign Trade and Economic Relations (MoFTER) to the Ministry of Finance and Treasury (MoFT) had not yet taken place. Therefore, in this chapter, reference is made to the previous titles of all relevant bodies.

Methodology and limitations

DCF donor agencies have given a considerable amount of time and effort to the implementation of this Exercise. The Report is based on over 120 research interviews conducted with DCF representatives as well as their financial information, which has also been entered into the Donor Mapping database. The writing of each chapter was further complemented by secondary analysis of relevant data and materials. Given the limited time and resources for conducting and analyzing the research, this report does not aim to provide a comprehensive overview of each sector. Rather, it reflects donors' assessment of the developments in 2007, and their recommendations for future involvement within a given sector.

Information about ongoing and planned donor activities was collected and presented in the online database. The 19 participating members of the DME submitted details for more than 800 projects. Their entries contain, at the minimum, start and end dates, brief descriptions about the projects' objectives, contact information as well as details about financial allocation. Since the database is fully searchable and enables user-friendly sorting, it is meant to provide a useful service for those wishing to understand the different dimensions of donor funding to BiH.

Nonetheless, it is important to recognize the limitations imposed by the data available, as well as to take note of some of the methods that were used for the calculations presented in this report.

- Although the data has been verified by the donor agencies themselves, there is still the possibility of inconsistency arising from the different financial reporting arrangements prevalent in each agency. The database can serve as a common tool to various donors, who use different definitions and methods of allocating and disbursing their funds. Every attempt was made to accommodate for these differences, but inevitably some decisions had to be made in aligning the data provided. The aid amounts referenced in this Report are based on figures entered into the database by 16 May 2008.
- In the 2006 DME, the analysis relied upon calculating annual average values for past years and projections for future years, based on out-turn data and firm planning assumptions. In order to make the calculations more precise, the 2007 DME requested that donors try to specify their exact yearly allocations and disbursements for the entire duration of the projects. Whenever such details were available and could be provided, donor agencies entered them into the database. Only when this was not possible, the DME Team conducted an arbitrary break down of funding information. In some cases, the 'dispersed figure' was divided by the number of years that the project has been ongoing and the difference was divided between the total allocation and dispersal by the number of years that are remaining. If a project began or ended mid-way through the year, average calculations were made for the number of months that the project lasted. Where dispersal figures were not provided, the average calculation was made for the entire project's duration.
- The database allows for the entry of financial information using the currency of the donor country. However, in order to provide a harmonized picture, total allocations are expressed in Euros (€). The exchange rates rely on the UN official exchange rates, using average calculations on the basis of monthly figures. Since neither the Euro nor the Convertible Mark (BAM) was used in 1995 and 1996, the 1997 figures were used for these two years. The 2008 exchange rates were based on the average of only the January, February and March figures, whereas the 2009-2015 rates are based on the last available figure (i.e. March 2008), before the report went to print. There were no re-pricing adjustments made in the process, which produces a tendency to overvalue future years and undervalue past years.
- The Exercise has used a system of sector categorization based on the standard Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) coding structure. The choice of codes for any given sector is reflected at the start of each chapter. It must be noted that while DAC definitions provide useful guidance, they had to be adapted to BiH circumstances and to the changing nature of donor funding in the country. Therefore, DAC codes are complemented by the appropriate sector definitions.

- Closely connected to this issue is the fact that different donor agencies tend to classify similar projects under different categories. This is not surprising, given the multi-faceted nature of their activities. The DME Team attempted to overcome such discrepancies in as flexible a manner as possible while respecting the need for clear classification.

In summary, the information presented in this report and contained within the database illustrates the changing dynamics and proportions of funding. Moreover, by inviting such a large number of agencies to enter their figures in the database, the DME offers a tool which can systematize and compare allocations and dispersals in any given year. However, as in all exercises aiming at the comparative analysis of a relatively large number of complex structures, the reader is cautioned against treating the figures too definitively.

Report structure

The 2007 Donor Mapping Report follows the structure of the previous edition. The first chapter provides an overview of the overall ODA to BiH and the key dynamics that can be concluded on the basis of the data analyzed. The ten chapters that follow review donor assistance in individual sectors, including 18 sub-sectors, namely:

- Education
- Health
- Economic Development and Social Protection
- Good Governance and Institution Building
- Local Governance
- Cross-cutting sectors
- Agriculture and Forestry
- Environmental Protection
- Conflict Prevention and Resolution, Peace and Security
- Infrastructure

Additionally, there is an *Issue in Focus* chapter, which provides an overview of donor activities and coordination mechanisms in Srebrenica and neighbouring municipalities.

Each chapter of the report follows the same structure. At the outset, the chapter provides an overview of the donors to that sector and their activities during 2007. It is followed by a section on *Sector strategies*, which highlights the existence of state- and entity-level strategies to which donors can align their programming. Then, the *Positive developments and challenges in 2007* section summarizes the events donors consider most noteworthy during the past year and the major obstacles they faced during project implementation. The ensuing *Coordination and ownership* section explains how donor activities in the sector are coordinated and what efforts donors make to facilitate ownership of activities by domestic institutions. Finally, the chapter reviews additional areas for future involvement by donor agencies. Half of the chapters, such as *Economic Development and Social Protection*, also contain sub-sectors in which the same structure is repeated.

The 2007 Donor Mapping Report also includes a highlighted sector, which provides a more detailed and project-oriented review, offering a situational and political analysis, as well as projects and initiatives that can serve as best practice examples of coordination. This year's highlighted sector is Good Governance and Institution Building – a choice made on the basis of donors' requests.

Another novelty of the 2007 Donor Mapping Report is the *Issue in Focus* chapter, which provides cross-sectoral mapping and analysis of an issue of particular importance to donor agencies in 2007. Given the interest raised by the ICJ ruling, this year's *Issue in Focus* is Srebrenica and its neighbouring municipalities.

The Report also presents profiles of the donor agencies, outlined in Annex I of this document. These provide an overview of each agency's policy approach and priority areas in BiH, key activities and funding in 2007, medium- and long-term plans, as well as their attempts to promote the principles of the Paris Declaration in BiH and their efforts to coordinate with other international agencies.

Two overarching themes were often repeated during the data collection, especially when enquiring about the challenges to programme implementation. Since these constraints appeared in almost all sectors, in order to avoid repetition they are not mentioned in every chapter.

A significant number of interviewees mentioned the constitutional structure of BiH as one of the biggest obstacles to their work. This comment is a reference to the complex entity-based system created by the Dayton Peace Agreement (DPA), in which the three main constituent peoples are able to govern themselves through power sharing. The resulting government structure consists of the primarily Bosniak and Croat Federation of BiH (FBiH), the predominantly Serb Republika Srpska (RS) and the interethnic Brčko District (BD), as well as the state-level BiH Government. Given that the FBiH is further divided into ten cantons, BiH has 14 constitutions, the same number of governments and parliaments, and 180 ministers and ministries. Donors noted that both communication and coordination in such a decentralized and fragmented system is very difficult and slows down all reform processes. Discussions about constitutional reform were not officially on the agenda during 2007, but many donors expressed hope that this issue will be revisited and that a more rationalized, coherent structure will be developed.

Both donor agencies and government representatives noted the need for further capacity building within domestic institutions, especially at the state level. This observation commonly referred to the difficulties faced by the government in building an efficient public administration and the low number of staff dedicated to a certain issue. In addition, respondents noted that the civil service faces problems stemming from the low wages, weak pre-service and in-service training, poor equipment and communication facilities, and the difficulty of attracting qualified staff. Therefore, donors have noted that their future involvement in a given sector will continue to entail capacity-building elements.

The commitment to coordination

This report is the result of six months of collaborative work. Members of the DCF, the domestic institutions, the Aid Coordination Unit and the DME Team have dedicated significant time and energy to this initiative, with the objective of creating a final product that will be a useful and practical tool for coordination. By taking its predecessor as a point of departure, the 2007 DME provides an in-depth analysis of donor activities in BiH and a sound basis for further cooperation, as BiH moves further away from its conflicted past, towards European integration.

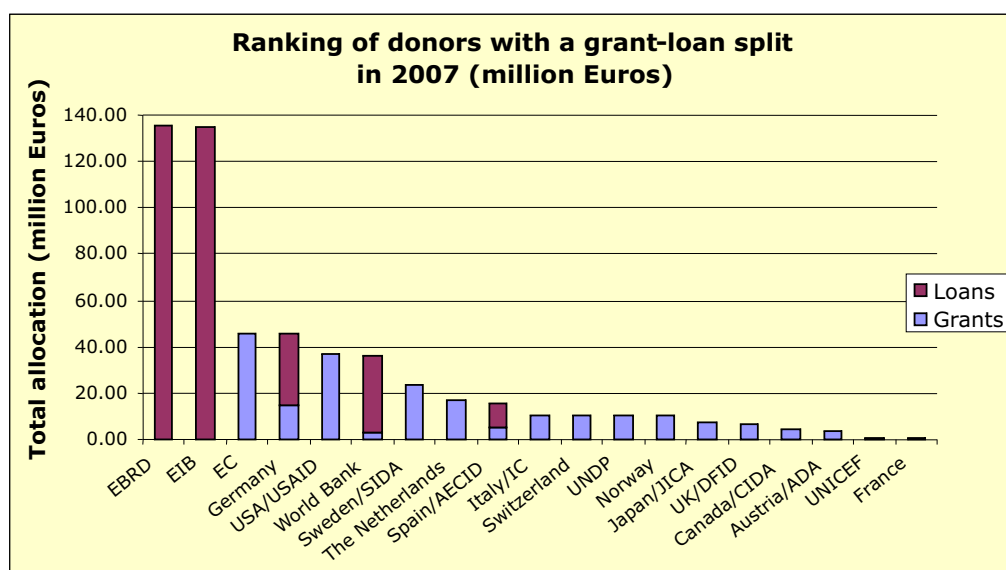
OVERVIEW OF DONOR SUPPORT to BH

This chapter provides an overview of overall Official Development Assistance (ODA) transfers to Bosnia and Herzegovina (BiH). The analysis focuses on 2007 figures, but also provides a comparison to allocations made in 2006. The chapter consists of four sections. The first reports on the scale of individual donor contributions and the sectoral composition of ODA. The second part provides commentary on relevant past and emerging issues. The third section sets these donor activities in context, highlighting the key political and economic issues that have framed donors' work in 2007, as well as the institutional framework of aid coordination in BiH. The final section makes use of research interviews conducted with representatives of BiH institutions to highlight the key issues of donor coordination from the BiH Government's perspective.

1. Donor and multilateral organization contributions

The 19 contributors to the Donor Mapping Exercise (DME) have indicated that they have allocated approximately **€ 556 million** to a variety of activities during 2007. This figure represents the estimated total activity level, including concessional loans and grant aid. The latter amount accordingly consists of both core spending and transfers to and between multilaterals.

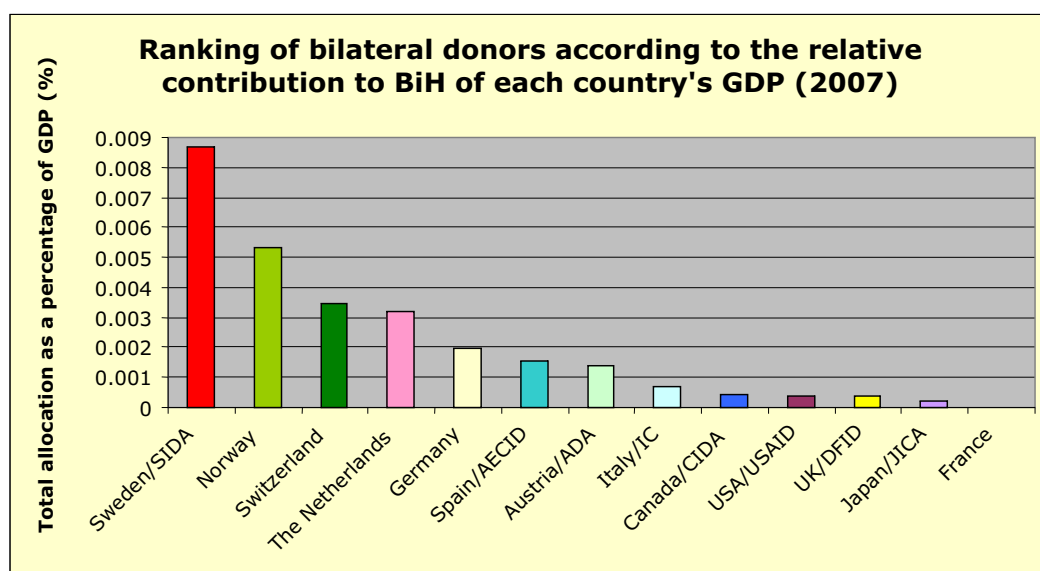
The chart below provides a ranking of donor agencies according to the volume of their total allocation in 2007, indicating the proportion of loans and grants. The three large international financial institutions – the EBRD, EIB and the World Bank, which primarily provide concessional loans to BiH, feature high in this ranking. The other big loan givers to BiH are Germany/GTZ/KfW and Spain/AECID.



The grants-focused picture (i.e. excluding loans) of both bilateral and multilateral donor contributions is rather different from the one presented above. The EC and USA/USAID provide the largest amount of grant aid, closely followed by some of BiH's traditional donors, such as Sweden/SIDA and the Netherlands. Several other bilateral donors feature in the middle ranking, such as Germany/GTZ/KfW, Italy/IC, Switzerland/SDC/SECO, and Norway. The following table indicates the contributions made by grant- and loan-giving agencies.

Donor name	Grants	Loans	Total
EBRD	0.00	135.90	135.90
EIB	0.00	135.12	135.12
The EC	45.99	0.00	45.99
Germany/GTZ/KfW	14.86	31.00	45.86
USA/USAID	37.17	0.00	37.17
The World Bank	3.30	32.58	35.88
Sweden/SIDA	23.89	0.00	23.89
The Netherlands	16.97	0.00	16.97
Spain/AECID	5.16	10.00	15.16
Italy/IC	10.58	0.00	10.58
Switzerland/SDC/SECO	10.46	0.00	10.46
UNDP	10.10	0.00	10.10
Norway	10.06	0.00	10.06
Japan/JICA	7.26	0.00	7.26
UK/DFID	6.72	0.00	6.72
Canada/CIDA	4.44	0.00	4.44
Austria/ADA	3.67	0.00	3.67
UNICEF	0.88	0.00	0.88
France	0.37	0.00	0.37
Total in Euros	211 million	345 million	556 million

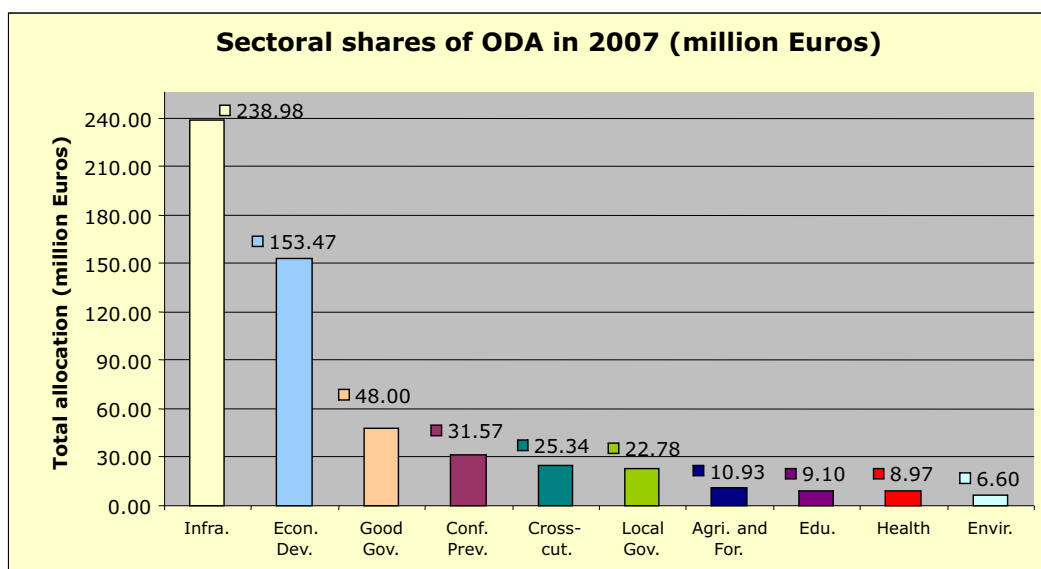
When looking at the ranking of *bilateral* donors according to the relative contribution to BiH of each country's GDP, yet another order emerges. Sweden/SIDA and Norway, followed by Switzerland/SDC/SECO and the Netherlands, provide the largest share of ODA relative to their GDP.



The DME made use of a sector categorization based on the standard Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) coding structure. Donor activities were analyzed in ten sectors. Like in 2006, the Infrastructure and the Economic Development and Social Protection sectors received the bulk of ODA in 2007.⁷ When combined, these two areas of intervention make up more than 70% of all allocations.

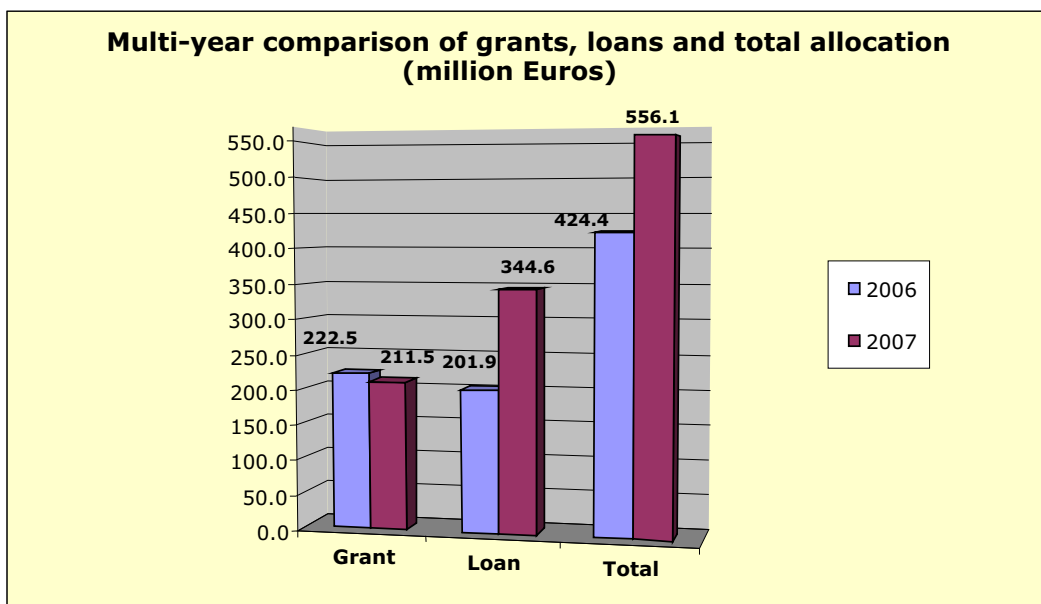
Sector	Sector share of ODA
Infrastructure	42.98 %
Economic Development and Social Protection	27.60 %
Good Governance and Institution Building	8.63 %
Conflict Prevention, Resolution, Peace and Security	5.68 %
Cross-cutting sectors	4.56 %
Local Governance	4.10 %
Agriculture and Forestry	1.97 %
Education	1.64 %
Health	1.61 %
Environmental Protection	1.19 %

⁷ It should be noted, however, that a large part of the funding in these sectors are in the form of loans. Indeed, in the Infrastructure sector, loan allocations in 2007 totaled € 217 million, compared to € 22 million grants. In the Economic Development and Social Protection sector, there is more of a balance, with € 110 million loans and € 43.9 million grants.

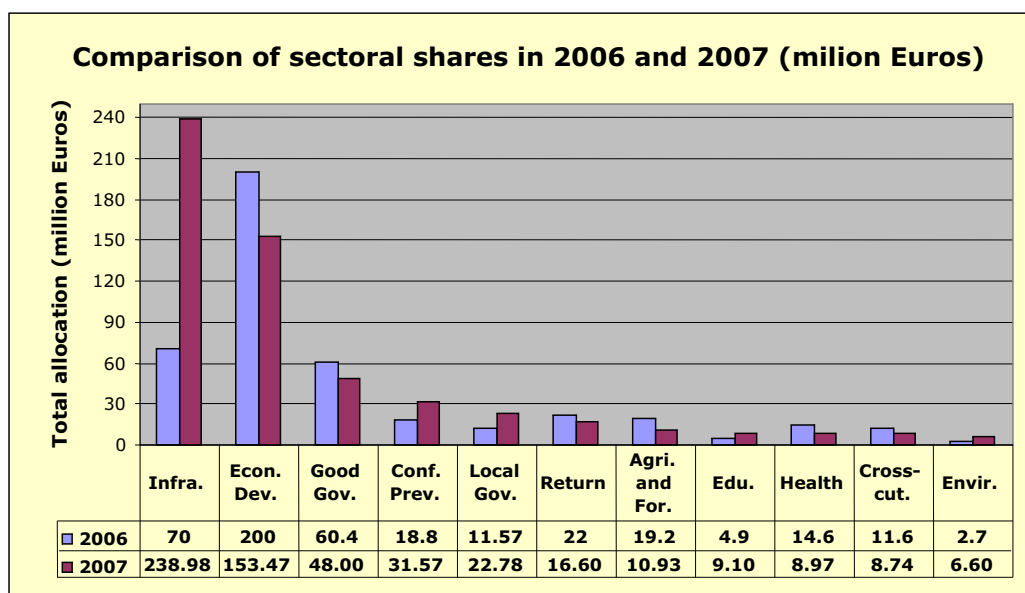


The Good Governance and Institution Building sector - which comprises the Legal and Judicial Reform, Human Rights, Public Administration Reform, and Civil Society sub-sectors - features in third place in terms of total donor allocations in 2007. This sector received almost 9% of all 2007 funding. In the middle ranking are the Conflict Prevention and Resolution, Peace and Security sector, the cross-cutting sectors of Gender, Youth, and Return and Reintegration, and the Local Governance sector.

The chart below shows a comparison between 2006 and 2007, displaying grants, loans, and total allocations as part of ODA. The chart demonstrates that between 2006 and 2007, there was an increase of € 142.7 million in loan assistance while there was a decrease of € 11 million in grant aid.



The same comparison reveals that there was an increase in total ODA allocation from € 424 million to € 556 million. This development can primarily be attributed to the bigger loan allotment to the Infrastructure sector (from € 70 million in 2006 to € 239 million in 2007), and the moderate growth in funds earmarked to the Local Governance, Environmental Protection, Conflict Prevention, Resolution, Peace and Security, and Education sectors. The data shows a decrease in funding to the Health, Agriculture and Forestry, Return and Reintegration, Cross-cutting, and Good Governance and Institution Building sectors.



2. Discussion of key issues and trends

As the data indicates,⁸ the governmental, commercial and citizens' sectors in BiH are supported by a varied set of donors and multilateral institutions. The larger sums are predominantly allocated by loan-giving institutions, such as EIB and EBRD. Although the degree of concessionality varies and has not been analyzed in this report, it is clear that the bulk of finance is increasingly being dispersed via the quasi-commercial facilities offered by these two European banks. In terms of grant aid, the biggest donors are the EC, USA/USAID, the Netherlands and Sweden/SIDA. UNDP also ranks as an important player; however, the majority of UNDP's resources come from in-country bilateral donors.

When compared to 2006, there has been significant increase in loan finance associated with major infrastructure projects while there has been a decrease in support to economic development initiatives. Nevertheless, these two sectors receive by far the most donor support indeed more than 70% of all ODA allocated in 2007. This trend reflects donors' conviction that the Infrastructure sector is the backbone of the economy, and as such provides a guarantee for sustainable development in the country. By the same token, the international community's focus on the Economic Development and Social Protection sector is meant to lay the foundations for sustainable economic growth, and to reduce poverty and economic exclusion.

In contrast, grant-based and non-infrastructure related ODA continues to decrease. Nonetheless, it is an encouraging sign that in 2007, as compared to 2006, donors have allocated more funds to the important areas of Local Governance, Environmental Protection, Education, and Conflict Prevention and Resolution, Peace and Security. The increased financial support to Environmental Protection is a positive step, especially in light of the fact that this issue had previously been overlooked, due to what were then seen as more pressing post-conflict matters. Environmental Protection is one of the larger *acquis communautaire* areas and as a result, donors are eager to help BiH meet its EU obligations in this significant area as well as draw domestic actors' attention to the importance of this sector. The increase in Education spending is also a heartening development. It reflects the understanding that improvements to this sector are crucial for the continued success of reforms in all other areas. Conflict Prevention and Resolution, Peace and Security also received substantially more funding in 2007, which is mostly due to the large allocations made by USA/USAID and the EC to the Security Sector Reform. This field encompasses both defense and police reforms, as well as a growing area of interventions in Disaster Management and Risk Reduction.

Finally, Local Governance is an area of increasing donor interest. Last year's DME did not discuss this sector separately. By contrast, the current report considers Local Governance its own sector and covers all elements of municipal administration, local economic development, and area-based development programmes.

These trends have been driven by a number of factors, but primarily it is BiH's evolving developmental position that has triggered these changes. It can be argued that since BiH has acquired a certain degree of sustained economic stability, the domestic authorities are capable of accommodating social welfare needs and some elements of institution-building through the government's budgets. At the same time, many donors note that all sectors still need external support and even though ODA is gradually decreasing, international agencies are committed to providing that support until BiH is firmly on the path to European Integration.

⁸ In the body of the current report Return and Reintegration is part of the Cross-cutting sectors chapter. However, in the 2006 Report, the section on cross-cutting issues included only Gender and Youth, while Return and Reintegration was discussed in the Emergency Assistance and Reconstruction Sector. Hence, in order to be able to compare 2006 and 2007, Return and Reintegration is considered as a separate sector in the chart.

3. ODA context

In order to provide a clear picture of donors' activities in BiH, there is a need to contextualize their work within the economic and political developments of 2007, the aid coordination architecture, and the state-level overarching strategies, which should guide their programming.

Political and economic context

According to most analysts, 2007 has been a turbulent year in the BiH political realm, with slow progress in reforms.

Although the year began with enthusiasm following BiH's accession to the *Partnership for Peace* (PfP) programme at the end of 2006 and was further boosted by the introduction of the EU's Instrument for Pre-Accession Assistance (IPA), the initial optimism was quickly tempered. Following the October 2006 general elections, it took three months to nominate the Council of Ministers (CoM) and an additional three months until the government of the Federation of BiH (FBiH) was formed. This delay in establishing a functioning administration had obvious implications for the pace of reform.⁹

Political instability peaked when the administrative reforms introduced by High Representative (HR) and EU Special Representative (EUSR) Miroslav Lajčák caused a political crisis in October 2007. The proposed changes, which aimed to facilitate the decision-making process within the BiH Government and parliament, were nominally perceived by some politicians as contravening the Dayton Peace Agreement (DPA). In November, Prime Minister Nikola Špirić submitted his resignation and his political party, the SNSD, threatened to withdraw from government if Mr. Lajčák would not recall his decision. This action once again debilitated all reform processes as the CoM could only fulfill an administrative role until the crisis was resolved. The situation was exacerbated by tensions arising from the forecasted final decision over the status of Kosovo, which was expected to have spill-over effects in BiH.

By late October, however, the conflict in the government subsided. On 28 October, the major BiH parties signed the Mostar Declaration, committing them to an agreement on police reform; and on 30 November, Mr. Lajčák's changes to parliamentary procedure were accepted. In the final resolution, Mr. Špirić was reappointed as Chair of the CoM and the EC allowed the initialing of the Stabilization and Association Agreement (SAA).¹⁰ This move helped to reinvigorate BiH's foreseen accession to the EU and it once again drew BiH politicians to the negotiating table over police reform. In this way, the year 2007 ended on an optimistic note.

As it will be seen in the sectoral analysis, despite these challenging circumstances, donor agencies continued their programme implementation throughout the year and pursued opportunities for progress, where possible.

In the economic sphere, crises characterizing the political realm were not present. In 2007, there was macroeconomic stability due to prudent fiscal¹¹ and monetary policies. Largely attributable to the continued revenue gains from the Value Added Tax (VAT), the government achieved a balanced budget. Although the very recent trend is somewhat troubling, low inflation has been the norm under the currency board arrangement.¹² Real GDP growth has been fairly stable, averaging approximately 6% per year since 2000,¹³ but below potential and not sufficient to achieve a significant decrease in the 29% unemployment rate.¹⁴ Poverty levels in BiH have ranged from 14% to 24%.¹⁵ Furthermore, youth unemployment in BiH is approximately double the overall rate, a disconcerting fact both in terms of the present and anticipated future social and economic repercussions.

In order to address these problems, the Prime Minister of BiH and the two Entities signed a Platform for Action on October, committing them to making economic issues and reforms the top priority in their work, as well as removing legal barriers to business, created by the country's

⁹ UNDP BiH, *Early Warning System Biquarterly Report January to June 2007* (web edition), 5. (Hereafter, *EWS Biquarterly Report*, 2007). Retrieved from www.undp.ba/index.aspx?PID=36&RID=65.

¹⁰ Ibid., 9-10.

¹¹ Caveat: the efficacy of government spending is well below potential due to the burdensome and inefficient public administration system.

¹² In Q4, 2007, inflation driven by rising global food and energy prices increased to 4% year-over-year, making the annual figure of 1.5% somewhat misleading. In 2006, prices rose by 7% due to the introduction of the VAT and increases in certain regulated prices, but these were seen as one-time effects. Indeed, during the first three quarters of 2007, price stability returned as expected. The Q4 2007 jump is of concern as the increase is being driven by factors beyond the control of the domestic government, and may turn out not to be temporary.

¹³ BiH Central Bank.

¹⁴ Labour Force Survey, 2007 (using ILO methodology).

¹⁵ UNDP Human Poverty Index (2004), 14%; World Bank Living Standards Measurement Survey, (2004), 18% (with a further 30% at risk of poverty in case of an income shock); UNDP *National Human Development Report* (2007), Laeken Indicator, 24%.

complex administrative structures.

Aid coordination framework

In 2007, the BiH Government transferred the responsibility for aid coordination at the state level from MoFTER to the Ministry of Finance and Treasury (MoFT) and is in the process of establishing a new Sector in MoFT to carry out this function. The role of the Sector will be to coordinate all external assistance other than that which is directly linked to the EU integration process.

The work of the new Sector will focus on 1) developing a partnership with the donor community in order to channel economic and technical support to the realization of BiH defined priorities, 2) preparing for the annual *Public Investment Programme* (PIP) of BiH, 3) mobilizing international aid, 4) strengthening the cooperation with DEI in the

domain of international aid coordination, 5) enhancing the system of international aid coordination at all levels of Government, and 6) organizing regular consultative-working meetings with members of BiH institutions and the international community, acting as the Secretariat of the Board for the Coordination of International Aid (BCIA).

The transfer of responsibility for Aid Coordination from MoFTER to MoFT and the establishment of the Board coincide with the government's intention to adopt a more proactive approach in relation to external assistance, in line with the aims of the Paris Declaration¹⁶ and consistent with the growing capacities of the State. These developments are also concurrent with the intention to prepare a new Country Development Strategy and to improve capacity for strategic planning at the sector level; these efforts combined will drive the priorities for both the national budget and external assistance. It is anticipated that data on external assistance flows will be captured more accurately than they have been hitherto, by the Grants Resources Management System (GRMS), and will be treated as a supplement to the state budget.

It is clear that a development trajectory is underway to strengthen the BiH Government's capacity to articulate its requirements for external assistance, and coordinate this support. However, the conceptualization of the institutional architecture only represents the start of this process. Donors' support and cooperation with the new Sector are needed to ensure that it is able to carry out its functions effectively. MoFT is currently articulating its additional needs for technical assistance to the donor community, and an appropriate response is being considered.

The Board for the Coordination of International Aid

The Board for the Coordination of International Aid is an advisory body which develops proposals, offers opinions, and provides guidance for improving efficiency in the allocation of donor aid, in order to ensure that donor support is aligned to BiH priorities. The Board also issues guidance for the establishment and running of forums, for regular consultations between donors and the BiH authorities. The members of the Board are representatives of the BiH MoFT, DEI, DEP, as well as the FBiH, RS and Brčko District Ministries of Finance. The Board is chaired by the Deputy Minister of Finance and Treasury.

BiH development strategies

National strategies enable donor agencies to align their programming to the priorities defined by the government. This is one of the principles of the Paris Declaration. Until the end of 2007, donor activities in BiH were guided by the 2004-2007 Medium-Term Development Strategy (MTDS), which set out the overall policy framework for development, and sectoral strategies, where existent.

Underlying all development processes has been the Stabilization and Association Process (SAP) and the European Union Integration Strategy for BiH. The SAA has yet to be signed and this step is contingent upon sufficient progress in addressing key priorities, notably police reform, cooperation with the International Criminal Tribunal for the former

Country Development Strategy and Social Inclusion Strategy

Since the MTDS expired at the end of 2007, DEP was tasked with developing two new state-level strategies, which will serve as the basis for the National Development Plan and the Joint Inclusion Memorandum required from each country acquiring candidate status for EU membership. The two strategies will be the Country Development Strategy and the Social Inclusion Strategy guiding activities for the period 2008-2013. The initial development of the strategy documents should be completed in 2008. The strategy development will utilize a bottom-up methodology, taking into consideration entity and state-level priorities, and identifying common goals between these governance structures.

¹⁶ The Paris Declaration calls for a renewed focus on aid effectiveness rooted in the principles of ownership, alignment with national development strategies, harmonization, management based on results, and mutual accountability.

Yugoslavia (ICTY), public broadcasting, and Public Administration Reform (PAR). The SAA will constitute the contractual framework between the EU and BiH. This Agreement is a key step for the country as BiH aspires to join the EU. Furthermore, it will give all donor agencies working in the country a framework for their programming.

Individual sectoral strategies will be referred to in the corresponding chapters of this report.

4. Donor assistance from the BiH Government's perspective

During the research phase of this Donor Mapping Exercise, the three domestic institutions responsible for aid coordination (DEI, DEP and MoFT) and PARCO were interviewed. Their perspectives provided useful balance to the assessments expressed by the donor agencies.

On the one hand, these institutions were vocal about the problems of donor coordination in BiH. They cited frequent changes of approach, overlaps and gaps in coverage, donor-driven strategies, and insufficient attention to the priorities identified within the PIP as key issues. In individual sectors, the interviewed representatives of the BiH Government noted insufficient information exchange in both the planning and the implementation of projects, and a sense that donor agencies do not always take domestic institutions' perspectives into account. In general, they expressed the need for better coordination.

On the other hand, all three BiH institutions of the aid coordination framework noted that there is a growing awareness and admission among donors about these problems, and they applauded the fact that there are several agencies trying to improve the situation. Moreover, they were hopeful that the new systematization of aid coordination will make the process more coherent, efficient, and transparent, and will send a clear message that BiH wants to be the owner of its development process. In fact, the representatives of domestic authorities who were interviewed expressed an overwhelming sense of positivity regarding the future of aid coordination. It is worth noting that BiH is not yet a signatory to the Paris Declaration, but MoFT has recently approached UK/DFID to help facilitate this process. UK/DFID hopes to do so in 2008.

The respondents also contended that there is a very strong need for additional capacity building on all levels of the government, and that donors' continued assistance to strengthen their workforce is appreciated. BiH government representatives were aware that among their own staff, there was a lot of room for learning about new aid modalities and best practices, and expressed a hope that donor agencies will assist them in acquiring the knowledge necessary for more effective work.

All interviewees suggested that simple measures could make significant improvements to the working relations between international agencies and BiH institutions. They voiced their expectation that donor agencies would seek out the opinion of the BiH authorities more frequently and also share information about their plans as a matter of course. Moreover, it was suggested that bilateral donors need to pay more attention to the European Partnership Agenda, in order to better understand the expectations that BiH has to fulfill. This would reduce the burden on BiH authorities. The representatives of domestic authorities noted that it is difficult to have an overview at the macro level, which in turn obstructs the building of synergies and complementarities. Therefore they expressed a desire to actively participate in both the all-encompassing and sector-specific donor meetings.

Even though this Report was primarily prepared as a platform for information exchange among donors, it is hoped that it will also be useful to BiH authorities in the process of taking the leading role in coordinating international assistance and improving coordination with and amongst donors in BiH.

Sector definition	<p>Based on DAC definitions, the Education sector comprises the following elements:</p> <ul style="list-style-type: none"> • Basic, secondary and post-secondary education; • Education policy and administrative management; • Education facilities and training; • Teacher training; • Educational research. <p>DAC codes: 110-114.</p>
DCF donors	Austria/ADA, France, Germany/GTZ, Italy/IC, Norway, Spain/AECID, Sweden/SIDA, USA/USAID, the EC, UNICEF, and the World Bank.
Other key international organizations (IOs)	The Organization for Security and Cooperation in Europe (OSCE), the Council of Europe (CoE), the Office of the High Representative (OHR), and Civitas.
Key government partners	The BiH Ministry of Civil Affairs, and the Entity, District and Cantonal Ministries of Education.
Total donor allocation to the sector in 2007	€ 9.1 million.
Sector strategies	There is no comprehensive state-level sector strategy. A draft strategy dealing with the whole sector has been prepared with the assistance of the EC, but not adopted as yet. There are other state-level strategies dealing with certain elements of the Education sector, such as the Strategy for Vocational Education and Training (VET) supported by the EC and the Strategy for Pre-School Education, developed by UNICEF.
Donor coordination	Semi-regular coordination meetings focusing on exchange of information.

Introduction

Improvements to the Education sector are crucial for the future of Bosnia and Herzegovina (BiH) as well as for the success of reforms in other areas. Indeed, this statement holds true for any country in the world. However, the case of BiH is special as the principle of ethnic division is implemented in schools as well as in curricula, thus further cementing this practice in all other spheres of life. BiH has to simultaneously overcome the legacies of both the 1992-1995 war and its communist past. BiH faces serious challenges on its way to democratic governance and European Integration. As the youth of BiH grow accustomed to segregation based on ethnic identity, the efforts to undo the distrust between ethnicities need to be even more consistent and harmonized.

As with most other sectors, Education in BiH is decentralized within the current constitutional structure. The BiH Ministry of Civil Affairs (MoCA) is the state-level institution in charge of coordinating all issues relevant to education through its Department for Education, Science, Culture and Sport. There are 13 Entity, District and Cantonal Ministries of Education, which hold the real authority to affect change in the sector. In the Republika Srpska (RS), responsibilities lie at the entity-level, whereas in Federation of BiH (FBiH), mainly at the cantonal level.

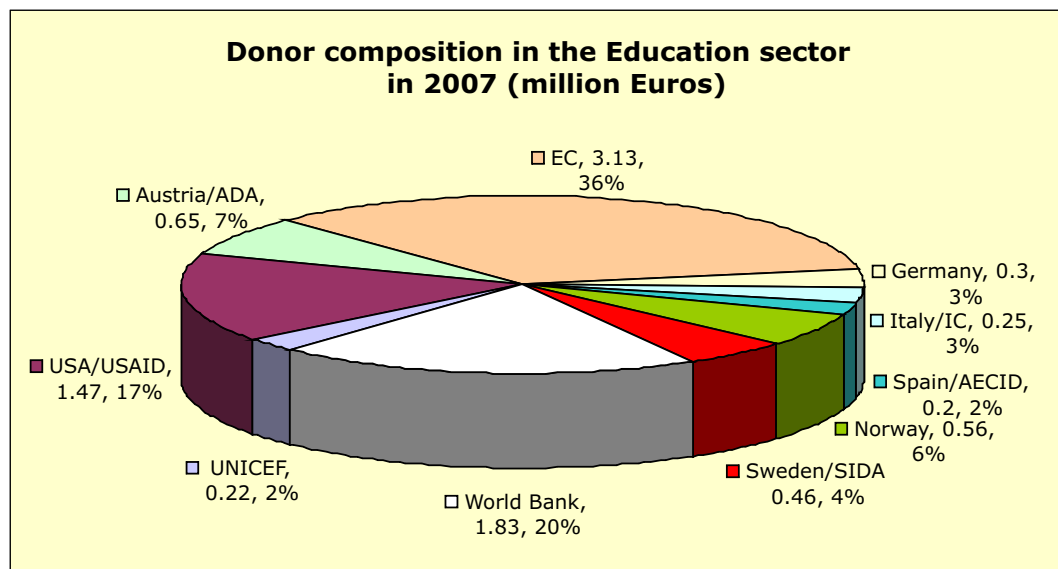
Difficulties and obstacles to reform the Education sector are numerous, and particularly affect access to and quality of education. The net elementary school attendance rate is approximately 98.4% while the net secondary school attendance rate is at 79.3%. Around 2.3% of children of secondary school age are still going to primary school. The estimated 6% of children who are not enrolled in elementary school as well as those adolescents who drop out of the education system after primary school represent especially vulnerable groups.

For the last decade both bilateral and multilateral international agencies have been supporting the Education sector in BiH. Multilateral donors have focused mainly on assisting the capacity building of local institutions, financing the development of a legal framework for the Education sector, and providing other forms of technical support. In addition, both bilateral and multilateral donors have supported civil society organizations that deal with education issues. Experience shows that it is often extracurricular initiatives provided by civil society organizations that are the most successful vehicles for counteracting ethnic division in schools and ethnicity-based interpretation of curricula. However, the majority of these bodies are still quite weak and they are not yet able to effect real policy change.

Donor activities in 2007

There are a number of international donors involved in the Education sector and most supranational organizations (including DCF and non-DCF members) present in BiH are engaged in providing assistance to this sector. This fact is indicative of the international community's understanding that education that does not promote tolerance can be a destabilizing factor in a post-conflict setting.

The DCF donors active in the sector are Austria/ADA, France,¹⁷ Germany/GTZ, Italy/IC, Norway, Spain/AECID, Sweden/SIDA, USA/USAID, EC, UNICEF, and the World Bank. Together, they contributed € 9.1 million to Education in 2007. Non-DCF members, the Council of Europe (CoE) and the Organization for Security and Cooperation in Europe (OSCE), also have a big influence on the work in this sector.



The **EC** is the main financial donor in the sector, assisting the reform processes at all three levels of education: primary, secondary, and higher education, including vocational training in high schools. It has supported both the development of the legislative framework on education and the adoption of these laws. The EC approaches education reform through a public administration lens, as laid out in the recommendations of the *Functional Review of the Education Sector*¹⁸ carried out by the EC in 2004. The EC is also promoting the introduction of EU policy in education, supporting the implementation of the Bologna Process and Lisbon Convention in Higher Education, and the Copenhagen Process in vocational education and training.

The EC focuses on institutional development by assisting the government in developing an Agency for Pre-Primary, Primary and Secondary Education, an Agency for Higher Education, and an Agency for Diploma Recognition. The EC promotes outcome-based teaching and curricula, i.e. the European Qualification Framework, which introduces standards and quality assurance in education. In the field of vocational education and training and higher education, the EC is supporting social dialogue in order to increase the employability of graduates. The EC also continuously supports the development of strategies in education. The Strategy for Vocational Education and Training (2008-2013) was adopted by the Council of Ministers (CoM) in 2007. The Strategy for the Reform of Education has been submitted to the CoM for adoption.

As the main problems in the Education sector are the divisions along ethnic lines and the lack of a unified curriculum, the EC, the OSCE, CoE and Office of High Representative (OHR) proposed the establishment of a Conference of Ministers, which reports directly to the Prime Minister's Cabinet. This Conference was founded in 2007. In October 2007, with support from CoE, the Conference participated in a study visit to the headquarters of the CoE in Strasbourg.

The **World Bank's** current education project addresses secondary and higher education reform as well as the management and financing of education. The project is intended to continue until

¹⁷ France is not featured in the pie chart, as this donor did not report any fund allocations in 2007. France did, however, continue its previous activities in the sector.

¹⁸ This document is available at <http://parco.gov.ba/eng/?page=125>.

March 2010. However, the World Bank is concerned that local authorities have not expressed the expected interest in the project, thus jeopardizing its implementation.

UNICEF is a key player in terms of the development of models for the promotion of socially-inclusive, multicultural approaches to education through the 'child-friendly schools' (CFS) model. Experience in education has shown that results at the community level need to be fed back to the policy-making level in order to ensure future sustainability. This upstream-downstream linkage is critical given the decentralized nature of the administrative structure and the weak vertical communication channels of the country. The following are among UNICEF's most recent, relevant achievements: the development of standards and regulatory frameworks for basic education and Early Childhood Development, which resulted in the government's recent adoption of a Framework Law on Pre-Primary Education; the creation of a life-skills model focusing on the prevention of risky behaviours; and the implementation of CFS approaches at the school level, which led to most of the 600-700 schools in the country actively applying some of these principles.

In addition to multilateral donors, there are several other DCF members involved in the Education sector. **France** has two separate projects, one for higher education and the other for secondary education and French-language teaching. The former of these initiatives supports exchange programmes in education and science between tertiary institutions in France and the eight public universities in BiH. France's second project creatively combines French language classes with integration at schools by having students from all ethnicities sit together during foreign-language courses.

France is also implementing a project that aims to teach history in an innovative way by providing a common methodological background. This initiative is especially commendable as history education is one of the key areas that can be used to reconcile divergent interpretations of common past events.

Spain/AECID supports the efforts of the OSCE, OHR and BiH authorities to recover the Mostar Prva Gimnazija building, an emblematic centre of secondary education, located in Mostar's Plaza de España. The centre teaches 400 students from diverse backgrounds.

Germany/GTZ concentrates on VET. This focus area, combined with Germany/GTZ's efforts in their other priority areas, is meant to improve the conditions for foreign investments by securing an adequately trained labor force for those investments. Germany/GTZ's major aim is to change the teacher-orientated education system into a student-centred one.

Austria/ADA assists two areas: vocational training and higher education. The former of these has two components includes a virtual programme for developing business activities and schools for tourism. The latter includes curriculum development, promotion of e-learning, and the involvement of researchers from the EU as well as emigrated BiH academics to teach courses at BiH public universities.

Italy/IC, Norway, Sweden/SIDA and USA/USAID all support the delivery of education programmes at either secondary or tertiary levels. **Italy/IC** sponsors the master's degree in Democracy and Human Rights for South East Europe, implemented jointly by the Centre for Interdisciplinary Postgraduate Studies and the University of Bologna. **Sweden/SIDA** is financing the master's studies in Management and Supervision of Social Work, jointly delivered by Gothenburg University and the universities of Banja Luka and Sarajevo. Together with UNDP and Norway, Sweden/SIDA also supports the master's programme in Gender Studies at the University of Sarajevo. **USA/USAID** has partnered with the University of Delaware and the Sarajevo Faculty of Economics to establish the Sarajevo Graduate School of Business to offer a western-style master's of business administration degree in BiH. **Norway** is supporting a post-graduate programme on religion and its ties to politics, nationalism, violence, and human rights. Norway also organizes a teaching exchange in the same field.

Non-DCF organizations like the OSCE and the CoE have also been significantly engaged in the Education sector and this map would not be complete without mention of their work. The **OSCE's** focus is on enhancing local competencies, strengthening student councils and parent councils, broadening the debate on education as a policy issue by organizing events for school directors, pedagogical institute experts and other stakeholders, and conducting extensive research at the school and community level on the state of education and education reform in the country.

An OSCE priority is supporting a reform environment that will result in the removal of divisive national politics from the classroom. This is done through a history and geography textbook reform effort conducted in cooperation with the CoE and the Georg Eckert Institute, and endeavors to monitor the Interim Agreement on Accommodation of the Specific Needs and Rights of Returnee Children. The CoE and OSCE both support the establishment of a state-level education agency that sets and enforces common standards and ensures quality and mobility; they also advocate for the development of a modern, flexible curriculum that will be appropriate for all children.

The **CoE**, together with its international partners, has been responsible for the successful drafting of the Law on Higher Education, adopted in 2007, and the primary and secondary education laws. CoE has supported citizenship and human rights education, as well as history and language classes. In the area of higher education, the CoE funded and co-chaired the Higher Education Working Group/BiH Bologna Conference for four years. From January 2006 to January 2008, the joint EC and CoE project, *Strengthening Higher Education in BiH*, supported BiH institutions in developing Bologna reform tools and action lines at the system level, with a focus on Quality Assurance, Qualification Framework and Recognition of Qualifications and Study Periods. These reform tools were adopted by the BiH CoM in December 2007 and published under the title *7 Key Strategies and Guidelines to Implement the Bologna Process*.

On a political level, the CoE has ongoing monitoring mechanisms through its Committee of Ministers and Parliamentary Assembly regarding BiH's post-accession commitments in the area of education, namely to adopt education legislation that meets CoE standards and to end ethnic segregation in schools.

Sector strategies

In the past, there have been several attempts to draft and popularize state-level education reform strategies. A key document in this regard is the Education Reform Agenda - A Message to the people of Bosnia and Herzegovina,¹⁹ developed by local stakeholders and adopted in 2003. The sectoral study of the Poverty Reduction Strategy Paper (PRSP) also provides a comprehensive picture of the key issues, goals, objectives and priorities within the sector. However, these existing strategy papers reportedly failed to spell out the most urgent need to guarantee common, state-level standards for education, access to all and a system that promotes tolerance. Other topical issues that remain to be addressed are the development of laws and by-laws, protocols, operational plans, feasibility studies, action plans, and budgetary allocations.

In recognition of the need for a joint strategy, the EC assisted in the development of the recent draft Strategy to the Reform of Education 2008-2015. The Strategy was adopted by the Conference of Ministers of Education and submitted to CoM.

The EC has also assisted in the development of the Strategy for Vocational Education and Training 2007- 2013, which was adopted by the CoM in 2007. A state-level Strategy for Pre-School Education has also been developed by UNICEF.

Positive developments and challenges in the sector in 2007

Within the Education sector, the year 2007 can be considered successful in terms of legislative reform. During 2007, three major laws were adopted: the Law on Agency for Pre-School, Primary and Secondary Education, the Framework Law on Pre-School Education, and the Framework Law on Higher Education. The last of these establishes the aims of higher education and sets uniform criteria for higher education institutions. Its development was an outcome of a two-year (2006-2008) joint project by the CoE and the EC. The aim of the initiative was to assist BiH in preparing state-level reforms in three major areas: the recognition of qualifications, quality assurance, and a framework for higher education qualifications. In addition to the Higher Education Framework Law, the project developed seven key strategies and guidelines for implementing the Bologna Process in BiH over 2008, 2009 and 2010. Execution of these laws will be a challenge in 2008 and beyond.

¹⁹The complete document is available at www.oscebih.org/documents/26-eng.pdf.

In spite of the general satisfaction following the adoption of the aforementioned legislative framework for Education, most donors are concerned by the complications ensuing from the current fragmented, institutionally complex structure of the sector. However, the Conference of Ministers of Education provides a potential common institutional ground for discussing current issues regarding education. The birth of the Conference has been jointly assisted by the EC, the CoE, OHR, and the OSCE. However, donors observe that rather than focusing simply on sharing information about ongoing initiatives and developments, the Conference of Ministers meetings should actually serve as a state-level mechanism for guaranteeing that standards are set that ensure equal access to education throughout all of BiH. As a signatory to many international human rights conventions, BiH as a state is responsible for guaranteeing educational rights.

Donors expressed their satisfaction that during 2007 a Road Map and an Action Plan for EU community programmes for Life Long Learning (LLL) and Youth in Action (YiA) were drafted and submitted to the CoM for adoption. If adopted, it is foreseen that two agencies will be established for LLL and YiA respectively which will enable BiH to access EU funds for education and youth.

With the year 2007 came improvements in several thematic areas within the Education sector. Donors are satisfied with the progress in civic education and history teaching while cautioning that support in this area will be necessary for the long-term reforms to take deep and lasting root. New history textbooks and teaching manuals have been developed and are being used in a number (but not all) schools, and many teachers have been trained to teach civic education. An unbiased interpretation of history and modern civic education is crucial for counteracting the side effects of the current practice of ethnically segregated classrooms.

One donor expressed the view that BiH has the best education laws in Europe, yet the adoption of these laws constitutes the first and perhaps the easiest step towards reforming the education system in the country. Implementation continues to remain a challenge. Unfortunately, international agencies cannot draw on relevant experience in the Education sector from other countries, as the case of BiH is rather specific.

The politicized education system in BiH limits donors' efforts to affect change in the sector. At the same time, some international agencies acknowledge there have been too many small projects in the Education sector, which have not been synchronized. Examples of initiatives of a more limited scope include projects implemented in a number of schools or small donor-supported, NGO-run projects in local communities. The bottom-up approach, while critically important to the stakeholders directly involved, may not have a significant impact on the upper levels of governance from which greater coherence in education policy will eventually need to come. At the same time, in terms of making tangible achievements at the local level, in the long term, the bottom-up approach might be very effective. This argument is corroborated by the fact that donors who worked closely with civil society organizations in the country admit that their cooperation with or support of local NGOs has begun to yield concrete results in the field of education.

Coordination and ownership

Donors are concerned that the current complex institutional structure within the Education sector makes coordination among BiH authorities difficult. Even more importantly, international agencies agree that this multilayered structure leads to inefficient education spending and relatively low education outcomes. As far as donor coordination is concerned, international agencies note that previous formal mechanisms (such as the Education Issues Set Steering Group, which was a meeting of Heads of Agencies) have been replaced with ad hoc and informal coordination and communication, producing mixed results.

Donors do take part in semi-regular meetings, convened by the OSCE, which mostly serve as opportunities to share information. They regard this exchange among programme managers as a minimally satisfactory way of being informed. However, these meetings do not necessarily translate into real coordination. Discussion is ongoing as to who should organize and chair future gatherings. Donors would rather have a local institution lead their coordination effort. Proposals for people or institutions that could harmonize agencies' activities include but are not limited to: the Coordination Board on Education at MoCA, MoCA itself, the Minister of Civil Affairs Mr. Nović, the Conference of Ministers, the to-be-established Education Agency, or other local

authorities. Ultimately though, the harmonization of donor activities is dependent upon the personalities of the representatives involved in the coordination meetings.

Donors suggest that perhaps a way to improve the current situation would be to financially engage domestic authorities in education reform, thus imposing on them the responsibility to assume decision-making roles as well. Reportedly, for the last decade the authorities have not been involved in cost-sharing in any of the major projects in the field of education. By encouraging current beneficiaries to also become co-financers of education reforms, ownership of the process is expected to improve. However, the capacities of MoCA are said to be too limited to tackle all aspects of educational reform. Donors report that the only real ownership in BiH is found at the university level.

Future activities

The most important priority in the Education sector is to remove the politics that divide students, schools and communities. Solving this problem will be a long-term effort, and will depend on good governance in schools, civic education, democracy and participation, history textbook and teaching reform, and grass-roots activities aimed at bringing together divided communities.

Despite the support of education reform, to date, the financing the Education sector has not yet been covered by donor activity.²⁰ That said, the EC will provide support for this issue through IPA funds and other DCF members have indicated that they will assist initiatives that deal with the financial side of implementing the legal framework adopted in 2007.

Another priority area identified by donors is the furthering of the reform of the vocational education system: adopting the existing draft VET law, rationalizing the number of vocational schools, and adjusting VET curricula to the current and future needs of the market in BiH. At present, some 72% of all secondary schools in BiH are VET ones. Currently there are about 100 professions offered at VETs and only 40 of them are covered by the appropriate curricula. In practice, parents often have no choice but to send their children to VET schools rather than to general high schools. The problem is that the former do not provide adequate preparation for higher education.

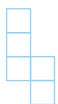
Ensuring pre-school and universal primary education for all BiH children constitute additional concerns raised by donors. According to UNICEF, currently 27% of girls are leaving primary school and re-enrolling them is very difficult. Donors and local institutions alike need to devise strategies to effectively prevent girls from dropping out of school. According to the latest Multiple Cluster Indicators Survey,²¹ only 6.4% of children in the relevant age group (or 12,800 out of an estimated 200,000) attend nursery and pre-school centres in BiH. Furthermore, some 64% of Roma children do not attend primary school and almost none pre-school.

The initial training of teachers needs to be improved because in-service training is often insufficient and, as a result, ineffective. In fact, it is not only the university education of teachers that is considered wanting. For example, during interviews with donors supporting the legal and economic development of the sector, they brought up the issue of inadequate university training for Law and Economics students. The implementation of the Law on Higher Education and the corresponding seven strategies and guidelines will support BiH in fulfilling its commitments under the Bologna process, thereby making up for the current deficiencies in BiH's higher education system.

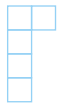
Generally speaking, international agencies are acutely aware that they cannot let politics hijack the process of education reform. However, there are differing interpretations as to how to respond to such trends. This is not to say that political issues are to be ignored. It means donors need to keep advocating for overcoming political barriers, without necessarily conditioning their involvement in the sector on the eradication of these obstacles. A good example of this tactic is France's focus on the methodological issues of history teaching or the teaching of French to students from all ethnicities who otherwise sit in ethnically segregated classrooms. International agencies would also like to see parents more involved in the schools. Donors hope that parents' active engagement will counteract the current, common practice of politically appointing members of school boards.

²⁰ As mentioned in the beginning of this chapter, the World Bank has developed a project aiming to, among other things, finance the Education sector. However, the practical application of this project is still pending as BiH authorities need to take decisive steps towards its implementation.

²¹ Multiple Cluster Indicators Survey, *Situation of Women and Children in Bosnia and Herzegovina 2006* (Sarajevo: UNICEF, September, 2007).



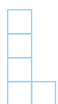
Donors note that it's necessary to ensure that the education system and curricula are gender sensitive. UNDP, through its *Implementation of Gender Law* project, has been supporting the Working Group on Gender and Education in developing recommendations on how to incorporate gender in the education system and in the primary, secondary and tertiary education curricula. However, further efforts are necessary.



One donor also highlighted that there is a need to establish the Community Programme Agencies for LLL and YiA in order to enable universities and young people to access EU funds for education. It is equally important to raise awareness about existing funds that are available under the Tempus, Erasmus Mundus and Erasmus Mundus External Cooperation Window.



Finally, several international agencies noted the need to further strengthen the capacity of the Education Department at MoCA as a priority area. Some donors are sensitive to the need to also enhance the capacity of domestic NGOs working in the broadly defined area of education. In the case of NGOs, this area includes but is not limited to education regarding health issues, gender equality, youth issues, human rights, environmental awareness and civic education.





Conclusion

Education is a “soft” sector as it is, by definition, entangled with many sensitive issues. It is a sector vital to development, especially in post-conflict countries. Education can be a powerful tool for instilling ideologies into the hearts and minds of young generations. As such, Education should become a priority sector for all stakeholders genuinely interested in bringing up a generation espousing modern democratic values like tolerance, individual responsibility, participation in civic life, and respect for other cultures.

Yet, donors recognize there is not one perfect solution to the problems in BiH's Education sector. The right way out of the current situation should come through the active, meaningful participation and on-going involvement of all stakeholders and members of the community, through the implementation of integrated strategies (bottom-up and top-down), and through the revision and harmonization of policy and financial frameworks. Also, a good way to increase local ownership as well as improve coordination among all donors would be to involve representatives of BiH's civil society sector, dealing with education issues in donor coordination meetings. Most of all, further reform of the Education sector is contingent upon the genuine commitment of local authorities, politicians, donors, teachers, parents, students, and civil society in general to offer the young generations a competitive education, thus improving the likelihood that they will want to stay in their country.



Sector definition	<p>Based on DAC definitions, the Health sector comprises the following elements:</p> <ul style="list-style-type: none"> • Health policy and administrative management; • Basic and primary health care programmes; • Basic health infrastructure; • Basic nutrition; • Infectious disease control; • Tuberculosis control; • Medical education and training; • Medical research; • Medical services; • Health education; • Training of health staff for basic health care services; • Population policies and programmes and reproductive health; • STD control including HIV/AIDS. <p>DAC codes: 120-130.</p>
DCF donors	Austria/ADA, Canada/CIDA, France, Italy/IC, Japan/JICA, the Netherlands, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, the EC, UNDP, UNICEF, and the World Bank.
Other key international organizations (IOs)	The World Health Organization (WHO), the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), and United Nations Population Fund (UNFPA).
Key government partners	The Ministry of Civil Affairs (MoCA), the FBiH Ministry of Health, the RS Ministry of Health and Welfare, the Brčko District Department of Health, Cantonal Ministries of Health (FBiH only), Health Insurance Funds, and Public Health Institutes.
Total donor allocation to the sector in 2007	€ 8.97 million.
Sector strategies	Each Entity and the Brčko District have their own health strategies, but there is no comprehensive state-level sector strategy. BiH has entity- and state-level Strategies for Primary Health Care and there is an RS Secondary and Tertiary Health Care Strategy. An HIV/AIDS strategy exists at the state-level and is currently under revision. A Tuberculosis strategy, connected to the DOTS programme, has also been developed, focusing primarily on outreach and medication.
International obligations	International Health Regulations; Obligations arising from membership in international organizations, such as the World Health Organization (WHO).
Donor coordination	Ad hoc coordination meetings, focused on specific issues or projects.

Overview

Health spending has traditionally been seen as a purely social issue, rather than an investment in economic and personal progress. Over the last decade, however, there has been a growing recognition of the link between health and economic development. In Bosnia and Herzegovina (BiH), where reforms have shifted focus from postwar stabilization and reconstruction to economic growth, job creation, and the promotion of efficient public spending, this link is all the more crucial. After all, there can be no economic growth without a healthy population and conversely, “underlying health determinants of a socioeconomic nature (primarily income, education and employment) also play a role in causing vulnerability to health risks.”²²

When compared to other countries in the region, the fact that BiH allocates 7.4% of government expenditure to the Health sector²³ is considered adequate. However, due to major inefficiencies in the system, the outcomes that such spending would normally indicate, such as high immunization rates or universal access to basic services, have not been attained.²⁴ This is, in part, because there is not enough emphasis on the reduction of risk factors and prevention; instead, the common practice is to provide expensive treatments at the hospital level. Consequently, hospital expenditures are high, and basic services at the primary care level are still insufficient.

The health system follows BiH's general administrative structure. There are two entity-level ministries of health the Federation of BiH (FBiH) Ministry of Health and the Republika Srpska (RS) Ministry of Health and Social Welfare and the Brčko District Department of Health. In the

²² Highlights on Health in BiH (WHO, 2005). Retrieved from www.euro.who.int/document/E88283.pdf.

²³ Bosnia and Herzegovina: Addressing fiscal challenges and institutional review (Washington D.C.: World Bank, 2006).

²⁴ Country Cooperation Strategy at a glance (WHO, 2007), 1. Retrieved from http://www.who.int/countryfocus/cooperation_strategy/ccsbrief_bih_en.pdf

case of the FBiH, responsibility for providing health care is further decentralized across the ten Cantons. Overall coordination among jurisdictions is the responsibility of the BiH Ministry of Civil Affairs (MoCA).

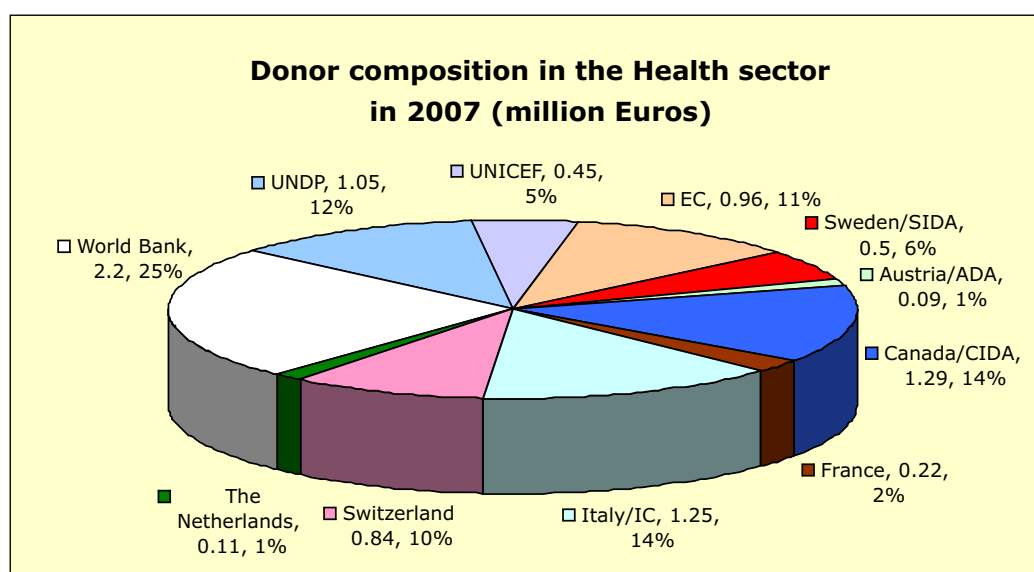
There is differing quality of and accessibility to treatments across the Entities, Cantons and Municipalities. Services are non-transferable between the Entities. Although access to care is considered to be nominally universal, in reality as much as 16.7% of the population is not fully covered by health insurance.²⁵ The emergence of a two-tiered system of private and public health services is contributing to the already existing inequities in access to health care. Additional issues within the sector include lack of financial sustainability, inefficient service delivery, and institutional fragmentation.

To address these issues, BiH, with the assistance of several donors, has begun to introduce the family medicine model, which is seen as a priority in many other Central and Eastern European and Central Asian countries as well.²⁶ This model aims to create a more efficient, self-sustainable, patient-friendly system of care, reorienting the focus from hospital treatments to primary health care, and giving greater attention to public health, health promotion and disease prevention.²⁷

This primary care reform has been coupled with the reform of the non-competitive, regionally-based health insurance system. This system relies on public financing, which depends on the contributions of both employers and employees, or other institutions in charge of protecting the unemployed, retired and other uninsured groups.²⁸ To ensure greater efficiency in the system, some donors have also focused on the improvement of the public administration within the sector. The overall challenge is to "continue to make progress towards achieving health system objectives, namely improving population health status and providing protection against the financial costs of illness, while ensuring the financial sustainability of the Health sector."²⁹

Donor activities in 2007

The DCF donors involved in the Health sector are Austria/ADA, Canada/CIDA, France, Italy/IC, Japan/JICA, the Netherlands, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, the EC, UNDP, UNICEF, and the World Bank. In 2007, they contributed a combined € 8.97 million. The most prominent international organization in the sector is the World Health Organization (WHO). All agencies support the realization of the Millennium Development Goals (MDGs), specifically the reduction of child mortality, the improvement of maternal health and the fight against HIV/AIDS, malaria, and other diseases. Some of the work is tied to one MDG specifically, whereas other activities address several goals simultaneously.³⁰



²⁵ *Social Inclusion in Bosnia and Herzegovina, National Human Development Report 2007* (UNDP, 2007), 114.

²⁶ Rifat A. Atun, et al., "Diffusion of complex health innovations: implementation of primary health care reforms in Bosnia and Herzegovina," *Health Policy and Planning* (2007) 22(1):28-39, 28. Retrieved from <http://heapol.oxfordjournals.org/cgi/reprint/22/1/28>.

²⁷ "Implementation of Family Medicine in BiH: Misunderstandings and Misconceptions." Retrieved from <http://post.queensu.ca/~geddesj/Misund.htm>

²⁸ *National Human Development Report* (UNDP, 2007), 113.

²⁹ Caryn Bredenkamp and Michele Gragnolati, "Sustainability of Healthcare Financing in the Western Balkans: An Overview of Progress and Challenges," *Policy Research Working Paper 4374* (The World Bank, October 2007), 3.

³⁰ This total allocation does not include Japan/JICA, Norway, Sweden/SIDA, USA/USAID, as their financial allocations to this sector are either for 2006 or 2008.

The **World Bank's** primary focus through the *Social Insurance Technical Assistance Project* (SITAP) has been to provide BiH authorities with the most up-to-date policy advice. The main outcomes of this project include: recommendations for the rationalization of the health service network, a pilot exercise in modern provider payment systems, and policy advice on the basic package of health services. It is expected that, on the basis of this work, the BiH authorities will develop a comprehensive reform programme that may be supported by donors at some point in the future. The World Bank has also been implementing the *Health Sector Enhancement Project*, which aims to roll out the family medicine model in many municipalities.

Switzerland/SDC/SECO also works towards popularizing family medicine on a municipal level. This model requires the introduction of new incentive and payment mechanisms for doctors, a new organizational model, different protocols, a revamped information management system, as well as improved management technologies, public campaigns, and innovation funds. Ultimately, it aims to enhance the efficiency of the health care system and strengthen the policy-making process. Therefore, the World Bank's and Switzerland/SDC/SECO's work, while addressing issues of primary health care, also aim at broader sectoral reforms.

Throughout 2007, the **EC** has continued to implement the recommendations of the 2004 Functional Review, which aim to improve the public administration of the Health sector. Part of this effort has been to set up the Department of Health (*Sektor za Zdravstvo*) in MoCA and to provide technical assistance and capacity building for the Department, Entity Ministries of Health and the Brčko District Department for Health. The EC has also supported the establishment of a Conference of Ministers of Health, and the development and update of strategic documents for the Department for Health in MoCA and the Brčko District. A set of documents was also produced, identifying the priorities for BiH's Health sector in preparation for EU integration.

In 2007 and the beginning of 2008, the EC conducted a pre-feasibility study of biohazardous waste management schemes in BiH, in particular the handling of medical and animal waste. The study's recommendations will be used for planning future EC assistance in this field under the Instrument for Pre-Accession Assistance (IPA) funds.

In 2007, **WHO** focused on the development of health system strategies in BiH endeavouring to cohere and integrate previous policy and strategy work.³¹ Supported by a grant from Canada/CIDA, WHO made significant progress in the implementation of the *Strengthening the Health System in BiH* project, an initiative which aims to introduce new models of management and service provision to primary health care. On the legal front, WHO, in partnership with the EC, has been supporting the development of a BiH Law on Medicines and Medical Devices, and the establishment of a state-level Pharmaceutical Agency for Medicines and Medical Devices.

UNICEF worked on early childhood development and promoting child survival, in order to ensure that all children under five years of age have equal access to quality basic services within the primary health care system. UNICEF continued to advocate for a safe and uninterrupted immunization programme and provided support to different levels of governments in BiH to ensure that vaccinations were available for all children, particularly children from marginalized groups who are growing up un-immunized.

To complement partnerships established in the area of community-level health services, support was provided for the development of state-level strategies necessary to address the needs and basic rights of young children and their families. Specifically, UNICEF guided the

Family Medicine Model

Family Medicine in municipal health centres called *Dom Zdravlja* (DZ) should become the main pillar of public health in BiH.

Family Medicine is a primary health care model whereby general practitioners' skills are enhanced in order to enable them to address a large proportion (up to 80%) of health issues directly, including health promotion, and without referral, thereby reversing the costly reliance on the secondary and tertiary levels of care. This system is not only considered to be more cost-effective, but also more holistic and humane, especially in a postwar setting, since patients from the child to the elderly should have in their family doctor a trusted counterpart for practically all their health concerns.

General practitioners/family doctors are specialist physicians trained in the principles of the discipline. They are personal doctors, primarily responsible for the provision of comprehensive and continuing care to every individual seeking medical care irrespective of age, sex and illness.

³¹ For example, the WHO-supported development of the entity- and state-level Strategies for Primary Health Care (2006), Nursing Action Plan (2006), National Medicines Policy (2006), Mental Health Policy (2005), and the BiH Pandemic Influenza Preparedness and Response Plan (2006).

development and adoption of two strategies in 2007: the Strategy to Prevent Iodine Deficiency Disorder and an innovative, multi-sectoral Strategy on Early Childhood Development that targets the needs of poor and socially-excluded children.

UNICEF also developed and proposed a community-based "good parenting" model to entity governments that promotes holistic child development, particularly for the most vulnerable families, through integrated social services for young children and their families. The focus is on early child development, child health, nutrition, and childcare.

Data indicates that public health reform has been inadequately addressed in BiH, but several donors have contributed to changing this situation. For example, **Sweden/SIDA** and UNICEF have been involved in HIV/AIDS prevention work targeting the most at-risk adolescents through a series of initiatives. These include the conducting of stronger evidence-based research on risk behaviour, and the analysis of the legislative context for the provision of services and information to adolescents. The HIV/AIDS prevention initiative also focuses on drafting a strategy to reduce drug misuse, and supporting the finalization of protocol on voluntary counseling and confidential testing.

Canada/CIDA's projects mainly address the design and implementation of primary health care reforms in key areas, such as policy development for youth health, strategic planning and human resource management, while dealing with youth and gender equality as cross-cutting themes. Since CIDA will withdraw from BiH by March 2010, it is currently solidifying existing projects and not engaging in new programming.

UNDP, as manager of the Global Fund projects, has been implementing two multi-faceted programmes, one dealing with HIV/AIDS and the other with Tuberculosis (TB). The former is primarily targeted at vulnerable groups and is therefore, also classified under Social Protection. It aims to improve prevention of the spread of HIV, increase survival rates and build national capacity to manage HIV/AIDS issues effectively. To implement the latter goal they will establish a laboratory network and monitoring system for TB cases, as well as provide first line drugs to TB patients.

Japan/JICA has been working to improve the pain therapy treatment skills of medical staff in major cities in BiH. **Italy/IC** contributed to the reconstruction of hospital infrastructures and programmes, focusing on the treatment of victims suffering from Post Traumatic Stress Disorder and people with special needs. Italy/IC also worked to train health sector personnel, and to raise public awareness about the prevention of common pathologies. By establishing psychosocial counseling centres, **Austria/ADA** supported the recovery of traumatized children. Through financial assistance to the Srebrenica-based NGO *Snage Žene*, **the Netherlands** provided psychosocial, medical and other care to vulnerable groups. **France** organized regular exchanges between French and BiH specialists and students, as well as trainings and partnerships between French and BiH hospitals.

From 2008, several agencies, such as WHO, UNDP, UNICEF, the EC, USA/USAID and the World Bank will work together to implement Avian Influenza Preparedness projects. The overall development objective is to minimize the threat posed to humans and the poultry industry by Highly Pathogenic Avian Influenza infection and other zoonoses, and to prepare for, control, and respond to an influenza pandemic and other infectious disease emergencies among humans. As part of this initiative, **USA/USAID** will support a community-based information campaign implemented by UNICEF.

Sector strategies

Both Entities and the Brčko District have comprehensive health sector strategies that address primary and secondary care. In addition, BiH has entity- and state-level Strategies for Primary Health Care, state-level HIV/AIDS and TB strategies, a Nursing Action Plan, a National Medicines Policy, a Mental Health Policy, BiH Pandemic Influenza Preparedness and Response Plan, and RS Secondary and Tertiary Health Care Strategy. These were mostly developed with the support of WHO/EU projects. There is, however, no state-level strategy providing guidelines for the whole Health sector, the lack of which is an acute problem recognized by donors.

To address this gap, WHO, through its regular programme of collaboration, assisted the domestic authorities in developing a health systems strategy in BiH, aiming to ensure the coherence of previously developed policies and strategies. The state-level health system strategy is planned to be submitted for adoption during 2008.

Although reform of the Health sector is not identified as an Accession criterion per se, health is mentioned in 28 of the 45 *acquis communautaire* chapters. Therefore, a Road Map of European Integration priorities and requirements is being developed by the EC, under the current *Strengthening of Health Care System in BiH for EU Integration* project.

In addition, under the IPA 2007 and IPA 2008, the EC aims to improve capacities for public health policy planning and to support the development of a public health reform strategy. This new strategy will divide service provision, policy, and advice, thus redirecting the role of Public Health Institutes from service provision to prevention and health promotion.

Positive developments and challenges in the sector in 2007

One of the key achievements of 2007 is the strengthened and expanded Department of Health within MoCA. The EC has been providing capacity-building support and technical assistance to this Department. Although there is a recognition that the Department needs more time and staff for full coordination, donors have noted many positive changes and have found an improvement in capacity. A new internal rulebook, jointly prepared by the MoCA staff and experts engaged by the EC, introduces an innovative model of work for the Department based on its functions: coordination, international relations, and EU integration. This new internal organization will enable the staff in the Department to work more efficiently with the limited resources available.

In addition, a Conference of Ministers has also been established, bringing together the BiH Minister of Civil Affairs, the Entity³² and Brčko District Ministers of Health. As a result, there has been progress towards resolving the institutional fragmentation. Canada/CIDA's regional conference on human resources in the Health sector has helped to highlight the need for effective administration in the sector.

Although donors recognize that reforms have been slow, their overall assessment of 2007 has been positive. Most donors have noted that even in the absence of a state-level strategy and BiH Ministry of Health, there has been a common strategic direction: introducing family medicine as the overarching means to address the inefficiencies and inequities within the system. The family medicine model's greatest advantages are a patient-centred approach, lower service delivery costs, and a strong focus on preventive treatments, which could directly improve the general health of BiH citizens. With the assistance of Switzerland/SDC/SECO, more than 800 doctors, ambulance workers, and nurses have been retrained in elements of the model. The World Bank has also trained 1,170 doctors and specialists and 1,044 nurses. Moreover, common post-graduate curricula in family medicine and community nursing as well as for continuing professional training have been introduced in both Entities.

Positive developments have also been noted in terms of financing. The World Bank's study on financing and the rationalization plan have been adopted by both Entities, thus becoming *de facto* government policy. Both high-level policy and technical staff have participated in the *Flagship Training on Health Care Reform and Sustainable Financing*,³³ a recognized programme supported by, among others, the World Bank Institute and WHO. The issue of hospital rationalization is an especially difficult and political issue to tackle.

Donors also registered progress in areas such as consumer protection, reform of mental health services, and change in reporting standards to meet EU requirements.

International agencies identify the biggest obstacle in this sector to be the structure of the health system itself and the discrepancy between agreements about and implementation of programmes. Therefore, even though donors have strongly felt the absence of a state-level strategy, there has been some skepticism expressed about whether such a document would lead to concrete results. Moreover, the sector suffers from a lack of balance in principal-agent relationship, in that doctors' strong influence makes the system very difficult to reform. This especially impacts secondary health reform, which will require the reorganization of hospital networks to bring them in line with the rationalization plan.

³² The FBiH Minister of Health represents all cantonal Ministers of Health at the meetings.

³³ The training was organized by the Health Services Management Training Centre.

Despite the progress in the implementation of the family medicine model, some donors have also expressed concern that there are divergences between the models implemented in the two Entities. In addition, some warn that this model may not be successful in BiH because it will require the elimination of low-performing health providers and introduce competitiveness into the field.

Coordination and ownership

Donor activities within the Health sector are coordinated on an ad hoc basis. During 2007, there was no regular forum for all stakeholders to discuss progress, share information, and establish common platforms.

Nevertheless, several smaller coordination initiatives exist. For example, Canada/CIDA, WHO, United Nations Population Fund (UNFPA) and the World Bank have agreed to carry out a joint analysis of primary care reform efforts and, in the process, these four agencies will meet frequently. Members of the UN Development Assistance Framework also take part in regular gatherings. Specifically, WHO and UNICEF have joint programming on immunization issues. The EC is increasingly taking leadership positions in the sector. In the field of TB and HIV/AIDS, the Global Fund's Country Coordination Mechanism (CCM) brings together the relevant UN agencies as well as donors, such as Sweden/SIDA, Canada/CIDA and the Netherlands. This mechanism also ensures regular and structured communication with the ministries.

The United Nations Theme Group (UNTG) on HIV/AIDS and the Joint UN Team on AIDS were active throughout 2007. Some members of the UNTG also participate in the National Advisory Board on HIV/AIDS, which is chaired by MoCA. These linkages facilitated the provision of strategic support to the state-level government and enhanced collaboration among the UN agencies in the provision of support to national and NGO project implementation.

In general, donors assessed their cooperation as adequate and did not express any need for more frequent meetings. The sector functions well with only a few overlaps. Nonetheless, it was noted that donors are not always using their funds in the areas where they are most needed. Therefore, it has been suggested that donors should invest in better organizing their programming and choosing partners more carefully. Moreover, international agencies noted a need to focus on limited areas and align behind concrete priorities, rather than trying to address every aspect of the reforms needed.

On the domestic front, the Department of Health within MoCA is responsible for coordinating the sector. According to some donors, the newly initiated Conference of Ministers has contributed significantly to sectoral coordination and has had a very beneficial impact on the functioning of the sector. Other international agencies have not been as positive in their assessments, especially noting that MoCA has so far not taken the step of coordinating agencies' involvement, and several stakeholders have identified a need for this.

Donors reported that the domestic institutions have very strong ownership of health issues, clear buy-in and tangible resources allocated. In some instances, the authorities have been able to assume responsibility for the implementation of projects and where this has not happened, donors are encouraging them to do so. International agencies in this sector have aligned their projects to the locally developed strategies. In the case of the Global Fund projects, UNDP is acting as the implementer, but this has been at the direct request of the authorities. UNDP envisions handing over this responsibility.

Future activities

In BiH, the "leading cause of morbidity and mortality is non-communicable diseases. About 50% of deaths are attributable to cardiovascular diseases and about 20% to cancer. The ageing population and unhealthy lifestyles associated with diet, alcohol and drug abuse are main contributors to the epidemiological profile."³⁴ Therefore, several donors suggest that keeping the focus on analyzing risk factors, changing behaviours, and raising general awareness about prevention must remain priorities.

³⁴BiH Country Cooperation Strategy at a Glance" (WHO, 2007). Retrieved from http://www.who.int/countryfocus/cooperation_strategy/ccsbrief_bih_en.pdf.

This line of thinking is justified by the expectation that a comparatively small investment in health promotion will bring vast improvements in health outcomes. This should be followed by expanding the scope of vaccination programmes and the reach of primary health institutions. Above all, special attention should be dedicated to Roma children, minority groups, and disabled persons, who are commonly even more deprived of medical access. Solutions need to be found for those who are not covered by insurance.

Closely related is the importance of institutional development and the establishment of state-level strategies, namely for the proper collection and handling of medical waste, for dealing with community diseases, and for the appropriate registration of diseases. Additionally, donors note that some independent agencies are needed, like an Agency for Radiation Protection and Nuclear Safety, Agency for Medicines and Medical Devices. Most importantly, an agency or a separate unit within the MoCA Department of Health responsible for collecting statistical information should be established to facilitate evidence-based planning.

Several donors argued that the position of medical doctors requires redefinition. The fact that the system is not regulated and doctors are allowed to work both in private and public structures has led to the development of a two-tier, inequitable system of care. This is exacerbated by the institutionalized corruption and expectation of out-of-pocket payments,³⁵ which limit access as well as quality of care.³⁶ To cope with this, donors proposed introducing salary reform, establishing a transparent procurement system and developing suitable incentives for leaving this practice behind. All these issues could be dealt with through appropriate strategies and policies, the development of which the EC is prepared to support. Harmonization of legislation with EU *acquis* and requirements is an important priority and will be addressed under the IPA 2008 programme.

Donors note that the reform of health financing should also be implemented. Increase in formal employment through the proper registration of employees and enforcement of health insurance schemes would ensure the collection of health insurance funds. Donors, moreover, recommend simplifying administrative procedures. Clearer registration processes would increase citizens' accessibility to health insurance and at the same time influence their awareness about the possibilities they have when in need of medical care. This is an urgent step in light of the fact that almost 17% of citizens do not have any health insurance.³⁷

³⁵ This is estimated to be up to 2.6% of GDP.

³⁶ Common Country Assessment, Bosnia and Herzegovina (United Nations, 2004), 35.

³⁷ National Human Development Report 2007, 114.

Conclusion

Prior to the war of 1992-1995, BiH³⁸ had a well-functioning and well-developed health care system. Health indicators were comparable to those in other countries in Europe.³⁹ But as a result of war-time destruction and subsequent economic difficulties, the previous system could not be maintained and significant reform initiatives were undertaken. These are still ongoing, addressing all elements of the health system.

However, investment in the Health sector is not merely about system reform. At the heart of the future developments lies the importance of the recognition that holistic policy approaches towards the Health sector are crucial.⁴⁰ Health is an outcome of social processes and lifestyle circumstances that operate at individual, household, and community levels,⁴¹ such as diet, healthy behaviour, clean water, sanitation, as well as access to clinical procedures and health coverage. Therefore building health-centred reforms into anti-poverty, unemployment, and education policies is necessary.⁴² The introduction of the family medicine model in BiH is one step towards the institutionalization of this multifaceted approach. However, the donor community and the domestic authorities need to jointly decide how to change behaviours and reduce the risk factors that lead to BiH's epidemiological profile. Only a healthy population can bring economic development to the country and therefore investments in the Health sector should be seen as investments in the general future of BiH.

³⁸ BiH was then a member of the Federal Socialist Republic of Yugoslavia.

³⁹ Rifat A. Atun, et al., 30.

⁴⁰ Ibid., 29

⁴¹ "Highlights on Health in BiH" (WHO, 2005). Retrieved from <http://www.euro.who.int/document/E88283.pdf>

⁴² *National Human Development Report 2007*, 155.

ECONOMIC DEVELOPMENT AND SOCIAL PROTECTION

While donor activities in Bosnia and Herzegovina (BiH) in the area of economic development are varied, the underlying goals of the donor community can roughly be grouped into two interlinked categories: 1) laying the foundations for sustainable economic development and growth by assisting BiH's transition to a fully-functioning market system; and 2) reducing poverty and economic exclusion. As with most donor interventions in BiH, the overarching aim is to assist the country as it moves closer to EU standards and principles, and eventual EU accession.

The first section of this chapter provides an assessment of BiH's macroeconomic challenges and donors' efforts to improve the policy framework. Achieving a stable macroeconomic environment is an essential condition for sustained economic growth, employment generation, and poverty reduction. The second section discusses donor activities in the area of supporting the Small and Medium-sized Enterprises (SME) sub-sector, a key driver of the above-mentioned priorities. International agencies aid this sub-sector both directly, by increasing businesses' competitiveness, and indirectly, by assisting the development of an enabling business environment. The third section focuses on donors' direct capital support to actors in the financial sector. The special attention to this area underscores its key importance to the achievement of a properly functioning and vibrant market system. The final section discusses donor activity in the area of social protection systems, given their link to the overall economy and crucial role in preventing poverty and social exclusion. The chapter's conclusion summarizes the areas in which international agencies are active, and the extent to which donor support has contributed to progress in this sector. Finally, it discusses which areas should be given highest donor priority going forward.

The three areas of economic development addressed in this chapter and the country's social protection systems are interrelated. Appropriate macroeconomic policies and the foundation they create are required for the achievement of sustainable economic development. This resulting stability can have a direct, significant impact on the overall business climate, and sets the stage for expansion of the SME sub-sector, a proven driver of new employment. Furthermore, a stable, trusted, and efficient Financial sub-sector represents one of the pillars of a functional market economy. Finally, properly operating social protection systems and a healthy economy mutually reinforce one another, and at the same time are capable of identifying those who are vulnerable to poverty and social exclusion and provide them with the necessary assistance.⁴³

A healthy market economy relies on a properly functioning social protection system in different ways. First, unemployment insurance assists workers with frictional unemployment, a necessary condition in any market economy as supply reacts to ever-changing market demands. Second, proper social protection helps to create a more dynamic investment environment, as individuals are more willing to make riskier investments, secure in the knowledge that, for example, a future pension creates a floor below which they will not fall in case these investments are lost.

Focus on Poverty Reduction and Employment

This chapter focuses on the economic dimensions of poverty. Although improving economic “functionings” does not ensure poverty alleviation, as many *functionings* cannot be immediately purchased in a market (e.g. transportation if there are no roads, or literacy), it is the fundamental *functional deficiency* associated with poverty. Furthermore, given that (1) unemployment is the key manifestation of *functional deficiencies* in the economic sphere, and (2) there is a well-documented correlation between unemployment and poverty, this perspective is also useful for the purpose of guiding and focusing policy prescriptions.¹

There are many dimensions of poverty in BiH. While in general, BiH citizens enjoy the same legal rights as other advanced societies around the globe, the reality is that the former experience *capability deficiencies* that represent impoverishment by negatively impacting their ability to choose how to live their lives. For example, almost one third (29%) of the BiH labour force is not *capable* of living a financially secure life because people cannot find gainful employment. The causes of this *capability deficiency* are *functional*,² such as lack of access to post-secondary education. The most recent labour force survey shows that the unemployment rate for citizens who had not finished post-secondary education is 31%; for those who had completed post-secondary education, it is 11%.³ There is also a gender dimension to these deficiencies: the unemployment rate for women who have finished secondary schooling but not post-secondary education, is nine percentage points higher than their male counterparts (37.4% and 28.2% respectively).⁴

¹ Amartya Sen, *Development as Freedom* (New York: Alfred A. Knoff, 1999).

² Ibid.

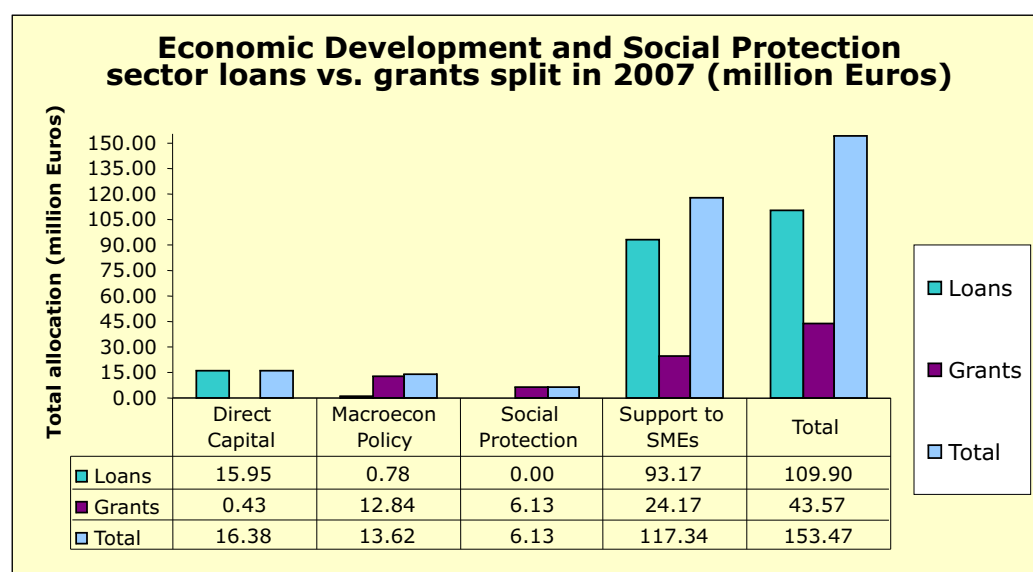
³ Labour Force Survey 2007, BiH Statistics, FBiH Institute for Statistics, RS Institute of Statistics, with support from UNDP, DFID, and the World Bank.

⁴ Ibid.

⁴³ This especially impacts the elderly, the young, individuals with disabilities, and other populations with only limited ability to participate in economic activity, for example, due to a lack of access to paid employment.

At the state level in BiH there are three key institutions dealing with economic development and social protection: the BiH Ministry of Finance and Treasury (MoFT), the Directorate for Economic Planning (DEP), and the BiH Ministry of Foreign Trade and Economic Relations (MoFTER). In addition to coordinating the Entities' activities, MoFTER is tasked with a wide range of economic development responsibilities, which include drafting foreign trade policy, preparing macroeconomic strategic documents, cultivating the business environment and entrepreneurship, fostering competition, encouraging tourism, and developing a single economic space.

At the entity level, economic development responsibilities in the Republika Srpska (RS) are split between the Ministry of Trade and Tourism and the Ministry of Economy, Energy and Development. In the Federation of BiH (FBiH) these responsibilities are divided between the Ministry of Trade, Ministry of Tourism and Environment, Ministry of Development, and Entrepreneurship and Ministry of Energy, Mines and Industry.



In 2007, donor agencies allocated a total of € 153.47 million to the Economic Development and Social Protection sector. Of this amount, € 43.57 million was in the form of grants and € 109.9 million in the form of loans. The greatest share of funding (€ 117 million) was allocated to the Support to SMEs and Improvement of the Business Climate sub-sector. The lending agencies are the EIB, EBRD, Spain/AECID and the World Bank.

Macroeconomic Policy Support

Sector definition	<p>Based on DAC definitions, the Macroeconomic Policy Support sub-sector comprises the following efforts:</p> <ul style="list-style-type: none"> Activities aimed to support macroeconomic, fiscal and monetary policy and planning, as well as economic and social analysis and forecasting; Formulation of trade policy and regulations; Industrial policy and administrative management; Un-earmarked contributions to the government budget; support for the implementation of macroeconomic reforms; and general programme assistance also fall within this category. <p>DAC codes: 15110, 15120, 331, 32110.</p>
DCF donors	Austria/ADA, France, Germany/GTZ, Italy/IC, Norway, Spain/AECID, Sweden/SIDA, USA/USAID, the EC, UNICEF, and the World Bank.
Key government partners	The Directorate for Economic Planning (DEP), the BiH Ministry of Finance and Treasury (MoFT), the BiH Ministry of Foreign Trade and Economic Relations (MoFTER), the FBiH Ministry of Trade, the FBiH Ministry of Development and Entrepreneurship, the FBiH Ministry of Labour and Welfare, the RS Ministry of Trade and Tourism, and the RS Ministry of Economy, Energy, and Development.
Other key international organizations (IOs)	The Office of the High Representative (OHR).
Total donor allocation to the sector in 2007	€ 13.6 million.
Sector strategies	There is no statewide sector strategy. The MTDS (which is now expired) is used for guidance. New state-level development strategies are being produced.
Donor coordination	There are no formal coordination mechanisms. No regular donor meetings take place.

Overview

The achievement of macroeconomic stability in BiH, due to prudent fiscal⁴⁴ and monetary policies, has been a positive development in the country's recent economic history. Thanks largely to the second year of revenue gains from the Value Added Tax (VAT), the government achieved a balanced budget in 2007 and although the inflationary trend at the end of 2007 is somewhat troubling, low inflation has been the norm under the currency board arrangement.⁴⁵ However, although macroeconomic stability is a *sine qua non* condition for sustained economic development, it does not constitute the final aim of any set of economic policies. Indeed, in BiH, many major issues need to be addressed in the interest of guaranteeing economic progress and creating a solid institutional economic structure that will enable BiH to achieve its human development goals.

Real Gross Domestic Product (GDP) growth has been fairly stable, averaging approximately 6% per year since 2000.⁴⁶ While this is in line with policy projections, it is below potential and not sufficient to achieve significant decreases in overall unemployment. One of the contributing factors to this somewhat disappointing level of economic activity is BiH's low productivity level.⁴⁷ The country's high unemployment rate, most recently measured to be 29%,⁴⁸ is perhaps the most visible and most important issue that macroeconomic policy reform must address. While this figure is an improvement on a year-over-year basis (compared to 31.1% in 2006),⁴⁹ the rate remains stubbornly high, and this slow progress is not sufficient to achieve a significant reduction in the incidence of poverty throughout the country.

Poverty metrics in BiH range from 14% to 24%.⁵⁰ Furthermore, youth unemployment in BiH is approximately double the overall rate, a disconcerting fact both in terms of the present and the

⁴⁴ It should be pointed out that the efficacy of government spending is well below potential due to the burdensome and inefficient public administration system.

⁴⁵ In the fourth quarter of 2007, inflation, driven by rising global food and energy prices, reached 4% year-over-year, making the annual figure of 1.5% somewhat misleading. In 2006, prices rose by 7% due to the introduction of the VAT and increases in certain regulated prices, but these were seen as one-time effects. Indeed, during the first three quarters of 2007, price stability returned as expected. This jump in the fourth quarter of 2007 is of concern as the increase is being driven by factors beyond the control of the domestic government, and may not be temporary.

⁴⁶ BiH Central Bank.

⁴⁷ World Bank Country Partnership Strategy for BiH 2008–2011 (The World Bank, 2007), 90. It should be noted though, that labour productivity improved by 4% in 2006 according to the European Commission, *Bosnia and Herzegovina Progress Report 2007* (The EC, 2007).

⁴⁸ *Labour Force Survey* (LFS), 2007 (using ILO methodology).

⁴⁹ LFS, 2006.

⁵⁰ UNDP Human Poverty Index, 2004: 14%; World Bank Living Standards Measurement Survey, 2004: 18% (with a further 30% at risk of poverty in case of an income shock); UNDP National Human Development Report, 2007, Laeken Indicator: 24%.

anticipated future social and economic repercussions. While substantial informal economic activity and remittances from abroad help to improve the financial situation of many citizens, in order to significantly reduce unemployment, and thus poverty, the achievement of inclusive economic growth is of paramount importance.

The issues listed above represent the major macroeconomic challenges BiH is facing. One of the underlying issues affecting economic development progress is insufficient coordination and cooperation among governments on economic policy. Moreover, the lack of a state-level economic strategy also hinders progress towards the creation of a single economic space. This is coupled with the dearth of quality data, as well as the lack of government capacity for analyzing statistics and using them to inform policy. As a result, policy formulation and reform are not yet sufficiently evidence-based.

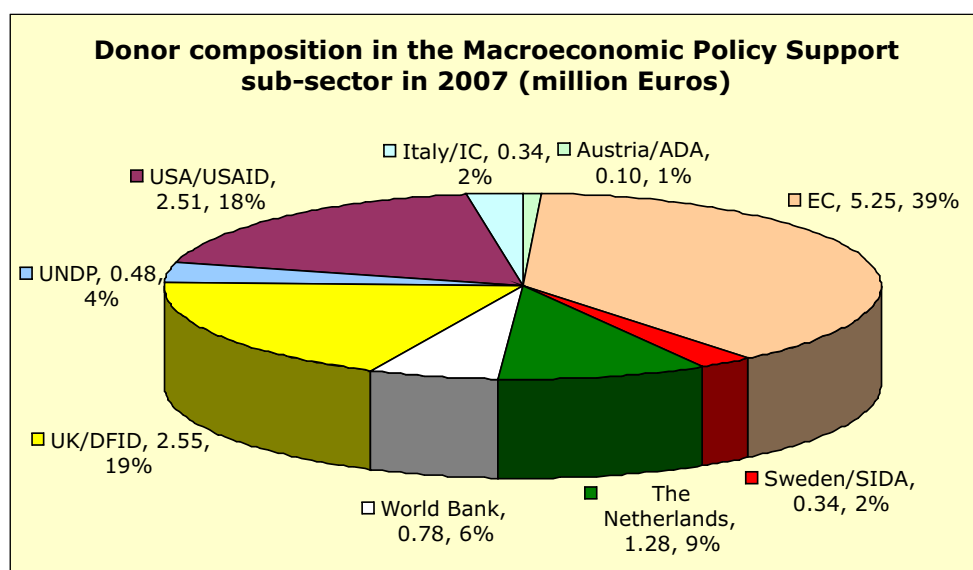
However, it should be pointed out that domestic ownership of the economic policy agenda has increased markedly, suggesting that if agreement on policy reform is achieved, progress is much more likely to be sustained.

Other factors that are associated with particular macroeconomic issues are also important. Burdensome direct taxation policies hinder entrepreneurship growth, and consequently employment. Inefficient and non-transparent government expenditure practices are a source of waste. Certain labour policies encourage informal activity, such as those that make it difficult for employers to fire employees who are not performing well, and those that restrict labour mobility, thus disadvantaging both workers and employers. Given the currency board arrangement, BiH does not have sovereignty over its monetary policy, but this mechanism has thus far been successful in achieving price stability. BiH does not have a domestic bond market and has significant liabilities regarding foreign currency assets frozen during the war, as well as war reparations claims.⁵¹

While the activities undertaken by donors in the area of Macroeconomic Policy Support vary significantly, international agencies have generally approached these issues by focusing on analysis, advice, advocacy, the provision of technical assistance, and capacity building.

Donor activities in 2007

The donors in the Macroeconomic Policy Support sub-sector include Austria/ADA, Italy/IC, the Netherlands, Sweden/SIDA, UK/DFID, USA/USAID, the EC, UNDP, and the World Bank. Together they contributed € 13.6 million, of which € 0.78 million in loans and € 12.84 million in grants. With the overall goals of achieving inclusive economic growth, reducing unemployment, and decreasing poverty, donors have focused on several key areas. These include: creating strategies; contributing data and analysis; improving the legislative framework, especially with regard to tax and labour policy reform; developing the monetary system by assisting with the creation of a domestic bond market; and supporting the EU accession agenda.



⁵¹ Moody's Investors Service, Analysis: Bosnia and Herzegovina, April, 2006.

In 2007, **UK/DFID** continued to work towards the achievement of inclusive growth in BiH, specifically focusing on growth that creates jobs and achieves human development progress. This focus is both consistent with BiH priorities and the development assistance agenda of the new UK government. To this and other ends, UK/DFID has been supporting the BiH Government in articulating the country's new development strategies both in terms of technical assistance and capacity building.

Also in 2007, **UK/DFID, the Netherlands, and Sweden/SIDA** each committed € 5 million over three years to the Enterprise Sector Recovery Fund (ESRF). The use of the Technical Assistance Fund, jointly financed by UK/DFID, the Netherlands and Sweden/SIDA, will be managed by a locally recruited Secretariat, directed by the BiH Government Steering Board. The Fund aims to support the implementation of the economic recovery section of the MTDS. Governments will offer policy guidance and the prioritization of reforms put forward to the ESRF for funding.

The **EC** has a very wide variety of activities in this sub-sector. For example, it is involved in assisting the development of employment and trade policies, and promoting the labour market and export of goods. Accordingly, the EC provides capacity building to the Central Bank, the State Agency for Labour and Employment of BiH, DEP, and MoFT in the implementation of the Decentralization System in BiH.

In 2007, **UNDP** continued to provide policy makers with independent advice based on sound socio-economic analysis. In a country with a weak statistical system and strategic planning framework, reports focusing on social inclusion, pension reform, and social protection systems were developed through participatory processes, and the production of a Labour Force Survey was again supported. *The Early Warning System* data and reports, the *National Human Development Report*, as well as the priorities, perspectives and concerns of the citizenry in the *Oxford Research International Survey 2007* were important contributions.

USA/USAID is engaged in the analysis of the regulatory environment in both the FBiH and the RS, and seeks to identify redundancies in the legal framework and present options for streamlining. The introduction of the VAT represented a major step in indirect taxation reform, and USAID subsequently shifted its focus to supporting the reform of direct taxation (personal and corporate income taxes, and real estate tax). USA/USAID offered technical assistance to the FBiH and BiH Governments to progress with tax reform legislation. To further reform in the Labour Sector, USA/USAID completed an analysis of legislative changes necessary to avoid duplication. This donor also provided assistance for the formulation of new occupational health and safety legislation in both Entities, and helped with the development of a new labour inspection policy in the RS.

The US Treasury programme focuses largely on the areas of fiscal and monetary reform. Specifically, activities associated with fiscal reform aim to improve the taxation framework. To this end, an advisor from the US Treasury has worked with domestic stakeholders towards tax policy changes in both Entities. Another Treasury advisor has provided technical assistance and capacity building at the state level to help the BiH Government create a domestic bond market in anticipation of the forthcoming bond issuance to cover wartime obligations.

Italy/IC is also widely involved in supporting this sub-sector, partially through job creation initiatives as well as through efforts to improve the skills of stakeholders in the field of planning, valorization, and territorial resources, in order to attract investments from abroad.

Enterprise Sector Recovery Fund

The ESRF's objective is to finance technical assistance to support the achievement of medium-term development strategies in the following areas:

- Transparency and control of public expenditure;
- Improvements to the business environment;
- Increased flexibility and mobility of labour;
- Strengthening of the health care financing system;
- Enhancement of the pension system;
- Acceleration of privatization;
- Resolution of the outstanding debts of the real sector.

The ESRF has two governance structures: (1) A structure to set funding priorities, which is led by a Steering Board composed of assistant ministers from the entities and the Council of Ministers (CoM), and chaired by the Director of DEP; and (2) An administrative control structure whereby a Secretariat (financed by the ESRF) is responsible for project implementation, with the Donor Council playing the same role as the World Bank for a technical assistance credit.

The **World Bank** aids the alleviation of poverty through financial assistance (grants and development loans) to the BiH Government. The World Bank focuses on strategic development projects. Additionally, it conducts analytical work and dispenses expert advice, aimed to inform policy and reform processes. In 2007, the World Bank Board approved its new Country Partnership Strategy (CPS), developed together with the BiH authorities, which lays out the strategy for the World Bank's operations in BiH during the next four-year period. The new CPS defined two pillars, which this donor finds to be of critical importance for BiH's continued economic growth and social inclusion: first, improving the environment for private sector-led growth and convergence to Europe; and second, enhancing the quality of public spending and the delivery of public services to the vulnerable. In 2007 the World Bank had 16 active projects in its portfolio. It also completed a *Public Expenditures and Institutional Review*, which was a comprehensive and in-depth analysis of the efficacy and efficiency of public spending and institutional arrangements.

Until the end of 2007, **Austria/ADA** also provided assistance to the Governing Board of the Indirect Taxation Authority (ITA) for the introduction of the VAT in BiH. Through this project the Macroeconomic Unit of ITA was staffed and the secretariat of the Governing Board (National Fiscal Council) established.

Sector strategies

As noted above, there is no state-level economic strategy in place although the revised Medium-Term Development Strategy 2004-2007 (MTDS) was the primary strategy document covering this area. It was broken down by sector and issue. While there were action plans contained therein, there were no budgets associated with them; and thus many were not completed. As such, the MTDS was less a comprehensive economic development strategy with operable actions, pledged funding, and clearly defined priorities, than a collection of desirable outcomes. Admittedly, there was some benefit to having such a broad strategy in terms of aligning donor priorities with national priorities. However, a more favourable option would be a strategy that focuses attention on the highest priority areas based on a carefully considered vision that is in line with EU accession priorities, and thus optimizes the use of scarce resources.

Furthermore, the MTDS technically expired as of January 1, 2008, and the replacement strategies are still in the development stage. However, it is noteworthy that government decisions are no longer driven by donors, which is a major shift and another indication of the positive movement towards substantially increased domestic ownership.

Positive developments and challenges in the sector in 2007

The signing of the Platform for Action, which was an Office of the High Representative (OHR) initiative, was one of the few bright spots in the Macroeconomic Policy sub-sector during 2007. This agreement between the authorities of the FBiH, the RS, the Brčko District and other stakeholders represents a commitment from government and civil society actors to work on priority macroeconomic reforms. This can be seen in particular regarding the establishment of a Fiscal Council and an Economic and Social Council, which will help to coordinate policies at the state level.

Among the challenges to achieving macroeconomic policy reform, donors note the lack of understanding of the importance of evidence-based policy making that uses quality, current data. Several international agencies are therefore trying to address this issue through linking statistics-focused projects to strategic planning and policy development.

Coordination and ownership

Given the significant macroeconomic issues facing BiH, macroeconomic policy support is an extremely important area of focus for international agencies. The donor map of this field consists of a relatively small number of actors. With the emergence of the EC as the primary source of donor funding, BiH's EU accession agenda, and hints of donor fatigue, the number of international agencies engaged in this area is not expected to increase. Thus, formal donor coordination has not been organized. International agencies generally work well together and

communication lines are considered open and well used. However, some members of the BiH donor community have not yet fulfilled their Paris Declaration obligations. Although the country's difficult political and development environment and the donors' different organizational structures can make it quite challenging, donors must make a greater effort to achieve compliance.

Government ownership at the entity level is considered to be quite strong, which suggests that future reforms will have a healthy chance at being sustained. While support to improving state-level ownership would be useful, on the whole, the bigger issue, and current challenge, is increasing cooperation and coordination across Entities' governments.

Future activities

According to donors, advocating for improved state-level macroeconomic coordination must continue to be a high priority area. Capacity building and technical assistance will remain key modalities of supporting ministries and DEP. Human resources departments must be strengthened in order to make recruiting more transparent and to give government institutions more flexibility with hiring practices. At the state level, DEP has a key role in three areas: providing economic forecasting and planning; monitoring the implementation of the MTDS; and coordinating activities. Further support and capacity building would be useful to enable DEP to fulfill these roles. In general, the EU accession agenda must be supported, thus both donor and domestic activities to this end will continue to be important.

Support to SMEs and Improvement of the Business Climate

Sector definition	Based on DAC definitions, the Support to SMEs and Improvement of the Business Climate sub-sector comprises the following elements: <ul style="list-style-type: none"> • Direct donor support to the development of small and medium-sized enterprises in the industrial sector, including accounting, auditing, and advisory services. • Tourism policy and administrative management DAC codes: 250, 32110, 32130, 332.
Key DCF donors	Austria/ADA, Germany/GTZ/KfW, Italy/IC, Japan/JICA, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, UK/DFID, EBRD, the EC, EIB, UNDP, and the World Bank.
Key government partners	The BiH Ministry of Finance and Treasury (MoFT), the BiH Ministry of Foreign Trade and Economic Relations (MoFTER), the FBiH Ministry of Trade, the FBiH Ministry of Development and Entrepreneurship, the RS Ministry of Trade and Tourism, and the RS Ministry of Economy, Energy, and Development.
Total amount of donor allocations to the sector in 2007	€ 117 million
Sector strategies	There is no state-level strategy. The Entities are moving towards the same objectives.
Donor coordination	No regular donor coordination meetings; ad hoc coordination only, often organized bilaterally.

Overview

The private sector in general, and the Small and Medium-sized Enterprise (SME) sub-sector in particular, represents an area of significant potential for economic growth, job creation, and poverty reduction. However, much of this promise remains untapped for various reasons. There is no single economic space in the country, business creation and operation are hindered by burdensome administration and red tape, and statewide strategies for SMEs and Tourism do not exist. Moreover, transportation infrastructure is inadequate, there is a low level of business acumen among the citizenry, there is not enough institutionalized support to offset this factor, and there is a lack of understanding of the importance of private sector development and especially SMEs among the civil service.

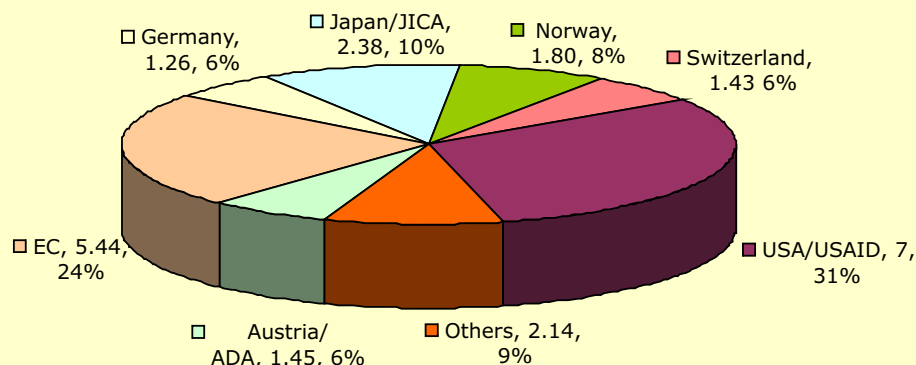
Progress has been made to address some of the key challenges and donors have provided financial and advisory support for this. The legal framework has been made more consistent and certain barriers hindering and retarding the start-up and operation of businesses have been removed. Businesses are enjoying better support thanks to improved organizational structure, and at least ten donors are engaged in active initiatives aimed at improving the business climate and supporting SMEs. Until recently, sector strategies had not been in place to guide donors, but they are now either complete or are in progress.

Future initiatives should focus on continuing to untangle the web of laws and regulations BiH businesses deal with, progressing further towards the creation of a single economic space, supporting the development and implementation of SME strategies, and improving links between educators and the labour market. While there is significant domestic ownership of activities in this area, the BiH Government is not engaged in donor coordination. It would be beneficial to all involved if the government would take a stake in this important function.

Donor activities in 2007

The donors to this sub-sector in 2007 were Austria/ADA, Germany/GTZ/KfW, Italy/IC, Japan/JICA, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, UK/DFID, EBRD, the EC, EIB, UNDP and the World Bank. Together, they contributed a total of € 117 million, of which € 93.17 million were loans and € 24.17 million were grants.

Grants allocation in the Support to SMEs and Improvement of the Business Climate sub-sector in 2007 (million Euros)



Other donors are Italy/IC, the Netherlands, Spain/AECID and UNDP.

As articulated in the BiH Ministry of Foreign Trade and Economic Relations' *Paper for Public Discussion* (Draft) regarding an SME Development Strategy in BiH,⁵² the major issues that need to be resolved for the enhancement of conditions for SME development in BiH include: 1) the creation of a consistent legal framework and the removal of barriers hindering and retarding the start-up and operation of businesses; and 2) the development of an institutional framework to provide business support. Donor activities in this sub-sector generally fall into one of these two categories, or are defined as interventions specifically targeting the development of business activity in a specific economic sector. In addition, donors have also been engaged in activities supporting the competitiveness of businesses, increasing their ability to generate income, and promoting tourism.

The creation of a consistent legal framework and the removal of barriers hindering and retarding the start-up and operation of businesses - The key donors to this area are the Netherlands, Sweden/SIDA, Switzerland/SDC/SECO, UK/DFID and USA/USAID. **The Netherlands, Sweden/SIDA and UK/DFID**⁵³ support the Enterprise Sector Recovery Fund (ESRF), which provides aid to the transformation of the BiH economy through technical assistance in order to restructure both individual enterprises as well as institutions which bear on enterprise behaviour. **USA/USAID** focuses on the business regulatory environment and advocates for legislative reform. In particular, USA/USAID is working to streamline the construction permit process. **Switzerland/SDC/SECO** finances FIAS/ International Finance Corporation's (IFC) Subnational Competitiveness Project that facilitates process of the revision and harmonization of regulations and administrative procedures at different levels in order to increase competitiveness of the selected locations and reduce the compliance costs of business.

Norway is undertaking an assessment of the business climate as a follow-up to the OHR's "Bulldozer" process and USA/USAID's "Guillotine" process in the RS, which both put emphasis on reducing business regulations. In the interest of minimizing obstacles to registering new businesses, the **World Bank** aided the implementation of the Business Registration System, which installed 16 registration courts throughout the country. UK/DFID is engaged in activities that promote a single economic market.

EBRD has been supporting regulation of the micro-credit sector, and assisted with the Microcredit Associations Law that was recently passed, under which micro-credit firms will now be subject to oversight by the banking sub-sector.

The development of an organizational structure or institutional framework to provide better business support - There are several donor initiatives ongoing in this field. **The Netherlands'** support of the IFC's regional PEPSE initiative, which works on alternative dispute resolution techniques, is a case in point. The goal is to establish an Association for Mediation, which would give businesses a quicker and thus cheaper way of dealing with their grievances as an alternative to the slow and inefficient court system.

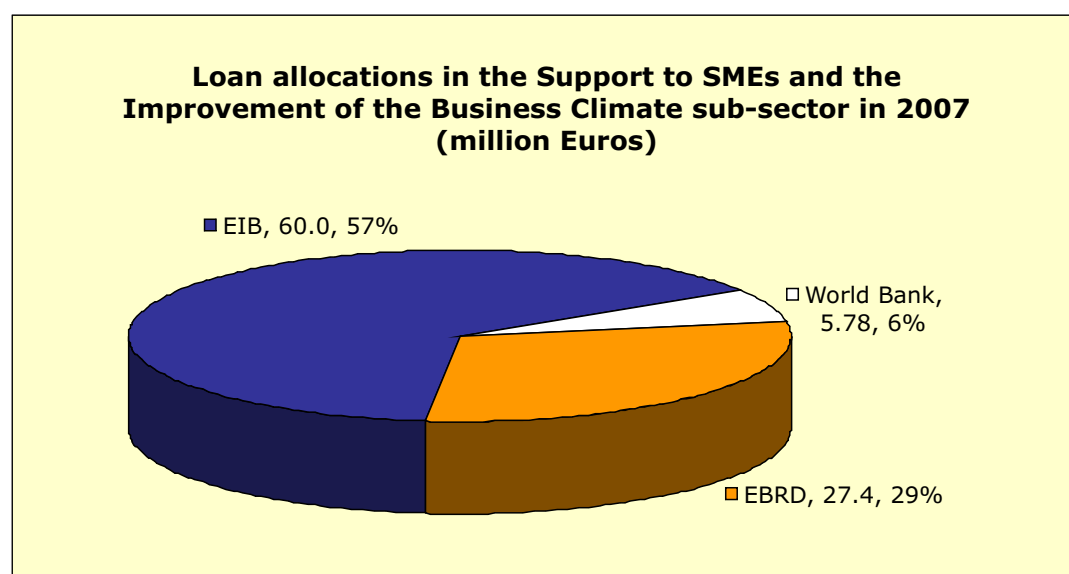
⁵² Prepared by WOTRS with technical assistance from the International Finance Corporation. Note that a state-level SME strategy has been postponed due to entity-level concerns regarding giving up jurisdiction over the SME sector to the State.

⁵³ UK/DFID does not feature in the graph, as this donor did not report any allocations to this sub-sector for 2007. Nevertheless, UK/DFID continues to actively support SME growth and the improvement of the business climate.

Norway is also very much involved in aiding the institutional support framework. To this end, Norway launched the *E-BIZ Centre* project to create a standardized Information Technology support system for the Wood, Agriculture, Tourism, and Iron and Dye sectors, in the interest of modernizing these traditional fields. Furthermore, Norway set up an organized system for empowering Information Technology firms in the form of a business incubator. **Spain/AECID** is also involved in strengthening institutional capabilities, in the interest of achieving proper operation of the market system, and thus a better allocation of resources. The **World Bank** helped to improve the efficiency of the inspection systems in both Entities.

The development of business activity - The **EC** provides grant aid to SMEs for the purpose of business development and job growth. This includes support of Regional Development Agencies (RDAs), which help businesses boost competitiveness and facilitate regional development. EC grants are also available for improving business infrastructure, enhancing market information flow, and developing the Tourism sector. All EC grant funds for enabling the business environment pass through non-profit organizations.

EIB supports SMEs through indirect financing provided to local partner banks that on-lend funds to SMEs and municipalities. These activities represent a key sector for EIB operations in the region, with positive results in terms of job creation and economic benefits.



The Netherlands has significant involvement in the Srebrenica Region, supporting various tourism and sustainable economic development initiatives. The Netherlands has developed a close cooperation with the RDA in central BiH. It provides assistance to its network of business consultants in the region, through which this RDA can actively work on capacity building for SMEs in the region. Furthermore, the Netherlands has set up export-training programmes with all RDAs, to enhance SMEs' abilities to tap into export markets. The Netherlands is also supporting SMEs in the Agriculture sector in northwestern BiH.

Sweden/SIDA approved the *Northeast Regional Development Association - Competitive Regional Economic Development* (NERDA CREDO) project. The CREDO project's overall objective is to create and sustain jobs, reduce poverty, and improve the economic status of northeastern BiH. CREDO's direct purpose is to foster economic development through support to SMEs in the selected industrial sectors as well as to coach and prepare a local training provider to supervise and carry out a management training programme, called *Improve Your Business*, to SMEs. Also, CREDO builds the capacities of NERDA and local governments, and develops the local market for consulting services.

Spain/AECID is involved in promoting the development of SMEs through the introduction and development of the Voucher System, which provides educational support and other consultancy services. Spain/AECID also continues to aid regional economic development initiatives, like the Sarajevo Economic Region Development Agency (SERDA) and the Regional Development Agency for Herzegovina (REDAH).

UNDP has recently adopted a Private Sector Development Strategy at the corporate level, which identifies its core mandate in five priority areas as follows: establishing policy and institutional framework; facilitating pro-poor value chain integration; enabling investments in pro-poor goods and services; fostering inclusive entrepreneurship; and promoting corporate social responsibility in support of the MDGs and inclusive markets. UNDP has been implementing private sector activities and specific projects in BiH since 2004. Area-based development programmes, in particular the *Srebrenica Regional Recovery Programme* and, more recently, the *Upper Drina Regional Development Programme*, have been active in facilitating inclusive entrepreneurship, identifying cluster opportunities, and providing micro-financial incentives. Similarly, the Growing Sustainable Business project has been designed to support pro-poor investments and value-added chains, while the Corporate Social Responsibility project has mobilized 24 local and international companies and investors to provide best practices and to raise awareness.

EBRD has financed six of BiH's leading microfinance institutions to date: EKI, € 6 million and Mikrofin, € 8 million in 2006; Sunrise, € 4 million, Partner, € 8 million, Prizma, € 2 million, and MI BOSPO, € 3 million in 2007. EBRD will also provide technical assistance to help them in their commercialization and future transformation to deposit-taking institutions. These institutions have an average sub-loan size of less than € 2,000 and are often active in rural areas where there are no banks.

The **World Bank's** new Country Partnership Strategy highlights the expansion of business activity and increase of economic opportunities, the improvement of key infrastructure, the strengthening of regional cooperation to manage public goods, and the invigoration of privatization and corporate restructuring as priorities issues.

Activities supporting the competitiveness of businesses and increasing their ability to generate income The main donors in this field are **UK/DFID**, **Germany/GTZ**,⁵⁴ **Switzerland/SDC/SECO** and **USA/USAID**. Germany/GTZ assists businesses of all sizes. Current efforts are directed towards indirect SME support within the framework of local and regional economic development aiding local SME/LED agencies in the preparation and implementation of priority economic projects from municipal development strategies, including improvements to the investment climate.

Switzerland/SDC/SECO, in cooperation with Germany/GTZ, also helped to cultivate business development services in northern BiH through the assistance of a local demand-driven SME consulting market, the introduction of special methodology for start-up and entrepreneurship training, capacity building for local supporting institutions, and direct aid towards the establishment of several business associations in different sectors. Switzerland/SDC/SECO also assists companies in increasing their effectiveness and improving their access to finance by introducing good corporate governance practices and strengthening capital markets as well as educational institutions within IFC's Corporate Governance Program. Finally, Switzerland/SDC/SECO supports the sustainable SME structure in Banja Luka and Tuzla region in the following sectors: Wood Products, Furniture, Metalworking, Light industry, and Start up.

USA/USAID is creating an online database to help eliminate unnecessary steps in the building inspection process. USA/USAID is also attempting to stimulate growth and employment in the Tourism, Craft, Trade, and Agriculture sectors, as well as supporting value-added chain development in the interest of increasing the profitability of exports.

Tourism - Austria/ADA was active in the development of the Tourism sector in BiH in 2007 through an educational grant that supported tourism policy and management training. **France** offered wide-ranging aid in the form of technical assistance and Official Development Assistance in cooperation with the **EBRD**. Activities included training, analytical inputs, an ecotourism project, a partnership arrangement between the Central Bosnia Canton and the Auvergne region, and the secondment of an expert to MoFTER. **Italy/IC** was also involved in aiding ecotourism, using a regional modality including valley regions in BiH, Kosovo, and Macedonia. **Japan/JICA** contributed to the development of ecotourism by focusing on skill and capacity development in the private and public sectors. In the second half of 2007, **Spain/AECID** supported ecotourism in the municipality of Šabići, Trnovo Town Hall and Sarajevo Canton by facilitating the reconstruction of traditional mountain houses and the economic development of Mostar through the improvement of the tourism sector.

⁵⁴ Germany/GTZ has identified specific economic sectors for support: textiles, garments, shoes, leather, wood products and furniture, metalwork, and tourism.

Sector strategies

Currently, the only sector strategies are the RS SME Strategy 2006-2010 (which focuses on the privatization process) and the Regional Development Association strategies. The FBiH strategy is under development and is expected to be completed in 2008. Until it is finalized, some donors are using the Government Plan of Operations for guidance. A state-level strategy is expected at some point in the future. Other guidance has come from the MTDS (although the focus is more on social issues), the European Integration Strategy of Bosnia and Herzegovina, and strategy documents from the DEI.

Positive developments and challenges in the sector in 2007

A very important development was the establishment of a state-level working group for the purpose of drafting an SME strategy, a pre-requisite for acquiring IPA funds when BiH achieves EU accession candidate status. The creation of an SME strategy by the RS Ministry of Economy was also a positive development, and the FBiH made progress towards the completion of a similar strategy. Important business registration reform laws were passed, the process of business registration in the RS has been greatly shortened, and tax rates were improved.

Furthermore, there is a general consensus that the issue of enhancing the business climate and especially recognizing the importance of and supporting the SME sub-sector has risen as a priority issue. This is due in part to a better understanding of the SME sub-sector's latent potential for economic growth and employment generation, and its importance to BiH's EU accession goals. This being said, a common refrain among donors when surveyed about the pace of progress during 2007 was that it was a disappointing year, due mostly to the political stagnation that occurred as a result of the delays in forming the FBiH and BiH Governments in the early part of the year, and the political crisis towards the end of the year.

Coordination and ownership

While there is an adequate amount of donor coordination during the project formulation stage (in the interest of avoiding overlaps), during implementation, coordination is generally *ad hoc* and is organized bilaterally rather than on a broad scale. The BiH Government does not take an active role in coordination, although this would benefit all involved. This change could be facilitated by capacity building initiatives to, for example, the Foreign Investment Promotion Agency (FIPA) to better understand the needs of donors. The move of the Aid Coordination Unit from MoFTER to MoFT, and the significant expansion and strengthening of this department should have a positive effect in this regard.

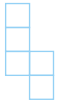
Donors noted that domestic actors have indeed taken significant ownership of activities in the sub-sector. The line ministries were highlighted as being particularly engaged, although it is easier to achieve buy-in at the higher levels of government than among the average civil servants.

Future activities

Donors call for continued focus on business regulatory and administration reform in the FBiH, so that the FBiH can catch up to the RS in this respect. They noted that there is a need for overall simplification and harmonization of business laws and regulations throughout the country. Further progress towards the achievement of a single economic space is required to reduce redundancy and remove artificial constraints to business development.

In order to address human capital deficiencies, the education system should pay more attention to the needs of the labour market and international standards in the interest of supporting foreign investments. Moreover, donors suggested that the problems with the pension system and social security that hinder mobility of labour should be tackled.

International agencies also recommended addressing the problems with the VAT system that are restricting exporters. Technical assistance should be provided to the RS SME Agency for institutional capacity building, and to the FBiH SME Agency, when one is created (the EC plans



to do so). Donors noted that FIPA requires support to enable it to perform ground-level analysis in order to better facilitate foreign investment. There is additionally a need to create incentives for budding entrepreneurs. Finally, EU accession requirements must be understood and prioritized.

In terms of gaps, it would appear that aside from USAID's creation of an online database to increase the efficiency of the building inspection process, not enough focus has been placed on improving the statistical system.



Direct Capital Support - Financial Sector

Sector definition	<p>Based on DAC definitions, the Direct Capital Support Financial Sector comprises the following elements:</p> <ul style="list-style-type: none"> • Financial sector policy, planning and programmes; • Institution capacity building and advice, financial markets and systems; • All formal sector financial intermediaries; credit lines; insurance, leasing, venture capital, etc. • Micro credit, savings and credit cooperatives. <p>DAC code: 240.</p>
Key DCF donors⁵⁵	Germany/KFW, Spain/AECID, USA/USAID, EBRD, the EC, and EIB
Key government partners	BiH Ministry of Finance and Treasury.
Total amount of funds to the sector	€ 16.4 million.
Sector strategies	There is no state-level strategy. The Entities are moving towards the same objectives.
Donor coordination group	Donor activities are coordinated through bilateral meetings only. The sub-sector is characterized by close coordination.

Overview

Direct capital support to the Financial sector has been a donor support success story. Banks are no longer donor dependent, and assistance to micro-finance institutions is being scaled back to 50%, with the private sector covering the rest. Thus, in this area, the market mechanism is poised to take over from donor support. The Financial sector will not represent an obstacle to EU accession as all reform processes are on track; only minor adjustments may be required. The remarkable performance in the Financial sector is reflective of the relatively solid institutional set up and the transfer of knowledge and capital by strong European banks that have entered the market. Among the pillars of the Financial sector are a strong Central Bank that ensures a stable (pegged) currency with relative price stability,⁵⁶ and a positively developing Deposit Insurance Agency that strengthens public confidence in the financial system. Major remaining steps ahead are the unification of the two banking agencies and the further formalization of the microfinance sector.

Donor activities in 2007

The donors in the Direct Capital Support Financial sector are Germany/KFW, USA/USAID, EBRD, the EC and EIB. Of these donors, EBRD, the EC, EIB, Spain/AECID and USA/USAID contributed € 16.4 million in 2007, of which € 15.96 million was in the form of loans and € 0.43 million in the form of grants. The other donor agencies continued their involvement in the sector, but did not make additional allocations during 2007.

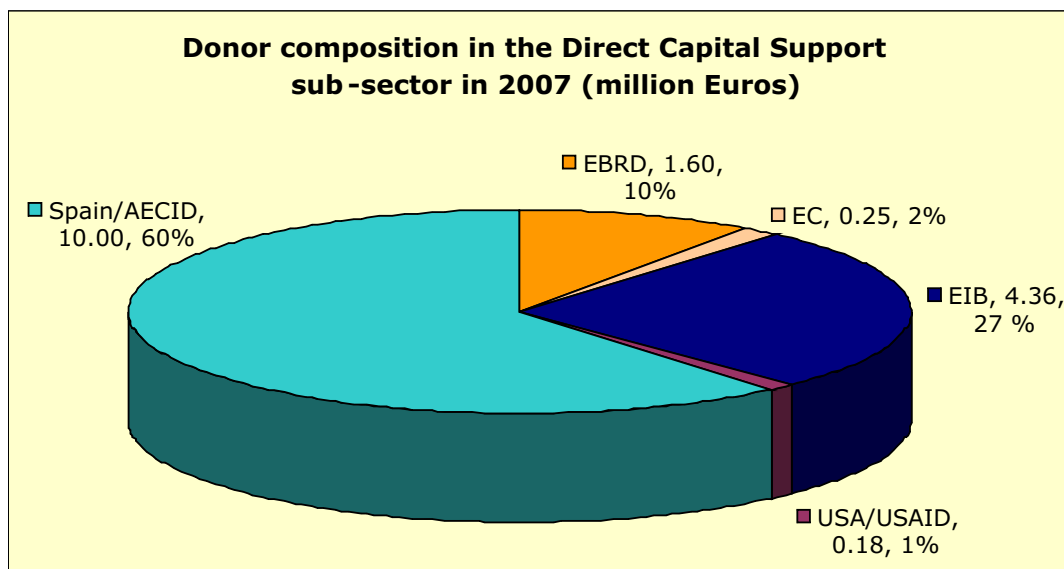
The **EBRD** provides credit lines to local banks and gives technical assistance. EBRD also offers loans for business purposes through micro-credit organizations, banks, and other non-bank financial firms. For example, EBRD provided € 10 million to Raiffeisen Bank and € 5 million to Raiffeisen Leasing Sarajevo that will be made available to entrepreneurs, giving them the opportunity to expand their business, like by leasing production equipment. In the micro and small business finance field, EBRD has financed, to date, six of BiH's leading microfinance institutions. These institutions have an average sub-loan size of less than € 2,000 and are often active in rural areas where there are no banks. In 2007, EBRD signed the first two projects under the Local Enterprise Facility totaling € 5.3 million.

Germany/KFW continues its activities to provide sustainable refinancing options for the BiH Financial sector on the basis of private investors. The main vehicle is the European Fund for South East Europe (EFSE) as a joint donor approach of various countries, development banks and the EU. Several development banks and private investors have offered significant funds to refinance loans for SMEs that are provided by MCOs and banks.

⁵⁵Additional information received from Sweden/SIDA indicates that this donor also supports the microfinance sector; however no data to this effect has been entered into the database. Sweden/SIDA reports that disbursements in grant capital to two microcredit organizations (LIDER and EKI) in BiH are approximately €4.5 million.

⁵⁶However, as noted above, the jump in prices in the fourth quarter of 2007 was somewhat disconcerting.

The EFSE is still supplemented by Germany/KfW with a Credit Guarantee Facility (CGF), and by **Sweden/SIDA**, BiH Swiss Social Fund, the Netherlands Development Finance Association, Council of Europe Bank, and the German Federal Ministry of the Interior with funds in the European Fund for Bosnia and Herzegovina (EFBH). Both CGF and EFBH are managed by KfW. The CGF strengthens ties between the Micro Finance Sector and the local banks, and facilitates local banks' access to the refinancing options of International Banks. EFBH has a specific Refinancing Line that will support financing options for SMEs and housing. Due to the revolving character of those funds no new allocations have been necessary. Due to the success in the Financial sector over the past years, there is a good chance that there is no necessity for additional extension of those vehicles. EBRD, EIB and Germany/KfW have provided substantial loans for the EFSE.



USA/USAID entered into four DCA agreements with three BiH commercial banks (Unicredit, Volksbank, and UPI Bank) where USAID guarantees up to 50% of loans that these three banks make to BiH SMEs in wood processing, agro-business and tourism (maximum value of a portfolio is \$ 47 million). **Spain/AECID's** strategic objective in microfinance in BiH is to combat poverty through facilitating the access of micro entrepreneurs residing in the country to the formal financial systems through the Microcredit Fund for Basic Social Development Projects Abroad. In BiH the Fund has several partner financial institutions: Sunrise, Partner, Mikrofin, EKI, Prizma, MI-BOSPO and LOK Mikro.

Sector strategies

Both the FBiH and the RS have their own set of banks. While they are largely moving in parallel towards a market-based approach, there is room for strengthening the state-level coordination mechanism.

Positive developments and challenges in the sector in 2007

Ironically, the most positive development in 2007 was what did not occur. The international financial crisis did not spillover into BiH, thanks to the previous exit of the state banks and the completion of the privatization process, and support from stable, foreign parent banks. Challenges included political disruptions and economic activity that lags behind the progress achieved in the Financial sector.

Coordination and ownership

Coordination across relevant donors has been very good in this area. There are no formal coordination mechanisms, as there are relatively few donors, and bilateral meetings have

sufficed. Steering groups include all major donors, and information sharing has been of high quality, thus the streamlining of activities has been generally successful.

Given the strength of the Financial sector and general agreement regarding appropriate underlying structures and proper market functioning, there is little need for government involvement.

Future activities

One area that requires attention is the development of unified banking strategies and oversight. Overall though, the Financial sector is in good shape, and is well positioned to accommodate more rapid levels of economic growth in the general economy.

Sector Social Protection

Sector definition	<p>Based on DAC definitions, the Social Protection sub-sector comprises the following elements:</p> <ul style="list-style-type: none"> ▪ Social legislation and administration; ▪ Institution capacity building and advice; ▪ Social security and other social schemes; ▪ Special programmes for the elderly, orphans, the disabled, street children; ▪ Social dimensions of structural adjustment; ▪ Unspecified social infrastructure and services, including consumer protection. <p>DAC codes: 16010, 16030, 16050.</p>
Key DCF donors	Austria/ADA, Italy/IC, Norway, Spain/AECID, Switzerland/SDC/SECO, USA/USAID, the EC, UNICEF, UNDP, and the World Bank.
Key government partners	The BiH Ministry of Civil Affairs (MoCA), the FBiH Ministry of Labour and Welfare, the RS Ministry of Labour and Veterans' Affairs, and the RS Minister of Health and Welfare.
Total amount of funds to the sector	€ 6.13 million.
Sector strategies	There is no state-level strategy. The Entities have their own systems. There are Pension Reform Commissions in both Entities to present recommendations for legislative changes in the near future. The social protection and inclusion systems for children are currently being strengthened.
Donor coordination	There are no formal coordination mechanisms.

Overview

Pension and social protection systems play an important role in preventing poverty and social exclusion among the elderly, the young, individuals with disabilities, and other population groups with limited ability to participate in economic activity, for example, through a lack of access to paid employment. Rising inequality, economic insecurity, and social exclusion undermine social cohesion and economic growth, leading to increasingly fragile societies and often contributing to social disintegration and in some cases conflict. Unemployment, poverty, and discrimination are all important factors in social exclusion and must be addressed comprehensively if social stability and increasing levels of social and economic welfare are to be achieved and sustained for all members of society. These complex and inter-related issues have serious implications for the sustainable reduction of poverty and the achievement of the Millennium Development Goals, in particular MDG 1.⁵⁷

The paragraph above explains the importance of social protection and social inclusion as two aspects of increasing equality, safety and social cohesion. The social protection and inclusion agenda can be combined to imply the development and application of a broader set of social policies that will ensure access to social, economic, cultural, political and civil rights, and development of the social and economic potentials of each individual.

A properly functioning social protection system must provide adequate benefits that are allocated on an equitable basis. Moreover, it must achieve substantially complete coverage, without discrimination. It should also be financially sustainable and transparent.

Unfortunately, the social protection system in BiH falls short in all of these areas. The distribution of benefits is neither equitable, being based on status rather than need, nor sufficient. While poor households rely on pensions for 90% of income, women's benefits fall below the poverty line, and men's benefits are barely above it. Coverage is incomplete, as only two-thirds of workers have jobs with social protection benefits and only 54% of the elderly receive a pension. It is also discriminatory, since 78% of men receive a pension but only 41% of women do, and over 90% of public sector workers have jobs with social protection benefits, compared to less than 10% of farmers. The ratio of contributors to pensioners is falling, and projected pension expenditures are rising unsustainably. Citizens do not have easy access to their social

⁵⁷ Social Protection Systems and Pension Reform in Bosnia and Herzegovina (UNDP, 2007).

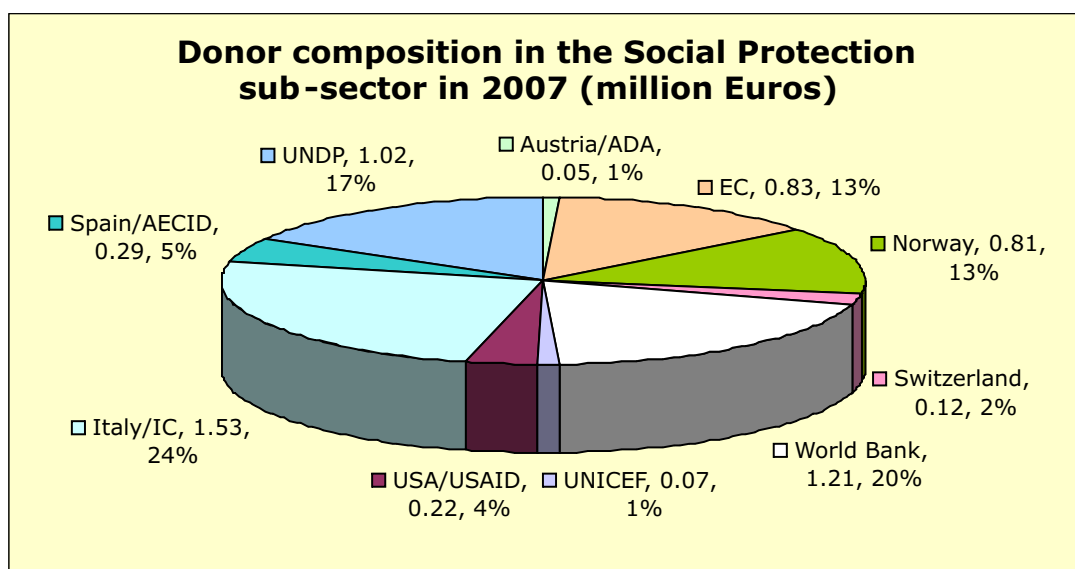
protection and pension account information, and thus do not understand the ramifications of underpayment of contributions.

The social protection system in BiH has an insurance-based component (healthcare and pensions) and a component funded from the state budget (social assistance). There are two social protection systems in BiH, one in each Entity, with further fragmentation within each system (e.g. pension funds are managed as separate programmes). While policy is set at the entity level, certain financing responsibilities are delegated to the cantonal and municipal levels.

Donors have generally approached these issues with a combination of analytical research, advocacy, and direct support to reform processes. In the future, international agencies should continue to aid reform that is necessary to address the key shortcomings of the current system, such as the inadequacy and inequity of coverage and benefits, financial sustainability, and transparency.

Donor activities in 2007

The key DCF donors to this sub-sector are Austria/ADA, Italy/IC, Norway, Spain/AECID, Switzerland/SDC/SECO, USA/USAID, the EC, UNICEF, UNDP, and the World Bank. Together they contributed € 6.13 million in the form of grants during 2007.



The **World Bank** has contributed research in order to assist the BiH Government to better allocate funds. Furthermore, the World Bank has offered significant support to the pension reform process through the *Social Insurance Technical Assistance Project* (SITAP). The World Bank was also involved in advocating for greater health insurance coverage of the population, and to this end, endeavored to reduce the number of citizens working in the grey economy, who either do not receive health insurance coverage, or are illegally registered as unemployed at the employment bureau in order to receive coverage. Furthermore, this donor has been promoting reforms to increase the portability of the health insurance within the country.

Switzerland/SDC/SECO's important contribution to the sub-sector is the support they provide DEP in the preparation of the Country Development Strategy and Social Inclusion Strategy 2008-2013. The overall goal of BiH's involvement is to define in a participative and transparent manner the long-term goals and priorities of the socio-economic development framework.

UNICEF is working to support the transformation of the social protection and inclusion system for children in BiH. In partnership with the **Norwegian** government, **UK/DFID** and the **EC**, UNICEF began a project in 2007 that will address the functional gaps within the legislative, financial, monitoring and evaluation systems in the country as they relate to children and their families. These efforts include: ensuring their coverage by the social protection system, and promoting social inclusion and more equitable access to social and economic rights. This will be done through cross-cutting cooperation established between the sectors of Health, Education,

Social Welfare and Justice. Results will inform the modeling of strengthened referral mechanisms for children at the community level and will ensure improved tracking, needs-based targeting, and social and educational inclusion of children found particularly vulnerable due to their ethnic, economic, or social status within communities, or physical disability. The final desired outcome of the process would be a fiscally sustainable and country-specific national strategy for the social protection and inclusion of children. Sectoral work in education, early childhood development, HIV-prevention and mine risk education all form parts of UNICEF's work to promote the social inclusion of children in BiH.

In 2007, UNICEF also continued its work on the establishment of a 'human rights-based approach to child social protection' model in cooperation with the Entity Ministries of Social Welfare and national NGOs. The model focuses on the establishment of inter-disciplinary and community-based approaches to social protection and inclusion of children.

The **EC** has several activities in this sub-sector. For example, the EC works on the economic and social reintegration of landmine survivors in BiH, and the socio-economic empowerment of particularly vulnerable groups such as female war victims and mine victims, under direct and active participation of local partner organizations dealing with marginalized populations. The EC has a significant focus on child protection, particularly for disadvantaged children. At a system level, the EC plans to conduct a Social Sector Review in 2008, as well as to work towards enhancing the social protection and inclusion system for children in BiH.

UNDP's major contribution to this area in 2007 was the publication of the *Social Protection Systems and Pension Reform* study, which was developed through a participatory process that included a wide spectrum of relevant political and practitioner stakeholders. This report was a follow-up to UNDP's *National Human Development Report* of 2007, which focused on the topic of social inclusion in BiH, highlighting some of the major issues. UNDP is also implementing several projects focused on the protection of vulnerable groups, particularly in connection with HIV/AIDS prevention and treatment.

Austria/ADA's focus in this sub-sector is on the integration of handicapped adults through work therapy. For one of their projects, two groups of six people will be employed on a half-day basis and through this they will become more integrated into the community. Another project, *Integration of Disabled People into Communities of BiH*, was initiated to provide assistance to people with disabilities, so that they can, by fulfilling their needs, show that they are equal to other citizens in the community. **Italy/IC** works on similar initiatives, providing support for the disabled, but with a special concentration on children and youth. In 2007, **Spain/AECID** worked to increase social and economic capacities, and particularly in the areas of production and labour, focusing on vulnerable communities.

Recognizing that a family environment provides the best opportunities for a child's full emotional, physical, and intellectual development, **USA/USAID** strives to move children from institutions to foster families. Their programme continues to develop the fostering model in Tuzla Canton, strengthening the professional services related to social and child protection, raising public awareness, and providing support for establishing a Fostering Framework for BiH. The programme focuses on strengthening the Centres for Social Work to provide family-based services for children who are at particular risk of separation from their families, due to disability, conflict with the law, the consequences of violence, or some other reason.

Sector strategies

There is no overall strategy for social protection in BiH. The Entities have separate systems, and while there are no expectations of unification, stakeholders across the board agree that greater coordination and information sharing would benefit all involved. Pension Reform Commissions are operating in both Entities and new legislation is expected to be discussed in the first half of 2008.

Positive developments and challenges in the sector in 2007

Significant agreement was achieved between the FBiH and the RS, enabling people greater access to those health facilities that are closest to them. The hospital network was rationalized, and a single, common package of treatment for the whole country was agreed upon. In the RS, the public-private-partnership model was further developed.

Progress towards pension reform included extensive training for government officials, such as computer training to perform proxy means testing. This has improved officials' ability to project likely outcomes from different policy initiatives, and thus has improved the policy development process. Some movement towards the introduction of a voluntary third pillar was made, particularly in the RS. The World Bank has been supporting these initiatives.

The single biggest challenge to reform in 2007 was the lack of political will. In cases where political support was evident, change was achieved. Without this political backing, no progress can be attained. To a large extent, at the practitioner and administrative levels across regions, there is broad agreement regarding challenges associated with the system and what steps should be taken to address them.

Coordination and ownership

There are no formal coordination mechanisms in the Social Protection sub-sector. Dialogue is generally considered to be positive; parties are informed of each other's activities and are invited to participate where appropriate. However, given the growing number of donors in this field, especially in light of the new Social Inclusion Strategy, regular means of coordination are recommended.

Future activities

The shift from a status-based to a needs-based system is of paramount importance. A minimum benefit "floor" has to be implemented to protect BiH's most vulnerable citizens, and the system must achieve financial sustainability. Additionally, the issue of transferability of pension benefits across Entities needs to be addressed.

Conclusion

Overall, progress in economic development is continuing at a pace that is in line with policy projections. There have been small improvements in key areas such as unemployment, but these remain below potential. The country's ability to reform its social protection systems, making them more effective, equitable, and sustainable, relies to a large extent on the strength of the economy underpinning them and the political will to implement reforms called for by BiH practitioners working within the social protection system network.

In 2007, there were some positive developments, such as the signing of the Platform for Action, the establishment of the state-level working group tasked with articulating an SME strategy, the achievement of greater cross-entity cooperation in the Health sector, and progress towards pension reform. Unfortunately, these successes were overshadowed by delays in the political realm.

National strategies that donors can use for guidance in this field are either not yet in place, or are generally fragmented in terms of not covering the whole country or not supporting an entire domain (e.g. pension reform is proceeding largely on its own, rather than as part of an overall reform process of the entire social protection system). A need for support in this area remains.

Nevertheless, almost all donor activities in the four areas discussed in this chapter are well aligned to the major issues associated with them. This is a testament to the relevance of the activities that donors have chosen to undertake.

1. **Macroeconomic Policy:** The donor focus on inclusive growth addresses the two key, related macroeconomic issues of unemployment and poverty. Data and analytical contributions fill in research and information gaps in the interest of supporting evidence-based policy making. Investigations into the legal framework and advocacy activities for change are aimed at reducing institutional complexity. The provision of expert technical assistance is helping the BiH Government with fiscal and monetary reform.
2. **SMEs and Improving the Business Climate:** Donors focusing on the elimination of inconsistencies in the legal framework are helping with the development of a single economic space. Streamlining administrative requirements for businesses reduces burdensome red tape. Institutionalized business support centres act as offsets to the general lack of business acumen. Numerous and varied direct interventions such as giving grants for business infrastructure development, promoting the Tourism Sector, and bolstering value-added chains support business growth and business creation.
3. **Direct Capital Support Financial sector:** Capital aid to specifically selected micro-finance organizations promote rural development and SMEs.
4. **Social Protection:** Supporting the pension reform process addresses the lack of sustainability, the inequity, and inadequacy of the current systems. Efforts to facilitate access to health insurance coverage across Entities improve citizens' rights and help to create a single economic space. Analytical research contributions support the overall reform process across the entire social protection system. Assistance provided to the BiH Government with strategy development processes enhances the capacities of domestic officials and provides guidance in defining social policy priorities.

Priority areas going forward in the area of macroeconomic policy include advocacy for better state-level macroeconomic coordination, and capacity building and technical assistance in support of ministries and DEP. In the interest of assisting the development of SMEs and improving the business climate, efforts must continue to focus on artificial constraints hindering business development and deficiencies in human capital caused by an education system that does not act in concert with the labour market. Strategies in the banking sector must be unified. While there are many areas that could be improved in the social protection system in BiH, in general, movement from a status-based to a needs-based system, the institution of a minimum benefit "floor" to protect the most vulnerable citizens, such as children, and the achievement of financial sustainability will remain top priorities.

Donor coordination in areas where there are relatively few players (Macroeconomic Policy, Direct Capital Support Financial sector) has been generally good, albeit ad hoc and informal. However, in the area of SMEs and Improving the Business Climate and Social Protection, where there are many donors, coordination needs to be strengthened.



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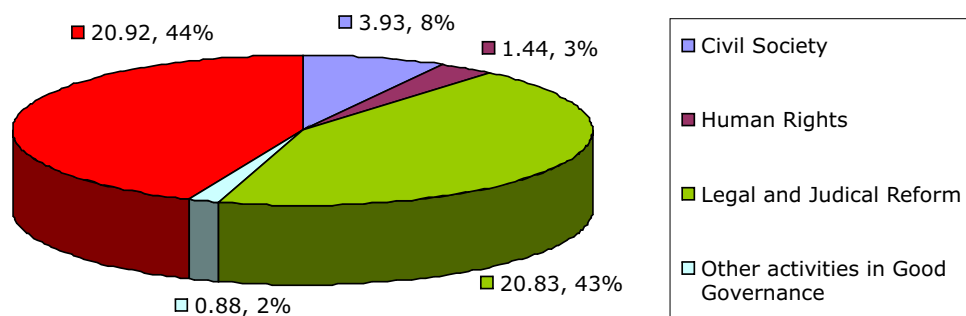
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GOOD GOVERNANCE AND INSTITUTION BUILDING

Good governance as an idea and a process presupposes that decision-making takes place in a transparent and accountable manner, in accordance with the rule of law, and by ensuring the participation of all stakeholders. This last condition is especially important as it guarantees the involvement of institutions from the governmental and civil sectors alike, but it also allows for the opportunity to engage individuals as well as informal groups in the decision-making process. Good governance aims to achieve greater inclusiveness and equity, while also ensuring greater effectiveness. By taking into account the views of minorities, good governance protects and promotes their human rights. An independent judiciary system and police force are preconditions for the development of good governance practices, as is the existence of independent civil society organizations and media. Furthermore, a public administration staffed with professional and ethical civil servants needs to be in place in order to implement consensus-based good governance of the country.

Keeping in mind the above-mentioned essential features of Good Governance, the current chapter focuses on four subject areas: Legal and Judicial Reform, Human Rights, Public Administration Reform (PAR), and Civil Society. As will be demonstrated below, the legal-judicial and public administration sub-sectors have enjoyed sustained donor support and consistent interest on the part of national authorities. The former of these has developed a draft, whereas the latter already adopted its own state strategy in 2006. Conversely, the diversified, cross-cutting Human Rights and Civil Society sub-sectors have witnessed over the last several years both gradual donor withdrawal and insufficient commitment on behalf of the Bosnia and Herzegovina (BiH) authorities, resulting in a lack of tangible results towards developing the respective state strategies.

**Good Governance sub-sector composition
in 2007 (million Euros)**



Other non - classified activities in the Good Governance sector encompass building statistical capacities, preparation for the BiH national census, and media - and culture - related initiatives.

Before presenting in detail the current situation in each of the four sub-sectors as well as the donors and their activities in 2007, it is important to highlight that BiH is characterized by a rather complex political and administrative structure. The central government has limited implementation power while most of the administrative authority rests in the Entities. This breeds difficulties especially in the Legal and Judicial Reform and PAR sub - sectors. Yet local authorities and donors alike find ways to overcome these challenges, thus bringing about economic development and leading the country nearer to European Integration.

Legal and Judicial Reform

Sector definition	Based on DAC definitions, the Legal and Judicial Reform sub-sector comprises the following elements: <ul style="list-style-type: none"> • Constitutional development, legal drafting; • Institutional strengthening of legal and judicial systems; • Legal training and education; • Legal advice and services; • Crime prevention. DAC code: 15130.
DCF donors	Austria/ADA, Canada/CIDA, France, Germany/GTZ, Italy/IC, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, UK/DFID, USA/USAID, the EC and UNDP.
Other key international organizations (IOs)	The Organization for Security and Cooperation in Europe (OSCE) and the Office of the High Representative (OHR).
Key government partners	The BiH Ministry of Justice, RS Ministry of Justice, the FBiH Ministry of Justice, the BiH Prosecutor's Office, the High Judicial and Prosecutorial Council (HJPC), and the BiH Court.
Total donor allocation to the sector in 2007	€ 20.83 million.
Sector strategies	Draft Justice Sector Reform Strategy has been developed, but not yet adopted.
Donor coordination	Bi-monthly meetings chaired by BiH MoJ's Sector for Strategic Planning, Aid Coordination, and European Integration (SSPACEI).

Overview

The Legal and Judicial Reform sub-sector covers four subject areas: the prosecution service, the court system, legal aid, and the execution of criminal sanctions in BiH.⁵⁸

In accordance with BiH constitutional arrangements, the Prosecutor's Office (PO) is organized at the state, entity and cantonal levels as well as at the Brčko District level. The state-level PO has limited jurisdiction and the two Entities' prosecution systems are fully disassociated from each other. With the exception of proceedings regarding war-related crimes, there are no hierarchical links between the state-level and entity offices. The transition from a civil law towards a common law system in BiH has significantly changed the role of prosecutors by giving them much more power and therefore responsibility for the instigation of legal cases. Hence, prosecutors report that they need more training on skill-based, justice-related issues.

Since 2002, the court system has undergone significant reform, largely with the support of donors. Thus, the court system was restructured, the number of judges was reduced, and court administration was also reformed. With the support of donors, courts are being computerized and alternative dispute resolution methods have been introduced following the recent adoption of the Law on Mediation. These achievements notwithstanding, the lack of a Supreme Court at the state level as well as the absence of a single Criminal Code make for the unequal treatment of crimes and the extremely limited possibility of sending a case to an appellate court.

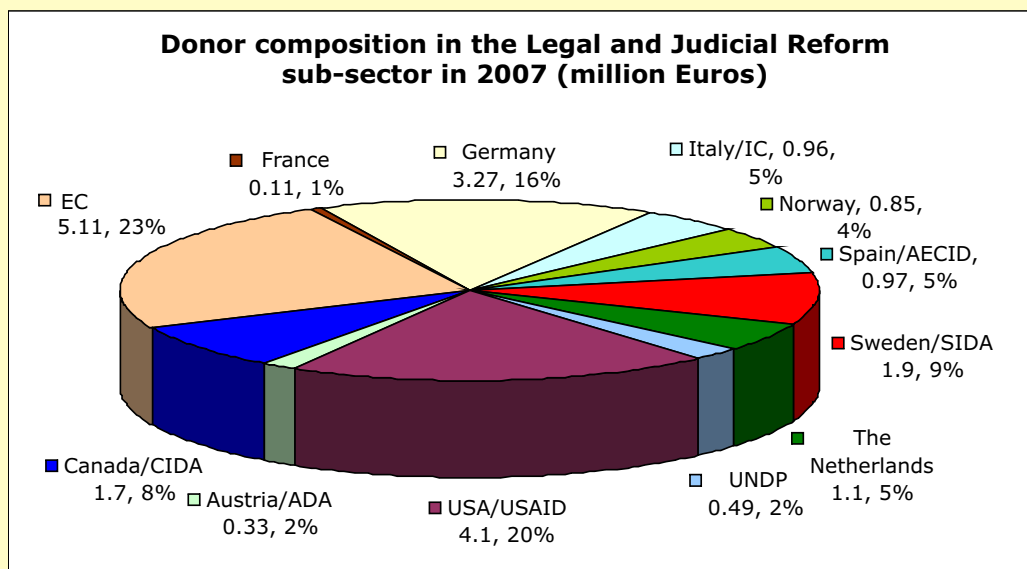
It is often argued that the training of lawyers constitutes the weakest link in the system of Judicial Reform. Furthermore, free legal aid is still in high demand and meager supply in the whole country. Indeed, some local and international NGOs do offer free legal advice. However, these efforts cannot make up for the lack of institutional means to cater to BiH citizens' right to free and equal access to legal aid. The 2007 agreement on a state-level Law on Legal Aid in Civil Matters is a step in the right direction.

Currently there are functioning prisons only at the entity level. A state prison is planned to be built. The gravest problem with the prison system, however, lies in the lack of specialized institutions for female and juvenile prisoners, and prisoners with mental impairments. The insufficient staffing of medical wards coupled with the dearth of medical facilities further exacerbates the problems of the BiH prison system.

⁵⁸Issues regarding police forces will be dealt with in the Conflict Prevention and Resolution, Peace and Security chapter in this report.

Donor activities in 2007

Keeping in mind the key function performed by the legal and judicial system in building a just and accountable state in a transitional country, this sub-sector has justifiably attracted a lot of attention from international agencies. For example, the development of the Justice Sector Reform Strategy (JSRS) has been supported by several donors, with a prominent role played by UK/DFID. Currently the donors in the Legal and Judicial Reform sub-sector are Austria/ADA, Canada/CIDA, France, Germany/GTZ, Italy/IC, Netherlands, Norway, Spain/AECID, Sweden/SIDA, UK/DFID, USA/USAID, the EC, and UNDP. Together, these donors allocated € 20.83 million to this sub-sector, all in the form of grants. The sub-sector is likewise assisted by non-DCF organizations, such as the OSCE. Generally, donors provide not only financial, but also technical and capacity-building support to the sub-sector.



Most donors work on several levels within the Legal and Judicial Reform sub-sector. For example, **Sweden/SIDA** sponsors state-level institutions and it plans to assist in the reform of criminal sanctions, including prisons. In 2007 Sweden/SIDA also published the detailed and instructive *Justice Chain Analysis Bosnia and Herzegovina*, which seems to have at least partially informed the development of the draft JSRS.

Since 2004, **UNDP** has been seeking how best to move from the retributive justice approach towards other complementary mechanisms of Transitional Justice, and to build a constituency on the way forward in this complex and sensitive area. In the area of retributive justice, UNDP's focus has been gradually shifting from the state-level court to judges and prosecutors in lower-level courts in dealing with war crimes. In this, UNDP is supported by **Japan/JICA** and **Spain/AECID**. UNDP is also involved in the work to develop a strategy for processing war crime cases and for war crime recovery. **Norway** is involved in similar work, financing the monitoring and prosecution of war crimes cases.

In addition to its involvement in transitional justice issues, Spain/AECID also assists the state judicial institutions and the PO, and works to establish a Centre for Judicial Documentation. Another significant donor, the **EC**, is concerned not only with making sure that the Judicial Reform is aligned to EU standards, but it also assists in the reform of the current penitentiary system. The EC, Sweden/SIDA and **the Netherlands** also support the computerization of courts.

Canada/CIDA advocates for the introduction of alternative dispute resolution methods, especially mediation. In addition, Canada/CIDA assists in several other areas, like providing training to judicial associates, working on utility case backlog reduction, improving policy dialogue, facilitating access to justice and prison reform, and providing specialized treatment for prisoners with mental impairments. It is worth noting that Canada/CIDA has a very strong gender component in its projects related to the Legal and Judicial Reform sub-sector.

UK/DFID has been providing support to the state Ministry of Justice, in particular its Sector for Strategic Planning, Aid Coordination, and EU Integration (SSPACEI), in the areas of strategic planning, donor coordination, performance management, and stakeholder management. The project has also been providing formal training and mentoring in key technical areas of strategic planning, and donor coordination as well as soft skills such as team work, meeting management, presentation and facilitation skills. Its main achievement to date is the development of a draft JSRS, which has been developed based on unprecedented collaboration from political and technical justice sector stakeholders across all levels of government and other important stakeholders such as the international community and civil society.

USA/USAID has several ongoing activities. For example, the *Justice Sector Development Project* aims to strengthen the High Judicial Prosecutorial Council (HJPC), support the state Ministry of Justice (MoJ), institute uniform policies and practices in court administration, and enhance the independence and accountability of the judiciary. USA/USAID also works to strengthen legislative processes, assists the State Court Registry in general, and in particular by financing a resident legal advisor to enhance counterterrorism mechanisms, institutionalize criminal procedures, and improve prosecution capacity.

Other donors supporting the State Court include **Austria/ADA**, France, Italy/IC, the Netherlands and Sweden/SIDA. These international agencies also have other activities within the sub-sector. **France** focuses on providing training for judges and prosecutors on juvenile justice issues, as well as assisting the reform of the Secretary of Court status. Moreover, France is involved in the establishment of a Diplomatic Academy within the Ministry of Foreign Affairs (MFA). This donor also organizes cooperation activities between the Paris Bar Association and the Bar Association of BiH. **Italy/IC** contributes to the creation of a judicial capability within Legal Institutions, such as the State Court of BiH and the PO of BiH. Italy/IC is also supporting the establishment of a witness protection programme.

Germany/GTZ provides support to the sub-sector through the Open Regional Fund Legal Reform, which aims to aid projects that improve the economic framework, serve regional integration within South East Europe and assist with EU integration. The Netherlands assists in the provision of free legal aid and the establishment of a case management system.

Sector strategies

As mentioned above, UK/DFID has been the major donor working towards the development of the JSRS in BiH. The draft Strategy has been created through a collaborative process among the main stakeholders. It was finished at the end of 2007. The JSRS-based reform of the justice and legal system should be implemented between 2008 and 2012. The draft JSRS contains five key pillars of reform. One of the main aims of the first pillar, called Judicial System, appears to be the establishment of single substantive and procedural laws in criminal and civil matters. The second pillar, the Execution of Criminal Sanctions, includes, for example, the reconstruction of prisons to provide for the treatment of minors and women. The third, named Access to Justice, in addition to establishing a free legal aid system and cooperation with NGOs, propagates the need to pass a new law on international legal aid and cooperation in criminal matters in BiH. The fourth priority identified by the JSRS is Support to Economic Growth, which among other things promotes the introduction of a system of mediation services. Finally, the fifth pillar, called Well-managed and Coordinated Sector, envisions the long-called for strengthening of the BiH MoJ's coordinating role. It should be pointed out here that the prosecution of war crimes cases and juvenile justice are expected to be detailed in specific strategies.

In accordance with CoM's recently adopted rules for conducting public consultations regarding the passage of legislation, the Legal and Judicial Reform Sector Strategy was the first to go through such a process. This also means that donors were consulted and therefore could have a say regarding the final version of the JSRS.

Positive developments and challenges in the sector in 2007

Donors are generally content with the fact that the BiH MoJ has completed the draft JSRS. They also express their satisfaction with the improved work of the HJPC and the BiH Court. International agencies likewise commend the establishment of the War Crimes Recovery Working Group headed by the BiH PO, as well as the progress made towards building a state prison. Donors' involvement in the reform of the legal and judicial system has certainly fuelled some of these positive developments.

However, donors admit that some priorities like fund-raising for the building of the state prison had long been identified by BiH authorities before receiving adequate financial support. Although on the whole donors gave the progress achieved in the field of legal and judicial reform a positive assessment, they admit that occasional disagreements among agencies have caused some frustrations in project implementation. Also, some interviewees express concern that the OSCE reports on courts' monitoring should be more commonly taken into account by donors, in order to assure that projects remain targeted.

Nonetheless, the gravest obstacle towards implementing successful reforms in this sub-sector has been the long-postponed police reform. The current stalemate with police reform also breeds practical problems, like the difficulties prosecutors encounter when trying to lead the process of criminal investigations.

Courts encounter problems of a different nature. For instance, in spite of the substantial salary increase for judges, during the process of reappointment many experienced judges opted for private practice or retirement. The good news is that students at the Faculty of Law are already trained according to a new curriculum. For the time being, however, in spite of the on-going process of computerizing the courts, an effort assisted by Sweden/SIDA, the Netherlands, and the EC, there is a backlog of about 2 million cases, which hinders courts' efficiency.⁵⁹ Besides, there is still a lack of witness protection within the courts of BiH on all levels, which especially impacts the processing of war-related crimes.

Last but not least, as hinted above, donors are concerned with the role of the BiH MoJ and its capacity to coordinate the work of the rest of the ministries at entity and cantonal levels. At the same time, international agencies are content that the BiH MoJ has started to coordinate donor activities.

Coordination and ownership

The main mechanism for coordinating agency activities is bimonthly meetings called by the BiH MoJ's SSPACEI. In the case of donor coordination, UK/DFID's involvement in the legal and judicial reform sub-sector once again proved crucial as they assisted in the establishment of this Unit. SSPACEI still receives ongoing capacity-building support from UK/DFID. Once the Unit's capacities are further strengthened, it should be able to independently function and effectively fulfill both its strategic planning and coordination role. For the time being, SSPACEI's strength lies in the latter of these functions. Nonetheless, the Unit was already successful in drafting the JSRS after involving the donors in the consultation process.

Donors commend the HJPC's and the International Commission on Missing Persons' (ICMP) progress towards full national ownership. In general, donors are of the opinion that the Legal and Judicial Reform sub-sector will continue to need assistance from the international community in the future. At the same time, some donors admit they should adjust their expectations regarding the speed of the reform in the sector and exhibit more confidence in the work of BiH authorities.

Towards more effective coordination A best practice example

In 2007, a Joint Financing Arrangement was signed between the BiH MoJ, the Registry of the Court and PO of BiH and the Foreign and Commonwealth Office, Austria/ADA, Sweden /SIDA, the Netherlands, Norway, UK/DFID, and Spain/AECID. This agreement aims to increase the effectiveness of aid provided by donors to the Court and PO of BiH.

Due to successful donor coordination, the Court's effectiveness has increased and now the Court of BiH and the PO are processing war crimes cases (including cases transferred from The Hague) as well as organized crime cases. This is possible, in part, due to the support of international legal experts. In order to ensure domestic handover, a transitional plan has been established, including a scheduled withdrawal of international expertise and financing, with the final adoption of budgeting by the state in 2010.

⁵⁹The majority of these cases, however, involve unpaid utility bills.



Future activities

International agencies agreed that the legal and judicial system has been an attractive sub-sector to support. However, they indicate that their assistance should gradually move from grants to loans as some of the projects like the construction of the state prison would require significant resources. As BiH moves closer to European Integration, the EC's greater involvement in the sub-sector will also affect positive changes in the legal and judicial reform process. Donors are unanimous that the success of the restructuring of the Legal and Judicial sub-sector is contingent upon the police and constitutional reforms in BiH. Yet they are also well-aware that the latter of these reforms is a point of contention, the resolving of which would be a long-term process. Nonetheless, the establishment of a much-needed Supreme Court, for example, is a constitutional issue.

Donors agree on the need to further strengthen the level of education at law faculties in BiH. Commentators also point out that the links between prosecutors' offices and the non-governmental organizations haven't been sufficiently exploited. Close cooperation between the legal-judicial system (including the police) and the NGOs, especially those dealing with human rights, minority and vulnerable groups' issues, would benefit both sides.



Sector definition	Based on the DAC definition, the Human Rights sub-sector comprises elements of the following: <ul style="list-style-type: none"> Monitoring of human rights performance; Support for national and regional human rights' bodies; Protection of ethnic, religious and cultural minorities. DAC code: 15162.
DCF donors	Austria/ADA, France, Italy/IC, Norway, and the EC.
Other key international organizations (IOs)	The Council of Europe (CoE), International Commission on Missing Persons (ICMP), the Office of the High Representative (OHR), the Organization for Security and Cooperation in Europe (OSCE), and UNICEF.
Key government partners	The BiH Ministry of Human Rights and Refugees (MHRR), the FBiH Ministry of Refugees and Displaced Persons, and the RS Ministry of Refugees and Displaced Persons, and Ombudsman Institutions.
Total donor allocation to the sector in 2007	€ 1.44 million.
Sector strategies	There is no state-level Human Rights strategy. The Strategy of BiH for the Implementation of Annex VII of the DPA deals with refugees and internally
Donor coordination	No regular donor meetings; only ad hoc bilateral initiatives.

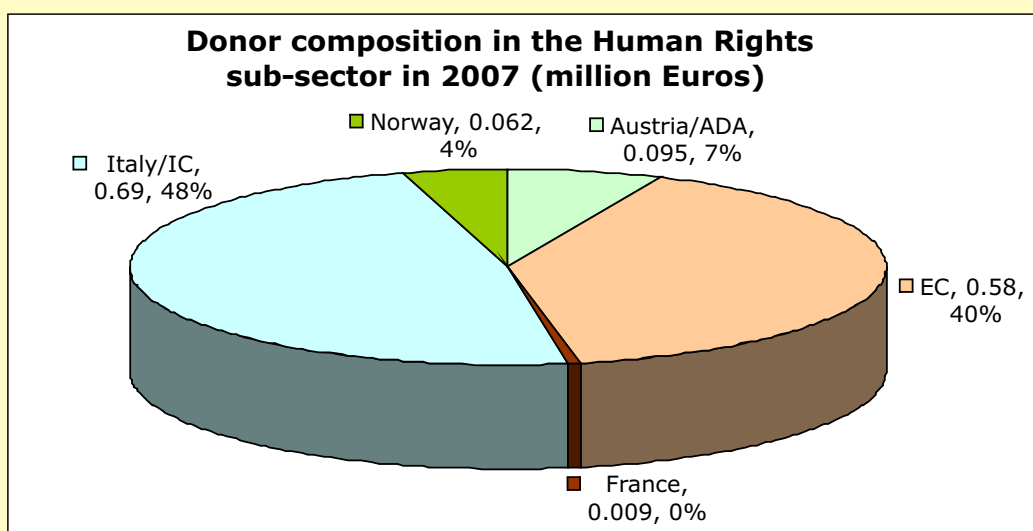
Overview

The Human Rights sub-sector covers several cross-cutting issues like gender and youth issues, access to justice, refugees' rights, access to legal aid, the prison system, freedom of expression and the media, and civil society organizations. These are addressed in the respective chapters of this report. This sub-chapter deals with the promotion and enforcement of human rights in general, including social justice, the prevention of torture and ill-treatment, freedom of religion, children's rights, the rights of socially vulnerable groups and people with disabilities, labor rights, anti-discrimination policies, property rights, minority and cultural rights.

Donor activities in 2007

The donors in the Human Rights sub-sector are Austria/ADA, France, Italy/IC, Norway, and the EC. In 2007 they contributed a combined € 1.44 million to this sub-sector. Non-DCF agencies, such as the OSCE and CoE also play a crucial role.

The EC's programme *European Instrument for Democracy and Human Rights*, which was launched in 1996, has three levels: micro (country-specific, small funds), macro (worldwide, with the selection finalized in Brussels), and targeted (finances provided for international organizations active in human rights and democracy such as the Council of Europe (CoE), the Office of the High Representative (OHR), the Organization for Security and Cooperation in Europe (OSCE)).



Given the wide scope of activities that go under the human rights umbrella, there are quite a number of other donors, which provide one-time grants to this sub-sector.⁶⁰ For example, **USA/USAID** has a programme that offers small grants to domestic NGOs and independent media. **Norway** and **Italy/IC** also support smaller projects dealing with human rights issues. Since 2007, a master's degree programme in Human Rights Practice has been jointly offered by Roehampton University in the UK, Tromsø University in Norway, and Göteborg University in Sweden. The master's programme is part of the EU-Commission's *Erasmus Mundus* programme within which there are generous scholarships available for applicants from third countries including BiH. **Austria/ADA** supports anti-trafficking activities. **Sweden/SIDA** assists the Swedish Helsinki Committee (SHC), which works on civil society development in BiH, focusing on rule of law, freedom of expression and non-discrimination. SHC provides capacity building and funding to local NGOs and projects. **UNICEF**'s work in this sub-sector supports the national government and civil society organizations' capacity to monitor violations of children's rights through the development of a set of core national quantitative and qualitative indicators for children's rights. **France** finances a project which aims to counter trafficking in human beings.

The OSCE and CoE are not members of the DCF, yet their roles in monitoring and promoting human rights issues merit attention as these two organizations' statutory goals are directly related to this sub-chapter's topic. The **OSCE**'s case is special as its role "to monitor closely the human rights situation in BiH" has been set in the Dayton Peace Agreement (DPA). Thus, the OSCE promotes and protects human rights by focusing on economic and social rights, judicial and legal reform, war crimes, trafficking of human beings, and rights of national minorities. The OSCE also assists the strengthening of national human rights institutions. **CoE** has been training representatives of the judiciary and civil society as well as lawyers and public attorneys by organizing seminars on the application of the European Convention for the Protection of Human Rights and Fundamental Freedoms. Additionally, the CoE had a pilot project to train prison staff on human rights related issues. Finally **OHR**'s involvement with human rights needs to be mentioned, too, as it continues to provide technical support to Ombudsmen, the BiH Ministry of Human Rights and Refugees (MHRR), International Commission on Missing Persons (ICMP) and the Republika Srpska (RS) Government. OHR is in the process of establishing closer cooperation with the Federation of BiH (FBiH) Government.

Sector strategies

There is no state-level strategy regarding the Human Rights sub-sector. Some donors noted that the BiH Government has promised to incorporate human rights issues into the relevant strategic documents, but has not done this so far. The BiH MHRR adopted the Strategy of Bosnia and Herzegovina for the Implementation of Annex VII⁶¹ of the DPA in 2003, which was meant to be fully realized by the end of 2006. Towards the end of 2007, the Minister of Human Rights and Refugees, Safet Halilović, noted that in spite of achievements made towards the implementation of Annex VII of DPA, plenty remains to be done, especially regarding sustainable return. At this point it needs to be mentioned that the strategy for the implementation of Annex VII is in the process of revision. This issue will be discussed in detail in the Return and Reintegration chapter.

Currently, the MHRR is working on a draft of a state strategy addressing human rights. Plans for the Country Development Strategy (CDS) and Social Inclusion Strategy (SIS), 2008-2013, which are supposed to substitute for the Medium-Term Development Strategy, were publicly presented towards the end of 2007. The SIS will deal with human rights issues.

BiH has ratified all major United Nations and international human rights conventions, including the European Convention for the Protection of Human Rights and Fundamental Freedoms. However, the implementation of these conventions requires further work. BiH has been repeatedly criticized for not subscribing yet to the Decade of Roma Inclusion 2005-2015. BiH is expected to do so in 2008.

Positive developments and challenges in the sector in 2007

The finalization of the National Gender Action Plan and the development of the draft JSRS have been among the more significant achievements made in the Human Rights sub-sector in 2007.

⁶⁰Many of these projects are classified as 'Civil Society' support and therefore the donors financing them do not appear in the graph above.

⁶¹Annex VII to the DPA is otherwise known as the Agreement on Refugees and Displaced Persons. According to this agreement, all refugees and displaced persons have the right to freely return to their homes of origin.

These two documents are discussed in the relevant parts of this report. Another positive development that took place in 2007 was the drafting of an Anti-Discrimination Law by a coalition of NGOs supported by the OSCE.⁶² The ongoing process of setting up the Councils for National Minorities at the state- and entity-levels has been a step in the right direction, too.

As the Human Rights sub-sector is fairly large and diversified, the problems that remain to be tackled are more numerous than the successes achieved in 2007. This statement also concerns cases where only one segment of a particular issue has been adequately addressed. For instance, as far as the rights of marginalized groups are concerned, the continuing privileged treatment of war veterans inversely affects the situation of other vulnerable groups. Thus for example Roma and especially Roma women have been and still are the most disadvantaged minority group among the 17 officially-recognized minorities in BiH. Currently the EC is working closely with the MHRR to finalize the Action Plan for Roma, which is a requirement of European Integration. As mentioned above, BiH remains the only country in the region that is not part of the Roma Decade and that has not finalized action plans to this end. Donors finance the Roma Coordinator at the MHRR and hope the Coordinator will speed the process of inclusion for Roma BiH citizens. In addition to that, Spain/AECID implements a project aiming to enhance Sarajevo Romas' chances of getting employed.

According to the law adopted in April 2006, all existing Ombudsmen institutions were supposed to merge into one from the beginning of 2007. However, the implementation of this law has not yet taken place, which means that the recruitment of all three state-level Ombudsmen has to begin from scratch.

Being a post-conflict country, BiH has to tackle war-related human rights issues. Specifically, there are still about 13,000 missing persons who have not been found or identified yet. Some 120,000 people are officially registered as refugees and displaced persons wishing to return. Witness protection in war crime cases has not been secured, which further exacerbates the backlog of criminal cases in the country. Children's rights are not fully secured and sexual minorities' rights are often violated. The nominal existence of the death penalty in the RS Constitution is at odds with the European Court of Human Rights Protocol 6. Although BiH has ratified most major human rights conventions, human rights issues have not been incorporated yet in the curricula of law faculties. Also, there is no state institution to provide human rights-related trainings to prison staff. The employees in public administration likewise need to be trained in the European Convention for the Protection of Human Rights and Fundamental Freedoms to tackle the lack of awareness of the Convention and what its ratification implies.

Coordination and ownership

In 2007, coordination took place in terms of bilateral meetings between donors, but there have been no regular gatherings involving all stakeholders. Coordination in the field of human rights is said to be contingent on a number of factors. An important determinant in this respect is the lack of a clear-cut definition of the sector. In order to improve coordination, first the sector needs to be defined in a way acceptable to all donors and compatible with their programmes. Second, BiH institutions should become actively involved in the process in a sustainable way. This means ownership of the process has to be assumed by the respective domestic institutions rather than by a number of committed employees in these institutions. Also, international agencies call for BiH institutions to support their active and committed personnel and promote their employees on a merit-based approach.

Towards more effective coordination A best practice example

In the area of juvenile justice, donor coordination meetings have been ongoing since December 2007. France, UNICEF, and non-DCF members Save the Children UK and the OSCE have been part of this initiative. One of the outcomes of these meetings was a joint open letter, sent to the government, in order to advocate for the implementation of a juvenile offenders' strategy. Donors have also used these meetings for sharing information about ongoing and planned projects.

⁶² Actually it is the BiH Gender Equality Agency that has mandate by MHRR to prepare and present this draft Law. This Agency has likewise started working on the draft law and is expected to finalize it in 2008.

Future activities

The donor-identified issues that need more work also constitute the future priority areas in the Human Rights sub-sector. Again international agencies underlined the need to involve NGOs and their personnel in the work of BiH institutions catering to human rights issues.

Clearly, much remains to be done in the area of human rights and international donors' assistance in this respect remains in demand. Safet Halilović argued that donors' financial involvement has shrunk to 20% of what it was during the after-war years. From donors' point of view, their withdrawal is due to the fact that the Human Rights sub-sector has reportedly been the most exploited one since the war. It seems, however, that domestic authorities are not yet ready to independently tackle all human rights issues. Nevertheless, in addition to relying on ongoing support on behalf of donors, BiH authorities could also consider addressing professionals working in human rights NGOs as well as involving the most competent and experienced individuals from these organizations in the work of state institutions. The human capital to be found in civil society organizations is a huge asset BiH authorities still need to recognize and find ways to utilize.

Sector definition	Based on DAC definitions, Public Administration Reform (PAR) sub-sector encompasses the following: <ul style="list-style-type: none"> Reform of government institution including but not limited to the parliament, local government, civil service, administrative buildings, etc.; Public sector financial management. <p>DAC code: 15140, 15120.</p>
DCF donors	Austria/ADA, France, Germany/GTZ, Italy/IC, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, UK/DFID, USA/USAID, the EC, UNDP, and the World Bank.
Other key international organizations (IOs)	The Organization for Security and Cooperation in Europe (OSCE) and The Office of the High Representative (OHR).
Key government partners	The BiH Public Administration Reform Coordination Office (PARCO) and the Council of Ministers (CoM).
Total donor allocation to the sector in 2007	€ 20.9 million (of which € 4.5 million is for the PAR Fund).
Sector strategies	Public Administration Reform Strategy and Action Plan.
Donor coordination	PARCO-chaired coordination group including donors; coordination group of donors supporting the PAR Fund.

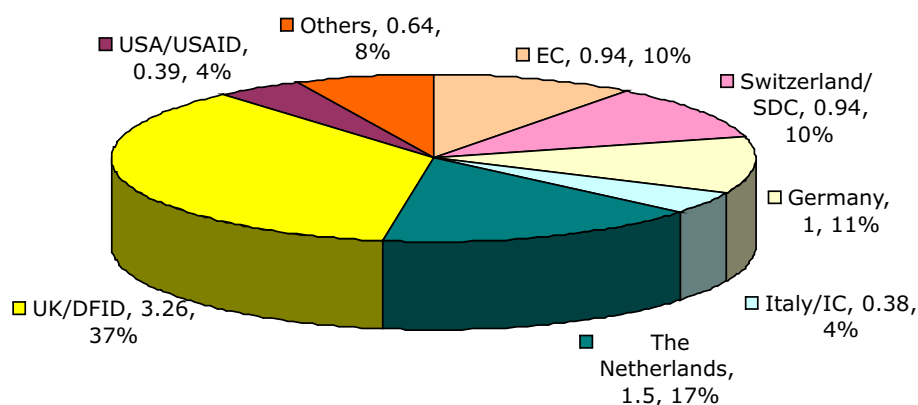
Overview

Public Administration Reform (PAR) remains a pressing issue in BiH. Public opinion polls have consistently shown that during the last several years trust in governmental institutions and public administration alike is rather low.⁶³ The need to adequately address PAR was recognized by both BiH authorities and the donors. As the subsequent overview of the sub-sector will demonstrate, both sides have invested significant efforts and resources into forwarding the reform.

Donor activities in 2007

The composition of donors in the PAR sub-sector has not significantly changed since the 2006 Donor Mapping Report. Currently the donors in this field are Austria/ADA, France, Germany/GTZ, Italy/IC, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, UK/DFID, USA/USAID, the EC, UNDP, and the World Bank. Together, these donors have contributed € 20.9 million, of which € 11 million is a loan by the World Bank to the *Land Registration Project*.

Grant allocations in the Public Administration Reform sub-sector in 2007 (million Euros)



Other donors are Austria/ADA, France, Norway, Spain/AECID and UNDP.

⁶³The conclusions of the 2003 UNDP survey of governance perception in BiH, according to which an average of 50% of citizens, entrepreneurs, and civil servants alike hold unfavorable view of the work of public administration, still seem to be relevant. The more recent *The Silent Majority Speaks* (UNDP, 2007) uncovered that people trust municipal authorities the most (53%) to be followed by entity governments (44%). They trust BiH governmental institutions least (23%).

UK/DFID has provided assistance towards the introduction of an international standard budget process system across all levels of government in BiH through its *Strengthening Public Expenditure Management* (SPEM) programme. This initiative has achieved considerable harmonization in budget processes across all levels of government in BiH. UK/DFID also supports the implementation of the national PAR Strategy and Action Plan through a capacity building project implemented by the UK National School of Government (NSG). UK/DFID is also a signatory to the Memorandum of Understanding (MoU) which governed the establishment of a PAR Fund on 12 July 2007. This a flexible, joint donor financial instrument funded by UK/DFID, **Sweden/SIDA** and **the Netherlands**, which will also support the nation-wide PAR strategy.

The **EC** provided capacity building and technical assistance to PARCO, the Office for Legislation of the Council of Ministers (CoM), the General Secretary of CoM, and the entity governments. In 2007 the Netherlands, Sweden/SIDA and **USA/USAID**, supported the *Governance Accountability Project* (GAP), which addresses municipal and entity-level governance issues. Moreover, Sweden/SIDA also contributed to UNDP's *Municipal Training System* project. These initiatives will be discussed in more detail in the Local Governance chapter of this report.

In 2007, **UNDP** focused additionally on civil service reform, coordination of development resources within public finance management, Information and Communication Technology and e-governance, as well as institutional capacity building, including strategic planning and policy development. UNDP's projects in this sub-sector are cost-shared by the EC, the Netherlands, and **Norway**. In 2008, UNDP plans to implement the *Strategic Planning and Policy Development* (SPPD) programme. In doing so, UNDP and the governments of the Netherlands and Norway will support a broad-based project to strengthen planning, analytical work, and public resources management by defining, providing and institutionalizing organizational and human resource capacities for strategic planning and policy development. This will improve linkages between planning and budgeting in line ministries at the State and Entity levels.⁶⁴

Spain/AECID focuses on strengthening the institutional capacities of BiH by assisting the National Agency of Civil Servants and Ministry of Transport of BiH.

Switzerland/SDC/SECO finances the *Governance Project in Municipal Water and Environmental Development* (GOV-WADE) project implemented by the Una-Sana Association, which aims to increase capacities of municipal authorities and civil society in 17 municipalities in northwestern BiH by improving practice in governance, management, and municipal services in the field of water and environmental sanitation. The project also advocates for enabling framework conditions towards superior levels.

PAR strategy's six core reform areas and their priorities:

- **Policy-making and coordination capacities:** to improve central policy capacity on all government levels and coordination across various levels of government; to enhance the policy capacity at the level of individual institutions; and to strengthen the link between policy development and budgeting.
- **Public finance:** to consolidate and further existing efforts in the public finance sector; to establish an efficient financial management system; and to strengthen the control environment within which the administration operates.
- **Human resources:** to develop a professional, politically impartial, ethical, stable, and responsive public service that is respected and able to deliver effective services to governments and citizens; to ensure that the principle of equal representation of the three main ethnicities in BiH will serve as an affirmative action strategy in the recruitment of civil servants.
- **Administrative procedure:** to strengthen administrative decision-making, as a key component of interaction between the administration and the citizens; to make it a functional, reliable, efficient, transparent, accountable, and coherent tool of a modern, client-oriented public administration, better able to join the European Administrative Space.
- **Institutional communication:** to strengthen public relations capacities in public institutions, gain citizen support, create positive attitudes towards public institutions, and encourage active civic participation in the decision-making process.
- **Information technologies:** to increase information technology utilization in public administration, thus making the government more accountable, transparent, and effective.

⁶⁴Other donors are likely to join this project in 2008.

Several donors are supporting efforts to reform the land administration and registry system. Implemented by **Germany/GTZ** and co-financed by Germany/GTZ, **Austria/ADA**, and Sweden/SIDA, the *Land Administration Project* aims to educate the court staff, equip courts with adequate EDP databases, support courts in transferring data into the new electronic system, and link the cadastre and the land registry. Likewise, the **World Bank's Land Registry Project** seeks to facilitate the orderly development of transparent land markets, through the registration of real estate rights, and complementary policies that enable transactions to be made with security and efficiency. **Italy/IC** and the Netherlands finance an initiative aiming to develop an inventory of postwar land resources, implemented by the Food and Agriculture Organization. These projects are linked to activities within the Agriculture and Forestry sector.

Sector strategies

The PAR Strategy has been developed by PARCO with the support of experts from the EC, UNDP, and OHR, as well as a number of domestic institutions' representatives. The CoM of BiH, Entities' and Brčko District governments adopted the Strategy in 2006. In July 2007, the PAR Fund was established by UK/DFID, Sweden/SIDA, the Netherlands, and the EC to support the implementation of the PAR Strategy by providing technical assistance up to the beginning of 2009. Currently there is €4.5 million earmarked by these donors for the PAR Fund.⁶⁵

PAR is one of the few sectors guided by a state-level strategy as well as a government office in charge of its implementation (PARCO). The development of the PAR Strategy took place with external experts' involvement and it is considered by many donors to be a comprehensive tool, though some regard the document as rather vague in places. Furthermore, as donors' technical assistance is supposed to end in 2008,⁶⁶ PARCO will be left with the responsibility to manage the implementation of the PAR Strategy by itself, which may create problems as PARCO's mandate needs to be strengthened.

These future concerns notwithstanding, until the end of 2007 no projects had yet been deployed through the PAR Fund because the rules of procedures of the decision-making mechanism are yet to be rewritten, following debate by stakeholders.⁶⁷ In spite of these technical drawbacks, the PAR Strategy has been the first and most important step towards putting PAR into practice.

Positive developments and challenges in the sector in 2007

Donors are generally satisfied with the progress made towards the implementation of the PAR Strategy and the Action Plan. For example, they commend the establishment of the PAR Fund, the signing of the MoU, the adoption of the Common Platform by all four governments (the implementation structure of the Action Plan), as well as the endorsement of the SPPD project by the government, which is the first activity in that particular pillar of the Action Plan. The endorsement of the SPPD is also an example of successful donor coordination as UNDP, the EC, and the Netherlands and Norway have come together to harmonize their approaches on this issue.

One of the most significant achievements in 2007 was the introduction of the Budget Coordination Board, which is a semi-formal forum for cross-entity coordination. In the future, the Board will become a part of the Fiscal Council and will assist in establishing the basic assumptions of assessing the fiscal and macroeconomic conditions. In addition, the ten-step, three-year rolling budget process has been introduced in BiH through the UK consulting firm PKF. UK/DFID hired PKF to assist the state, entity and cantonal Ministries of Finance and Treasury to modernize budget planning processes and systems in BiH as part of a project to strengthen Public Expenditure Management (PEM) in the country.

Another success story in 2007 that warrants attention is the signing of a MoU by UNDP and the BiH Ministry of Communications and Transport (MoCT) in the area of e-governance. UNDP has taken leadership in the area of e-governance while the EC cost-shares projects implemented by UNDP.

Domestic institutions' willingness to strengthen their permanent technical capacity has also been recognized and positively assessed by donor agencies. An example of this tendency is the rising number of twinning projects.

⁶⁵ Out of that amount, to date only Sweden had paid €1.5 million, with the Netherlands and UK/DFID contributions expected shortly.

⁶⁶ UK/DFID TA will end in February 2009 as the EC/IPA assistance is expected to follow up.

⁶⁷ Early in 2008, the PAR Fund became fully operational and several projects were approved by the Steering Board.

The creation of a professional, merit-based civil service has been one of the priorities of PAR strategy. In 2007 the UK/DFID, EC, and UNDP supported civil service reform in general and civil service agencies in particular. Although the civil service area of reform has been criticized for receiving a reportedly undue amount of attention at the expense of some of the other core areas of PAR, it has to be admitted that the systematic focus on Human Resource Management has yielded results. Donors are explicitly satisfied with the positive developments in this direction although some of them also identified the need to improve their own strategy towards the civil service reform by focusing on overlooked issues like civil servants' accountability towards their institutions' beneficiaries. The Governance Perception Survey conducted by UNDP in 2003 indicated that there is a need to change the persisting and predominant emphasis on training civil servants to improve their knowledge, skills and abilities. Instead the Survey recommended moving towards improved service delivery and greater accountability on the part of civil servants.

Towards more effective coordination A best practice example

In order to support the implementation of the PAR Strategy, several donors, such as UK/DFID, the Netherlands, Sweden/SIDA and the EC, established a joint funding mechanism, called the PAR Fund. Donors have so far committed € 4.5 million to this Fund for a period of three years. International agencies that support the PAR Fund have been meeting regularly since 2005. In addition to the donors, representatives of relevant state- and entity-level institutions take part in these meetings.

The PAR Fund is a good example of donors employing a harmonized approach in supporting the implementation of projects that fall within the framework defined by the PAR Strategy. The PAR Fund will be managed by PARCO, which will decide how to prioritize and implement elements of the Strategy.

One of the most significant challenges identified by donors supporting the PAR has been the slow progress of putting the PAR Fund into operation. Donors are aware that technical obstacles in the PAR Fund's establishment especially the unanimous vote requirement for major decisions are largely to be blamed for this state of affairs. However, donor agencies were concerned because they had to explain to their governments why they had not been using these earmarked funds for more than two years, which in the long run might jeopardize the existence of the Fund itself. International agencies admit that the fact that each participating donor has its own regulations makes things additionally difficult. Yet, they appeal to both the donor community and domestic institutions to be more prone to compromise in view of the unanimous vote requirement, which has the potential to block all decisions, especially those which may unequally benefit the different levels of government.

Coordination and ownership

Donors are satisfied that there has been an increase in multi-donor activities and alignment in the PAR sub-sector. Furthermore, a large number of programmes are also becoming sustainable. These positive developments merit attention because the public administration process has often been criticized for lacking a long-term perspective.

As far as donor meetings are concerned, it has to be noted that up until the beginning of 2007 donor-only meetings took place. However, there has been a significant improvement in this regard as recently PARCO has assumed chairmanship at these meetings. Donor agencies are of the opinion that PARCO needs more time and experience to lead the gatherings in a way that would facilitate progress. At the same time donors admit they themselves need to overcome their tendency to withhold disagreements among each other. Currently international agencies are trying to cultivate synergy in what, they admit, used to be a very fragmented approach.

As before, coordination difficulties stem from divergent donor agendas. A way out of the stalemate is to let PARCO identify priorities. Eventually international agencies accede that they are partially to blame for PARCO's limited ability to play a leading role in coordination efforts, because some donors do not always find it necessary to inform PARCO of their activities. Furthermore, international agencies wish PARCO would choose the core areas donors themselves consider neglected. Another reason for concern is PARCO's rather limited ability to affect the CoM and line ministries' policy and decision-making in regards to PAR.

Besides PAR strategy-related coordination meetings of donors and domestic authorities, there are gatherings of agencies that aid the PAR Fund. These meetings have been taking place regularly since 2005. Donors supporting the PAR Fund as well as representatives of relevant

state- and entity-level institutions take part in the PAR Fund meetings. The PAR Fund is considered an example of successfully overcoming coordination challenges. Yet, as far as national ownership is concerned, donors admit that their veto right in the PAR Fund actually takes away from national ownership.

International agencies agree that more work needs to be done towards increasing the awareness of the importance of European Integration-related issues of PAR. Another potentially problematic area identified by international agencies is the lack of assessment mechanisms to guarantee the quality of the projects within the PAR Action Plan. To solve this problem, donors suggest that project developers within PARCO receive more training.

In general it should be pointed out that despite their differences of opinion regarding some issues, donors are unanimous about the fact that far too many processes, like the trainings for civil servants for example, have been supply-driven. Yet, international agencies agree that domestic institutions are in the process of being successfully weaned from donor-dependency in this respect. Thus, for instance, in the area of e-governance, over the years MoCT and UNDP have developed a joint decision-making process. In May 2007, UNDP signed an MoU with MoCT. The MoU established three levels of bodies: a joint steering board, expert team and a consultative board. All of these bodies are already functioning and have met several times during the course of 2007. Thus, the national ownership of the implementation of e-governance is regarded as full and satisfactory.

Future activities

When identifying priority areas, it becomes apparent that in spite of their critical comments, international agencies are satisfied with the general standing of PAR and to an extent with the progress of the reform. Donors' recommendations focus predominantly on striving towards further reforms in the field of PA. More concretely, they suggest working towards greater accountability of all institutions involved in the process of PAR, guaranteeing greater inclusiveness of indigenous civil society in monitoring PAR, speeding up the process of privatization, conducting more trainings in the six core areas of PAR, as well as trainings on project development. Donors also advocate for change in the perception of trainings for civil servants. As it takes a lot of time to develop higher education institutions that provide quality education in public administration, it is necessary to reevaluate the prevailing attitude towards trainings as a kind of interim solution.

Furthermore, international agencies admit that despite the significant amount of funds already earmarked for PAR, the PAR Fund will need even more resources to be able to implement the Action Plan.

Lastly, donors need to coordinate their actions especially in areas where many of them focus their attention, i.e. trainings for civil servants. As far as domestic authorities are concerned, there is an urgent need to strengthen the capacity within the PARCO office.

Civil Society

Sector definition	<p>Based on DAC definitions, Civil Society encompasses the following elements:</p> <ul style="list-style-type: none"> • Community participation and development; • Co-operatives; grass-roots organizations; • Development of other participatory planning and decision-making procedures and institutions (like conflict prevention). <p>DAC code: 15150.</p>
DCF donors	Canada/CIDA, Italy/IC, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, and the EC.
Other key international organizations (IOs)	The Organization for Security and Cooperation in Europe (OSCE).
Key government partners	The Civil Society Board.
Total donor allocation to the sector in 2007	€ 3.93 million.
Sector strategies	No state sector strategy dealing specifically with civil society.
Donor coordination	Bimonthly meetings of the Civil Society Coordination Group as well as other ad hoc project-related meetings

Overview

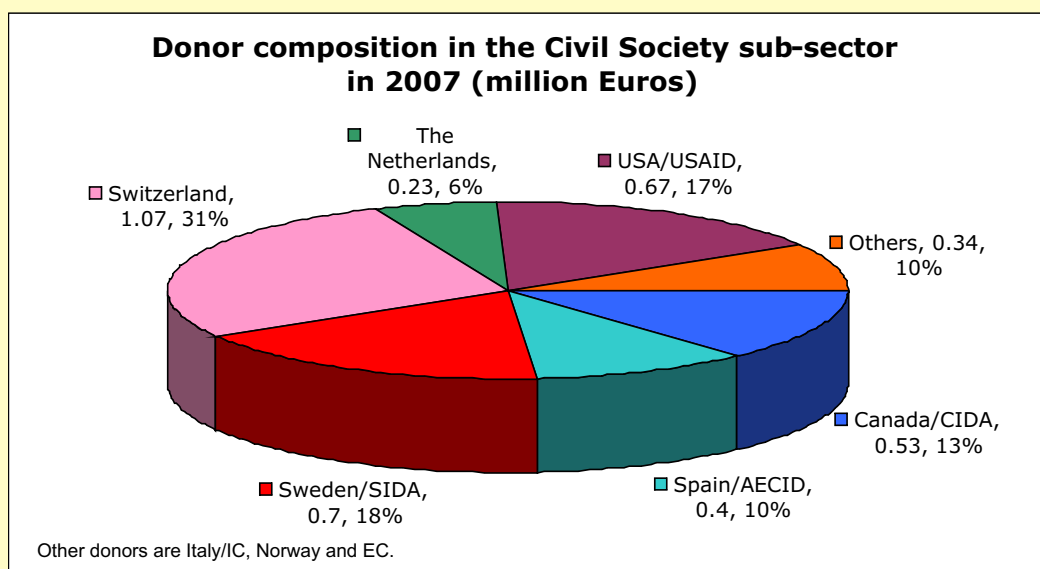
Civil society in BiH is usually, though not exclusively, equated with non-governmental organizations (NGOs) and as such is regarded as still fragile and largely donor-dependent. This definition of the Civil Society sub-sector is indeed very narrow as it does not take into account indigenous grass-roots initiatives which do exist in BiH. However, for international agencies, the narrow definition is more helpful as they can only support institutionalized initiatives, which possess the know-how needed to make use of resources provided by donors.

According to different estimations, currently there are about 8,000 to 9,000 NGOs registered in BiH (including almost 1,000 political parties and religious organizations, which are usually not considered civil society organizations). The number of *active* NGOs is much more difficult to establish; estimations vary between less than 1,000 and 4,500 NGOs. The baby-boom of new NGOs in BiH started immediately after the war ended in 1995. Reportedly it was sparked by the availability of foreign funding and the scarcity of other sources of employment in the postwar country. Since then, BiH civil society has undergone dramatic development to an extent that some donors think it has squeezed out the governmental sector, for example in the fields of gender equality, combating human trafficking or tackling youth issues. On the other hand, though, international institutions' prominent role and especially the power of the Office of the High Representative (OHR) to enact laws in BiH are alleged to have precluded the development of strong NGOs active in the fields of advocacy and lobbying, especially at the state level.

Donor activities in 2007

The donors supporting the Civil Society sub-sector are Canada/CIDA, Italy/IC, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, and the EC. Together, they contributed € 3.93 million in 2007, all in the form of grants. The Organization for Security and Cooperation in Europe (OSCE) and the Open Society Fund, which are not part of the DCF, assist civil society in BiH, too.

In the EC Instrument for Pre-Accession Assistance (IPA) 2007 there was about € 3 million earmarked for two civil society programmes in BiH. Both projects aimed at fostering dialogue between local and central authorities and civil society organizations. The **EC** has also provided support for youth organizations or NGOs which work with the disabled, elderly people, women's organizations, as well as NGOs protecting children's right to education and non-discrimination of children with special needs.



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In 2007, **Switzerland/SDC/SECO** focused on directly financing NGOs in cooperation with the Independent Bureau for Humanitarian Issues, especially those offering psychological support to disadvantaged groups, like elderly, Roma, and youth. Switzerland/SDC/SECO likewise supported initiatives aiming at strengthening the links between different NGOs dealing with similar issues, as well as between civil society organizations and the government. Perhaps the most tangible outcome of Switzerland/SDC/SECO's efforts in this respect has been their funding of a network of 22 NGOs, which drafted a platform for establishing the Social Inclusion Fund. This proposal is currently under public consultation. Support to NGO activities under this Fund is meant to be linked to the implementation of the Social Inclusion Strategy. This mechanism is expected to assure NGOs' sustainability and avoid donor-driven activities. Additionally, within the GOV-WADE Project, the network of 25 environmental NGOs EKUS is supported in order to contribute to sustainable environmental development in northwestern Bosnia

The Civil Society Fund developed three years ago by **the Netherlands** became operational in 2007. The Centres for Civic Initiatives (CCI) have been chosen to distribute sub-grants targeting issues related to the environment, health, youth, and education. The Fund also endeavored to strengthen the relationship between NGOs and their respective constituency. Also, CCI is receiving support to lobby for introducing tax benefits for NGOs in relevant legal acts.

Sweden/SIDA is another donor working towards fostering NGOs' issue-based cooperation. Sweden/SIDA however is best known for being the largest international organization supporting women's NGOs in BiH. Its two other focus areas have been human rights and the citizens' participation programmes.

The **US Embassy** has a fund for civil society, which includes small grants for civil society organizations as well as civic education and training courses for teachers through the CIVITAS programme. USA/USAID has systematically been involved in assisting the development of legislative framework for institutionalized civic initiatives in BiH. Back in 2001 and 2002, USA/USAID provided technical and financial support for the development of the Laws on Associations and Foundations on both state and entity levels, which enabled NGOs for the first time to register their activity on the territory of the whole country. USA/USAID also works closely with CCI and the Centre for Civil Society Promotion. USA/USAID provides CCI with sub-grants that it can distribute at its own discretion. It is important to note that USA/USAID's policy towards civil society has been steadily shifting from supporting capacity building to fostering NGOs' watchdog functions. Thus, for example, CCI developed a monitoring report of all 13 parliaments functioning in BiH.

Canada/CIDA assists the *Balkans Local Initiatives Programme* (2004-2009), which aims to contribute towards establishing more responsive, accountable, and competent national government institutions. They do so by supporting civil society organizations to actively engage in public policy dialogues and programme implementation through the development of their service delivery and advocacy capacities in the Health, Education, and Legal Reform sectors. Moreover, the programme encourages sustainable partnerships among governments and civil society. **Spain/AECID** aids institutions focused on social dialogue. While **Italy/IC** focuses on marginalized youth groups, encouraging their involvement in local decision making processes. Italy/IC's other civil society activity aims to establish a Resources Centre for enhancing the democratization process in the city of Mostar.

Sector strategies

To date there has been no fully-developed and adopted state strategy dealing explicitly with the Civil Society sub-sector. The only attempt at drafting a strategy for the sector was a grass-roots one. In 2004, the NGO coalition *Work and Succeed Together (Raditi i uspjeti zajedno)*, which represented some 300 NGOs, created a *Strategy for the development of the non-governmental sector in BiH*.⁶⁸ State strategies addressing civil society will be the state-level Country Development Strategy and the SIS for the years 2008-2013 as well as the entity-level Development Strategies. Some of the donors (Sweden/SIDA, Spain/AECID, and USA/USAID) have their own strategies that incorporate civil society components.

Positive developments and challenges in the sector in 2007

After three years of preparatory work, in May 2007 the Chairman of BiH Council of Ministers (CoM) signed an agreement of partnership with a representative of the NGO sector in BiH. This MoU has been identified by donors as one of the most significant positive developments for the Civil Society sub-sector that took place in 2007. The agreement is not a legally binding document, yet it was the first official step towards creating an institutional framework for cooperation between the governmental and the non-governmental sectors. The signing of this agreement was followed by the establishment of the Civil Society Board, which is a consultative body consisting of 31 members who advise CoM on issues related to civil society. The Board includes representatives of NGOs working on diverse fields of activities.

It has become common knowledge that, since the end of the war, NGOs in BiH have received a considerable amount of financial and other support from international public and private donors alike. However, the non-governmental sector has attracted a comparable amount of criticism on behalf of funders themselves, public opinion, governmental officials, and journalists. The donor-identified challenges facing civil society often involve its fragmentary nature, its detachment from the grass-roots efforts, and its dependence on international funding. Some international agencies admitted, however, that in many ways it was donors' policies towards civil society that have resulted in molding the sector as it has evolved during the last decade. Nonetheless, the network of 99 NGOs *Reference Group Tuzla* (RGT) is an example of a grass-roots network that has been supported financially by international agencies since its inception. The fact that RGT is an indigenous network which is not donor-driven and yet it has been financed by donors corroborates the argument that the relationship between international agencies and BiH NGOs is not necessarily one of cooptation, but of cooperation.

International organizations have increasingly realized that they also need to change their modes of support for the Civil Society sub-sector if they want to help domestic NGOs evolve into a sustainable, constituency-based sector with well-defined, issue-based coalitions. It should be pointed out, however, that donors' tendency to impose their agendas on local NGOs has been endemic and as such is not plaguing BiH civil society only. Nevertheless, it is important to note that international agencies are interested in their beneficiaries' feedback and are willing to change their policies to address the most pressing issues of civil society organizations. Furthermore, donors have identified the need to strengthen the relationship between domestic authorities and civil society. International agencies' flexibility in formulating policies aiming to support NGOs is laudable. It is indicative of donors' commitment to help establish a sustainable Civil Society sub-sector functioning in an NGO-friendly state and only then gradually withdraw their aid for civic initiatives in the country.

⁶⁸ For more information see www.civilnodrustvo.ba/files/docs/biblioteka/publikacije/5%20Nacrt%20strategije%20razvoja%20NVO%20sektora.pdf.

Coordination and ownership

In 2007, there were no significant changes in the composition of donors assisting the Civil Society sub-sector. Reportedly it has been *sectoral* donor coordination meetings that most often took place during this year. As of June 2007, Japan/JICA, Norway, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, the EC, UNDP and the Association of Civil Society met every few months to discuss organizations and their assessment of the sector. The Civil Society Coordination Group meeting is held bimonthly. There has been no permanent chair; donors take turns and it is decided at each meeting who will host the next one. Nonetheless, donors identified the need to introduce some clear regulations as to who should lead these coordination meetings. In 2007, the Netherlands also organized several coordination meetings of international agencies assisting the Civil Society sub-sector.

Towards more effective coordination A best practice example

A project meant to both increase local ownership and institutionalize civil society's role in BiH is the USA/USAID *Sustainable Development of the Non-Profit Sector Project*. This activity seeks to promote public-private partnerships and to create an institutional role for civil society organizations.

The project involves 16 domestic NGOs and NGO networks, representing more than 300 organizations throughout BiH. USA/USAID's support of the civil society sector and lobbying of the government resulted in an Agreement on Cooperation between the NGO Sector and the CoM in April 2007. According to the Agreement, the Commission for Selection subsequently elected 31 members to the Civil Society Board. The signing of the Agreement opened the door for the creation of offices at different government levels to ensure better cooperation within the Civil Society sector. Governmental offices will enable greater and more organized NGO involvement in public policies and more transparent distribution of public funding for local NGOs.

In general, coordination among donors supporting civil society has been slowly emerging during the past year. The Civil Society Board is obviously the most recent example of both donor coordination and increasing national ownership of the process. However, donors are concerned that ownership reflects only the organizational level of civil society, i.e. that NGOs are not accountable to their constituency.

Future activities

Donors are most concerned about the long-term development and financial sustainability of NGOs. Both these crucial elements are found to be contingent upon NGOs' and local and central authorities' willingness to cooperate. International agencies appeal especially to governmental institutions to develop mechanisms to financially support the fledgling civil society in the country. At the same time, donors pinpoint the need to strengthen the watchdog function of civil society. Some donors suggest that the involvement of NGOs in the decision-making processes in BiH has not only to be encouraged, but also guaranteed by introducing relevant measures.

Much remains to be done in the sphere of legal regulations, though. For example, a law that would adequately address the financial needs of NGOs is still lacking. The same goes for a law on volunteering. National authorities, donors and NGOs alike need to invest more effort in promoting the idea and the practice of corporate responsibility. In addition to that, businesses should be granted incentives in the form of tangible tax deductions for supporting civil society organizations.

Donors also identified the need for undertaking a programme of civic education in the country. Civic education is seen as one of the ways to remedy the current situation where NGOs are seen as detached from their constituency and public opinion itself is openly critical of NGOs. It has to be brought to the hearts and minds of citizens that NGOs employ, propagate, and spread modern yet deeply humanitarian ideas like tolerance, solidarity with the poor and the marginalized, environmental awareness, health education, gender equality, human rights, and so on. What's more, the current image of NGOs could be remedied by promoting the idea and the practice of self-help types of NGOs. In other words, the implementation of the principle of *subsidiarity*⁶⁹ should start from citizens' level and only involve local, entity or state government when the particular problem cannot be solved with the resources of the local community.

Donors recognize the need for new approaches to tackle the problems already identified, i.e. apathy, mistrust, learned helplessness and lack of grass-roots initiatives. In spite of all the critical comments voiced by donors, it is worthwhile to note that the emergence of a highly qualified, professional corps of NGO activists bodes well for the future of civil society in the country.

⁶⁹ According to this principle, whose origins derive from the Catholic social sciences, authorities of higher rank should only intervene when the smaller unit cannot solve the problem by itself and by mobilizing its own resources.

Conclusion

Four of the basic constitutional elements of good governance have been presented in this chapter. International donors have been significantly engaged in all of these sub-sectors. Many of the successes achieved in these areas could also be attributed to donors' commitment and concrete measures to further the reform processes in the country. In all of the four sub-sectors donors have been involved in backing the reform processes by providing not only financial assistance, but also by strengthening the capacity of domestic institutions responsible for implementing these reforms.

As far as the positive developments in the Good Governance and Institution-Building sector are concerned, it seems that the sub-sectors that cover well-defined areas have adopted strategies or at least draft strategies in 2007. These are the PAR and the Legal and Judicial Reform areas. The former of these has a strategy developed with some donors' support. The latter has a draft strategy, which was the first one to pass through public consultation with all stakeholders including donors. The fairly large, diversified and cross-cutting Human Rights and Civil Society sub-sectors still have no government-originating strategies. What's more, unlike the PAR and Legal and Judicial Reform sub-sectors, those "softer" areas have been subjected to more noticeable, albeit gradual, donor withdrawal.

The pattern of ownership of the four sub-sectors discussed in this chapter appears to repeat the above-presented regularity. The two well-defined sub-sectors can boast greater ownership of the process. Also, in the case of the PAR and Legal and Judicial Reform, national institutions responsible for implementing the reforms and for coordinating donor activities are already in place. Conversely, the Human Rights and the Civil Society sub-sectors can be said to enjoy the ownership of NGOs dealing with these issues, but not state-level ownership. Indeed, parts of the Human Rights sub-sector especially those involving gender issues, some vulnerable groups, and national minorities are supported by the respective governmental institutions, too.

Nonetheless, the fact is these "soft" sub-sectors appear to be much more difficult to grasp with one single initiative, be it governmental or donor-instigated. This singularity of "soft" sub-sectors can perhaps explain the apparent lack of urgency on behalf of donors and domestic governmental institutions alike to give consistent, long-term priority to these areas. This is not to say that the Human Rights and the Civil Society sub-sectors have not attracted significant interest on behalf of international agencies since the end of the war. On the contrary, they have even been criticized for receiving allegedly undue donor attention. However, this initial support has long started to dwindle, especially in the case of the Human Rights sub-sector. Keeping in mind that national ownership of these "soft" sub-sectors has been lagging behind when compared to the PAR and Legal and Judicial Reform, it seems donors' withdrawal from the Human Rights and the Civil Society sub-sectors is premature. Indeed, in order for democracy to function, the respective state institutions and legal framework need to be in place. Nonetheless, the participatory aspect of democracy can only be guaranteed by paying equal attention to "soft" indicators, like the existence of strong civil society and the observance of human rights.

Here it should be noted that the initial considerable donor support did actually affect changes in both "soft" sub-sectors. It might be these positive developments are not that easy to discern and pinpoint, given that most of the issues included under the Human Rights and Civil Society areas are cross-cutting or difficult to measure in terms of strategic documents adopted or institutions established. Thus, for example youth-related issues as well as free legal aid have been among the areas covered almost exclusively by civil society organizations assisted by international donors.

The implications that emerge from the above-presented picture point to several possible solutions to current problems in the Good Governance and Institution-Building sector. For one thing, donors could find ways to continue supporting the "soft" sub-sectors in particular. This need not happen at the expense of the PAR and LJR areas. For example, the human capital potential of BiH NGOs is one of the indigenous resources that could be tapped in all of the sectors. Donors could encourage domestic institutions to work more closely with NGOs; in this way, their cooperation could benefit both the governmental and the non-governmental sectors. Also, by further strengthening the state institutions responsible for implementing human rights issues, donors would foster the development of the Human Rights sub-sector.

As far as donor coordination issues are concerned, international agencies appear to unanimously favor clear regulations regarding the meetings over the ad hoc mode that seems to have characterized the early years of donor coordination. Furthermore, international

agencies wish to transfer the responsibility of harmonizing coordination meetings and therefore donor activities to domestic authorities, thus increasing the ownership of the reform processes as well as guaranteeing the involvement of all stakeholders. In spite of the critical opinions expressed by donors regarding the functioning of some domestic institutions, international organizations are committed to working with BiH authorities in both the decision-making and the implementation stages of the reforms. In fact, donors' critical comments reflect their genuine commitment to affecting change in the country. In spite of the difficulties encountered by both international and domestic institutions, tangible results of their common efforts can be seen. These positive developments bode well for the future of the Good Governance and Institution-Building sector in particular and for the reform process in BiH in general.



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LOCAL GOVERNANCE

Sector definition	<p>Based on DAC definitions, the Local Governance sector comprises the following elements:</p> <ul style="list-style-type: none"> • Government administration: systems of government including parliament, local government, decentralization; civil service and civil service reform. • Employment policy and administrative management: employment policy and planning; labour law; labour unions; institution capacity building and advice; support programmes for the unemployed; employment creation and income generation programmes; occupational safety and health; combat of child labour. • Multi-sector aid for basic social services: basic social services are defined to include basic education, basic health, basic nutrition, population and reproductive health, basic drinking water supply and basic sanitation. • Urban development and management: local development and urban management; municipal finances; urban renewal and urban housing. <p>DAC codes: 15140, 16020, 16050, 43030.</p>
DCF donors	Austria/ADA, France, Italy/IC, Japan/JICA, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, UK/DFID, USA/USAID, the EC, UNDP, and the World Bank.
Other key international organizations (IOs)	Organization for Security and Cooperation in Europe (OSCE) and the Council of Europe (CoE).
Key government partners	The FBiH Ministry of Justice, the RS Ministry of Governance and Local Self-Governance, the BiH Ministry of Human Rights and Refugees, the FBiH Ministry of Refugees and Displaced Persons, and the RS Ministry of Displaced Persons and Refugees.
Total donor allocation to the sector in 2007	€ 22.8 million.
Sector strategies	There is no overarching government owned strategy defining local governance priorities, although a Local Self-Governance Development Strategy ⁷⁰ has been developed as a civil society initiative.
Donor coordination	Project-based coordination meetings.

Overview

Local governments in Bosnia and Herzegovina (BiH) function within a complex and multilayered administrative system. The legal framework and fiscal arrangements vary between the Republika Srpska (RS) and the Federation of Bosnia and Herzegovina (FBiH), and in the latter, among the subordinate cantons. BiH's highly decentralized system might be better characterized in terms of a fragmentation of competencies and accountabilities. It has been argued that these arrangements have serious consequences for public service delivery, namely welfare obligations are often neglected in poorer municipalities.⁷¹

Municipalities function with very limited fiscal autonomy throughout BiH; in both the FBiH and the RS lack the power to raise their own revenues and receive the greater share of their resources (about 50%) through tax sharing and transfer arrangements with their respective 'parent' governments. There is a discrepancy between the financial capabilities of municipalities on the one hand and their responsibilities and needs on the other hand. At the same time, municipal financial management systems are inadequately developed and multi-year financial planning systems are widely unknown in local governments.

Despite these structural and functional constraints, there is a growing argument that BiH's democratic deficit and emergent social exclusion can be best addressed through local action. Municipal governments, being closer to inhabitants, are in the best position to resolve local problems and demands, with the limited resources that are available. This is particularly pertinent to addressing the needs of the excluded and vulnerable who often "fall below the radar" of higher levels of government. Moreover, these advantages extend beyond the representational; municipalities are able to act as community leaders mobilizing stakeholders to develop shared goals and to set out strategies to put local development on a positive trajectory.

⁷⁰ Aleksandar Draganić, et al., Local Self-Governance Development Strategy in Bosnia and Herzegovina, June 2006. Available at: www.soros.org.ba/docs_lokalna_uprava/lsg_eng.pdf

⁷¹ UNDP National Human Development Report, *Better Local Governance in Bosnia and Herzegovina* (Sarajevo, 2006).

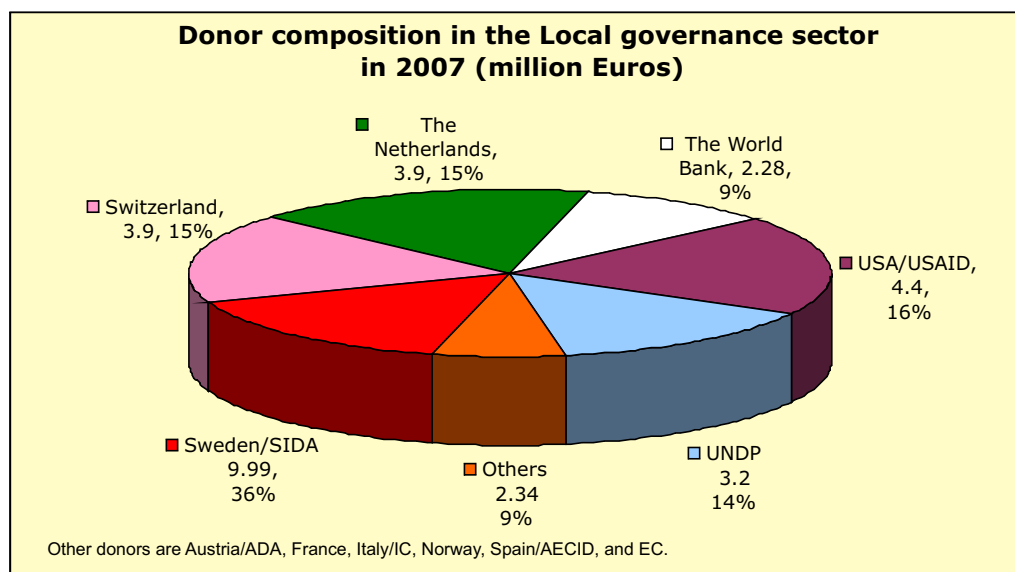
In the advent of EU pre-accession funding, under the Instrument for Pre-Accession Assistance (IPA), the efficient functioning of municipalities gains additional importance as they will be expected to participate in the local management and delivery of projects. Successful participation in this funding window will require a step-change in municipal capacity across a variety of planning and management disciplines.⁷² Furthermore, there is a fuller European agenda to be addressed. This ranges from what might be characterized as a modernization process associated with attaining a model of municipal government compliant with European practices, to building an institutional framework capable of implementing the *acquis communautaire* at the local level.⁷³

Given its importance, a number of donors have been active in the Local Government sector in recent years and over half of BiH municipalities have received some form of assistance in elaborating local development plans. Initially, international community attention at the local level was focused on the return of refugees and displaced persons, alongside the much narrower agenda of local economic development (LED). But increasingly, donors are taking an expanded view of local governance, incorporating a human-rights based approach and sensitizing the planning process with issues of equality and non-discrimination. There has also been more attention given to strengthening the absorption capacity of municipalities. The major financial institutions have also entered this sector, notably within the area of capital project finance. These activities are primarily focused on infrastructure projects and providing financial governance technical assistance (TA).

As a result of their own efforts as well as donor assistance, local governments have undertaken numerous reforms, which are beginning to pay dividends. The basis for this is the enactment of new laws on local self-governance in both Entities, alongside tentative steps towards fiscal decentralization arising from the introduction of a nationally set Value Added Tax (VAT). Additionally, at the local level there has been some cultural change and a growing awareness of the importance of integrated and strategic thinking on local development. Further efforts to promote decentralization and build capacities are needed, but the reforms that have so far been introduced are bearing tangible results.

Donor activities in 2007

The donors to this sector include Austria/ADA, France, Italy/IC, Japan/JICA, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, UK/DFID, USA/USAID, the EC, UNDP and the World Bank. Together they contributed € 22.8 million in 2007. These agencies focus on building municipal capacity in the areas of good governance and local economic development, and support municipal development planning and service delivery, as well as local employment and community building activities.



⁷² The translation of strategic goals into concrete projects and action plans, and direct connections with the municipal budget cycle are especially lacking. Due to these skill deficits and managerial weaknesses, municipal capacity to absorb forthcoming EU funding is insufficient.

⁷³ Approximately 60% of all mandatory European-law based regulations have to be carried out by local governments. Local Government Network - LOGON Final Guide, 41. Retrieved from www.ceec-logon.net.

USA/USAID, Sweden/SIDA, and the Netherlands concentrate their spending in this sector on the *Governance Accountability Project (GAP)*. These three donors have committed a total of \$ 30 million in funding over a five-year period for the project. GAP was designed to build the capacity of a critical mass of municipalities to better serve their citizens within a policy and fiscal framework of good governance. It also assists the upper levels of government. In fact, GAP aims to link the reforms taking place on the local level with policy reform at higher levels of government. In addition to its work on GAP, the Netherlands also assists the poorest municipalities in elaborating strategic development plans and implementing priority social infrastructure projects.

Since December 2007, **UNDP**, with financial support from Sweden/SIDA, has been implementing a *Municipal Training System (MTS)* initiative, as a joint project with both Associations of Municipalities and Cities (AMCs), the FBiH Civil Service Agency (CSA) at the entity level, and the respective entity-level ministries. Through the three-year MTS project framework a sustainable municipal training system should be established, which will build a comprehensive training needs assessment in both Entities. The project will entail the following: strengthening respective training infrastructure and local human resource development functions; designing priority curricula; and enhancing local training providers. Through MTS, UNDP aims to contribute to the sustainability of local capacity development in BiH via training strategy development and establishment of training support facilities at the entity level. This will help to ensure that the quality of trainings (including those provided by various domestic and international organizations) will match the needs of local governments and will be provided on a sustainable basis.

UNDP also works to strengthen the inclusive and multi-sectoral nature of planning processes. It supports municipal capacity building through the strategic planning and implementation cycle of local development plans. The *Rights-based Municipal Development Programme (RMAP)*, funded by **Norway, Japan/JICA⁷⁴ and Germany/GTZ/KfW**, has been promoting a multi-sectoral and inclusive approach to local development planning and project implementation with 15 municipal partners since 2005. Since November 2007, the *Integrated Local Development Project (ILDP)*, jointly developed by Switzerland/SDC/SECO, UNDP and local partners in both entities, has been taking this agenda further aiming to strengthen municipal absorptive capacities in the light of the EU integration and to work towards harmonization of planning methodologies in BiH. UNDP conducted a series of workshops on the EU funding system under the *Support in Results-based Approach (SUTRA)* programme,⁷⁵ and has established Local Action Groups, which bring together local authorities, civil society organizations and representatives of the business sector, with the long term goal of building platforms for inter-municipal cooperation. UNDP will also look into providing support to rural development and social housing.

UNDP's three area-based local development initiatives, namely the *Srebrenica Regional Recovery Programme (SRRP)*,⁷⁶ the *Upper Drina Regional Development Programme (UDRDP)*⁷⁷ and the *Community Reconciliation through Poverty Reduction Project (CRPRP)*,⁷⁸ promote the socio-economic recovery of multi-ethnic communities by strengthening local governance and pro-poor economic development. These initiatives are reviewed in more detail in the Srebrenica and Return and Reintegration chapters of this report.

In 2007, **Switzerland/SDC/SECO** supported the introduction of community policing, a new locally-based method of police work in BiH. In addition to the practice-oriented main activities, the project also supported the development of the locally initiated Community Policing Strategy of BiH, which was adopted in 2007. Within its *Municipal Development Project in BiH (MDP)*, Switzerland/SDC/SECO encourages eight municipalities in the Dobo region to practice good local governance. Switzerland/SDC/SECO, in cooperation with the Open Society Fund for BiH and through its implementation partner Intercooperation, provided technical assistance for the creation of the Local Self-Governance Development Strategy. This document was adopted in March 2007 by the Association of Towns and Municipalities of the RS and the Association of Municipalities and Cities of FBiH.

The *BiH Beacon Scheme* was funded by **UK/DFID** and Switzerland/SDC/SECO, and implemented by the **Organization for Security and Cooperation in Europe (OSCE)** and the

⁷⁴Japan/JICA does not feature in the above graph as it did not report any additional financial allocation to Local Governance initiatives in 2007.

⁷⁵Funded by DCF donors the Netherlands and the EC, as well as UNHCR, SUTRA partner municipalities, and the State Commission for Refugees and Displaced Persons (SCRDP)/BiH Return Fund

⁷⁶SRRP is funded by Canada/CIDA, Italy/IC, Japan/JICA, the Netherlands, Norway, UK/DFID, UNDP, the governments of BiH and RS, as well as non-DCF member, Denmark.

⁷⁷The UDRDP received funding from the RS Government, the Netherlands, and UNDP.

⁷⁸CRPRP is funded by the United Nations Trust Fund for Human Security.

Council of Europe (CoE) in partnership with the AMC in each Entity. It issues annual theme-based awards for example “getting closer to citizens,” “effective strategic planning,” and “promotion of local economic development” to innovative municipalities for sharing their best practices with others. The OSCE is in the process of transferring the *BiH Beacon Scheme* to domestic authorities. Initial consultations are currently taking place regarding this hand-over process. Both **France** and **Italy/IC** sponsor similar schemes, creating partnerships between BiH and French or Italian municipalities.

In local governance reform and LED, the **World Bank** focuses on developing a sustainable resource transfer mechanism that will allow municipalities to finance capital investments. The World Bank's work extends to capacity strengthening in municipalities by enhancing their focus on client orientation, basic services, and infrastructure. The *Community Development Project*, financed by the World Bank, aims to promote security, opportunity, and empowerment for all community members. It intends to achieve these goals through the following methods: strengthening of accountable, inclusive community groups; supporting broad-based participation by poor people in decision-making processes which affect them; facilitating access to information and linkages to the market; and improving governance, institutions and policies so that local and central governments become more responsive to community initiatives.

On the LED front, **Austria/ADA** works on a project meant to enhance the sustainable economic development of rural communities, while promoting and strengthening biodiversity conservation, through its *Eco-Villages Network in BiH, Serbia and Montenegro* initiative. This effort also has a biodiversity conservation component. **Spain/AECID**, through its *Program of Consolidation of the Return and Stabilization in the Balkans: Agricultural Development in Rural Communities of BiH*, supports the establishment of new agriculture infrastructure, local capacity, and institutional strengthening to promote, via economic revitalization, refugee return and cooperation among BiH municipalities. USA/USAID's *Rural Employment Generation Activity* supports an agricultural project meant to increase rural income and employment. The Netherlands aids LED by focusing on sustainable economic development in eastern BiH.⁷⁹ Sweden/SIDA's *North East Regional Development Association (NERDA)* project assists regional economical development in 35 municipalities in northeastern Bosnia. Building the capacity of NERDA is also part of the EU's *Regional Economic Development Project (II)*. The first phase includes the identification of growth opportunities and priority sectors. This will be followed by interventions to remove constraints for companies and to improve municipal infrastructure for economic development.

Of the non-DCF international organizations present in BiH, the OSCE is the most prominent in terms of its work on local governance. Their, *UGOVOR* Project focuses on 78 municipalities with the goal of strengthening and institutionalizing interactions between citizens and municipal authorities; the *Municipal Administration Reform* initiative assists municipalities in human resource management and in the establishment of transparent budget planning and reporting. With additional support from GAP, the *Local Economic Governance Programme* developed the *Budget and Finance Guide*, which includes best practices in strategic planning, budget execution and internal control, procurement and participatory budgeting. This OSCE programme aims to increase citizens' participation in local economic development by ensuring that they are consulted and informed, as well as willing and able to contribute to all issues that directly influence their lives.

Sector strategies

In order to get the decentralization issue more prominently on the agenda, leading municipal governments, jointly with a group of local experts and support from Switzerland/SDC/SECO, initiated the preparation of a *Local Self-Governance Development Strategy*⁸⁰ in December 2004. The strategy and its implementation plan were finalized in May 2006. Donors view this as a comprehensive, technically sound and well-structured document, which can provide a platform for unifying a broad number of partial initiatives. From a critical perspective, the strategy, while recognizing the lack of political commitment of relevant authorities to engage in meaningful fiscal and functional decentralization, it does not propose means to overcome these problems. Moreover, it is silent on how to institutionalize the strategy implementation and mobilize political support.

⁷⁹ The work of the Netherlands in this area is also discussed in the Cross-cutting chapter and the Issue in Focus: Srebrenica chapter.

⁸⁰ Available at www.soros.org.ba/docs_lokalna_uprava/lsg_eng.pdf.

Both AMCs have formally adopted the strategy but ministries' official support and engagement in the implementation of the strategic directions is still missing. The strategy also deserves attention as the BiH Public Administration Reform Strategy focuses on improving central administrations at the level of the State, the Entities and the Brčko District. Thus while providing an important reference document for all public administration reform initiatives, it does not specifically address the local level.

Direction for LED is provided by the Regional Development Agencies (RDAs). They are the key institutions for planning, organizing and implementing LED initiatives. Since 2003, EC technical assistance has helped establish and strengthen five RDAs, and has aided them in preparing Regional Economic Development Strategies. Further progress has been made to create the necessary legal framework for sustainable economic and SME development.

Positive developments and challenges in the sector in 2007

The Local Governance sector has witnessed steady progress in several areas over the last years. For example, there has been an increase in citizens' participation in the budget process, the introduction of internal reviews looking at strategic planning, and a strengthening of the legal framework pertaining to local governance. The adoption of entity-level laws on self-governance brought about additional improvements, too.

In addition, 2007 saw the effects of the introduction of the VAT, which was recognized as a first step towards enabling local governments to become better service providers for their citizens. Moreover, as a result of new laws in 2007, municipalities already have better access to commercial loans from banks. This is especially important as the EC's IPA requires 25% co-financing of all projects. It is expected that GAP II will address the issue of municipal financing; in order to increase municipal implementation capacity, it will work to strengthen the tax base of local governments.

Major challenges in the sector can be organized into three categories: organizational; strategic; and operational. The main organizational obstacle in this sector remains the lack of a strong link between the higher and lower levels of government. Overall there is little willingness on the part of higher level authorities to engage in real functional and fiscal decentralization. Thus, there has been very little progress so far in putting the principles on local self-governance in the FBiH into effect, and little move on harmonization. Additionally, the FBiH Ministry of Justice has not taken any role in the field of self-governance, despite the fact that part of the local governance portfolio rests with them. The picture is different in the RS, where there is a clear focal point; the Ministry of Governance and Local Self-Governance initiates reforms.

Strategic problems tend to stem from the fact that local development is still largely construed in terms of a narrow LED agenda. The integration of such efforts with other areas of activity and the drawing of synergies with wider social and community objectives is rare. LED measures are often highly constrained by limited resources, driven by weak fiscal equalization and a cap on municipal borrowing. Even within this narrow focus, activities are, more often than not, directed externally. Approaches to planning are also highly dependent on donor inputs, which weaken commitment and sustainability. Another problem is the still weak link between strategic planning documents and the actual municipal budget cycle; thus many plans remain only on paper.

Operational difficulties are generally related to human resource capacity issues, which vary considerably between local governments. Project cycle management skills are still weak and thus might hinder municipalities' abilities to apply for IPA funding. BiH municipalities also widely lack a modern understanding of the role and function of local governance. A further weakness of the operating context is the limited amount of external scrutiny of municipal decision making. A number of studies have confirmed that local civil society does not provide any real "check" on local administrative decisions. To discharge these functions effectively, local civil society organizations (CSOs) must enjoy both public legitimacy (ensured through independence and accountability) and the recognition and respect of the official sector (by guaranteeing the right to organize and a duty to consult).

Coordination and ownership

Coordination between donors is strong on the project level. International agencies tend to discuss priorities and the selection of municipalities chosen to participate in their projects, seek advice from each other, and work to avoid overlaps.⁸¹ For example GAP donors have weekly contact regarding the project and have so far been able to easily reach a common approach. Moreover, there are synergies between the UNDP and GAP projects and the donors of these initiatives exhibit strong cooperation. GAP has for example also utilized UNDP participatory bodies, established by SRRP and RMAP, for identifying and prioritizing projects.

In order to further improve the work at the local level, both the World Bank and UNDP are trying to facilitate sector-wide coordination. The last attempt for doing so was spearheaded by the World Bank in early 2007, but this meeting was foremost an information exchange. According to donors, GAP II seems like a good opportunity to pull international agencies together, to define shared goals, and to present a common front in this sector.

All donors are concerned with building local ownership as they implement projects. There is ground for optimism when it comes to municipalities and their Associations as their capacities have been significantly improved and they are strong partners for donor agencies. There is however, a need to institutionalize the work being done on capacity building. It is expected that GAP and the MTS projects will be a way to achieve this end. Sweden/SIDA is involved in both initiatives and there is a clear commitment from this agency to explore complementarities.

Building ownership is also at the core of several project management mechanisms. The majority of donors are using participatory bodies at the local level for project prioritization, selection, and training. UNDP project management arrangements include the following: involvement of the government in the project formulation and appraisal; project steering boards that have a mandatory government participation and/or leadership; and annual project review driven by the project boards. Thus, UNDP ensures that relevant government structures responsible for local governance are a part of the management process.

The intensification of donor coordination on the project level seems to have triggered an increase in national ownership as well. This is evidenced by donors' increasing ability and willingness to hand over responsibilities to their national partners. Some international agencies are concerned that participation in several of parallel project management bodies can be overburdening for municipalities. It is only with even more intense coordination among donor agencies that this can be minimized.

Future activities

The adoption of the Local Self-Governance Development Strategy by the respective government ministries would provide a framework for both donors and the government. However, this is unlikely given the present constitutional arrangements as local governance remains within the competencies of entities. There is a clear need to follow up on the harmonization, update and implementation of legislation; furthermore, the relationship between municipalities and cantons should be resolved, by strengthening municipalities' leadership role and financial control.

There is work to be done in the areas of urban development and economic planning, too. A great deal of money has been spent on these issues, but there is still not a clear vision of how to effectively stimulate entrepreneurship and improve revenues. Additionally, despite all the focus

GAP Pooled Funding Mechanism

The case of GAP pooled funding merits attention, as donors were able to overcome the limitations caused by their agencies' institutional funding guidelines. As a result, USA/USAID had to change its regulations regarding tenders. Instead of open tenders, the three donors agreed to use the WTO inclusive list of countries. Additionally, as there was no state-level institution to work with, GAP donors made the contracting agency responsible for allocating donors' funds. These agencies entered into Memorandums of Understanding with the participating municipalities. They are now responsible for reporting to the contractor as opposed to the separate donors. This arrangement has worked well in the BiH context. Ideally, however, it is the national government that should be responsible for dispersing donor funds.

⁸¹For example, donors attempt to steer clear of areas covered by other donors. Switzerland/SDC has coordinated with GAP to ensure that the two are not supporting the same municipalities; the same is true of OSCE.

on this area, in some municipalities, strategic plans continue to be a list of projects, rather than a delineation of programme priorities and overarching, but realistic visions for each sector. Therefore, there is a need to build the ancillary skills of municipal staff to support the planning and implementation of development projects. The focus should be on the translation of strategic goals into concrete projects and action plans, making direct connections with the municipal budget cycle. The integration of such efforts with other areas of activity and the drawing of synergies with wider social and community objectives is rare. There is a particular need to weave in issues of equality and non-discrimination into the planning process.

Within the range of present assistance to local development, there is an overarching tendency towards approaches that focus either on the economic development side alone or that take a predominately technical slant to local capacity building. There is a lack of agreed upon principles that would guide local development based on the notions of social inclusion and human rights. In terms of local assessment, planning, and resource distribution, this system would give specific attention to the needs of the socially excluded and marginalized segments of the population.

In the future there will be a growing role for the AMCs as well. Due to the complex nature of BiH's government structure, donors declare interest in working with these organizations. However, before this happens, their institutional capacities should be strengthened. They can become serious partners for international agencies and true leaders for change on the local level.

There are reasons to be optimistic that BiH will be ready to take advantage of future opportunities offered by European Integration, specifically, in the ability to apply for regional funds. Moreover, the implementation of the EU's *subsidiarity* principle creates a need to pay attention to these reforms. Various donor projects in the local governance sector will address this area by preparing municipalities for the process of EU Integration.



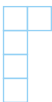
Conclusion

Building local-level capacities is seen as the best way to enhance the services that people are using directly and improve socio-economic conditions. At the same time, the municipalities are applying pressure for change on the higher levels. This bottom-up approach is advocated by most donors. Municipalities are likewise working towards strengthening the trust of people in their mayors and local politicians. However, despite the existence of laws regulating local self-government in both entities, there is still a great deal of work to be done to harmonize the division of functions and accountability at all levels of government.

Donors' significant levels of engagement and funding have borne fruit. This can be seen in the growth of local capacity, the increased focus on strategic planning, and the recognition of the importance of inclusive development.

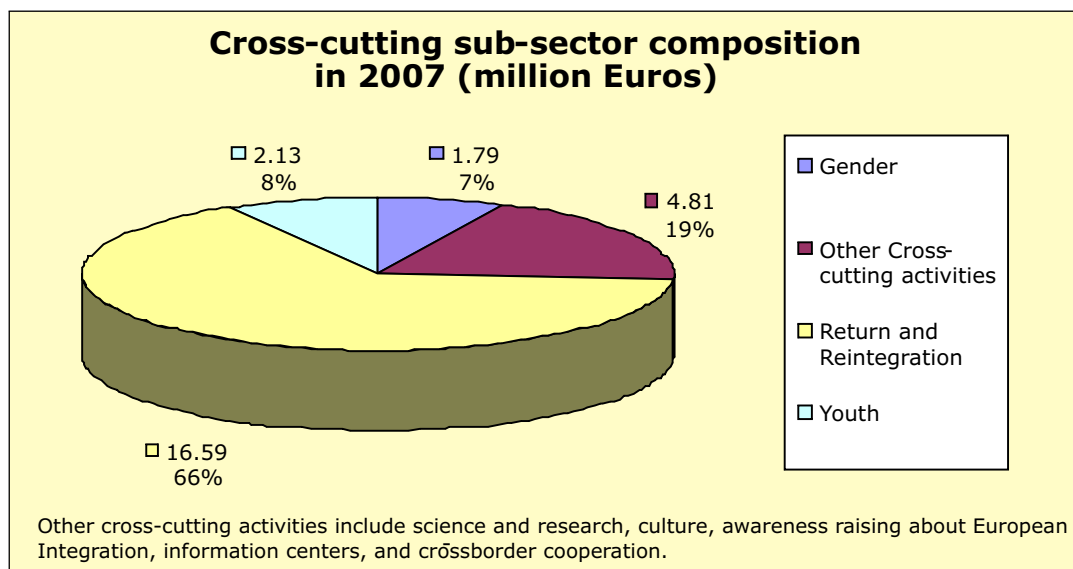
The overall growth in local ownership is also clearly evident in this sector. Yet international agencies still need to focus on building local capacity, continue trainings at the municipal level, and ensure that local-level partners are able to pick up where donors leave off. There appears to be genuine interest among local stakeholders to take the reigns and continue the reforms currently underway in this sector.

As far as donor coordination is concerned, international agencies are in favor of an institutionalized system of synchronization, both to avoid overlap and to ensure greater effectiveness of aid. Donors appear ready to expand the current project-level coordination to the sectoral level. For this to happen, coordination efforts undertaken thus far must be examined, with lessons learned and past stumbling blocks overcome.



CROSS-CUTTING SECTORS

In the case of Bosnia and Herzegovina (BiH), Gender, Youth and the Return and Reintegration of refugees and internally displaced persons (IDPs) are three of the most important cross-cutting sectors and thus merit separate discussion. It is necessary to focus on each of them as they highlight characteristics that are oftentimes crucial for the individual's life-chances in BiH. Moreover, the furtherance of social inclusion in BiH is to a large extent contingent upon reforms in these sub-sectors. No social inclusion policy can be drafted and successfully implemented without taking into account the problems women, young people and returnees face in BiH.

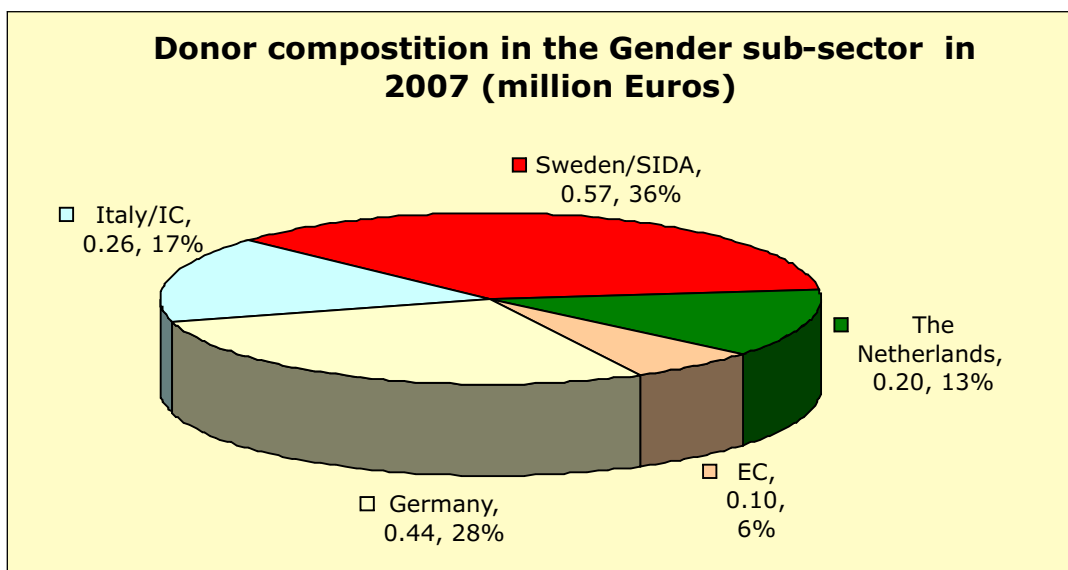


When asked about the main strengths of BiH, 39% of respondents identified young people as the country's major asset.⁸² This answer is indicative of the heart-felt conviction many citizens share: it is worthwhile to support young people because the future lies in their hands. In spite of this awareness, youth constitute not only one of the most valuable, but also one of the vulnerable groups in society.

Women make up another group that can be justifiably called vulnerable. However, in BiH just like in most countries in the world, there is little awareness of the fact that women are at a disadvantage when compared to men belonging to the same social class and age group. For this reason it is very important not to discuss gender as a self-explanatory category. Conversely, one needs to demonstrate its potential to account for social injustices on the basis of other characteristics that are considered more "objective," like social class, vocation, place of residence, or education.

Internal and external displacement afflicted some 2.2 million of BiH residents during and after the war in the 1990s. Over 125,000 persons have still not returned to their pre-war homes. The scope of war-related displacement of individuals, families, and communities is so wide that only area-based efforts combined with individual initiatives can help people find durable solutions and reintegrate during the lifetime of the generation most affected by the war. To a large extent, this last condition refers to the other two cross-cutting categories discussed above. In the case of Youth and Gender, the involvement of the potential beneficiaries of reforms has to go hand in hand with the introduction of legal measures to address the problems impacting minors and women.

⁸² UNDP-commissioned survey conducted by Oxford Research Institute, *The Silent Majority Speaks* (Sarajevo: UNDP, 2007), 37.



(EVS) component.⁸⁵ UNDP/UNV is the major implementation partner for EVS in BiH. By agreeing to volunteer, young people from BiH receive accommodations, free health insurance, and a living allowance. Minors from vulnerable or marginalized groups are especially encouraged to apply to the EVS. Clearly, the volunteering opportunity provided by the EVS is a unique chance for young people in BiH not only to enhance their skills, but also to travel and work abroad. Over the coming years, youth issues are expected to become a priority for the EC.

UNDP/UNV likewise assists youth volunteerism and empowerment. The emphasis the EC and UNV place on volunteering as an opportunity accessible to young people, as a means of gaining work experience and honing one's skills is most needed and commendable. The idea of volunteering has been largely disparaged in former communist countries. Studies show the practice is still not popular among BiH youth. Keeping in mind the above-mentioned prevalence of young people among the unemployed, youth have extremely limited opportunities to gain the work experience required by most employers. Hence volunteering in civil society organizations as well as in other sectors including for example national institutions, international organizations and the private sector is a good start for them as they can benefit from a number of non-material rewards it offers.

In addition to the EC and UNV, there are several bilateral donors that have programmes exclusively supporting youth issues. **France** assists youth through creating education programmes as well as by financing projects of civil society organizations dealing with youth in BiH. As far as these activities are concerned, France focuses on using education (e.g. French language classes) to engage and connect young people of all ethnicities. France also supports students by financing research visits to France, and assists student associations and other NGOs involved with youth issues.

In 2007, **Sweden/SIDA**, through Forum Syd, assisted youth NGOs in BiH. Forum Syd endeavored to bridge ethnic groups and foster reconciliation by supporting youth education and youth clubs, working closely with 20 such clubs in BiH.

Italy/IC also helps youth NGOs in BiH, but its major focus is on the employment of young people. In 2006, Italy/IC conducted a *Study on Youth Employment in BiH*.⁸⁶ Italy/IC opened a credit line (€ 0.4 million) to support young entrepreneurs. Additionally, Italy/IC is continuing the implementation of a project that Germany/GTZ started. Namely, Germany/GTZ trained local government civil servants (i.e. Youth Officers) from 20 municipalities to provide support to young people as well as to develop a youth strategy or curriculum.

In general, **Germany/GTZ** puts emphasis on strengthening state-, entity-, and local-level governments' capacities to cope with youth's problems. Germany/GTZ works in more than 25 municipalities throughout BiH and is supporting youth NGOs as well as local governments as they address issues in this sector. It has facilitated the creation of seven youth centres, of which some now generate their own income. Towards the end of 2007, GTZ, together with Green

⁸⁵ The Youth in Action programme can only be accessed through the cooperation of at least two countries. Its scope can be expanded by creating international partnerships and exchanges.

⁸⁶ For more information, see www.mladi.gov.ba/index.php?id=21&option=com_content&task=view&lang=en.

Youth

Sector definition	In this report, youth refers to individuals up to the age of 30. The Youth sub-sector deals with activities that impact young people's lives. DAC codes: 43010, 998.
Key DCF donors	Austria/ADA, France, Germany/GTZ, Italy/IC, the Netherlands, Sweden/SIDA, the EC, and UNDP/United Nations Volunteers (UNV).
Other key international organizations (IOs)	United Nations Population Fund (UNFPA) and UNICEF
Key government partners	The Youth Department at the Ministry of Civil Affairs (MoCA), Commission for the Coordination of Youth Issues, the RS Ministry of Youth and Family, and the Youth Centre at the FBiH Ministry of Sports and Culture.
Total donor allocation to the sector in 2007	€ 2.13 million.
Sector strategies	There is no state-level youth strategy. The RS has a Youth Policy 2006-2010, but the FBiH does not have similar structures advocating youth-related activities.
Donor coordination	No formal coordination involving all donors active in the sub-sector. Regular bilateral meetings between GTZ and several other donors.

Overview

Youth is a cross-cutting issue which is also relevant to the following sectors: Human Rights, Civil Society, Education, Health, Gender as well as Economic and Social Development. Nonetheless, its separate discussion is merited, as young people in BiH are concomitantly one of the most vulnerable groups and the future of this country. Studies conducted over the past several years registered a steady percentage of young people declaring they would like to emigrate.⁸³ The low employment rate among youth, their low assessment of the education system, the perceived lack of perspective and the unstable political situation represent the most important factors in minors' reluctance to live in BiH. These realities are indicative not only of young people's state of anxiety, but also of their acute awareness that their life-chances are to a very limited extent contingent upon their individual effort to mold their future.⁸⁴

Therefore national and international institutions alike have to address young people's problems as a high priority. This need has been recognized, for example, by several donors who support the sub-sector via different youth-related projects.

Donor activities in 2007

As mentioned above, certain aspects of the cross-cutting Youth sub-sector have been indirectly addressed by donors assisting reforms in other related sectors. Nonetheless, some agencies also have programmes and projects explicitly focusing on young people. The donors in the Youth sub-sector are Austria/ADA, France, Germany/GTZ, Italy/IC, the Netherlands, Sweden/SIDA, the EC, UNDP/United Nations Volunteers (UNV) and UNICEF. Of these donors, Germany/GTZ, Italy/IC, the Netherlands, Sweden/SIDA, the EC, and UNDP/UNV contributed € 2.13 million to ongoing activities during 2007. Others remained involved in the sector through continuing projects or by providing policy advice.

The 2007-2013 youth portfolio at the **EC**, called *Youth in Action*, is aimed at young people aged 15-28 (or 13-30 in some cases). The current youth portfolio's major goal is to instill the virtues of active citizenship, solidarity, and tolerance among young Europeans as well as to involve them in molding the Union's future. At present, BiH is eligible only for the European Voluntary Service

⁸³ For example, according to the 2005 *Independent evaluation of the national youth policy in Bosnia-Herzegovina* by the Youth Information Agency (Omladinska informativna agencija), 77% of young people want to leave BiH, and a quarter of them declared they would not return if they succeeded in their plans. The 2007 *Silent Majority Speaks*, published by UNDP, uncovered that 39% of all people from BiH would emigrate if given the chance and the highest percentage of potential emigrants were to be found among the 18-29 years old (62.6%). Indeed, there is no reliable data regarding the percentage of young people actually leaving BiH. Nonetheless, one could intuitively argue that youth's financial situation and the formal requirements demanded of BiH citizens wanting to leave the country severely limit young people's chances to move away.

⁸⁴ All the more worrying is the fact that over the past few years, the situation of youth in BiH hasn't improved significantly. See *The Conditions of Youth in Bosnia and Herzegovina and United Nations Joint Programming* (2007).

Visions and selected youth NGOs and municipalities, began a small-scale project to develop youth tourism in BiH.

At the end of 2005, Germany/GTZ and a consortium of Italian NGOs together with the BiH Ministry of Civil Affairs (MoCA) supported the establishment of the Commission for Coordination of Youth Issues (CCYI). This national-level structure brings together 18 representatives from state and entity institutions, the Brčko District, civil society youth organizations, etc. The CCYI is an advisory body with direct responsibility to the Council of Ministers (CoM). Its main goal is to develop a cross-sectoral youth policy. Towards this end an *Analysis on the Youth Sector and Youth Issues* in BiH is being conducted by the consulting research company Prism Research and financed by Germany/GTZ. The first meeting of the CCYI, Germany/GTZ, and Prism Research took place in October 2007. In addition, GTZ works directly with young people by organizing courses to cultivate and empower future youth leaders.

The Netherlands supported the establishment of a Youth Information Centre in the Municipality of Srebrenica. Finally, **Austria/ADA** has been aiding efforts to reduce youth unemployment in BiH by improving the employability of new entrants into the labour market and unemployed youth. Austria/ADA has also collaborated with private sector labour market service providers and initiated dialogues about policy concerning youth. Austria/ADA did not report any allocations to the sector in 2007.

Sector strategies

To date there is no state-level youth strategy in spite of the two years' existence of the CCYI. The former Medium-Term Development Strategy (MTDS) only envisioned measures to increase youth employment. In May 2007, the CCYI began the process of developing Youth Policy in BiH. This national guiding document is expected to be completed by the end of 2008. In addition, more than 40 local youth policies should be ready by mid-2008. They will include action plans created with the support of the GTZ and the consortium of Italian NGOs.⁸⁷

The Republika Srpska (RS) has a Youth Policy 2006-2010, which is considered fairly comprehensive by some donors, and is implemented by the RS Ministry of Youth and Family. The Ministry's staff is however insufficient in number and the body as a whole needs to build its capacity. The Federation of BiH (FBiH) does not have similar structures advocating youth activities. With the assistance of GTZ, the FBiH should have a Youth Policy draft ready by the summer of 2008. This document is currently being finalized.

Positive developments and challenges in the sector in 2007

Although the procedures for recruiting CCYI members as well as the Commission's effectiveness are considered wanting, donors are satisfied that MoCA has recently allocated more resources to support it. This is interpreted as a positive sign and an indication of CCYI's increasing political importance. The Commission is expected to come up with a national strategy soon. The GTZ actively aids its work towards this end. It has been pointed out, however, that the Commission needs permanent staff in order to effectively carry out its duties. Currently CCYI membership consists of appointed full-time employees from entity and state governmental institutions as well as elected representatives from the civil society sector. CCYI members meet on a monthly basis. Hence the CCYI clearly needs an executive body of professionals employed for the purposes of devising a national youth strategy as well as implementing action plans once these are finalized.

Although international agencies generally commend the very existence of an RS Youth Law, they believe it needs to be revised in order to clearly delineate what the RS Government's responsibilities are for youth. Also, donors call for the organization of trainings for the RS Ministry of Youth and Family's employees.

As far as the FBiH is concerned, there is a Youth Centre in the FBiH Ministry of Sports and Culture. However, the Centre has no official recognition of its mandate. Thus, the FBiH draft Youth Law has been pending for over a year.

⁸⁷ From April 2008, GTZ with the Association of Civil Servants for Youth (USM) will be supporting local-level governments to create local youth strategies and action plans.

The existence of 14 Local Youth Strategies with budgets from the local municipalities approved by the municipality councils is a step in the right direction. Also, the recommendation to establish a Youth Referent in each municipality is considered a positive development in the sector. The Youth Referent is meant to serve as a mediator between the Youth Association and the municipality, assisting the latter as it defines youth policy and earmarks funds for it in the budget. This ensures that the resulting projects are tailored to local needs. However, the qualifications of some of the people fulfilling this function are sometimes questioned. So far the basic training for Youth Referents, developed by the GTZ, is not obligatory, nor fully recognized by the government.

An example of fruitful cooperation in 2007 between a domestic professional organization and local governments is in the work of the Association of Civil Servants for Youth (USM, or *Udruženje Sluzbenika za Mlade*). USM has been assisting local municipalities in drafting and developing their local youth strategies. The municipalities are able to pay for this service and are therefore a source of income for USM.

Another positive development that merits attention is the successful nationalization of the UNV regional programme for youth exchange *RiverSee* in the Western Balkans.

Generally speaking, donors were only able to identify minor achievements in the Youth sub-sector in 2007. Donors also raised the issue that youth in BiH have to become more proactive about articulating their needs both to international agencies and BiH authorities. In fact, NGOs like the Youth Network for Changes (*Mreža mladih za promjene*) which represents some 25 youth NGOs do try to exert some influence on decision-making related to youth issues. They limit their attempts to publicly announcing declarations and generally appealing to authorities to introduce reforms that would benefit younger and older generations alike. It is in the power of authorities themselves to invite such youth NGOs to take part in ongoing reform processes. Such common undertakings do bear fruit as demonstrated, for example, by the involvement of students in drafting the Higher Education Framework Law.

Coordination and ownership

In January 2007, UNV initiated a working group, inviting all donors that support youth activities for an informal information exchange to streamline projects. To the donors' regret, this coordination meeting was not repeated. However, international agencies have diverging ideas regarding the possible coordination of their activities. Some argue that coordination of efforts would be justified if donors had a common vision regarding the Youth sub-sector. Other international agencies are not worried about the diversity of approaches implemented to address youth-related issues. Still others believe that formal coordination is not needed as donors working with youth issues know each other personally and therefore they could exchange information on the spot if such a need arises. Those who support the idea of having formal gatherings cannot reach a decision as to whether such events should be chaired by an international agency or the CCYI. However, donors do agree that coordination meetings have to be result-oriented. Also, they insist that future gatherings should involve a smaller number of participants than were present at previous events.

As far as ownership of the Youth sector is concerned, donors noted that governmental bodies on the municipal and cantonal levels currently boast better ownership of the process than the state-level government. Yet, as international agencies underlined, there is room for optimism because, in general, ownership has been increasing for the last few years. Currently, youth councils are established in each municipality in the RS. The FBiH does not have similar structures to advocate for youth-related activities. However, the respective Ministries in both Entities are said to lack clear programmes or finances for youth issues. Most pressing, however, seems to be the situation at the state level. Namely, the Youth Department at MoCA currently employs less than three people. This fact, coupled with the lack of full-time staff working on substantive issues at the CCYI, delays the progress of state-level reform in the Youth sub-sector.

Future activities

International agencies working with state-level institutions urgently call for the establishment of relevant bodies with whom they can cooperate. Thus, in order to access EU funds, BiH needs to have institutions in place that deal with youth issues. Conversely, donor agencies focusing on the most pressing problems facing young people in BiH today identify cross-cutting areas of concern. These include the following: combating youth unemployment, strengthening NGOs' youth programming, and training and supporting youth specialists, youth workers as well as youth leaders.

Donors are aware that young people are not a uniform group. For this reason international agencies identify the need to introduce programmes specifically aimed at supporting rural youth as well as minors with disabilities. The particularly disadvantaged position of Roma girls is an area of concern that needs to be addressed by both international agencies and domestic authorities.

Donors argue that the promotion of intercultural dialogue has to be high on the agenda in the Youth sub-sector, too. They believe that exchange across ethnic groups is best established via small initiatives focusing on issues of common interest for all parties involved.

Last but not least, international agencies appeal to young people themselves to consider joining or founding initiatives that could strive for systemic solutions to youth problems in BiH rather than just resort to individual exit strategies. Nonetheless, in order to make youth believe that it pays off to be proactive, authorities at all levels need to support young people by creating the conditions necessary for enhancing minors' involvement in public life. The first step has already been initiated by several municipalities to develop local youth strategies and action plans by involving all the local stakeholders and young people.

Sector definition	Based on DAC definitions, the Gender sub-sector entails support for institutions and organizations (governmental and non-governmental) working for gender equality and women's empowerment. DAC codes: 15164, 43010.
Key DCF donors	Austria/ADA, Canada/CIDA, France, Norway, Spain/AECID, Sweden/SIDA, UK/DFID, and UNDP.
Other key international organizations (IOs)	United Nations Population Fund (UNFPA), United Nations Development Fund for Women (UNIFEM), UNICEF, United Nations Economic Commission for Europe (UNECE), and the Organization for Security and Cooperation in Europe (OSCE).
Key government partners	The BiH Agency for Gender Equality at MHRR, the BiH Parliamentary Commission for Gender Equality, the Entity Commissions for Gender Equality, the Entity Gender Centres, the Entity Parliamentary Commissions for Gender Issues, and the Statistical Bureau.
Total donor allocation to the sector in 2007	€ 1.79 million.
Sector strategies	Gender Action Plan ⁸⁸
Donor coordination	There are bilateral, project-related meetings. The United Nations Gender Group (UNGG) has been meeting regularly.

Overview

In common parlance “sex” and “gender” are frequently used interchangeably. However, unlike the term “sex,” which describes the biological differences between men and women, “gender” refers to the social and cultural roles attributed to and oftentimes internalized by men and women. Keeping in mind that in the public and private spheres alike it is usually women who are underprivileged, the concept of gender has been overwhelmingly utilized to highlight the inequalities between men and women that result from differently valued notions of masculinity and femininity. Thus, by speaking about gender equity and gender mainstreaming, it is inferred that women should be guaranteed the same rights and opportunities for personal development as men have in the respective society.

When compared to men, women are underprivileged as a group in all human societies. In the former communist bloc, it was instilled in the hearts and minds of these countries' citizens that unlike women in the “capitalist West,” women in communist countries enjoyed equal rights with men. In the post-communist period, since the first democratic elections in former Yugoslavia, gender inequalities have increased. There are two key factors that contributed to this change: the closure of state enterprises and the resulting layoffs (which saw women more likely to lose their jobs than men), growing competition for employment and economic insecurity; and the increased popularity of nationalism, which emphasizes traditional gender roles, in particular the importance of motherhood in the 'production' of the nation. These last developments took place after the end of the war in 1995. In this sense, the post-conflict period has shown a rise in gender inequalities, while the socialist period has contributed to a common perception that gender issues have already largely been dealt with and do not deserve particular attention.

Being a post-conflict and transition country, Bosnia and Herzegovina (BiH) needs to concurrently address many problem areas. As it happens in such cases, gender issues are neither identified as a weakness nor pointed out as a policy priority by BiH citizens.⁸⁹ Furthermore, the emphasis placed on the three major ethnicities in BiH eclipses other types of differences shared by the whole population. Nonetheless, the fact that gender discrimination breeds further inequalities⁹⁰ has been recognized by some donors and BiH authorities alike.⁹¹ Both have addressed the Gender sub-sector with due attention and some of the tangible results of their work will be presented in what follows.

⁸⁸ For more information see www.arsbih.gov.ba/?PID=7&RID=296.

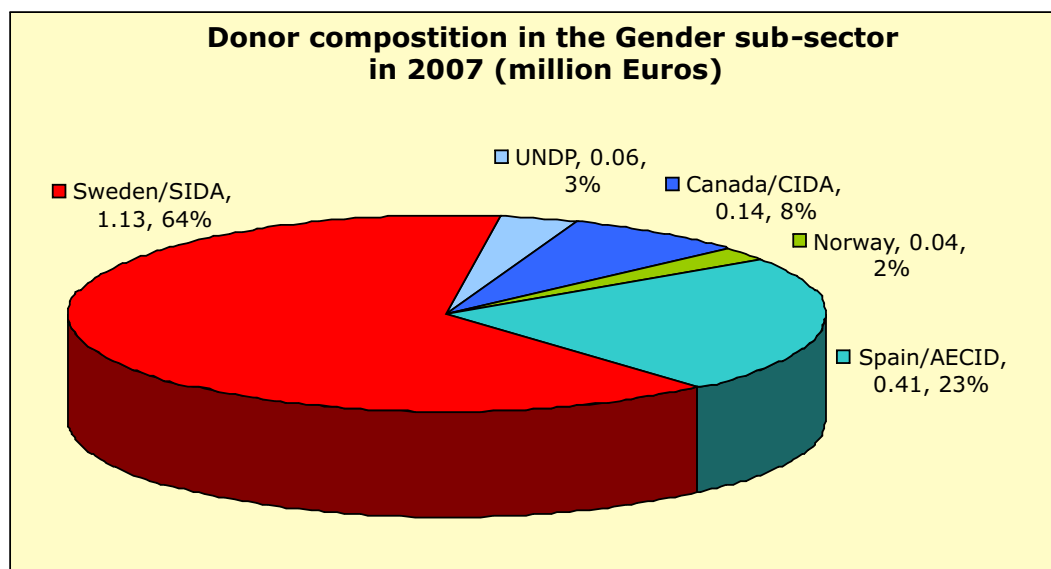
⁸⁹ According to the 2007 *Silent Majority Speaks* report published by UNDP, the perceived top five main weakness of BiH are unemployment, corruption, politicians, politics, and the economy. The top policy priorities in this report likewise reflect neither an awareness of gender inequality nor a perceived need to tackle it with urgency.

⁹⁰ A few examples illustrate this point: unequal access to education translates into unequal chances in the labour market; shorter involvement in paid labour (due to unpaid maternity leaves), earlier retirement age for women, and lower salaries for the same type of job translate into lower pensions or no social security at all, etc.

⁹¹ Initially the need for gender mainstreaming was identified primarily by international donor agencies and domestic NGOs.

Donor activities in 2007

The donors explicitly supporting gender issues in BiH are Austria/ADA, Canada/CIDA, France, Norway, Spain/AECID, Sweden/SIDA, UK/DFID and UNDP. Of these donors, Canada/CIDA, Norway, Spain/AECID, Sweden/SIDA, and UNDP contributed € 1.79 million to ongoing activities during 2007. Austria/ADA, France, and UK/DFID remained involved in the sub-sector through continuing projects and providing policy advice.



Since the adoption of the Gender Law in 2003, **UNDP** has been supporting its implementation, partly by assisting local governments and civil society organizations working in gender mainstreaming. Together with other donors, UNDP also took part in several additional initiatives in 2007. For example, UNDP and **Canada/CIDA** assisted the *Sub-Regional Gender Programme* including Serbia, Montenegro, Kosovo and BiH. Also, together with the International Labor Organization and the United Nations Development Fund for Women (UNIFEM), UNDP has been working on gender legislation regarding employment and access to economic resources. In 2007, UNDP together with gender mechanisms and civil society organizations developed a Gender Action Plan (Gender AP) implementation project. UNDP also continuously works on introducing gender mainstreaming in all its programmes, projects, and operations.

UNDP, **Norway**, **Austria/ADA** and **Sweden/SIDA** jointly supported the establishment of the Gender Studies master's degree programme at the Centre for Interdisciplinary Postgraduate Studies at the University of Sarajevo.

In 2007, BiH Gender Agency, assisted by Sweden/SIDA, developed two projects: one to support the capacity building of the BiH Gender Agency, and another to aid the Fund for the Implementation of the Gender AP. Sweden/SIDA is also the main funder of *Kvinna Till Kvinna*,⁹² an organization which supports BiH NGOs working to strengthen women's psychological and physical health, enhance their self-esteem, and empower them to actively participate in the building of an equitable and democratic society.

France assists women NGOs from different parts of BiH. France focuses on cross-cultural issues that transcend ethnic divides, like trafficking of women, women's rights at the workplace, sexual harassment, etc. They also financed a study visit to France for the director of the BiH Gender Equality Agency. **Spain/AECID** is currently supporting an initiative aimed at the social and labour reintegration of women victims of gender violence. They are also strengthening the capacities of the local NGO *La Strada*, which fights human trafficking. **UK/DFID** does not contribute financially to this sub-sector, but is an active member of the donor group meetings on Gender which are currently led by Sweden/SIDA. UK/DFID also promoted better understanding of Gender mainstreaming issues amongst the donor community by initiating locally-held, joint training courses.

⁹² *Kvinna till Kvinna* (Woman to Woman), a Swedish organization supporting women in war and conflict zones, is active in the Balkans, the Middle East, and the Caucasus.

Sector strategies

The Gender AP, developed by the BiH Gender Equality Agency, was passed in 2006. It is rooted in other relevant documents, both national and international. The Gender AP consists of a global component, 15 chapters and concrete actions.

BOSNIA AND HERZEGOVINA GENDER ACTION PLAN	
Chapter I	European integration in the light of gender equality
Chapter II	Cooperation and capacity-strengthening
Chapter III	Macroeconomic and development strategies
Chapter IV	Gender sensitive budgets
Chapter V	Political life and decision-making
Chapter VI	Employment and labour market
Chapter VII	Social inclusion
Chapter VIII	Gender sensitive media
Chapter IX	Lifelong education
Chapter X	Health, prevention and protection
Chapter XI	Domestic violence, violence on the grounds of sex, harassment, sexual harassment and trafficking in human beings
Chapter XII	The role of men
Chapter XIII	Reconciliation of professional and family life
Chapter XIV	Gender and sustainable environment
Chapter XV	Information and communication technologies

In addition to the state strategy, an EC Roadmap exists for achieving equality between men and women. EU equal opportunity directives and policies have informed the development of the Gender AP. The Gender AP is also in line with the Millennium Development Goals (MDGs) as it refers to all eight MDGs, setting three in particular as priorities for BiH. The Beijing Platform for Action has been important for the elaboration of the Gender AP. Donors consider the Gender AP a good strategic document that as of yet remains to be implemented.

As far as the institutional gender mechanisms in BiH are concerned, there is one state Gender Equality Agency and two entity Centres - Gender Centres of the Federation of BiH (FBiH) and the Republika Srpska (RS) - responsible for the implementation of the Gender AP. The Gender Centres of the FBiH and the RS operate as expert bodies of entity governments. The directors of the BiH Gender Equality Agency and the entity Gender Centres are members of the Gender Coordination Board. However, to date there is no gender mainstreaming within state- and entity-level line ministries.

There is a need for experts to work together with local governments and relevant ministries to develop and enact local plans. In addition to technical assistance, domestic authorities need additional financial support to implement the Gender AP. Generally speaking, donors are of the opinion that, with the tangible outputs achieved notwithstanding, a shift from outputs to outcomes is now needed in order to put into practice the existing legal and institutional framework of the Gender sub-sector.

Positive developments and challenges in the sector in 2007

Donors praise the work of the Gender Coordination Board, as it constitutes a very good example of cooperation between state- and entity-level institutions. However, international agencies recognized the need to strengthen the capacity of these institutions by increasing their staff. Importantly, donors gave positive assessments of not only the commitment of the gender-related state institutions, but also the tangible impact of civil society organizations working on women's issues.

The Fund for the Implementation of the Gender Action Plan was planned by Sweden/SIDA, UK/DFID, the EC and Norway. This Fund is supposed to be managed by the BiH Ministry of Foreign Trade and Economic Relations, Council of Ministers and the BiH Ministry of Human Rights and Refugees. It is expected to become operational at the beginning of 2009.

The Council of Europe (CoE) announced 2007 as the year of fighting violence against women. This fact illustrates the worldwide awareness of this acute problem. Within the United Nations Gender Group (UNGG), three agencies are focusing on fighting violence against women: UNFPA, UNIFEM and UNICEF. UNDP has assisted this initiative through direct support of BiH gender mechanisms and civil society organizations in their efforts to work on BiH Gender Law implementation.

UNDP introduced the gender perspective during a series of human rights trainings for journalists provided by Italy/IC. In addition to that, UNDP organized the training of judges, prosecutors, and relevant ministries' staff on gender issues. UNDP considers all these initiatives as successes achieved in 2007. At the same time it has been recognized that the introduction of gender-sensitive language in laws has been and still is very difficult to achieve. The reason for this is the low awareness not only among the population at large, but also among legislators that gender mainstreaming is about introducing the gender perspective into all relevant spheres of life. At best gender issues are equated with human rights. Therefore the challenge is not only to spread gender awareness, but also to highlight the fact that it encompasses more than human rights issues.

Coordination and ownership

In the past there were efforts to coordinate donor activities through regular meetings chaired by the Director of the BiH Gender Equality Agency. At present there are only bilateral, ad hoc, project-based meetings between the Agency and each sponsoring institution. In order to avoid overlap and synchronize their activities, donors agree there is a need for better coordination, especially regarding the establishment of investment priorities.

The UNGG, established in 2002 and currently including 11 United Nations agencies, constitutes an example of regular coordination of activities. The UNGG developed a joint annual working plan to support the Gender Law as well as the implementation of the Gender AP and the international conventions and treaties of which BiH is a signatory.

The establishment of the Gender AP is a result of successful cooperation among donors as well as a sign of increasing national ownership.

Future activities

In spite of their explicit satisfaction with the existing gender-related legal framework and institutional infrastructure in BiH, international agencies are of the opinion that a lot remains to be done in the area of gender mainstreaming. Importantly, some of the donors admitted they themselves need to improve their gender-promotion mechanisms in order to successfully champion the introduction of gender mainstreaming in BiH. In concrete terms, donors call for incorporating a gendered approach into *all* their projects. This recommendation is valid for BiH institutions, too. In other words, the key priority for the near future is to increase awareness about Gender as a cross-cutting topic. Thus, it is necessary to establish procedures and communication lines in order to integrate cross-cutting issues like Gender into all relevant documents and activities.

To illustrate this last point, one can look at social inclusion statistics broken down by gender. Although the term "feminization of poverty" has become a commonplace statement in social studies of poverty, to date there are no conclusive statistics regarding this issue in BiH. Nonetheless, existing data confirms that elderly women and single women appear to be among the most vulnerable groups as far as long-term poverty is concerned. Education is another area where gender-based differences can be observed. UNICEF and the BiH Gender Agency carried out a gender assessment of primary school textbooks that confirmed a considerable number of gender stereotypes. As mentioned in the Youth sub-chapter in this report, 27% of girls drop out of

school after finishing primary-level education. Also, while 6% of male BiH citizens do not have any school education, the percentage among women is almost three times higher, at 17%.⁹³ Gender-based discrimination in the workplace and in the private sphere has been documented as well.

The co-existence of several variables, like gender, age, ethnicity, education and place of residence - for example, an elderly, Roma female living in a village when compared to a white, university - educated, city-dwelling man - is known to put those individuals at a significant disadvantage. Most often gender is one of the independent variables conditioning the life-chances of the individual. The awareness of this simple fact could facilitate the successful implementation of reforms that only seem to appear to have nothing to do with gender.

Being a universal value, gender equality has to be incorporated into all relevant spheres of life. Gender-sensitive amendments of legislation have to be coupled with positive active measures to enforce laws and spread gender-awareness. Donors and BiH citizens alike need to understand that no effective, long-term solutions to the most-pressing problems BiH society faces nowadays can be introduced without taking into account cross-cutting variables such as Gender.

⁹³ *Social Inclusion in Bosnia and Herzegovina* (NHDR UNDP, 2007), 43.

Return and Reintegration

Sector definition	<p>Based on DAC definition, the Return and Reintegration sub-sector is defined as:</p> <ul style="list-style-type: none"> • Shelter, water, sanitation and health services, supply of medicines and other non-food relief items; • Assistance in the repatriation of refugees to country of origin; • Return of refugees and internally displaced people. In BiH, return and reintegration projects additionally comprise: • Housing policy and administrative management; • Population policy and administrative management; • Reconstruction relief; • Rural development; • Urban development and management; • Promotion and technical assistance to enhance returnees' and IDPs access to rights. <p>DAC codes: 13010, 16030, 16050, 430, 730.</p>
Key DCF donors	Germany/GTZ, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, the EC, and UNDP.
Other key international organizations (IOs)	United Nations High Commissioner for Refugees (UNHCR) and the Council of Europe Development Bank (CEB).
Key government partners	The BiH Ministry of Human Rights and Refugees, the FBiH Ministry of Refugees and Displaced Persons, and the RS Ministry of Displaced Persons and Refugees.
Total donor allocation to the sector in 2007	€ 16.59 million.
Sector strategies	A state-level strategy for the implementation of the Annex VII of Dayton Peace Agreement (DPA) is being revised at the moment.
Donor coordination	State Commission for Refugees and Displaced Persons (SCRDP).

Overview

During the war in the 1990s it is estimated that almost half of Bosnia and Herzegovina's (BiH) 4.35 million inhabitants fled or forcibly left their homes.⁹⁴ The Dayton Peace Agreement (DPA), which ended the war in BiH, is explicit about the right of return in Annex VII, the need to find durable solutions for refugees and displaced persons, and compensation.⁹⁵ In the direct aftermath of the conflict, large amounts of resources were allocated to meet the provisions of the DPA. These funds were mainly channeled through international agencies, but have, over time, decreased as donors have begun to shift their attention from humanitarian assistance to long-term development, with projects like creating employment opportunities for returnees.

The first four years of peace saw large-scale return by both refugees and IDPs to areas where their own ethnic group made up a numerical majority. Yet, for those whose group was a numerical minority in any particular area, ethnic agendas and entrenched power structures of nationalist parties kept minority returns to a minimum. By 2000, however, minority returns increased. This trend has continued, as people seek to return to their pre-war homes in ever-larger numbers.⁹⁶ Overall, according to the United Nations High Commissioner for Refugees (UNHCR), around 1 million people have exercised their right to return to their homes since the ending of hostilities.

The challenges of the Return and Reintegration of refugees and internally displaced persons (IDPs), thirteen years after the war's conclusion, remain: 1) ensuring equality and non-discrimination, in particular for minority returnees, to access public services and their rights in all sectors, including health, social protection, employment and education; 2) re-establishing livelihoods; 3) connecting with the institutions that will protect returnee rights; and 4) regaining access to productive assets, such as land and property and shelter support for those returnees (especially those whose pre-war housing was in socially-owned apartments) who have been unable to benefit from the programmes focused on reconstruction of houses.⁹⁷ It is important to

⁹⁴ EC Functional Review (2005), 9

⁹⁵ The Dayton Peace Accords, Annex VII, 1.

⁹⁶ The Continuing Challenge of Refugee Return in Bosnia and Herzegovina, Europe Report N°137 (International Crisis Group, December 13, 2002), i.

⁹⁷ No Refugee: The Challenge of Internal Displacement (UN Office for the Coordination of Humanitarian Affairs, 2003), 97.

note that there are both economic and social aspects to sustainability within a return area. Returnees must have the ability to make a living for their families beyond the brief transitional period when external assistance may be provided and they must have equal access to social protection entitlements. As a result, donors to this sub-sector have increasingly begun to work on economic sustainability, social inclusion, and local capacity building.

Acknowledging that the issue of Return and Reintegration is cross-cutting and therefore conditional upon various factors, including respect for human rights, social inclusion, economic development as well as capacity building this chapter will emphasize donor activities in all of these areas.

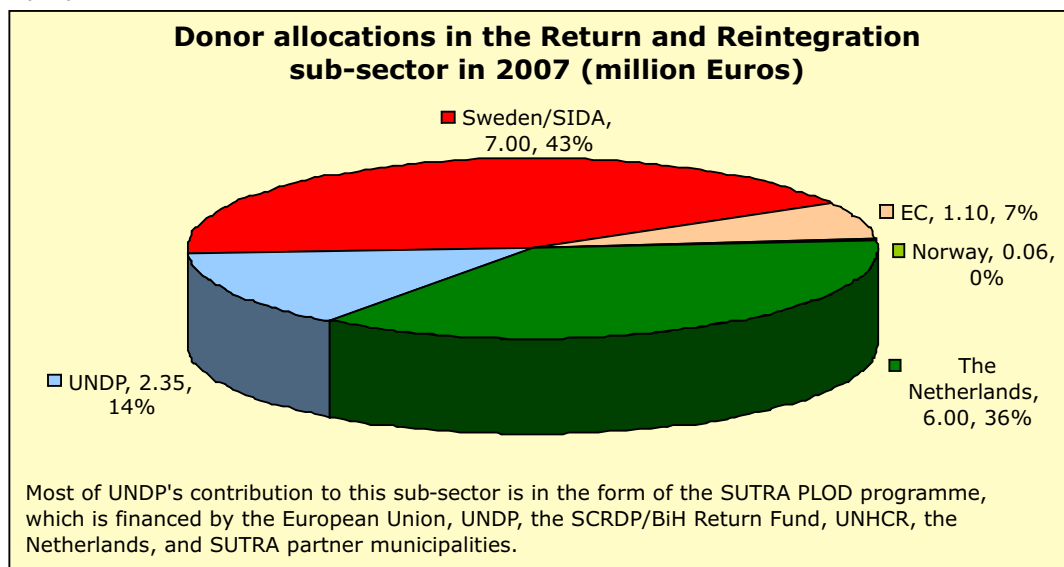
Donor activities in 2007

The donors to this sub-sector are Germany/GTZ, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, the EC, and UNDP. Of these donors, the Netherlands, Norway, Sweden/SIDA, the EC and UNDP contributed € 16.59 million during 2007. Others, such as Spain/AECID, remained involved in the sector through continuing activities or by providing policy advice. UNHCR, since 1992, is the designated lead United Nations agency for the international response to displacement in BiH. UNHCR also has specific responsibilities under the DPA to facilitate return and durable solutions for refugees and IDPs. Non-DCF donors working in Return and Reintegration include the Croatian government and the Council of Europe Development Bank (in the form of loans for collective homes). These donors focus on the realization of the Implementation Strategy of DPA Annex VII, social inclusion, and local capacity building.

The **EC** has been assisting a wide range of return-related activities, such as the provision of free legal aid and access to legal care, protection of human and minority rights of returnees, reintegration, income generation, education, health services, and agricultural activities, to name but a few. In the near future, however, the EC will reduce its support for this sub-sector and instead focus on Social Inclusion.

The Netherlands' strategy in the Return and Reintegration sub-sector is based on the priorities set by the recipients of its aid and the Dutch's own best-practice experience. The Netherlands has a four-year plan that focuses on the following: returnees (providing housing, infrastructure, and income generation activities), local governance, economic development, and infrastructure. The Embassy looks to implement a nationally and regionally accepted solution for the remaining refugees and IDPs, including an integration of policies in support of sustainable return into the more general socio-economic recovery programmes. Dutch funding to BiH will cease by 2011. Yet because of its special needs, Srebrenica will be singled out and will continue to receive funding.

For many years, Sweden/SIDA had a programme in support of reconstructing houses for returnees. During 2007, which was the last year of support, a total of € 6.9 million was spent for this purpose.



UNDP's Support in Results-based Approach - Partnership for Local Development project (SUTRA-PLOD), which is in its third phase, aims to provide local communities in BiH with the tools to implement return and reintegration projects in a joint effort between local governing bodies, civil society organizations, and businesses. The goal is to lay the foundation for broader development activities in the future. UNDP's SUTRA also assists state-level institutions in creating a coherent policy and administrative framework that will allow return and reintegration projects to unlock the potentials of stakeholders at the local level. Municipal governments are supported in improving the delivery of vital services to those who need them most, above all returning refugees and IDPs. UNDP's SUTRA has been developed as stakeholder-driven in response to the growing need to gradually shift away from pure return and reintegration projects. Thus, its focus is on local and rural development as well as social inclusion, targeting the most vulnerable returnee population clusters, and in turn, creating holistic programming for entire communities in need. UNDP's SUTRA's programme is funded by the EC, UNDP, the SCRDP/BiH Return Fund, the Netherlands, and SUTRA partner municipalities. The SUTRA programme is carried out in coordination with, and with support from, UNHCR.

In order to foster local ownership and build capacity, UNDP's SUTRA focuses on three groups (or "pillars") on the local level: local government, civil society, and the business sector. Representatives from these three "pillars" form Local Action Groups (LAGs) in all 23 participating municipalities. The LAGs are geared to genuinely grow into inter-municipal LAGs that fit the European model of such groups and to contribute to the inter-municipal cooperation predominantly in the sector of rural development. Until now, three regional LAGs have been registered with the BiH Court.

Over the last six years, **Spain/AECID** has been implementing its regional *Programme of Support and Consolidation of the Return and Stabilization in the Balkans*. This project provides free legal aid and access to the judiciary and administrative system for refugees, returnees, and IDPs. It is complemented by a social initiative that helps the most vulnerable beneficiaries of the legal project. The Programme has covered BiH, Croatia, Montenegro, and Serbia, including Kosovo, thus making possible the efficient accomplishment of transnational legal cases.⁹⁸

In 2007, **UNHCR** activities in Return and Reintegration supported free legal assistance to IDPs and returnees, transitional livelihoods and sustainability assistance to returnees, reconstruction of homes and social inclusion of returning collective centres' residents, legal reform and policy development advocacy, and technical assistance to enhance refugees' and IDPs' access to rights. UNHCR monitored the situation of minority returnees and supported the State Commission on Refugees and Displaced Persons.

In 2008, **Germany/GTZ** will finance a project in Foča that aims to reconstruct houses for refugees. **Switzerland/SDC/SECO**, through the Union of Associations of Refugees and Displaced Persons in BiH, will be assisting an initiative to provide the BiH Ministry of Human Rights and Refugees and other governmental institutions with an independent monitoring and evaluation of the process and actions taken by the government in supporting return.

Additionally, they will provide an overview of the concrete developments in the field and suggestions for corrections in the implementation of the BiH Strategy for Implementation of the Annex VII of the General Framework Agreement for Peace (GFAP). Revision of the BiH Strategy for Implementation of the Annex VII of the GFAP has also been financially supported by Switzerland/SDC/SECO. Finally, they have also sponsored the implementation of a housing and return reintegration project in the Upper-Drina Region.

Sector strategies

A state-level Strategy on the Implementation of Annex VII of the DPA has been in place since 2002. The Strategy predicted that the process of return would be completed by the end of 2006, but this has not happened due to political and protection issues, as well as insufficient funding to the sector. The Ministry of Human Rights and Refugees (MHRR), in partnership with UNHCR, initiated the revision of the Strategy in 2007. This multi-sectoral, consultative process created ten working groups, bringing all interested stakeholders, from all levels of government, civil society, and international actors together. These working groups cover the following efforts:

⁹⁸ From 2008, this programme will be continued by a new one, which will focus on strengthening social and economical rights in the region, more specifically workers' rights and social dialogue.

reconstruction, closure of collective centres and social housing; property repossession, compensations, labour and employment, infrastructure, electrification, social protection, health, education, and security, including demining. The Strategy will especially have to focus on the most vulnerable IDPs who cannot return, because this issue has not yet been properly addressed.

The State Commission for Refugees and Displaced Persons (SCRDP) is in charge of coordinating relevant issues for return in BiH. For the financial aspect of this sub-sector, the Return Fund was created in 2003 as part of the Law on Refugees and Displaced Persons at the recommendation of the OHR, UNHCR, the EC, UNDP and the MHRR. The Fund's objective was to build a permanent body and structures to collect aid for return-related issues. The Fund was meant to manage all national and international donations for Return; due to initial management problems and a lack of capacity, however, international contributions are managed outside the Fund itself, while the Commission administers national aid dedicated to the Return sector. However, the funds provided as a loan by the Council of Europe Development Bank (CEB) were channeled through the Return Fund mechanisms. All finances are allocated through the SCRDP, which makes policy guidelines for the investment of return funds.⁹⁹

Positive developments and challenges in the sector in 2007

As previously mentioned, in late 2007, the State initiated a multi-stakeholder consultative process for the revision of the Implementation Strategy of Annex VII of the DPA. The revised strategy will be completed in 2008. Moreover, BAM 38.8 million was allocated within the state budget for the Return Fund, which is an unprecedented amount for BiH. These developments provide an indicator of the priority placed by the CoM on completing the work of Annex VII to ensure durable solutions for displaced persons. This partially has to do with that fact that the EC's Functional Review has recommended that the MHRR be transformed into a ministry with a mandate for social protection.¹⁰⁰ Domestic actors are aware that the issues of return must be solved before signing the EU Accession Agreement.

After ten years of operation, the activities in this sector have become more results-oriented. In 2007, UNDP's SUTRA branched out into apartment building construction. The initiative, co-financed by the government, municipalities, and donors, was able to meet the goal of 400 homes in UNDP's SUTRA third phase, of which more than 50 are

A successful example of ensuring economic sustainability can be found in UNDP's SUTRA's work. SUTRA's activities aim at long-term returnee self-sustainability. Key to this is finding returnees employment in the municipality of return. To this end, SUTRA compensates employers for hiring returnees. Data indicates that this innovative idea has been very successful in employing returnees and has been well accepted by both employers and employees.

allocated in apartment buildings. UNDP's SUTRA's work in this sector was hampered by the fact that in 2007 the cost of construction materials went up steeply, causing implementing agencies to revise standard practices and to increase the amount of funds required for each housing unit. An additional problem has been garnering tenders for housing construction. Because returnee houses are "no frills," there is little incentive for contractors to bid for contracts, and in several municipalities the programme has not been able to find contractors. UNDP's SUTRA initiative was on many occasions recognized as valuable for continuing after the project had ended. This clearly indicates that the work in the Return sub-sector is not done, though, as will be seen further on, there is reason for optimism. Due to its success in BiH, UNDP's SUTRA initiatives are being replicated in Kosovo.

Another, more general, achievement in 2007 was the introduction of IT processes. Within the MHRR, a central database was created which records all previous construction as well as public claims of return so that there can be no duplication of aid recipients. The system can be enhanced, as it is based on the expression of peoples' wish to return, without any cross-checking by government institutions as to whether people applying are actually eligible for aid. As it is, the data can only be used as an indicator. UNDP's SUTRA assisted MHRR in providing trainings on using this database, and now there is a person in every municipality capable of using it.

⁹⁹ All donors, the two Entities and the Brčko District participate in the Project Steering Committee, but only the members that give money to the project have voting power. In this area the two Entities are cooperating well.

¹⁰⁰ *Bosnia and Herzegovina Progress Report* (Brussels: Commission of the European Communities, 11 June, 2007), 38.

Coordination and ownership

Donor coordination is especially important to this sub-sector as international agencies are slowly withdrawing from return work. Thus, it is important to effectively utilize the ever-shrinking funds available. The SCRDP was set up as the main coordinating body for all activities. Members of SCRDP represent the line Ministries and other relevant actors, in keeping with the BiH Constitution.

In the Return sector, coordination among donors is quite good. This may have to do with the fact that there are fewer international agencies at work in this field. Donors also have well-functioning relations with local authorities, mainly on the municipal level. Due to limited funds, the State focuses on housing reconstruction while other donors concentrate on additional issues, especially social inclusion and capacity building.

In 2007, donors cooperated in different ways. The Netherlands' main partner for coordination, for example, is UNDP, although it also works with other implementing agencies as well. Donors that want to sign partnership agreements with the Netherlands must synchronize their proposals with existing initiatives in advance, in order to ensure there is no overlap. The Netherlands' goal is to support the state budget directly, but as of now, the authorities are not yet prepared to implement it. Similarly, the Embassy would like to hand over all the work it currently does to the domestic authorities, but needs to build capacity to this end. Likewise, Sweden/SIDA would like to transfer funds directly to the state budget by 2009 rather than go through intermediary NGOs as it does at the moment.

As has been mentioned, donors place great importance in local capacity building. A good example of how the international community helps municipalities take a leading role and become owners of the process of return is in the work of Municipal Committees. Once the central government has picked the municipalities to be financed, within each local administration there is a Commission to select returnee beneficiaries. These Commissions are written into the bylaws of the MHRR and provide clear guidelines as to their work on the municipal level. The Commission is multi-sectoral and comprised of local government leaders, donors, return organizations, returnees themselves, and the respective entity ministry of refugees. This work empowers actors on all levels of government and civil society to make their own decisions and to begin taking over the processes of return and reintegration from donors. A very positive outcome of these Municipal Committees is that they work at both the central and municipal government levels. In doing so, they strengthen the vertical links and ensure coordination among the different levels.

Future activities

The main priority in this sector is to continue the transition from humanitarian assistance to development interventions which support durable solutions to displacement, including the sustainable return of refugees and IDPs. Aid initially focused on reconstructing houses and the necessary infrastructure. There are currently attempts both by donors and the government to broaden support for return beyond shelter reconstruction, and to include the facilitation of employment opportunities, access to social services, and local participation in decision-making processes. These types of connections are now being fully integrated into projects. The major challenge in the coming years will be to bridge this gap and create income-generating activities to encourage the sustainability of return communities. Regional economic disparities and related high regional unemployment rates, as well as limited access to finance for returnees are some of the main barriers hindering the sustainable return process. Thus, initiatives within this sector have to become more and more multi-dimensional, taking into account the local socio-economic context of the return process and integrating other sectoral components into project interventions.

According to donors, there is a need to reinforce communication and standardize the reporting structures between the different levels of ministries to avoid irregularities. More awareness is needed concerning what steps should be taken once plans and strategies are made. Important in strengthening the MHRR will be the current revision of the Implementation Strategy to Annex VII. Currently all relevant government and civil society stakeholders involved in the Return and Reintegration sub-sector are working on the revision of the Strategy in an attempt to complete

the work of Annex VII. Donors will continue to support the MHRR in the drafting of the revised Strategy and its eventual implementation.

There are still numerous dwellings to reconstruct and a great number of people registered as wishing to return who not have yet done so. The rebuilding of houses has to be connected with repairing infrastructure (e.g. roads, lighting, and water sanitation). The Strategy should also recognize that returnees are not a homogenous group and therefore appropriate solutions should be foreseen for different populations, such as the elderly, people without property, and others, including displaced persons who opt not to or cannot return, as well as extremely vulnerable individuals.

There are 50,000 households that have registered as willing to return and as many that have not registered for return at all. Both those willing and those not willing to return need to be compensated.¹⁰¹ According to the first draft of the revised strategy, 2010 should be the last date for return and 2015 should be the deadline for compensations. The problem in reaching these goals will be funding. It is estimated that approximately KM 800 million is needed to complete the processes of return, reintegration, and compensation only for those now registered for return.¹⁰² The Strategy, currently under revision, will address issues of compensation and also should address the situation of DPs who cannot return; this is a significant development from the old strategy. Donor and government budgets will account for the continued funding to this sector. The EC will follow an integrated funding approach and will focus on rural development, social housing, and positive discrimination, all areas that impact refugees and returnees. The EC will also use the European Instrument for Democracy and Human Rights to address this sector.

Another challenge to this sub-sector is the sensitive nature and the continuing politicization of the question of return. An example of this trend is the ongoing postponement of conducting a nationwide census since 1991. A new census would provide up-to-date data on the current population structure in BiH and would give both the government and donors a more effective way of planning further projects.

The sustainability of return and reintegration depends on moving as quickly as possible from emergency relief to reconstruction and rehabilitation programmes, as well as on ensuring that the provisions of aid do not weaken local capacities.¹⁰³

It is also necessary to support durable solutions other than return, as in the cases of extremely vulnerable people who cannot return.

UNHCR, UNDP and UNICEF, in line with the UNDAF goals and MDGs (1, 2, and 3), have jointly submitted a three-year funding proposal to the MDG-Fund under the Conflict Prevention and Peace Building "window". The programme intends to tackle the problem of displaced persons in BiH, who 13 years after the end of the war have still not found durable solutions. Opportunity for innovative solutions is given by the current initiative of the Government and international community to revise the strategy for implementing Annex VII of the DPA, opening the way to solidifying peace and long-term stability. Interventions will focus on: supporting sustainable return through economic development and social protection measures; and improving living conditions of extremely vulnerable IDPs who cannot return. Using a participatory rights-based approach focused on the most vulnerable, interventions pioneered at the municipal level will support national policy and capacity development for resolving this protracted displacement situation.

¹⁰¹ Compensation is a secondary option, when repossession of property and assets is not possible.

¹⁰² This estimate does not take into account those not willing to return or those that have not registered as potential returnees.

¹⁰³ *No Refugee: The Challenge of Internal Displacement*, 111.

Conclusion

One of the common features characterizing the three cross-cutting sub-sectors presented above is that *none* of them comprises a homogenous group. It could be precisely this singularity that makes solving the problems each of these groups faces so difficult. On the other hand, though, this argument can be successfully exploited by decision-makers who do not identify the need to introduce reforms in these sectors as high priority. Therefore, it is necessary to provide the legal framework and resources for implementing reforms. Moreover, it is of vital importance to sensitize both politicians and ordinary citizens so that none of the so-called “major problems”¹⁰⁴ BiH society faces nowadays can be tackled without supporting vulnerable groups too.

As obvious as this last statement may appear, it has to be remembered that young people, women and, to a lesser extent, returnees are not generally regarded to be vulnerable segments of society. This refers especially to women. In a society divided along ethnic lines, it is particularly difficult to bring public attention to the rights of additional categories of people. However, this defect can be turned into a virtue. Namely, it can be successfully used as an argument to enhance the life-chances of minors, women, and returnees precisely because by doing so none of the constitutive ethnicities will be privileged at the expense of the other two.

Introducing positive action is just one of the steps to be taken to assist youth, women, and returnees. Local authorities, with the support of international agencies, need to introduce long-term solutions to the problems of these groups. Even more importantly, minors, women, and returnees themselves should be encouraged and supported to organize themselves to effectively further their group interests, but also as a means to utilize the mutual-help mechanism of civil society organizations. In other words, all resources have to be mobilized in order to guarantee sustainable solutions to the most pressing problems young people, women, and returnees now face. Such approaches would benefit not only these three groups, but even more importantly, they would counteract social exclusion in BiH.

¹⁰⁴ The top five weaknesses identified by BiH citizens are unemployment, corruption, politicians, politics, and the economy, according to *The Silent Majority Speaks* (UNDP, 2007), 38.

AGRICULTURE AND FORESTRY

Sector definition	<p>Based on DAC definitions, the Agriculture and Forestry sector comprises the following elements:</p> <ul style="list-style-type: none"> • Agricultural policy and administrative management; • Agricultural development and agrarian reform; • Agricultural water and land resources; • Agricultural inputs (supply of seeds, fertilizers, machinery and equipment); • Food crop production; • Agro-industries and forest industries; • Industrial crops and export crops; • Agricultural services; • Agricultural financial services; • Agricultural cooperatives; • Agriculture education and training; • Forestry policy and administrative management; • Forestry research, education, and training; • Forestry development. <p>DAC codes: 311-312, 32161, 32162.</p>
Key DCF donors	Italy/IC, Japan/JICA, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, the EC, and the World Bank.
Key government partners	The BiH Ministry of Foreign Trade and Economic Relations (MoFTER), the FBiH Ministry of Agriculture, Water and Forestry, and the RS Ministry of Agriculture, Forestry and Water.
Other key international organizations	The Food and Agriculture Organization (FAO).
Total donor allocation to the sector in 2007	€ 10.9 million.
Sector strategies	No state-level strategy for the Agriculture sector, only entity-level strategies exist. The Forestry sector and wood-processing industry have neither state- nor entity-level guiding documents.
Donor coordination	<ul style="list-style-type: none"> • There are regular coordination meetings in the Agriculture sector previously organized by the EC and currently chaired by MoFTER. Additional information sharing takes place within the context of projects. • No formal mechanism for coordination of forestry issues, except an annual conference and the working group on the prevention of illegal logging and corruption. • Land registration issues are coordinated through regular meetings organized by the World Bank.

Overview

The Agriculture and Forestry sector has traditionally been of great importance to Bosnia and Herzegovina (BiH) given the country's geographical position and abundance of natural resources. Domestic authorities and international donors alike recognize the potential that agriculture offers for economic development in terms of job creation, poverty reduction, and trade opportunities. For this reason, the sector received a significant € 10.9 million Official Development Assistance (ODA) in 2007 and this figure is expected to rise to € 11.9 million in 2008.

Currently, the Agriculture sector employs ca. 10% of BiH's registered work force and accounts for approximately the same percentage of its GDP.¹⁰⁵ Given its wealth of natural resources, BiH has the potential for assuming a leading position in agriculture in the region. This perspective is slowly being realized and steps have already been taken to improve productivity, enable export, and promote better competitiveness. BiH has several advantages in the region, especially in terms of organic farming, dairy goods, forestry, and berry production, which could lead to significant employment opportunities and income for the rural population.

The Forestry sector¹⁰⁶ and the wood-processing industry, as a sub-sector of Agriculture, are also identified by donors as promising areas, warranting additional investment. However, the

¹⁰⁵ Medium-Term Development Strategy (MTDS) 2004-2007 Revised Document (Sarajevo: EPPU, 2006).

¹⁰⁶ Forest land covers 53.4% of BiH territory.

potential value added of this industry to the economy is profoundly hampered by war damage and the lack of legal regulations and market plans. Nevertheless, BiH has taken the first steps towards improving international competitiveness and establishing access to traditional markets.

Many donor agencies are active in the Agriculture and Forestry sector. Their main areas of focus are enabling access to the global market and strengthening domestic institutions' capacities, including strategic and policy planning. There are also several initiatives aimed at developing BiH's land administration and registration system. A number of activities in this sector are connected to ethnic reconciliation. Agriculture and forestry also have obvious links to environmental protection, local governance and rural development, as well as health, mine action, and return and reintegration, but these issues are dealt with in respective chapters of this report.

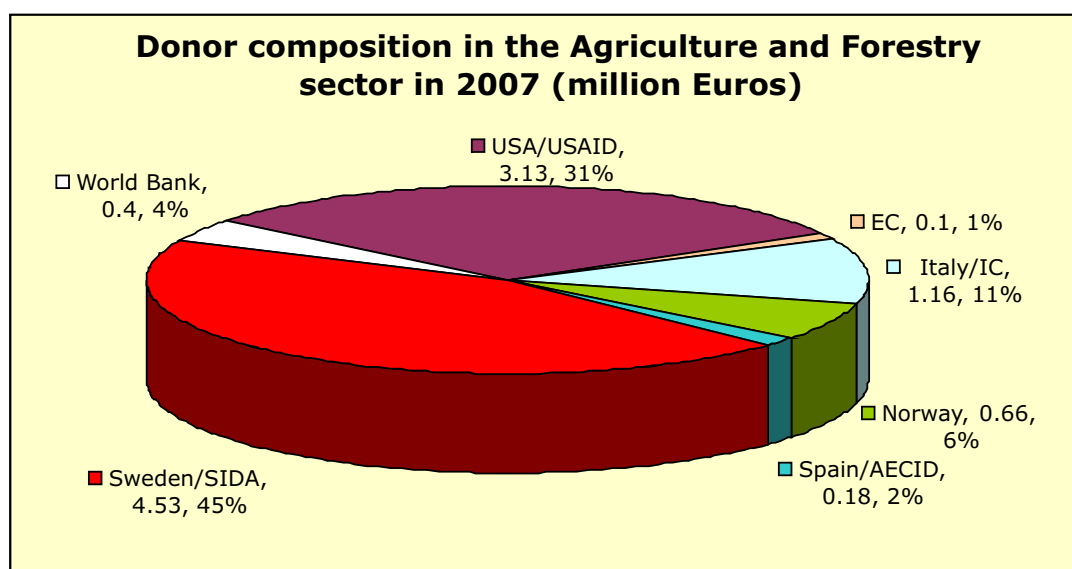
According to the constitution, the Agriculture and Forestry sector falls under entity jurisdiction and thus is the responsibility of the Federation of BiH (FBiH) Ministry of Agriculture, Water and Forestry and the Republika Srpska (RS) Ministry of Agriculture, Forestry and Water. The Agriculture, Forestry, Food and Rural Development Department within the BiH Ministry of Foreign Trade and Economic Relations (MoFTER), was established for the coordination of these Ministries' policies at the central level.

While donors note that the progress in the sector seems promising and stakeholders are making a continuous effort to improve coordination, there is room for establishing a more synergetic approach. To this end, there is a need for the clear identification of priorities from the domestic authorities, which will underline donors' support to the development of entity- and state-level strategies within the sector.

Donor activities in 2007

The donors in the Agriculture and Forestry sector are Italy/IC, Japan/JICA, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, the EC and the World Bank. Altogether, these donors contributed € 10.9 million, which is 2% of ODA. There is no apparent overlap in their activities. However, donors note that their efforts could be further harmonized.

Sweden/SIDA is linking investments in agriculture with rural poverty reduction measures and employment creation. To achieve these goals, Sweden/SIDA has supported several agricultural development projects, which aim to assist farmers in the production and marketing of their goods. As an additional element of this work, Sweden/SIDA has assisted local institutions in obtaining all necessary approvals for licensed organic food certification for the international market.



In 2007, Sweden/SIDA also continued its support for agriculture (with funding of approximately € 5 million) through five NGOs: Bosper, Caritas Goražde, Cow How, Econ, and Terra Sana.¹⁰⁷ Production advice is the core service provided by the NGOs. The target clients for the assistance are small fruit and vegetable growers, livestock producers, cooperatives and associations in each NGO's geographic service regions. In anticipation of these NGOs becoming financially viable, 2008 will be the last year of Sweden/SIDA's funding for them.

Sweden/SIDA is also co-financing the **World Bank's** *Agriculture and Rural Development* project. This initiative, launched in October 2007, aims to strengthen the capacity of BiH's state- and entity-level institutions to deliver more efficient and effective agricultural services and support programmes. The project is also expected to contribute to the acceleration of BiH's eligibility to access support under the European Union Instrument for Pre-Accession Assistance for Rural Development (IPARD).

In addition, the World Bank also helps small and commercial farmers in the southeastern part of the country, by providing them with technical assistance, improvement of commercial and management skills, and better access to the market. Within the framework of this activity, the World Bank aims to support measures and investments to strengthen the physical and institutional infrastructure of rural communities.

In the Forestry sector, the World Bank, with financial assistance from **Italy/IC**, is currently carrying out the *Forest Development and Conservation* project. In this initiative emphasis is put on the implementation of legislated reforms in forest organization and management, and the enhancement of biodiversity conservation through participatory approaches in forest land use planning. It is expected, that through this project, a National Forest Inventory will be developed. Furthermore, the World Bank is helping to increase the percentage of forest land set aside for special protection.¹⁰⁸ The ecosystems eligible for protection are valuable in terms of ensuring the biodiversity and preservation of ecosystem cycles as well as for linkage to other goals, such as preserving cultural heritage and enriching touristic offers.

Like Sweden/SIDA and the World Bank, the **EC's** activities are mainly focused on strengthening the institutional capabilities of the sector for absorbing rural development funds under the Instrument for Pre-Accession Assistance (IPA), thus guiding BiH closer to *acquis* standards. The EC also supports the implementation of veterinary, food safety and phyto-sanitary criteria. At the same time, it facilitates the accurate collection of agricultural data, by strengthening and harmonizing information systems within the sector.

Agriculture is Italy/IC's priority area of involvement, with one third of Italian ODA to BiH going towards this sector (including projects on the environment). Italian initiatives are focused on rebuilding and modernizing the production system and improving access to the market. Italy/IC combines these aims with other rather sensitive issues, such as overcoming ethnic and religious barriers and maintaining traditional cultural practices. Italy/IC is active in the promotion of sustainable agriculture systems, integrated rural development based on traditional agriculture, forest conservation and the inventory of post war situation of land resources.

Norway, on the other hand, has been dedicating most of its resources to the increase of productivity using microloans, donations for machinery, and technical assistance. Norway's *E-Biz* project aims to establish a complete food-tracking system, tracing goods from producers to consumers, and ensuring quality control. Its objective is to increase competitiveness and therefore enhance export potential.

USA/USAID donations to the Agriculture and Forestry sectors are focused on fostering economic growth through expanded production and sales of value-added agricultural products, and branding. USA/USAID's *Linking Agricultural Markets to Products* project aims to boost the competitiveness and recognition of domestic food products in the region, and strengthen market linkages among producers, processors, wholesale and retail enterprises in the Agriculture sector. Additionally, USA/USAID's goal is to advance economic growth and job creation in BiH. This donor intends to achieve this aim by encouraging competitiveness in the wood-processing and tourism industries, and by providing technical assistance to promote the development of industry clusters. These are namely: the private sector firms, financial providers, and governmental and non-governmental agencies that assist the operation of an industry.

¹⁰⁷ One NGO specializes in the organic sector. Additional services include farm inputs (seedlings, fertilizers, crop protection material, heifers, semen, equipment), micro credit, sales and marketing (including supply contracts), capacity building of farmer organizations and rural diversification groups, production and development support services to government (entity, canton and municipality levels). Three NGOs have production and demonstration farms, which also generate income. Three NGOs have subsidiary limited liability companies for trading, and a fourth plans to set one up in 2008. The fifth NGO plans to transform its advice and other services into an integral part of a regional farmers association, and proposes setting up a national farmers association to coordinate extension services to regional associations and their members.

¹⁰⁸ Currently only 0.5% of BiH is under this kind of management.

Spain/AECID works towards establishing a Centre for Agricultural and Rural Development for Herzegovina. This Centre is envisioned as a focal point for farmers, retailers, processing companies and all other stakeholders involved in the Agriculture sector. The project is implemented by the Regional Development Agency for Herzegovina (REDAH). **Switzerland/SDC/SECO's** agricultural and horticultural activity is focused on the Mostar region. Despite the area's competitive advantage, it has so far received little international support. Nonetheless, agriculture in the region shows considerable potential for income generation and labor absorption. Another agricultural project implemented in the region of Gradačac and Laktaši has been supported since 2000 and it supports farmer associations, cooperative, and the build-up of adequate advisory services and basic instruments for successful marketing.

Japan/JICA has also been involved in this sector although it has not allocated additional funding during 2007. Japan/JICA fosters the development of the Srebrenica region by linking peace-building and agricultural production. A Japanese agricultural expert has been in place since March 2006, giving advice to both Bosniak and Serb residents in the area. The project is targeted at vulnerable populations, such as returnees, one-parent families, and war victims.

Several donors have joined efforts to clarify BiH land resources in the postwar period. Although the financial allocation of these projects is classified under different sectors,¹⁰⁹ their impact on the Agriculture and Forestry sector merits attention. With financial support from Sweden/SIDA and **Austria/ADA**, **Germany/GTZ** is currently implementing the second phase of the *Land Administration Project* (LAP), which attempts to introduce a fully operational and modern land administration system in BiH, including both land registration and cadastre. LAP complements the World Bank's *Land Registration Project*, which seeks to facilitate the orderly development of transparent land markets, through the registration of real estate rights, and complementary policies that enable transactions to be made securely and efficiently. The Food and Agriculture Organization (FAO), with support from **the Netherlands** and Italy/IC, has been developing an inventory of the postwar situation of land resources, and strengthening the institutional capacity of BiH to independently monitor the country's land resources.¹¹⁰

Sector strategies

There is currently no state-level agriculture strategy covering the entire sector. However, the EC has been assisting in the development of a draft strategy, which was well-received during the consultations organized by MoFTER. The strategy is now waiting to be adopted by the Council of Ministers (CoM).

Each Entity has its own agriculture strategy. The legal frameworks of the Entities are not harmonized.

The Forestry sector and wood-processing industry have neither state- nor entity-level guiding documents. The World Bank is planning to provide support for the development of the entity strategies. However, these are long-term plans, as the draft is expected to be prepared by June 2009. To date no actions have been undertaken to develop a state-level forestry strategy.

Positive developments and challenges in the sector in 2007

Donors' opinions about the achievements in the Agriculture and Forestry sector during 2007 differ. While some believe that 2007 saw solid progress, others indicated that the sector has been moving backwards due to political obstruction. The following segment reviews the positive developments and challenges in the sector during the year.

According to donors, the performance of the certification institutions has improved, which is significant because their active role in the sector is a precondition for the entrance of agricultural products into the global market. Currently, only some organic products (berries, herbs and honey) completely comply with EU regulations and can therefore be exported. Since linkages to the international market were identified as the most important aims of sectoral reforms, the World Bank and Sweden/SIDA have supported the Agencies of Food Safety, Veterinary, Sanitation and Accreditation.

¹⁰⁹ These sub-sectors are namely Support to SMEs and Improvement of the Business Climate, Legal and Judicial Development, and Public Administration Reform.

¹¹⁰ All three of these projects are not necessarily classifiable under Agriculture and Forestry Sector, though they all have a direct influence on it.

Animal-related products are among the most productive branches of agriculture in BiH. Presently, however, these goods cannot be traded with the EU because they do not meet all the requirements for entrance onto the common market, and are therefore seen by donors as under-utilized potential. Aware of the importance of export, the relevant ministries began working on the harmonization of the legal frameworks, especially focusing on veterinary and phyto-sanitary policies. In May 2007, the CoM adopted a BiH Law on Wine and the BiH Parliament considered the adoption of a BiH Law on Agriculture, Food and Rural Development. These laws still lack some amendments that would facilitate their implementation at the entity level.

Donors share the general impression that communication between stakeholders in the sector has improved. The coordination between the State Veterinary Office and the Entities' administration was highlighted in particular. International agencies consider the level of strengthening of domestic institutions as positive. The Entities' willingness for and commitment to reforms is also evident in their respective budgets, where agriculture enjoys a higher status on their priority lists than before. The fact that the first state-level draft strategy for the sector has been developed also gives reason for optimism.

Donors also addressed practical issues of concern in the sector. The registration of state-level farms was prepared during 2007, and will be launched in 2008. This process will bring much needed accuracy to the register on unified standards. Furthermore, the synchronization of payments of subsidies for capital investments and funds provided by ministries has started. Entities expressed the intention to continue in this direction. The World Bank is aiding the establishment of supporting systems for rural development payments by building a harmonized, efficient, transparent, and, by project-end, EU IPARD-compliant rural development support programme. It will be achieved by strengthening entity-level ministry departments responsible for rural development grant administration and the establishment of a rural development payment database within the MoFTER Coordination Unit.

The main achievement in the Forestry sector in 2007 was the improvement of the general management of forests. A fragile operating environment (due to a weak legal structure), an unstable economy and low living standards have been known to promote corruption and illegal logging. A working group was established to address these issues. Its activities will be explained below in the coordination and ownership sub-section.

Furthermore, a World Bank project to inventory forest land has started and to date covered 25% of the forests in BiH. Institutional capacities have been strengthened through various trainings, the introduction or improvement of IT technologies, and the implementation of new management skills. Some of these resulted in various studies and new approaches, such as timber auctions. Additionally, inspections and communications have improved, resulting in greater transparency of the whole wood-processing industry.

Coordination and ownership

The Agriculture sector is coordinated through regular meetings, previously organized by the EC and currently chaired by MoFTER. The present coordination group comprises major stakeholders in the area of Agriculture, including the World Bank, Sweden/SIDA, Switzerland/SDC/SECO, and FAO. Donors note that, in general, bilateral relations in the sector are very good and stakeholders make efforts to coordinate, cooperate and share information. For example, in the context of the *Inventory of the Post-War Situation of Land Resources* project, FAO has started an information exchange between international and domestic institutions, organizations, and municipalities. By doing so FAO aims at playing the role of facilitator and providing useful information on funding opportunities for project proposals. Donors are in favor of coordination led by BiH authorities, but there is some concern that MoFTER's absorption capacity needs to be improved in order to effectively manage the large amounts of funds coming into this part of the economy.

Despite international stakeholders' positive assessment of coordination efforts, they have also noted the inconsistency of some policies in supporting projects and programmes, especially regarding the lack of long-term and sustainable planning, and fund disbursements without well-defined objectives. Donors noted that through even more intensive efforts to coordinate, a more harmonized and focused approach could be established. They also suggested that attention should be paid to establishing a clearer linkage between policy measures and the efficiency of policy implementation.

There is no formal mechanism for coordination on forestry issues. However, USA/USAID, in cooperation with the World Bank, organizes the semi-annual Joint Forestry Conference, inviting international and domestic institutions alike. Additionally, donors' meetings are held approximately twice a year and have, up to now, proven a sufficient mechanism for facilitating information sharing and avoiding overlaps.

Coordination over land registration issues is also ongoing. Meetings are organized by the World Bank, inviting major donors, such as Austria/ADA, Germany/GTZ, Sweden/SIDA, and the EC, as well as the Land Registration Board. The Board represents the BiH Ministry of Justice, the High Judicial and Prosecutorial Council, and the Ministries of Finance and Treasury. These meetings serve to give an overview of project implementation and opportunities for better coordination.

The working group on the prevention of illegal logging and corruption should also be highlighted as an example of cooperation on the policy level. This group brought together the European Union Police Mission, EUFOR, domestic institutions, and prosecutors. A tangible outcome of their work was the development of action plans for both Entities. These action plans were successfully implemented, and it is estimated that illegal logging has significantly decreased as a result of their work.

Future activities

Future developments in the Agriculture sector are expected to be significantly influenced by stronger donor coordination efforts, initiated by the EC and carried on by MoFTER. It is expected that this improved cooperation will provide the link between priorities identified in the draft state-level harmonization strategy and donors' assistance, ensuring that donor funding in this sector will not only become more sustainable but will also be clearly aligned with national priorities.

Supporting the harmonization of entity and state policies, strengthening the Agriculture, Forestry, Food and Rural Development Department within MoFTER, and building the monitoring capabilities of the inspection institutions all remain priority areas for donor support in the Agriculture and Forestry sector.

International stakeholders agreed that the absence of a state-level ministry makes programme implementation in practical terms much more complicated, as there is no single reference point. Additionally, BiH's membership in some international organizations, like the World Trade Organization, is predicated upon the existence of state-level policies and institutions. The same precondition exists for EU membership.¹¹¹ While the Department in MoFTER serves as the focal point, it is understaffed and lacks the power for policy prioritization and implementation.

Some donors have also remarked that BiH should develop some level of protectionism in this sector, especially given its high dependency on imports.¹¹² Moreover, knowledge about farming techniques, management skills, and the usage of IT are currently not satisfactory. Investment in these areas is necessary before BiH's agricultural products will be able to compete on European or world markets.

International agencies note the need to address gaps in quality verifications, which are crucial export and health preconditions. This is closely linked to consumer protection. In this vein, donors suggest that the Food Safety Agency and State Veterinary Office require stronger support, and that additional emphasis should be placed on the establishment of a State Plant Health Administration. The operability of these three institutions depends largely on information from individual factories, farms and fields. Therefore, better collecting and processing of agricultural data in line with the EU standards is needed.

Donors have also commented that organic farming, which could bring significant benefits, is currently not receiving sufficient attention. International agencies agree that opportunities in this area have already been identified, but that lack of access to a wider market is preventing organic farming from being more profitable. The wide-spread mine contamination is also preventing the usage of quality arable land.

Special attention should be paid to rural women as they generally play a major role in agriculture production, food security and rural development. Despite women's important contribution to rural development, gender biases persist at all levels. Often policies, programmes and services

¹¹¹ M. Ivanković and S. Bojnec, "Entry of the Food and Agriculture Sector in BiH into WTO" (*Journal of Central European Agriculture*, Vol.7, 2006), 452.

¹¹² Ibid., 453.

are targeted at male farmers and perceive women as assistants to their husbands. Thus, rural women are often the last to benefit or are even negatively affected by economic growth and development. Stakeholders in this sector therefore suggest that both donors and domestic stakeholders should factor in the role and potential of rural women into all agricultural policies and programmes.

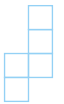
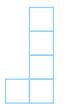
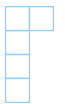
Lastly, private and foreign investments in research and development in the Agriculture and Forestry sectors should be promoted. Rapidly growing investments in developed countries are widening the gap between them and the countries that are lagging behind in this respect. BiH has a great opportunity to take a decisive step forward and join the most advanced agriculture systems in the region.¹¹³

¹¹³ *World Development Report 2008: Agriculture for Development*, (Washington D.C.: IBRD/World Bank, 2007), 14.



Conclusion

Progress achieved in the agriculture and forestry industry in 2007 indicates that the foundations for boosting this sector have been laid. Positive developments especially in the field of certification institutions and improved market access for some goods herald the sectors' forward movement. Improved management and clear identification of priorities would greatly contribute to the recognition of the importance of the sector. There is more work to be done in order to harmonize policies, formulate strategies, and later keep the pace during the implementation phase. Moreover, due to the absence of an overarching policy document, there has been little done to align donor and government priorities. International agencies also tend to agree that, despite efforts to share information and coordinate activities, there is room for establishing clearer synergies that would prevent possible overlaps and eliminate competition. Nevertheless, both donor and government efforts in the sector are producing encouraging results as well as building confidence and a solid foundation for further stakeholder coordination and cooperation.



ENVIRONMENTAL PROTECTION

Sector definition	<p>Based on DAC definitions, the Environmental Protection sector comprises the following elements:</p> <ul style="list-style-type: none"> • Environmental policy, laws, regulations and economic instruments; • Administrative institutions and practices; • Environmental and land-use planning and decision-making procedures; • Air pollution control, ozone layer preservation, marine pollution control; • Natural reserves and actions in the surrounding areas; • Other measures to protect endangered or vulnerable species and their habitats; • Environmental education and training, and environmental research; • Water resources protection; • Waste management and disposal; • Biomass energy. <p>DAC codes: 14015, 14050, 23070, 410.</p>
DCF donors	Italy/IC, Norway, Spain/AECID, Switzerland/SDC/SECO, Sweden/SIDA, the EC, UNDP, and the World Bank.
Other key international organizations (IOs)	United Nations Environmental Programme (UNEP) and the Food and Agriculture Organization (FAO).
Key government partners	The BiH Ministry of Foreign Trade and Economic Relations, the FBiH Ministry of Tourism and Environment, the FBiH Ministry of Physical Planning, FBiH Ministry of Agriculture, Water Management and Forestry, the RS Ministry of Urban Planning, Civil Engineering, and Ecology, and the RS Ministry Agriculture, Forestry and Water Management.
Total donor allocation to the sector in 2007	€ 6.59 million.
Sector strategies	No state-level environmental strategy. The National Environmental Action Plan was adopted by both entities in 2003. ¹¹⁴
International obligations	<p>Atmosphere: Framework Convention of United Nations on Climate Change, Rio de Janeiro, 1992; Convention on Long-range Transboundary Air Pollution; Convention for the Protection of the Ozone Layer.</p> <p>Water: Convention for the Protection of the Mediterranean Sea against Pollution (Barcelona Convention); Convention for the Protection of the Mediterranean Sea against Pollution from Land-based Sources (Land-Based Sources Protocol), Athens; Convention on Cooperation for the Protection and Sustainable use of the Danube River (The Danube River Protection Convention, DRPC).</p> <p>Land: Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa (UNCCD), Paris.</p> <p>Waste: Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention).</p> <p>Nature: United Nations Convention on Biological Diversity (CBD) Rio de Janeiro; Ramsar Convention on Wetlands; World Heritage Convention; International Convention for the Protection of Birds.</p>
Donor coordination	No regular coordination meetings; ad hoc cooperation only.

Overview

Bosnia and Herzegovina (BiH) possesses natural beauty, biodiversity and abundant ecological resources. However, the lack of environmental management and the ineffective delivery of environmental services have damaged these. According to the *Environmental Performance Review for BiH*, until recently, environmental management issues had been overlooked due to, what were seen as, more pressing post-conflict issues. This problem has been compounded by the lack of capacity and institutional development at the state level.¹¹⁵ Furthermore, domestic decision-makers and the BiH population in general have relatively low awareness of environmental issues, and a lack of understanding about the role and importance of environmental policies in development.

¹¹⁴ For more information, see <http://neapbih.ba>.

¹¹⁵ Environmental performance reviews: *Bosnia and Herzegovina: Environmental Performance Reviews Series*, no. 20 (Geneva: UN ECE, 2006); *EC Functional Review of the Environmental Sector in Bosnia and Herzegovina Final Report* (Sarajevo: EC, April, 2005).

The Environmental Protection sector, with its potential for aiding in poverty reduction and natural resources management, presents great opportunities for a country.¹¹⁶ As the World Bank assesses, "the environment is not a 'luxury' that concerns only the rich elite in industrialized countries. It is an integral part of the well-being of poor people."¹¹⁷ Therefore, as the poor are those most likely to depend on the environment for their livelihoods, improvements to the environment will positively impact their wellbeing.¹¹⁸ However, this will only be the case if environmental protection policies and programmes are well thought-out and sensitive to the actual needs of the poor. It is important to note that a gender perspective is also critical in all environmental planning and activities, to ensure that women's concerns are taken into account and their voices are heard in the decision-making process. By continuing to focus on improvements in the Environmental Protection sector, the government can also address issues of general development and poverty alleviation.

According to the BiH constitution, environmental protection is the responsibility of the Entities and the Brčko District. In the Federation of BiH (FBiH) the environmental portfolio lies with the Ministry of Environment and Tourism, and in the Republika Srpska (RS), with the Ministry of Urban Planning, Civil Engineering, and Ecology. In the FBiH this authority is further distributed between the Entities and the ten Cantons. Currently there is no overarching environmental protection institution at the state level. The Law on Ministries of BiH assigns state-level responsibility for environmental protection to the BiH Ministry for Foreign Trade and Economic Relations (MoFTER). The Ministry is responsible for coordinating and harmonizing the Entities' activities on the environmental front. However, there are no laws or other regulations on the environment at the state level. Additionally, large parts of the practical environmental legislation created under the auspices of the framework laws are yet to be passed in both Entities.

According to the EC's *2007 Progress Report on Bosnia and Herzegovina*, the country suffers from limited administrative capacity and has scarce financial resources for the necessary environmental investments. Though progress has been made in the past year and experts are endeavouring to introduce environmental laws, the sector is further burdened by the lack of a legal or institutional framework. This in turn hampers MoFTER from acting as the national authority on the environment.¹¹⁹

In terms of achieving EU standards, Environmental Protection is a very expensive and time-consuming sector, as it requires extensive changes to the preexisting infrastructure and the legal framework. Therefore, the sector demands a great deal of attention both from donors and domestic authorities. International agencies are attempting to support national actors in focusing on the environment and by working on building local awareness and capacities.

Donor support to the Environmental Protection sector consists of a variety of activities and areas, including environmental policy development, legal and administrative management, research, and capacity building. Many environmental projects, especially those dealing with water sanitation and waste management, may be classified under the Infrastructure sector, depending on which component of the initiative dominates. Therefore, the level of funding allocated to the Environmental Protection sector is not entirely reflective of reality. Other projects with environmental components can also be found in, for example, the Agriculture and Forestry, Economic and Social Development, and Conflict Prevention and Resolution, Peace and Security chapters of this report.

¹¹⁶ Jan Bojo, et al, *Environment in Poverty Reduction Strategies and Poverty Reduction Support Credits* (The World Bank Environment Department, November 2004), 1.

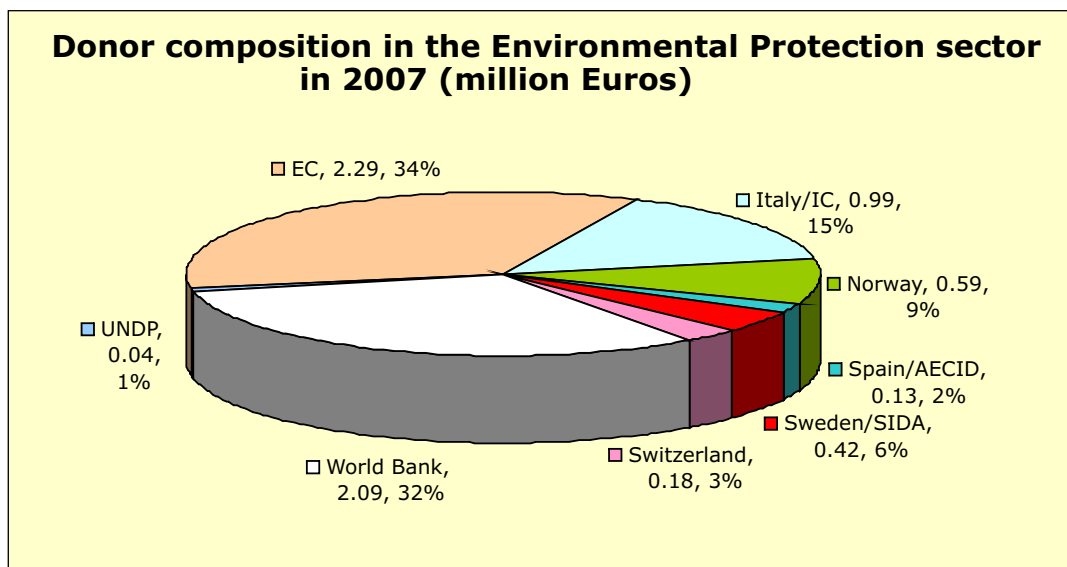
¹¹⁷ Ibid., 2.

¹¹⁸ Ibid.

¹¹⁹ Commission of the European Communities, *Bosnia and Herzegovina Progress Report* (Brussels: 11 June, 2007), 42.

Donor activities in 2007

The donors to this sector include Italy/IC, Norway, Spain/AECID, Switzerland/SDC/SECO, Sweden/SIDA, the EC, UNDP, and the World Bank. Together, they contributed € 6.59 million. The United Nations Environmental Programme (UNEP), not a DCF member, is also active in this sector. These donors focus on strengthening BiH institutional capacities and supporting various environmental protection activities.



The **World Bank** finances the Environmental Protection sector mainly through loans. The *Forest Development Project* focuses on enhancing biodiversity conservation through participatory approaches in forest land use planning.¹²⁰ The World Bank's Global Environment Facility¹²¹ (GEF) *Water Quality Protection Project's* aim is to further strengthen the capacity of local utility companies and reduce pollution from municipal sources that empty into the Neretva and Bosna Rivers and eventually into the Adriatic Sea and the Danube Basin as well. The main objectives of the *Solid Waste Management Project*, the World Bank's third ongoing initiative in the sector, are to improve solid waste services in participating priority areas and to increase administrative and technical capacity for solid waste management at the local and entity level.

The **EC's** portfolio in the environmental sector is two fold: institution building and environmental infrastructure. Strengthening environmental institutions and governance are objectives of IPA funding. IPA 2007 projects will support the creation of BiH water policy, transposition of the *acquis*¹²¹ into the existing legislation in the water sector and public participation principles, and the implementation of the Integrated Pollution Prevention and Control Directive. IPA 2007 also includes a capital project in wastewater management. This joint project is in cooperation with **EIB** and the **World Bank**, where the EC gives grants towards the construction of wastewater collectors in Živinice Municipality in Tuzla Canton. EU Community Assistance for Reconstruction, Development and Stabilization (CARDS) funding supported the rehabilitation of an unregulated landfill in the Banja Luka region. In addition, CARDS is aiding rehabilitation of a landfill in Trebinje. In cooperation with Germany/GTZ/KfW, the EC has also conducted a feasibility study for a wastewater treatment plant in Bihać. According to preliminary information, Germany/KfW plans to give a combination of grant and loan funds for the construction of the plant.

Sweden/SIDA mainly works at the local level, focusing on re-educating municipal staff about environmental issues and creating ownership for environmental protection activities. Sweden/SIDA works with municipalities on Local Environmental Action Plans (LEAPs) and strengthens civil society organizations that deal with the environment. The former of these projects was developed in cooperation with the EC and UNDP. In 2007, six municipalities took part in the creation of LEAPs. Five more municipalities will join the programme in 2008. Sweden/SIDA helps them identify environmental problems, make priority lists and implementation plans. Regarding civil society, Sweden/SIDA tenders small projects to support the protection of the environment at the grass-roots level.

¹²⁰ For more information on this project see the Agriculture and Forestry chapter.

¹²¹ Established in 1991, the GEF helps developing countries fund projects and programmes that protect the global environment.

Environmental Protection is currently **UNDP's** fastest growing portfolio and UNDP's activities in the sector focus on a variety of areas. The agency assists the government in accessing aid from the GEF fund in the following areas: climate change, energy efficiency (biomass energy projects) and biodiversity. In 2007, UNDP BiH together with UNEP and United Nations Educational, Scientific, and Cultural Organization (UNESCO) received \$ 5.5 million in the context of the Spanish Millennium Development Goals (MDG) Achievement Fund. This three-year project will be used to improve local-level environmental planning (the preparation of 30 LEAPs), enhance the management of environmental resources and the delivery of environmental services, and increase national environmental awareness and action. A main conceptual pillar of the project is the mainstreaming of environmental issues into the broader development agenda with a particular emphasis on poverty alleviation as expressed in the MDGs.

UNDP also provides direct support for building national capacities, specifically by supporting the Unit in MoFTER with technical assistance and consultancy services. UNDP is involved in a regional programme, funded by the Netherlands, which focuses on the remediation of two essential ecological issues: increasing the capacities of national and local governments to implement sustainable environmental policies in accordance with EU standards, and raising environmental awareness.

Italy/IC is currently supporting the *Environment Protection and Fight Against Social Exclusion in the Rural Areas of North-East BiH* project, which has three main aims: to improve environmental conditions, in particular the forest heritage of BiH; to contribute to the stabilization of the areas impacted by minority return; and to promote the fight against social exclusion. The project focuses on reforestation actions in areas where poverty and unemployment rates are higher, with the intent to involve the most vulnerable populations, and create the conditions for economic development of the area. **Spain/AECID** is working to solve the problem of conserving the fauna and increasing interest in the Hutovo Blato Natural Park. The park is one of the most important areas of biodiversity in continental birds and fish in the Mediterranean region. **Switzerland/SDC/SECO** contributes to the creation of conditions for integrated management of the Neretva Delta, with a project implemented by the Regional Environmental Centre (REC). **Norway** contributes to wastewater management and general environmental protection initiatives.

EBRD provides loans for solid waste management, water sanitation and infrastructure initiatives, offering either zero or very low interest rates.¹²² One of EBRD's primary public sector projects, signed in 2007, concerns the construction of the Priority Wastewater Collection Network in the town of Bijeljina in order to prevent further pollution of underground water (aquifers) that are used as the source of potable water, thus reducing the health hazard for the town's population. In addition, EBRD contributes to Environmental Protection by requiring that all its large projects (ranging from € 5 million to € 250 million) satisfy environmental standards.

Sector strategies

There is no state-level, comprehensive environmental strategy for this sector. Both the FBiH and the RS have prepared drafts of Environmental Protection Strategies, which will attempt to incorporate Environmental Protection into other sectoral strategies, and recommend changes and enhancements for existing measures. The documents will outline ways in which environmental goals can be achieved.

A National Environmental Action Plan (NEAP) was adopted by both Entities in 2003. Although the NEAP has led to numerous project proposals, it has not performed as a proper action plan, as no one

National Environmental Action Plan

The goal of the NEAP is the identification of priority areas and the creation of a statewide environmental protection strategy. It identifies eight priorities:

- water resource management and wastewater treatment;
- sustainable development in rural areas;
- environmental management (information systems, integral planning, and education);
- protection of biological and landscape diversity;
- waste and waste management;
- economy and sustainable development;
- public health;
- and de-mining.¹²³

¹²² EBRD's financial allocation for these initiatives is listed in the Infrastructure sector.

¹²³ The National Environmental Action Plan website offers more information. See <http://neapbih.ba/home.php>.

institution is designated responsible for its implementation. Thus, while the document provides general direction regarding the environment, it has had little effect.

The 2004-2007 Medium-Term Development Strategy (MTDS) of BiH was seen as having more of an impact in the Environmental Protection sector than the NEAP. The MTDS addressed environmental issues but was more explicit in designating the actors and agencies responsible for carrying out priority areas.

LEAPs offer an effective tool for both donors and their domestic counterparts to help municipalities undertake environmental planning, and provide a solid basis for further coordinated action. Approximately 30% of all municipalities have already developed and adopted LEAPs.¹²⁴ Most of the LEAPs have been created with support from different donors (specifically the Netherlands, Sweden/SIDA, and the EC), and with facilitation assistance from national organizations (such as REC and others). REC has made a significant contribution to the process of fostering LEAPs by organizing seminars and workshops, and providing technical assistance in plan development. However, the quality of LEAPs varies significantly among municipalities; in most cases, the direct links between municipal budgets, investment planning and a respective LEAP project are missing. The implementation of LEAPs is currently limited because of the lack of human and institutional capacities, low public environmental awareness, and a general shortage of resources.

Positive developments and challenges in the sector in 2007

The year saw incremental progress in the Environmental Protection sector. In terms of laws and regulations, the Law on Water was adopted by both the FBiH and the RS, and according to the EC Progress Report, BiH has made improvements in adopting horizontal legislation. That said, the same report states that “the implementation of environmental legislation by the Entities remains an issue [as] communication channels between administrative levels and relevant authorities with regard to the enforcement of legislation are weak.”¹²⁵

In terms of international treaty obligations, in March 2007, BiH acceded to the Rotterdam Convention on the prior informed consent procedures for certain hazardous chemicals and pesticides in international trade. In April 2007, BiH signed the Kyoto Protocol and as part of its obligations, BiH must establish a state-level environmental body independent from the Ministries. In May, the Council of Ministers (CoM) adopted the decision to implement the Montreal Protocol regulating issuance of licenses, quotas, and permits for the export and import of substances depleting the ozone layer. More limited progress in terms of legislative implementation has been made in the areas of waste management and nature protection.¹²⁶

While there have been improvements in monitoring and collecting raw environmental data, donors note that further efforts are needed to improve the quality of processed data. They have suggested the implementation of an environmental monitoring system. This is also important in terms of ensuring systematic reporting to the European Environment Agency. Some progress has been made with the establishment of entity-level environment funds although they are not yet fully operational.¹²⁷

Although recent years have seen gains in terms of the development of basic environmental policy and management functions, serious gaps remain, especially in terms of an overall environmental protection strategy. Some of the outstanding issues will be addressed in the context of ongoing and planned EU support, particularly at the state level.

Coordination and ownership

The current lack of formalized donor coordination is an obstacle to reform, especially as Environmental Protection is a very costly sector. There are currently cordial relations among international agencies and some ad hoc gatherings. However, donors agree that there is a need for better cooperation. To this end, they suggest that coordination meetings should be regularly organized and be co-chaired by the BiH authorities. International agencies are concerned that

¹²⁴ Municipalities in RS are required to adopt LEAPs; in FBiH they are not obligated to do so although Cantons must adopt cantonal environmental action plans.

¹²⁵ *Bosnia and Herzegovina Progress Report* (Brussels: Commission of the European Communities, 11 June, 2007), 41.

¹²⁶ *Commission of the European Communities*, 43.

¹²⁷ *Ibid.*, 42.

MoFTER does not currently have the capacity to lead donor coordination efforts, but they will continue to work with the Ministry in order to address this issue.

The Inter-Entity Steering Committee for the Environment was established in 1998. According to donors, this is a reasonably effective mechanism providing for coordination and communication between the FBiH and the RS, while the State and the Brčko District have observer status. The Committee deals with environmental issues delegated to it by the Entities.

UNDP is using the *MDG-Fund* (MDG-F) project, administered by the United Nations Resident Coordinator's Office, as a way of initiating coordination among donors. It must be noted that this is a multi-UN agency project, with UNDP, UNEP, the Food and Agriculture Organization (FAO), the United Nations Volunteers (UNV), and UNESCO participating. This common initiative itself requires coordination. As the MDG-F focuses on areas of interest to all donors active in the sector, it has the potential to become a flagship project in terms of donor coordination.

The MDG-F, like all initiatives financed through the Fund, will receive strategic guidance through the National Steering Committee of the *MDG-F UN Joint Programme* while operational coordination will be through the Programme Management Committee (PMC). The PMC will ensure that other stakeholders (particularly Sweden/SIDA, the EC, and the World Bank) are closely involved with the Programme and have opportunities to coordinate and harmonize approaches with the BiH Government and other programme initiators. National institutions are also members of the PMC, a mechanism that ensures domestic ownership is built into all projects.

Another example of ongoing collaboration in the sector is the effort of Sweden/SIDA and EBRD to find appropriate environmental projects that need support from the International Financial Institutions. In one instance, EBRD finances the establishment of functioning sewage systems. Municipalities, however, need to do a lot of preparation work to access these credits and Sweden/SIDA provides them with technical assistance in the process.

Future activities

Several donors active in the sector have identified the need for the creation of an overall financial and project management system for environmental policy implementation. Work is currently underway to establish environmental funds in both Entities. The FBiH and the RS have adopted Environmental Fund Laws although these have yet to be implemented. In line with this, donors note the need to strengthen coordination between the two Entities' environmental ministries to ensure that information is being adequately shared between the institutions.

Environmental Protection is one of the larger *acquis communautaire* chapters. As BiH's eventual goal is accession to the European Union, a future priority will be to line up BiH institutions and legislation with European standards. The EC will assist BiH in institutional alignment. The minimum legal requirements have been outlined in the European Partnership document (divided into short-, medium-, and long-term goals), including the creation of state-level environmental legislation, environmental bodies and an Environment Agency. So far BiH has made little progress in meeting these requirements. Therefore several donors have noted the immediate need to build awareness and to create a body at the state level that can partner up with international agencies and facilitate the implementation of environmental laws and regulations. Underlying all of these concerns is the critical need in the short term to strengthen local ownership in the environmental sector. To achieve this goal it is necessary to further enhance the unit within MoFTER responsible for the environment. Donors are committed to providing the needed support in this process.

International agencies also called for the creation of comprehensive and systematic environmental information management. With support from EU CARDS, a structure for such a system has been developed. However, its implementation has not been effective, leaving significant gaps in terms of environmental data management, environmental statistics and reporting, including to international bodies.¹²⁸ In particular, donors have commented on the fragmented nature of monitoring activities and suggested that a mechanism for sharing environmental data between institutions with environmental portfolios would be helpful in ensuring that existing information gets circulated through the proper channels.

¹²⁸ Ibid., 43.

In terms of more specific sectoral areas, waste management stands out. According to several donors, many municipalities do not take this issue seriously and do not see it as their responsibility to resolve it. Therefore, international agencies suggest that BiH needs more local-level support in this area.

Donors also note that there should be a focus on future projects that link employment (regarding recycling and bio-fuel) and the environment. Moreover, they suggest analyzing ways to finance the sector. According to the *EC Progress Report*, further efforts are needed towards ratifying and implementing the guidelines from relevant international conventions. The creation of the Water Information System is under development. So far the required software and hardware have been purchased and the staff trained. The establishment of Water Agencies is the next step in this process.¹²⁹

It is essential to mainstream environmental and ecosystem sensitivity into all MDG development strategies, particularly those that address health, water and sanitation, poverty, gender, and governance targets. The economic and social, as well as environmental, returns on investments in environmental management and ecosystem restoration are positive, and the success rate is improving. Focusing on defining national targets means they can be used in implementing national and local strategic planning efforts.¹³⁰

There is a very important place for civil society organizations in this effort. Environmental NGOs are usually active at the municipal level, the level of government closest to citizens. NGOs, in cooperation with donors and government institutions can raise public awareness regarding the importance of environmental issues and their impact on citizens' daily lives. Integrating the gender perspective and ensuring gender sensitivity in all mechanisms, policies, and measures in the environmental sector also remain priorities.

¹²⁹ Ibid., 42.

¹³⁰ *Assessing Environment's Contribution to Poverty Reduction: Environment for the MDGs* (New York: Prepared on behalf of the Poverty-Environment Partnership, UNDP, 2005), 57.



Conclusion

Overall, BiH's preparations in the Environmental Protection sector remain at an early stage. Enhancing the administrative capacity, strengthening the environmental protection institutions, establishing a State Environmental Agency, harmonizing legal framework for environmental protection, and creating a functioning environmental monitoring system would constitute significant steps forward. These measures will likely take time to realize. In the meantime, the number of professional environmental specialists in BiH remains low, there is limited absorption capacity, and financial resources for the necessary environmental investments remain insufficient.¹³¹

In order to address these issues and to realize the potential of the Environmental Protection sector to alleviate poverty and encourage development, both domestic actors and donor agencies will need to continue their focus on the environment. All stakeholders took steps forward in 2007 and should use these successes to push them further ahead in 2008 and beyond.

As EU accession becomes more of a reality for BiH, the Environmental Protection sector will increase in importance. This will especially be the case as BiH keeps working towards harmonizing its laws to the extensive *acquis* on the environment. Donors will continue their involvement in this sector while building domestic capacity and encouraging local actors' focus on the environment. Domestic stakeholders are becoming more and more aware of this sector's importance and are committed to moving forward.

¹³¹ Commission of the European Communities, 43.

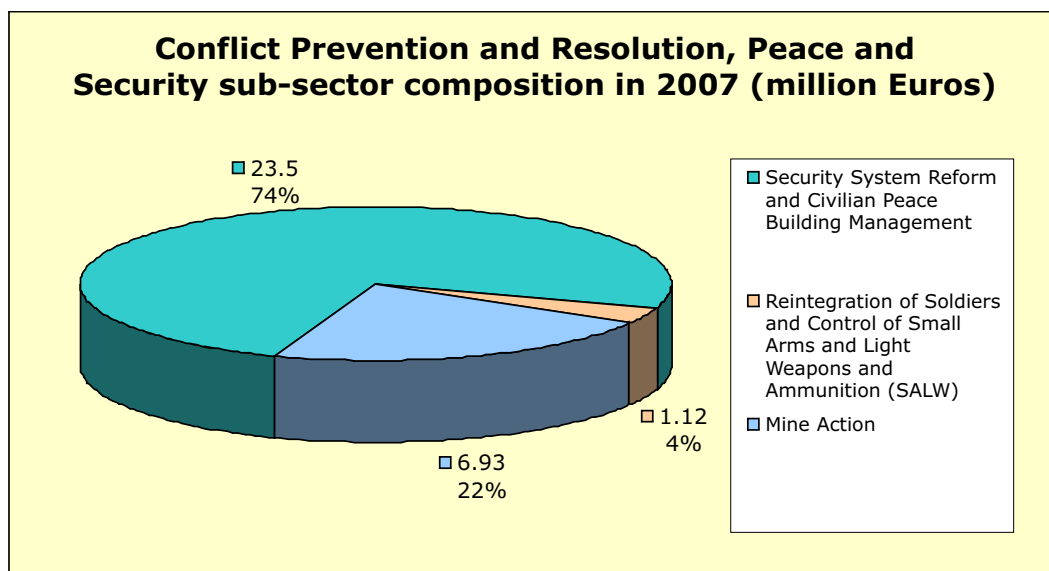


CONFLICT PREVENTION AND RESOLUTION PEACE AND SECURITY

Although it is widely recognized that Bosnia and Herzegovina (BiH) has moved from a post-conflict reconstruction stage to one of transitional development, some legacies of the 1992-1995 war have yet to be overcome. These include various elements of the Conflict Prevention and Resolution, Peace and Security sector, such as the decentralized police forces,¹³² excess military personnel, the large number of small arms and light weapons and ammunitions (SALW), the absence of a coherent emergency response capacity, and the existence of mines and unexploded ordnances (UXO) that contaminate vast areas of the country. These not only pose human security dangers but also loom over the still-fragile political situation in BiH and significantly stunt the country's economic development.

The path from crisis to peaceful governance is never smooth. No simple, straightforward roadmap exists to guide the country. The focus in BiH is on structural prevention building institutional frameworks and processes which can establish and foster non-violent conflict resolution methods and creative, enduring solutions for conflict prevention. In this context, BiH works on several simultaneous reform processes, including those in the areas of defense and police reform, civil protection, disaster response management and civilian peace building, SALW destruction and mine action. Reform of the legal and judicial sector is closely tied to these processes, as a sustainable security environment requires a system that guarantees the rule of law, respect for national and international law, including human rights and international humanitarian law, and democratic development. These latter issues are addressed in the Good Governance and Institution Building chapter of this report.

Several donors assist BiH in initiating or implementing reforms in the Conflict Prevention and Resolution, Peace and Security sector. International agencies work to promote a BiH that is secure within its own borders, at peace with itself and its neighbors, capable of combating crime, trafficking and corruption, democratically governed, pluralistic and tolerant, as well as economically strong. To this end, BiH needs complex strategies embracing political, legal, constitutional, security and economic measures. But to date, despite commendable progress in all elements of Conflict Prevention and Resolution, such a comprehensive approach to security sector reform and interrelated fields has been lacking.



This chapter looks at three major areas of activity within Conflict Prevention and Resolution, Peace and Security. The first sub-section reviews defense and police reforms, civil protection and disaster response, and civilian peace-building activities, which are tied together under the umbrella heading of Security Sector Reform and Civilian Peace-Building Management. The second sub-section examines two prioritized aspects of Defense Reform, namely personnel management (i.e. reintegration of demobilized soldiers) and property issues (i.e. control of small arms and light weapons and ammunition). Finally, the chapter reviews donors' approaches to BiH's significant problem of mine contamination.

¹³² *Financial, Organizational and Administrative Assessment of the BiH Police Forces and the State Border Service - Final Assessment Report* (EC, 2004), 15. (Hereafter: *Final Assessment Report*, 2004.) Retrieved from www.europa.ba/files/docs/publications/en/FunctRw/BiHPoliceFinalReport2004-06-30ENPRINT.pdf.

Security Sector Reform and Civilian Peace-Building Management

Sector definition	<p>Based on DAC definitions, the Security Sector Reform and Civilian Peace-Building Management sub-sector has four main elements:</p> <ul style="list-style-type: none"> • Technical cooperation provided to parliament, government ministries, law enforcement agencies and the judiciary to assist review and reform of the security system in order to improve democratic governance and civilian control; • Technical cooperation provided to government to improve civilian oversight and democratic control of budgeting, management, accountability and auditing of security expenditure, including military budgets, as part of a public expenditure management programme; • Assistance to civil society to enhance its competence and capacity to scrutinize the security system so that it is managed in accordance with democratic norms and principles of accountability, transparency and good governance. • Support for civilian activities related to peace building, conflict prevention and resolution, including capacity building, monitoring, dialogue, and information exchange. <p>DAC codes: 15210, 15220.</p>
Key DCF donors	Austria/ADA, France, Germany/GTZ/KfW, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, UK/DFID, USA/USAID, the EC and UNDP.
Other key international organizations (IOs)	The North Atlantic Treaty Organization (NATO), the Organization for Security and Cooperation in Europe (OSCE), the European Union Police Mission (EUPM), the Office of the High Representative (OHR), and European Union Forces (EUFOR).
Key government partners	All bodies dealing with security and justice, including Ministries of Justice and Ministries of Internal Affairs at all levels of government, the BiH Ministry of Security, the BiH Ministry of Defense, the Brčko District Police, the Armed Forces of BiH (AFBiH), as well as implementing agencies, such as the State Border Police, the State Investigation and Protection Agency (SIPA), and Interpol.
Total amount of donor allocation to the sector in 2007	€ 23.5 million.
Sector strategies	No state-wide security sector strategy; BiH approaches defense, law enforcement, civil protection and disaster response mechanisms and civilian peace-building management separately.
Donor coordination	Regular donor coordination meetings organized by the European Union Police Mission (EUPM); Security Sector Steering Group meetings, chaired by the BiH Ministry of Security (MoS).

Overview

The multidimensional Security sub-sector in BiH encompasses a variety of institutions. These are namely: the Ministries of Defense, Security, Justice and Internal Affairs at all levels of government, subsequent law enforcement and civil protection agencies, the Armed Forces of BiH (AFBiH), as well as implementing agencies, such as the State Border Police, State Investigation and Protection Agency (SIPA) and Interpol. Their activities aim to respond to threats to the State's territory, institutions, and sovereignty, and also to an array of dangers to individual citizens and the public at large.

There are four areas that have shaped the Security System Reform and Civilian Peace-Building Management sub-sector. These are defense reform, police reform, civil protection and disaster response, and civilian peace-building management.

The reforms within this sub-sector have improved the capacity of BiH to prevent possible conflicts and to ensure a stable and secure environment through regulating mechanisms.¹³³ For example, defense reform guaranteed the supremacy of the State in defense matters and strengthened the Presidency's role in exercising civilian command and control of the AFBiH. Reform of BiH's police structures has also seen progress. In October 2007, six leading political parties in BiH signed the Declaration on Honouring the Commitments for Implementation of the

Police Reform (Mostar Declaration) aiming to fulfill the condition for signing the Stabilization and Association Agreement (SAA). The Civil Protection and Disasters Response sub-sector stakeholders, specifically the North Atlantic Treaty Organization (NATO), UNDP and the working group appointed by the Council of Ministers (CoM), have been cooperating to finalize in 2008 a BiH Law on Protection and Rescue of People and Material Goods.

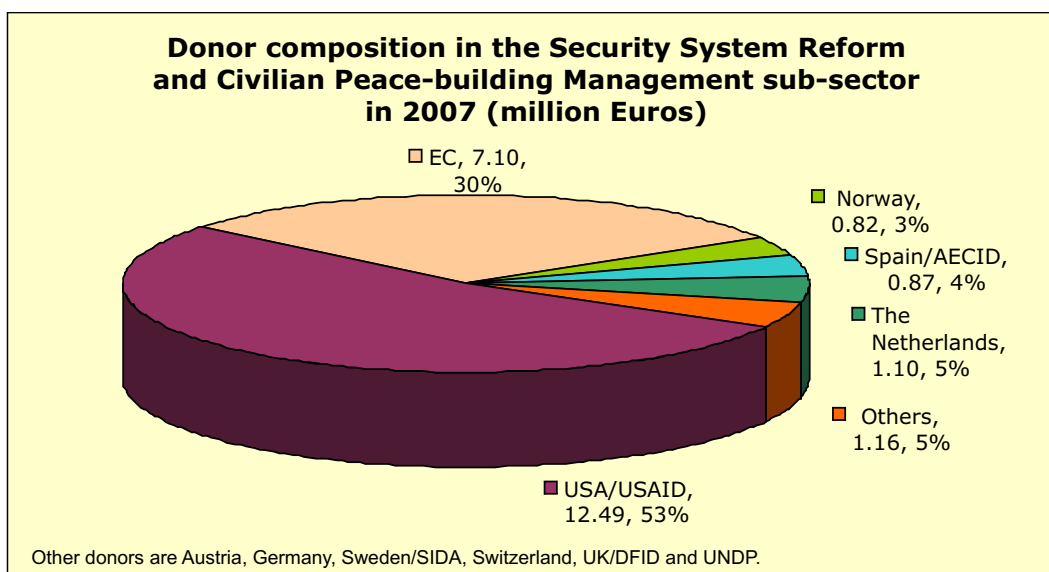
Milestones in BiH military reform

- **2005** - Agreement reached on a defense reform establishing a NATO-compatible single military force.
- **January 2006** - Implementation of the defense reform began.
- **5 July 2006** - The Presidency approved proposals for the new Armed Forces of BiH.
- **29 November 2006** - Along with Montenegro and Serbia, BiH was invited to join NATO's Partnership for Peace (PfP) and the Euro-Atlantic Partnership Council.
- **14 December 2006** - Framework Document of the PfP was signed.

Source: Foreign and Commonwealth Office, Country Profiles

Donor activities in 2007

The DCF donors in the Security Sector Reform and Civilian Peace-Building Management sub-sector are Austria/ADA, France, Germany/GTZ, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, UK/DFID, USA/USAID, the EC and UNDP. Together they contributed € 23.5 million in 2007, all in the form of grants. These donors are supporting defense and police reforms, civil protection, border management, and civilian peace-building. In addition, the North Atlantic Treaty Organization (NATO), the Organization for Security and Cooperation in Europe (OSCE), the European Union Police Mission (EUPM), European Union Forces (EUFOR), and the Office of the High Representative (OHR) play very important roles in reforming this sub-sector.



Defense Reform - All support for Defense Reform takes place within the framework of NATO's *Partnership for Peace* (PfP) and *Individual Partnership Action Plan* (IPAP) programmes. While PfP is military-oriented, IPAP covers areas that go beyond military issues, such as democratic control, judiciary requirements, media openness, and access to information for citizens. The BiH Ministry of Defense (MoD) receives significant capacity-building, legal and budgeting assistance from NATO.

In the field of defense reform, **UK/DFID**¹³⁴ provides situation analysis, capacity-building support, and assistance in strategic planning and policy development, as well as sectoral donor coordination. It supports the work of the Ministries of Security, Justice and Defense, as well as the AFBiH. In addition, UK/DFID is the leading donor assisting the Peace Support Operation Training Centre (PSOTC), a 12-nation project with the aim of training junior officers from the three constitutive ethnicities in BiH.

¹³³ It should be noted, however, that this is not an aim to be achieved, but an ongoing process.

¹³⁴ Funds for this sector are channeled through the Global Conflict Prevention Pool, which provides a cross-government (MoD, DFID, FCO) comprehensive programme of conflict prevention projects in the Balkans.

USA contributed € 6.5 million in 2007 to defense reform. The US Government (USG) funds advisors within the Ministry of Defense (MoD). The USG also equips and trains BiH's Explosive Ordinance Disposal (EOD) team. Advisors provide technical counseling on the structuring of the new state-level MoD and the AFBiH. Additional USG funding was dedicated to advancing officer development in order to meet NATO's PfP requirements.

Police Reform - The next step in BiH's candidacy for EU membership, namely the signing of the SAA, is predicated on, *inter alia*, evidence that the police reform is irreversibly on track.¹³⁵ In October 2007, six main political parties signed the Mostar Declaration, which committed them to implement police restructuring activities according to EU principles. This Declaration generated some optimism.¹³⁶ The **EC** is the lead agency on both of these tracks, having invested in equipment, training and, together with OHR, political brokering of police reform. Currently, the EC provides technical assistance for the implementation of the recommendations of the Functional Review, which constituted the basis for the work of the Police Restructuring Commission. Moreover, the EC is involved in building the capacities of the Ministry of Security (MoS) through the establishment of a National Security Authority.

USA/USAID has supported Police Reform with € 3.6 million during 2007. Its assistance is focused on building sustainable capacity in state-level law enforcement institutions, training law enforcement officials in a variety of fields,¹³⁷ expanding coverage of the State Police Information Network, and developing specialized software packages, such as the Criminal Intelligence Data Acquisition and Border Control Systems. Moreover, USA/USAID has continued providing assistance to the SIPA to develop and harmonize policy and procedure documents and create secure evidence facilities. USA/USAID also fosters BiH's development, adoption, modification and implementation of export control legislation, in conformance with acceptable international standards.

UK/DFID funds an advisor at the MoS, to affect change at the strategic level. Each year, **France** organizes 17 actions in BiH that concern police activities. During 2007, France provided training for various units dealing with security. Topics included arresting criminals, investigating crimes, maintaining public order, and protecting civilians. **Spain/AECID** supported the establishment and consolidation of the SIPA's Financial Intelligence Department since it began operating in 2004. Spain/AECID also assisted the police forces in their fight against human trafficking, and provided equipment and training to the Criminalistic Laboratories.

UK/DFID and **Switzerland/SDC/SECO** aid the strengthening of institutions responsible for community policing and lower-court administration. This support takes the form of training, promoting procedures for the establishment of a legal base for community policing, improving technical capacities, and building facilities for police stations. In addition, UK/DFID and Switzerland/SDC/SECO have provided assistance in the development of the Community Policing Strategy and its implementation.

In cooperation with the Bundeskriminalamt Austria, Switzerland/SDC/SECO supported the education of SIPA's management staff. Trainings in accordance with EU standards have been in the fields of criminal prevention, modern management, planning and controlling instruments, and PR strategies.

EUPM's activities in this sub-sector must also be mentioned. EUPM seeks to establish sustainable policing arrangements in accordance with best European and international practices. EUPM endeavors to achieve this aim particularly through monitoring, mentoring, and inspecting managerial and operational capabilities and activities.

Integrated Border Management (IBM) was introduced, aiming to create open borders for the movement of people and goods while ensuring that these borders are closed for illicit trafficking and criminal activities. Several agencies coordinate over border management, including the Border Police of BiH, the Indirect Taxation Authority (ITA), and the Veterinary, Phytosanitary, Sanitary and Market Inspectorates. The **EC** is the main donor supporting IBM initiatives. This donor's activities include technical assistance for the implementation of the national IBM plan, capacity building for all institutions involved, and development of the infrastructure at border crossing points. The EC is also supporting BiH in improving its capacities and facilities for migration management.

¹³⁵ *Bosnia and Herzegovina 2007 Progress Report* (EC, 2007), 5.

¹³⁶ Since the information collection stage, Police Reform has seen considerable progress. On 10 April 2008, the Lower House of Parliament adopted a key police reform package that was four years in the making and is considered the main requirement for signing the SAA with the EU. The measure moves next to the Upper House, where approval is expected. The new draft does not envision the merger of RS and FBiH police but stipulates the establishment of seven panels to coordinate and supervise police work.

¹³⁷ These include the following: academy and instructor development, advanced surveillance, major case management, interviews and interrogations, auto crimes, basic police services, firearms, criminal investigations, criminal justice coordination, information systems, and senior leadership and administration.

Civil Protection and Disaster Response - Civil protection and disaster response mechanisms in BiH are underdeveloped. BiH does not have a centralized disaster management and risk-reduction capacity at the state level. Also, there is neither a short- nor a long-term strategy that would clearly define the priorities in upgrading the country's capacities to plan, assess, prevent or mitigate the effects produced by natural or other types of disasters. That said, there is an increasing capacity at the entity level within this sector and an ever-growing donor interest to assist the BiH authorities in upgrading their equipment, enhancing their skills, and develop appropriate strategies to guide their work. On a positive note, with the signing of the *Hyogo Framework for Action 2005 - 2015: Building the Resilience of Nations and Communities to Disaster* (Hyogo Framework), BiH has firmly committed itself to meet international obligations.

UNDP started working in this area in 2007, through the *Disaster Risk Reduction Project*, which aims to increase BiH's legal and operational capacities for national disaster risk reduction. The project will support the establishment of a state system for coordinating civil protection and disaster risk management within the MoS, as well as provide strategic and training assistance to relevant stakeholders. **France** organizes trainings on civil protection for the specially designated division for civilian protection in the MoS. In addition, non-DCF members, NATO, OHR and the OSCE as well as the Danish Government have all supported efforts in this area, while the Stability Pact has been coordinating regional activities.

Hyogo Framework for Action 2005 - 2015: Building the Resilience of Nations and Communities to Disaster

The Hyogo Framework emphasizes the responsibility of states to create sustainable mechanisms and capacities for disaster risk reduction (DRR), and commits states to work towards ensuring that disaster management planning and coordination is prioritised and institutional mechanisms (national platforms) for DRR developed. It additionally commits states to data collection, including monitoring and assessing disaster risks and the development of human capacities through knowledge sharing, training and education. States should also undertake activities at reducing the underlying risk factors and strengthen disaster preparedness at all levels.

Civilian Peace-Building - Efforts in this area focus on assisting civilian peace-building initiatives, including the search and identification of missing persons, and the promotion of stability and ethnic reconciliation through grass-roots initiatives. Support to the International Commission on Missing Persons (ICMP) has been given by **Germany/GTZ, the Netherlands, Norway, Spain/AECID,¹³⁸ Sweden/SIDA, USA/ USAID and the EC** to the value of € 9.6 million (2006-2010). Assistance for reconciliation is provided by the **UK/DFID, Italy/IC, the Netherlands and Spain/AECID** with a special focus on returnees. Each of these agencies supports either independent media or civil society initiatives for policy dialogue, advocacy, and building social cohesion. It is foreseen that in 2008, the MDG-Fund-supported *Culture and Development* project (UNDP, UNICEF and UNESCO) will also address this issue through art and educational initiatives. Finally, **Austria/ADA** supports UNDP's efforts in the regular publishing of Early Warning System reports.

Sector strategies

BiH does not have a statewide strategy for the Security sector. Defense, law enforcement, civil protection, disaster response mechanisms, and civilian peace-building management are governed by the respective agreements and guiding documents.

Defense Reform is led by the strategic principles of the Defense White Paper of June 2005. The objectives of Defense Reform are to achieve democratic, civilian control of the military with parliamentary oversight, transparency of defense activities, and modernization of forces, as well as to bring BiH nearer to NATO membership. The strategic development of the Defense sector in BiH has been focusing on the fulfillment of the requirement for full NATO membership. Thus, the Presentation Document of the Individual Partnership Action Plan (PA IPAP) was prepared and adopted by the NATO Coordination Team. The following step is to present the PA IPAP at the next NATO Summit and to receive candidacy status for the Membership Action Plan. Although NATO requirements primarily focus on the Defense sector, they also exert broader impact on the overall social environment.

A Functional Review conducted by the EC in 2005 found BiH's police forces to be divided, over-staffed and not able to operate across the Inter-Entity Boundary Line.¹³⁹ Reform of police structures is expected to be governed by clear principles that would make police accountable to

¹³⁸ Spain/AECID's funds to the ICMP will become available in 2008.

¹³⁹ Final Assessment Report 2004, 15.



citizens first, cut bureaucracy, enhance crime prevention, and fulfill EU requirements. EUPM-supported reform provides the means to achieve European best practices in an effective and efficient police service

The lack of a clear strategy has hindered the further development of civil protection and disaster response mechanisms. Recently, however, the CoM adopted the draft BiH Law on the Protection and Rescue of People and Property in Natural or other Disasters in Bosnia and Herzegovina. If passed by the BiH Parliament, the Law would provide a legal framework for the improved role and harmonization of the civilian protection agencies. Currently, disaster response broadly relies on the involvement of the AFBiH.

Positive developments and challenges in 2007

Among the achievements of 2007, donors mentioned the successful finalization of the selection of personnel to be retrained in the BiH defense establishment. This NATO-assisted process was necessitated by the reduction of AFBiH's personnel from 12,000 to 10,000. Moreover, Defense Reform has seen progress in the transfer of EUFOR's residual tasks and functions to the AFBiH¹⁴⁰. Donors also noted that the PSOTC continues to be a significant success story, as it is the only in-country training for officers from the three constitutive ethnic groups, preparing them in terms of NATO standards.

Nonetheless, the implementation of Defense Reform suffered a major setback. Namely, stakeholders did not come to an agreement on the transfer of military property from the Entities to the State, which in turn blocked all other reform issues, such as SALW.¹⁴¹ In order to overcome this problem, the political confrontation between parties based in the Federation of BiH (FBiH) and the Republika Srpska (RS) needs to be resolved. Currently, the BiH MoD and NATO are working to draft a resolution in order to transfer property from the Entities to the State. The agreement for the transfer of movable property (SALW and ammunition) has been endorsed by the CoM and the FBiH Government, but it is awaiting RS government approval.

In terms of police reform, the support of the six main political parties for the Mostar Declaration, which committed them to police restructuring activities in accordance with EU principles, created room for optimism in 2007. Moreover, donors have applauded the fact that after four years of ongoing implementation, the Criminal Investigation Training can now be considered completed. Support to the SIPA Special Support Unit (SSU) has also been largely finalized. According to the *EC 2007 Progress Report*, BiH made improvements in the investigation and combat of terrorism, organized crime and war crimes.

However, donors also noted that corruption in the police is endemic and this hampers the police's own programme implementation. Despite the fact that BiH has a National Anti-Corruption Strategy and Action Plan, there has been very limited progress in dealing with this issue in all spheres of life, including law enforcement.¹⁴²

Among the achievements of 2007, the finalization of the Law on Disaster Risk Reduction must be mentioned. The Law, if adopted by the Parliament, will provide a basis for the coordination of Entity efforts, standardization of procedures, and access to equipment and training.

Coordination and ownership

The Security Sector Steering Group has been established to review progress in this field. Participants to the Steering Group include UK/DFID, OHR, EU, EUPM, the US Peace Project and the MoS. Though progress has been slow, the second meeting of the Steering Group has already been chaired by the MoS. In addition, EUPM convenes a meeting of donors twice a year and invites domestic authorities to participate as well. France also organized actions which foster cooperation among stakeholders. Importantly, donors report full awareness of each other's activities.

Donors' support proved to be important in ensuring significant funds for the easier realization of reforms; however, the donor community increasingly encourages domestic authorities to organize their own programmes and activities in this sub-sector. Defense reform is a good

¹⁴⁰ *Bosnia and Herzegovina 2007 Progress Report*, 12.

¹⁴¹ The Implications of this impasse regarding SALW control will be discussed in the next section of this chapter.

¹⁴² *Bosnia And Herzegovina 2007 Progress Report*, 14.



example of the implementation of agreed principles, and it continues to be regarded as the most successful area of cooperation. However, BiH ownership still needs to be improved, as there are a lot of highly politicized issues which require the involvement of all stakeholders.

Donors note that the areas of Security Sector Reform and Civilian Peace-Building Management still require assistance from the international community, in terms of upgrading capabilities, improving equipment, developing state organization, and coordinating mechanisms. Continued monitoring of this sub-sector is needed, too. All these dimensions would benefit from improved inter-agency cooperation, exchange of information and experiences on both horizontal and vertical levels. Donors indicated that BiH has to establish clear mechanisms of coordination in this field, agree on priorities, and demonstrate domestic institutions' dedication to working towards building peace.

These areas of concern notwithstanding, it has to be noted that the MoS and MoD have been involved in the successful drafting of several security-related laws. Once these are adopted, they will guarantee the full national ownership of the reform processes in this sub-sector.

Future activities

The reform of the current police structures in BiH has been the unquestioned priority in this sub-sector. Donors agree that police reform requires a complex, rigorous, and lasting process that encompasses different security segments. It will demand integrated donor action once BiH authorities reach political consensus on the matter.

International agencies identified BiH civil protection and disaster response capacities as a high concern in the security sector chain. Currently there is a poorly developed system of disaster response with incapacitated agencies lacking the tools for adequate response. Indeed, the draft BiH Law on Civil Protection and Emergency Planning for Rescue Matters was adopted by the CoM and most recently by parliament. This process will require financial support in the implementation phase. The Law will have an impressive scope: encouraging cooperation between entity civil protection agencies, improving the coordinating role of the State, and defining the responsibility of international cooperation.

Defense structures are still being reformed. Donors remain committed to assisting BiH in securing NATO membership candidacy, implementing strategic goals, and modernizing the AFBiH to cope with the most complex defense matters. The defense property issues and personnel management are prioritized areas within defense reform, the implications of which will be discussed in the next section.

Reintegration of Soldiers and Control of Small Arms and Light Weapons and Ammunition (SALW)

Sector definition	Based on the DAC definition, the <i>Reintegration of Soldiers and Control of Small Arms and Light Weapons and Ammunition (SALW)</i> sub-sector refers to the reintegration of demobilized military personnel into the economy; conversion of production facilities from military to civilian outputs; technical cooperation to control, prevent and/or reduce the proliferation of small arms and light weapons. DAC code: 15240.
Key DCF donors	The Netherlands, Norway, Spain/AECID, Sweden/SIDA, UK/DFID, USA/USAID, and UNDP. Several other donors contribute to the North Atlantic Treaty Organization (NATO) Trust Fund for demobilized troops.
Other key international organizations (IOs)	European Union Forces (EUFOR), the North Atlantic Treaty Organization (NATO), the Office of the High Representative (OHR), and the Organization for Security and Cooperation in Europe (OSCE).
Key government partners	The BiH Ministry of Defense (MoD) and the Ministry of Foreign Affairs (Ministerial Coordination Board for small arms and light weapons, or SALW, Control).
Total donor allocation to the sector in 2007	€ 1.12 million.
Sector strategies	National Strategy and Action Plan for SALW Control in BiH.
International obligations	<ul style="list-style-type: none"> • EU Code of Conduct on Arms Exports (2002); • OSCE Document on SALW (November, 2000); • OSCE Document on Stockpiles of Conventional Ammunition (November, 2003); • OSCE Decision on MANPADS (2003); • OSCE Decision on End User Certificates (2004); • OSCE Decision on Brokering (2004); • Stability Pact Regional Implementation Plan November (2001); • UN Firearms Protocol (to be ratified by BiH Mission to the UN); • UN Programme of Action on SALW (2001); • UN Register of Conventional Arms Submitted Returns (1999); • UN Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All its Aspects (UNA/CONF. 192/15); • Regional Implementation Plan to Combat the Proliferation of SALW; • EU Code of Conduct on Arms Exports.
Donor coordination	Until 2007, donor activities were coordinated through the Small Arms Coordination Group (SACG), chaired by UNDP. In 2007, the BiH MoD established a Working Group for the Disposal of Ammunition and Weapons, which came to replace SACG.

Overview

In addition to the more than 350,000 registered small arms and light weapons (SALW) owned by civilians, an estimated 16% of citizens in BiH possess SALW illegally.¹⁴³ This widespread phenomenon is primarily a human security concern, but it also undermines the rule of law and poses an obstacle to social and economic development. As a result of the restructuring of the Armed Forces, Bosnia and Herzegovina (BiH) also has approximately 35,000 tonnes of surplus ammunition¹⁴⁴ and explosive ordinances. Furthermore, 99,661 pieces of SALW and 2,733 pieces of large caliber weapons have been declared unstable. These must be identified, stored, and destroyed according to internationally accepted standards and with particular attention to the protection of human security, health, and the environment.

Like other Defense Sector Reforms, SALW control takes place in a complex institutional and legal framework. Several state-level ministries play a role in the regulation of arms' transfers in and out of BiH. Laws pertaining to civilian possession of SALW are not harmonized across Entities and the Brčko District. Moreover, following the unification of armies, disputes about the implementation of previously agreed principles of the movable and immovable property ownership have blocked any large-scale destruction of SALW.

¹⁴³ National Strategy and Action Plan for SALW Control in BiH.

¹⁴⁴ UNDP Study on SALW in BiH (UNDP, July, 2004).

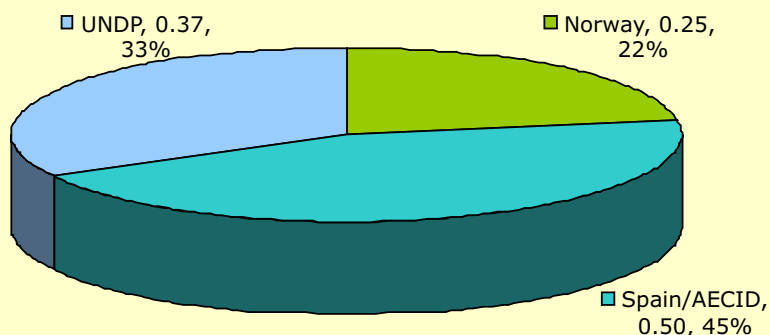
Despite these difficult circumstances, to date, 50,000 weapons have been collected from the civilian population. This significant achievement can primarily be attributed to the strong donor coordination and domestic ownership that exist within the sub-sector. Collection and destruction activities are ongoing, in line with the respective state-level strategy. However, the process is slow and expensive and BiH does not have adequate facilities for more efficient output.

Donors and activities in 2007

The donors in the SALW Control sub-sector are the Netherlands, Norway, Spain/AECID, Sweden/SIDA, UK/DFID, USA/USAID, and UNDP. In 2007, Norway, Spain/AECID and UNDP contributed € 1.12 million. The other donors also remained active in the sub-sector during the year, but did not report any allocations for 2007.

UNDP's *Small Arms Control and Reduction* project in BiH (SACBiH) is the largest ongoing initiative in this field, having received \$ 2.4 million donations since 2005. It aims to build institutional capacities to manage civilian and military stockpiles, destroy SALW that present safety and security problems, and demilitarize ammunition in line with EU environmental safety, and security standards. To this end, SACBiH provides technical aid to the National Coordination Board of SALW (hereafter the Coordination Board),¹⁴⁵ assists in the introduction of legislation for the management of stockpiles, and aims to raise awareness about the dangers of SALW and UXO. Moreover, UNDP has also been working with the BiH Ministry of Defense (MoD) on destroying surplus SALW stocks and ammunition. SACBiH receives financial support from **Norway, the Netherlands, Spain/AECID, UK/DFID** and the Nordic Initiative (**Denmark** and **Sweden/SIDA**).

Donor composition in the Reintegration of Soldiers and Control of Small Arms and Light Weapons and Ammunition (SALW) sub-sector in 2007 (million Euros)



Sector strategies

The National Strategy and Action Plan for SALW control was developed by the Coordination Board with the assistance of UNDP. It was endorsed by the Council of Ministers (CoM) in May 2006. The Strategy is the basic document for implementing SALW and ammunition collection and destruction. This document also governs the prevention, combat and eradication of illegal SALW trade, and stockpile management. The Strategy approaches these issues through eight functional areas which include state border control, reform of the legal framework, data gathering and information analysis, awareness raising, collection and destruction of arms and ammunition, stockpile management, and general sector reform.

According to donor agencies involved in the development of the document, the Strategy provides sufficient guidance for programme planning. Yet, it remains to be implemented by the domestic authorities.

¹⁴⁵ The National Coordination Board for SALW is an inter-ministerial body consisting of the BiH Ministry of Security, Ministry of Foreign Affairs, Ministry of Foreign Trade and Economic Relations, Ministry of Defense, Entity Ministries of Interior, Interpol and SIPA.

Positive developments and challenges in the sector in 2007

Donors have positively assessed the progress of the BiH MoD, which now produces faster, more focused and better-coordinated work. Achievements in this area are due to an extent to the ongoing technical assistance, capacity building and legal advice provided by international agencies involved in the field. Donors also applaud the fact that many staff members in the BiH Ministry previously worked in the Entity Ministries of Defense, therefore carrying forward institutional memory.

Moreover, the AFBiH assumed responsibility for military movement control from EUFOR. This transfer of functions now formally allows the AFBiH to take direct control over the military movements of personnel, weapons and equipment within BiH.

The BiH Ministry of Security (MoS) has also made significant progress in further developing the legal framework of SALW control. In the latter half of 2007, the MoS sponsored the drafting of four laws. The draft Law on Weapons and Ammunition and the draft Law on the Transport of Dangerous Goods were developed with UNDP assistance. EUFOR supported the drafting of two laws – the Law on State Border Crossings and the Law on Weapons and Military Equipment Movement Control – in an effort to transfer its functions to the BiH Government. Donors involved in the drafting process have noted that development of these draft laws was relatively fast. It is expected that once adopted and entered into force, these draft laws will bring the legislative system in line with the EU Integration Strategy of BiH and EU standards.

In 2007, the SACBiH has reported that 400,000 rounds of small arms calibre ammunition were destroyed and over 2,000 tonnes of surplus and unsafe ammunition were demilitarised. In addition, 770 rifles and 400 rounds of ammunition confiscated by the Court Police of BiH and Operations Harvest were also destroyed. SACBiH commissioned a mobile Explosive Waste Incinerator for the destruction of small arms ammunition (up to and including 14.5 mm calibre).

Despite these achievements, donors noted that 2007 has been the worst year for reform implementation in this sub-sector. The Agreement on Basic Principles for Issues Related to Immovable and Movable Property to be Used for the Defense Purposes¹⁴⁶ sets out that the State will have the unlimited right of use over the promising immovable defense property and will have ownership rights over movable property. These resolutions notwithstanding, one of the biggest challenges has been the continued reluctance of the entity authorities to implement this arrangement. However, in 2007, the BiH MoD and NATO brokered an agreement¹⁴⁷ with the Entities that until the issue of ownership is fully resolved, unstable ammunition can be destroyed. As a result, an inventory was developed and this has led to the destruction of 5,700 tonnes of ammunition and the development of an UNDP-supported action plan for the further disposal of SALW. Moreover, NATO and USA/USAID have been lobbying the government, highlighting that further progress in fulfilling PfP requirements, and thus moving towards NATO membership, is conditional on an agreement in this regard. Nevertheless, this political impasse has led to a slowing down of the reforms, and a complete resolution is still pending. As such, the collection and destruction targets set by donors and the SACBiH have not been reached.

Last but not least, many civilians continue to possess weapons, legally and illegally, which is a major threat to human security. In 2007 alone, there have been 281 SALW related incidents, 72 of which proved to be lethal.¹⁴⁸ To date, 50,000 civilian weapons have been collected, but according to a UNDP study, as many as 500,000 people may still possess more than one weapon.¹⁴⁹ The seriousness of this threat was very much felt towards the end of 2007, when the difficult political climate gave way to media speculations about renewed violence.

Coordination and ownership

The disposal of weapons and ammunition is a good example of coordinated activities on behalf of several international organizations, namely UNDP, EUFOR, the OSCE, USA/USAID, and NATO. UNDP and USA/USAID provide financial support for the destruction process. EUFOR is mainly involved with monitoring the transport of weapons and ammunition carried out by AFBiH and BiH MoD. OSCE gives policy recommendations through their weapons control experts.

¹⁴⁶ The Agreement was signed by the president of the Council of Ministers and Entities' Prime Ministers on 12 July 2007.

¹⁴⁷ The Agreement for the Transfer of Movable Military Properties including SALW and Ammunition.

¹⁴⁸ SACBiH Media Monitoring and SALW Impact Analysis 2007.

¹⁴⁹ UNDP Study on SALW in BiH (UNDP, July, 2004).

Until 2007, donor activities in the SALW Control sub-sector were coordinated in the Small Arms Coordination Group. This initiative was chaired by UNDP and comprised domestic and international stakeholders.¹⁵⁰ Donors have noted that these gatherings were very helpful in terms of information sharing and actual coordination. At the same time, inter-agency expert meetings between NATO, EUFOR, UNDP, OHR, and the OSCE were held, with the aim of identifying problems and solutions to the technical issues of SALW. In 2007, the MoD established a Working Group for the Disposal of Ammunitions and Weapons, comprising both international agencies and domestic authorities. This working group has replaced the Small Arms Coordination Group.¹⁵¹ Donors expect that if given more authority, this will be a useful mechanism for addressing coordination issues within the Sector.

Several other mechanisms exist for resolving donor impasses and preventing the duplication of donations. For example, the South Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons is an online tool that aims to match donors' and recipient countries' priorities. Moreover, twice a year, NATO organizes a meeting of Defense Attaches to share information and coordinate activities. The NATO Contact Point Embassy serves as an information centre on all defense reform related issues. Although donors assessed the existence of these tools as positive, many were concerned about their ability to achieve substantive coordination.

Nevertheless, international agencies assessed the work in this sub-sector as an example of good cooperation and coordination among the main agencies involved. There is an equitable division of labour and adequate information sharing. Donors have commented that given the different mandates and views of the stakeholders involved, it has been useful that UNDP took the lead role in coordination. In this capacity, UNDP assists all working groups and has a total overview of the sub-sector. Of late, NATO and the US Embassy have also assumed leadership in political lobbying and policy development.

Donors assess that domestic authorities' ownership of this sector is strong, although the lack of political commitment makes it difficult for the involved institutions to implement the reforms. Furthermore, international agencies have noted increasing buy-in and proactivity from their domestic counterparts, but all stakeholders have yet to progress to the level of national execution of projects. Donors reported that the presence of international organizations and a lead donor agency is still necessary, especially given the level of politicization in the sector.

Future activities

The foremost priority in the SALW Control sub-sector is to resolve the property transfer issue. This will enable the disposal of surplus ammunition, movable and immovable property, weapons and military equipment (WME), and archive material not required for future defense purposes.

Secondly, donors assess that the AFBiH operational planning capabilities need to be enhanced. The sector as a whole would be much stronger if reforms in it would be complemented with stronger parliamentary oversight, the empowerment of other institutions and agencies involved in the SALW control process, and improved horizontal communication.

Most activities identified in the SALW control strategy are addressed by domestic institutions and donor agencies. Nonetheless, there is a significant need for further financial support, technical assistance, capacity development, equipment, and training.¹⁵² An area that has not received sufficient attention is awareness raising about the dangers of SALW possession. One donor recommended organizing a national weapons collection campaign which would guarantee amnesty and anonymity to SALW owners who would voluntarily submit their weapons.

As far as the reintegration of demobilized troops is concerned, donors felt that there is a need to monitor the demobilization process in order to ensure coordination with the NATO Trust Fund.

¹⁵⁰ Members of the coordination group were UNDP, EUFOR, NATO, OSCE, OHR/EUSR, as well as USAID, DFID, CIDA and SIDA, members of the National Coordination Board, parliamentarians and NGOs' representatives.

¹⁵¹ The coordination board was endorsed by the CoM and consists of MoD, MoFTER, MoFA, MoS, SIPA, Interpol, the state border police, MoIS and the Italian embassy, whereas the working group is an MoD-led group. The two are not overlapping.

¹⁵² Strategy and Action Plan for Small Arms and Light Weapons Control in BiH 2005, 17.

Mine Action

Sector definition	Based on DAC definitions, the Mine Action sub-sector refers to explosive mine removal for developmental purposes. DAC code: 15250.
Key DCF donors	Austria/ADA, Canada/CIDA, Germany/GTZ, Italy/IC, Norway, the EC, UNDP, and UNICEF.
Other key international organizations (IOs)	International Trust Fund for Demining and Mine Victims (ITF).
Key government partners	The BiH Ministry of Civil Affairs, the BiH Demining Commission, the BiH Mine Action Centre (BH MAC), and the Armed Forces of BiH (AFBiH).
Total donor allocation to the sector in 2007	€ 6.93 million.
Sector strategies	Bosnia and Herzegovina Mine Action Strategy for the period 2005-2009. A new strategy for 2009-2019 was developed in October 2007. ¹⁵³
International obligations	As defined in the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personal Mines and on their Destruction (Ottawa Mine Ban Treaty, 1997).
Donor coordination	Board of Donors chaired by the BiH Ministry of Civil Affairs. ¹⁵⁴

Overview

Bosnia and Herzegovina (BiH) remains one of the most mine-affected countries in the world.¹⁵⁵ There is a lack of reliable data on mines and minefields because their positions were not recorded when they were laid. However, it is estimated that there are 220,000 mines and explosive remnants of war (ERW) scattered over 13,077 minefields. 3.4% of BiH's territory is considered to be suspect land. Returnees and those working in agriculture are particularly in danger of mine-related accidents, and in a larger sense, this situation also blocks the way to economic recovery, tourism and agriculture-based job creation. Since the end of the war, 1,575 people have died as a result of mine casualties.¹⁵⁶

Demining has been ongoing over the last 12 years and the problem has been reduced significantly. Nonetheless, at the current rate, BiH will need decades to clear its land of mines and unexploded ordnances. The sector itself functions well with domestic authorities having taken ownership of the institutions and activities. However, the difficult terrain conditions (BiH is by and large a mountainous country), the unavailability of mine records, the wide spread of minefields that are low in density and of random pattern, and the lack of funding make it difficult to achieve faster results.

Mine Action in BiH is overseen by the Ministry of Civil Affairs (MoCA) and the Demining Commission.¹⁵⁷ The BiH Mine Action Centre (BH MAC) serves as the technical operational arm for mine action. Demining itself is carried out by commercial demining companies, national and international NGOs, AFBiH, and Civil Protection.

Donor activities in 2007

The donors in the Mine Action sub-sector are Austria/ADA, Canada/CIDA, Germany/GTZ, Italy/IC, Norway, the EC, UNDP, and UNICEF. Together they contribute € 6.93 million. In 2007, there have not been any significant changes in the composition of donors, although some new non-DCF members, such as Poland, have begun to provide small amounts of funding for Mine Action. It is foreseen that Canada/CIDA and UNDP will cease their funding for Mine Action by the

¹⁵³ For more information, see www.bhmac.org/en/filedownload.daenet?did=2.

¹⁵⁴ For more information, see www.icbl.org/treaty/text/english.

¹⁵⁵ BiH Mine Action Plan for 2007, 3.

¹⁵⁶ BiH Mine Action Plan for 2007, 5.

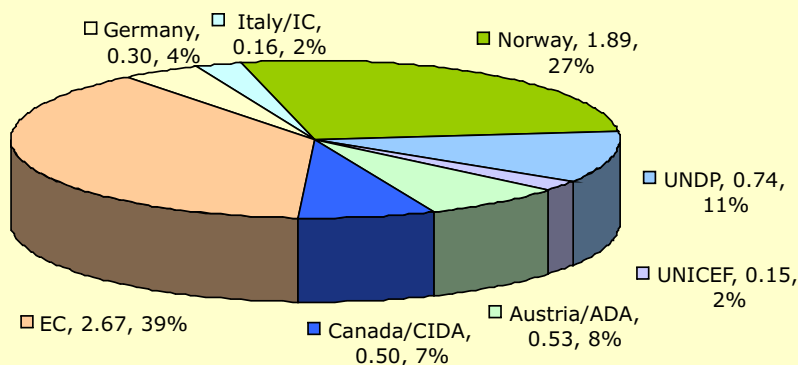
¹⁵⁷ The Demining Commission consists of representatives from the MoCA, Ministry of Foreign Affairs (MFA), and the BiH Ministry of Human Rights and Refugees

end of 2008. On the other hand, Switzerland/SDC/SECO will enter the sub-sector in 2008 by financing the Handicap International's project of integrating mine action and development activities in the Herzegovina region (Stolac and Berkovići).

Most donors channel funds through the International Trust Fund for Demining and Mine Victims Assistance (ITF), where their contribution is matched dollar-for-dollar by the USA State Department. ITF is a regional organization with operations in BiH, Croatia, Tajikistan, Albania, Macedonia, Serbia and Montenegro. The bulk of ITF's activities (50%), have been implemented in BiH. There are a few donors that also provide funding and in-kind donations directly to the domestic authorities, including UNDP, the EC, Norway, and Austria/ADA.

UNDP has been involved in Mine Action since 1998. In 2007, UNDP covered 15-20% of BH MAC-related costs.¹⁵⁸ As UNDP is at the end of its last programme cycle (2004-2008), part of its exit strategy involves handing over the financing responsibility to the BiH Government. Until the completion of its programme, UNDP will also continue to carry out development-related mine clearance and strengthen the AFBiH mine clearance capacity.

Donor composition in the Mine Action sub-sector in 2007 (million Euros)



The **EC** supports physical demining, technical surveys and assistance to mine victims under the Anti-Personnel Landmines budget line. The EC has traditionally been a very large funder of activities in this sub-sector by providing capacity-building support to the Civil Protection Agencies for demining. However, in an effort to ensure sustainability, the EC has handed over the financial responsibility to the entity governments.

Norway funds mine action through the ITF and the NGO Norwegian People's Aid (NPA). This latter organization is responsible for a quarter of the total output in demining. It conducts bilateral operations with the BH MAC and establishes its own tasks based on common agreement. A recent donation by Japan/JICA will enable the purchase of seven GPS devices for general survey, which will be used by the NPA teams. **Austria/ADA** also provided several GPS devices in 2007 and will donate additional terrain vehicles and other equipment for general survey and marking of suspected mine areas. **Germany/GTZ** finances demining activities in Herzegovina through Handicap International. **Italy/IC** supports initiatives to clear Mount Trebević and the municipalities of Trnovo and Hadžići.

In general, there has been a steady decline of donor funding in this sub-sector. It is expected that this trend will continue. Both the strong ownership of the local authorities and donors' shifting attention explain this development. Limited funding for humanitarian demining is one the reasons for slow progress in mine clearance. It is therefore one of the government's strategic objectives to increasingly advocate the connection of mine clearance to economic development. The current funding appeal, as defined in the 2008 *Portfolio of Mine Action Projects*, totals over \$ 5 million. However, this does not reflect the actual requirement in funding since the participation in the portfolio is voluntary and it relies on organizations to submit their projects.¹⁵⁹

¹⁵⁸ UNDP reports that in 2008, it will only cover ca. 5% of BH MAC related costs.

¹⁵⁹ The 2008 Portfolio of Mine Action Projects, can be read at www.Mineaction.Org/Downloads/1/Map_Portfolio_2008_Acrobat7.Pdf

Sector strategies

The revised BiH Mine Action Strategy, covering the period 2005-2009, was officially endorsed by the CoM in October 2004. The Strategy, which defines all elements of Mine Action in BiH, is complemented by an annual Action Plan and localized Integrated Mine Action Community Plans. Moreover, the Strategy entails an Operational Demining Plan, a Mine Risk Education Reduction Strategy and a Landmine Victim Strategy. Mine Action is also defined in the Poverty Reduction Strategy Paper, connecting it to the overall development of the country.¹⁶⁰ The Demining Law, adopted in 2003, also guides actions in this field.

The BiH Mine Action Strategy aims to address the social and economic impact of mines through an integrated approach of reducing risk, creating conditions for resource use, as well as enabling reconstruction and sustainable return. The overall goal of the Strategy is to clear all mine threat to BiH by 2009. However, this goal will not be met due to lack of funding. All mine action in BiH is based on a continuous assessment of the mine situation.

The **BiH Mine Action Strategy** defines activities in five areas:

1. Humanitarian mine action operations;
2. Mine risk education;
3. Advocacy;
4. Assistance to mine victims;
5. Destruction of stockpiles and prevention of their production and transport.

A new ten-year draft strategy (2009-2019) has been prepared, with a forecasted cost of BAM 80 million per year. As donor contributions are declining, MoCA will increasingly have to take over the funding of the Strategy. However, their ability to manage such a large cost seems to be limited. To counteract this, UNDP has been emphasizing the importance of the establishment of an upper-level strategic capacity within MoCA. This would provide a basis for resource mobilization, and enhance relations between donors and the relevant ministries.

Positive developments and challenges in the sector in 2007

This is a very well-developed sector that enjoys a strong commitment from the government, particularly MoCA. Since the integration of the state- and entity-level Mine Action Centres in 2002 and the subsequent development of a sector strategy, all stakeholders and their activities have been focused.

Some of the significant developments of 2007 have been the establishment of a Demining Unit within the AFBiH, the transfer of authority for demining from EUFOR to this Unit, and the corresponding establishment of a logistical support system for demining operations.

The biggest challenge facing the sub-sector is the declining funding despite the continued need for additional assistance. UNDP has been gradually handing over the costs related to the BH MAC, and in 2007 MoCA was able to assume an additional 15% of the remaining financing. While this is a remarkable achievement, it is questionable whether MoCA will be able to handle all the costs related to mine action while maintaining the same level of activity. This problem is exacerbated by the lack of high-level strategic management able to attract more funding to the sector.

The goals laid out in the Annual Plans have been successfully achieved in previous years. Annually, over 10 million m² are demined. During 2007, mine suspect area was reduced by a total of 139.4 km² through different demining methods. Of this number, 9.2 km² of land has been released through mine clearance and technical survey activities. In 2007, however, there were difficulties in achieving the year's targets, as only 50% of the 2007 Mine Action Plan for mine clearance and technical survey was completed. The delay in implementation of demining activities was largely caused by the State Department's evaluation of demining companies at the beginning of the year. As a result of the evaluation, some companies had to be removed from the ITF/State Department list of eligible bidders and the beginning of the season had to be postponed until April 2007. In addition, the State Department has confined procedures related to the implementation of its matching funds, which has also caused delays. Introduction of Value Added Tax (VAT) and an ambiguous status of the ITF in relation to the possibility for the VAT reimbursement added to the overall complications. This situation adversely impacted annual results for clearance and technical survey.

¹⁶⁰ BiH Mine Action Strategy, 5.

Coordination and ownership

Donor activities in the Mine Action sub-sector are coordinated through the Board of Donors, which meets two to three times a year to present results achieved and discuss future strategies. The Board's membership consists of donor representatives,¹⁶¹ the ITF, BH MAC, and MoCA. Since 2005, the Board has been chaired by MoCA. In 2007, however, the Board of Donors convened only once, which again points to certain weaknesses related to the strategic management capacity.

In general, coordination of stakeholder activities has been assessed as positive. However, donors have reported that in the past year the Board has not been as effective as it had been. It was felt that this may be due to the limited strategic management within MoCA and the general complexity of the political situation in the latter part of 2007. Nevertheless, donors believe that the Board can be an effective coordination body and its activities are necessary for the functioning of this sub-sector.

BH MAC is in charge of operational coordination of Mine Action. This agency does not carry out demining itself, but maintains a database to support surveying, quality assessment, inspections, issuing certificates and prioritization. Demining is carried out by accredited demining organizations, AFBiH and Civil Protection and thus, the Mine Action sub-sector is fully competitive. There are approximately 2,000 accredited deminers in BiH, who are fully trained and qualified for the job.

The BiH Government has an unquestionable leadership role in the sector. Donors align their funding and activities to the BiH Mine Action Strategy and Action Plan. The capacity within this sub-sector is strong. Indeed, BiH is one of the leading countries in this field. In fact BiH has deployed an EOD Unit to Iraq.

Future activities

Donors suggest that MoCA should be strengthened to deal with strategic management. This capacity building would include dealing with advocacy, attracting donor funding, and coordinating donor and inter-ministerial activities. In general, advocacy should emphasize the positive connection between de-mining and development, particularly in the fields of agriculture and tourism.

The funding appeals for Mine Action efforts have been collected within the 2008 Portfolio of Mine Action Projects and in the BiH Public Investment Plan. Donors looking to fund activities in this sub-sector should consult these documents but primarily they should consult the Mine Action 2008 Annual Plan.

¹⁶¹ Austria, Canada/CIDA, Germany, Italy, Japan, The Netherlands, Slovenia, Spain, Sweden, Switzerland, UK/DFID, USA/USAID, the EC, EUFOR, OSCE, UNDP, and UNICEF.

Conclusion

This chapter is an overview of three sub-sectors with the aim to pinpoint the institutional arrangements and strategic approaches to the overall Peace-Building Management in BiH. The contribution of international organizations has been of vital importance of making sustainable improvements in these fields.

The Security Sector Reform is an essential element of post-conflict peace-building and as such it should address wider security issues relating to civilian administration. However, BiH lacks a harmonized approach to all elements of the crisis. The biggest problem remains delivering coherent, focused policy that coordinates BiH's political, military, civilian, and economic capabilities.

However, there have been significant improvements in some sub-sectors. For example, defense reform stands out as having undergone successful transition. Defense reform is led by the framework of NATO's PfP and IPAP programmes with improved local ownership as the international military organizations acting in BiH are transferring more functions to the BiH MoD. Disarmament, demobilization and reintegration of former entity MoD employees and soldiers have been successfully implemented with international donor assistance. On the other hand, the recommendation to create a standing police force that could undertake state-wide missions and organize the start-up of new police components is still to be explored, with a view to its implementation due to political inconsistencies. As police reform is an SAA requirement, donors have invested in equipment, training, and political mediation, but to date lack clear political consensus on this issue.

Policies and approaches to the Civil Protection and Disaster Response and Civilian Peace-Building sub-sectors are as diverse as the actors engaged in the field. The latter sub-sector, receiving multi-national donor assistance, attempts to encourage the development of the structural conditions that will permit peaceful, stable and ultimately prosperous social and economic development. This aim is to be achieved through the identification of missing persons, ethnic reconciliation, and support for civil society initiatives to enhance policy dialogue, advocacy and social cohesion.

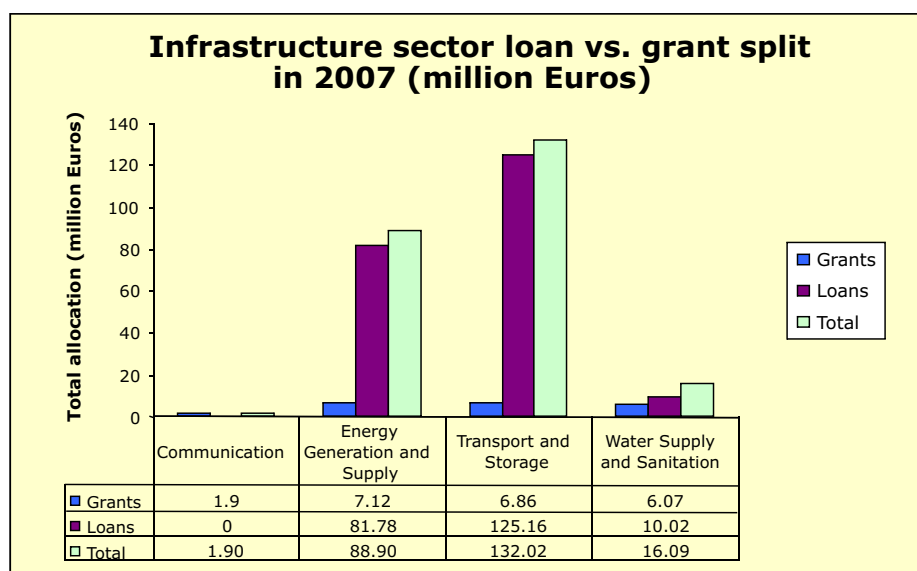
SALW and Mine Action have required continued international community support. The former has a direct correlation to defense reform as weapons and ammunition surpluses must be destroyed in accordance with internationally recognized standards. While the activities take place in a complex institutional framework, the sector shows strong domestic ownership and performance in line with state-level strategy. In 2007, a number of draft laws were prepared, applying the highest level of EU requirements. The Mine Action sub-sector is still one of the State's primary concerns as BiH remains one of the most mine-affected countries in the world. The sector enjoys a strong commitment from the government and has technical tools for the implementation of strategic goals set out in the state-level strategy. Donors continue to gradually hand over costs to the relevant domestic institutions. Nevertheless, BiH lacks strategic management specifically aiming to attract funding to the sector.

BiH is working to build its own military and civilian capacities, with appropriate oversight and financing, to provide more timely and effective multidimensional peace-building as well as conflict prevention and resolution mechanisms. State-level institutions are seeking either to ensure greater coordination among relevant entity agencies or to adjust their procedures to provide more flexibility in addressing the critical needs. The coordination of all stakeholders has to be strengthened to guarantee that the end result would be tangible. Donors are encouraged and willing to stay committed to support these reforms, but with the aim of transferring their activities to domestic authorities.

INFRASTRUCTURE

Sustainable economic development and the associated human development gains can only be achieved by creating a solid foundation on which economic activity can flourish. Accordingly, the Infrastructure sector can be viewed as the backbone of an economy. Connectivity - in terms of transportation and communication - allows for the free flow of economic assets and ideas. Ease and efficiency of transportation and communication are of fundamental importance in the endeavor to appropriately allocate scarce economic resources. At the same time, economic activity is physically powered by the output of the Energy sub-sector. While safe, sufficient water services contribute directly to citizens' health and are thus a human right, they are also of paramount importance for the economic development of key sectors, such as Agriculture. Infrastructure also exerts influence on the environment, often producing negative ramifications. Therefore, the environmental pros and cons of planned sectoral reforms need to be assessed before policies and projects are implemented.

Donor activities in the Infrastructure sector in Bosnia and Herzegovina (BiH) are guided by national priorities and the BiH Government's regional commitments. The Medium-Term Development Strategy (MTDS) covers all of the main focus areas of the relevant segments of the Infrastructure sector, as per the DAC codes: Transport, Communication, Energy, and Water Resources. In addition, the *Public Investment Programme* (PIP), the basis for short- and medium-term public expenditure and investment planning, indicates the BiH Government's view of infrastructure activities as a priority.



The total allocation to the Infrastructure sector in 2007 was €283.9 million, of which €217 million was in the form of soft loans. The largest share of funds was allocated to the Transport and Storage sub-sector, while Energy Generation and Supply also received significant support.

Transport and Storage

Sector definition	Based on DAC definitions, the Transport and Storage sub-sector encompasses the following elements: <ul style="list-style-type: none"> • Transport policy and administrative management; • Road, rail, water and air transport; • Storage. DAC code: 210.
DCF donors	Japan/JICA, EBRD, the EC, EIB, and the World Bank.
Key government partners	At the state level, the BiH Ministry of Transport and Communication holds coordination responsibilities. At the entity level, the RS Ministry of Communications and Transport and the FBiH Ministry of Transport and Communications (which includes the Federal Directorate for Civil Aviation and Federal Directorate for Building, Managing and Maintaining Motorways) are the bodies in charge of this sector.
Total donor allocation to the sector in 2007	€ 132 million.
Sector strategies	The National Transport Strategy and Action Plan have been developed, but not yet approved. The World Bank is currently supporting studies to inform strategic planning in transport infrastructure. An Air Traffic Management Strategy has also been developed.
International obligations	Aviation Airspace Agreement.
Donor coordination	Informal donor coordination; no regular coordination meetings.

Overview

As articulated in the MTDS, the Transport sub-sector in BiH consists of the road, rail, and water transportation networks, as well as air infrastructure.

The rehabilitation of the existing road networks¹⁶² and the introduction of new road maintenance methods remain high priorities. According to the MTDS (revised May 2006), problems with BiH roads and highways include potholes and cracking, poor drainage, land and rock slides, inadequate lighting in tunnels, and transit issues throughout cities. In addition, construction of the Pan-European Corridor 5c is seen as an important priority for BiH's future economic development. This branch of the Pan-European Corridor will cut across the middle of the country, passing through Bosanski Šamac at BiH's northern border, and continuing through Doboj, Zenica, Sarajevo, and Mostar, before crossing into Croatia at Metković. When finished, the Pan-European Corridor 5c will connect Budapest, Hungary to the Adriatic Sea at Ploče, Croatia. This transportation line will feature a modern highway, upgraded rail links, and improved airport capacity.

Needs in the rail transport area include reconstructing railways and enhancing the rail infrastructure to achieve compliance with regional and international commitments. It is important to improve not only the operation and maintenance of the railway system, but also its safety and environmental standards.

The major focus of development activities in the field of water transport deals with the renewal of the Sava River as a fully functional water transportation option. In 1990, water transport tonnage on the Sava in Croatia, BiH, and Serbia totaled 5.7 million, but the 1992-1995 war caused the cessation of most economic activity on the waterway and resulted in massive destruction of river and port infrastructure. As a result, tonnage fell to roughly 1 million.¹⁶³ According to international classifications measuring shipping capacities of water bodies,¹⁶⁴ the Sava River is classified as a Class III waterway upstream of the Brčko District, the largest section of the river in BiH, running along the country's northern border. Downstream of Brčko, the Sava is classified as a Class IV waterway, but this section of the river in BiH is much shorter (approximately 50 km), covering the

¹⁶² According to the Institute of Transportation Engineers in 2002, during the 1992-1995 war, over 2,000 km of the main road network and over 70 major bridges were either partially or totally destroyed.

¹⁶³ Pre-Feasibility Study for the Rehabilitation and Development of the Sava River Waterway (International Sava River Basin Commission, March, 2007).

¹⁶⁴ For details see Ibid., 2-1.

distance between Brčko and the Serbian border. According to the International Sava River Basin Commission, the Sava Strategy includes a plan to upgrade the Class III section of the river to Class IV.

In the Air Transport sub-sector, needs include the application of market access rules, and improved safety, security, and air traffic management. This sub-sector also requires the establishment of a civil aviation authority and an air navigation services provider.

The BiH Ministry of Transport and Communication holds coordination responsibilities for activities at the entity level, carried out by the Republika Srpska (RS) Ministry of Communications and Transport and the Federation of BiH (FBiH) Ministry of Transport and Communications (which includes the Federal Directorate for Civil Aviation and Federal Directorate for Building, Managing and Maintaining Motorways). The Transport sub-sector has experienced a variety of different strategic planning and policy development initiatives in recent years. A national Transport Strategy and Action Plan have been created at the state level but these require agreement from entity counterparts before being adopted and implemented. The World Bank is also currently supporting studies to inform strategic planning in transport infrastructure. At the regional level, BiH is a participant in the Core Regional Transport Network and in the South East Europe Transport Observatory (SEETO).

As succinctly summarized by the EC, "Overall, Bosnia and Herzegovina has made some progress in the field of transport. Sustained efforts remain necessary, particularly as regards legislative alignment and the development of the administrative capacity to ensure proper implementation."¹⁶⁵

Donor activities in 2007

The donors in the Transport and Storage sub-sector in 2007 were Japan/JICA, EBRD, the EC, EIB, and the World Bank. Together they contributed € 132 million. Most large-scale funds to this sub-sector were in the form of loans, although some agencies, like Japan/JICA, also contributed significant grants. EBRD is active in every aspect of the Transport sub-sector, including road networks, air traffic management, and railways.

In order to improve BiH's Road Networks, in July 2007, the **EBRD, EIB, and World Bank**¹⁶⁶ initiated the *Bosnia and Herzegovina Road Rehabilitation Project*, a major initiative to support the improvement of the country's road infrastructure and safety. In addition to the provision of loan capital for rehabilitation activities, the project seeks to introduce new methods for road upkeep in order to eliminate the current maintenance backlog. The initiative also supports the development of a transport law for the FBiH. The domestic authority partners are the BiH, the FBiH, and the RS Ministries of Transport and Communication, and the Entity Directorates of Road Maintenance. The **EC's** activities focus mainly on institutional development and reform through support to the relevant authorities and administrative bodies, and the facilitation of direct investments. In addition, the EC supports studies aiming to explore the feasibility of intermodal transport in BiH. **Japan/JICA** has assisted BiH's road maintenance by supplying equipment to CESTE. Their € 6.6 million contribution was all in the form of a grant.

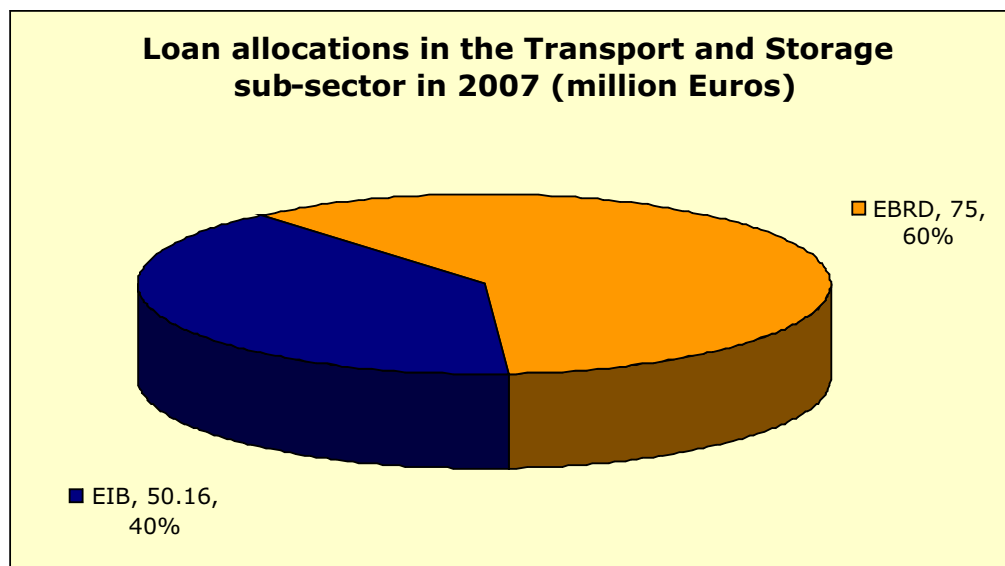
For the betterment of the Rail Networks, the EBRD and the BiH Government signed the *Regional Railway Project* in 2005 but to date, no progress has been achieved. The initial aim of this effort was to renew tracks on key sections of the north-south Pan-European Corridor 5c and certain east-west lines, and to rehabilitate the station signaling system and track machinery. The project was also meant to support the restructuring of the railways in BiH, through the separation of infrastructure from operations. The EC's assistance to this sub-sector is multi-faceted. The EC provides twinning assistance to the BiH Ministry of Communications and Transport in implementing the BiH Law on Railways. At the same time, the EC has supported the design of the reconstruction of railway sections on the Pan-European Corridor 5c, as well as preliminary studies and solutions for creating the regional railway link between Čapljina and Trebinje, in BiH, and Nikšić, in Montenegro.

There were no substantial developments in the Water Transportation Network in 2007. In the field of Air Transport, there were a few initiatives. EBRD's *Air Traffic Management System Project* entails the procurement and provision of air navigation, communication and

¹⁶⁵ Commission of the European Communities, *Bosnia and Herzegovina 2007 Progress Report*.

¹⁶⁶ The World Bank does not feature in the below graph, as this donor indicated a fund allocation for 2008 only.

meteorological equipment, software, and training to three regional airports (Banja Luka, Tuzla, and Mostar) in order to improve safety and enable BiH airports to meet international standards. EBRD also supports the establishment of a new Air Navigation Services Provider, which would take over the control of intermediate and lower air space in BiH. The EC provided technical assistance to the BiH Directorate for Civil Aviation (BHDCA) to implement the Air Traffic Management Strategy.



Sector strategies

Although a state-level Transport Strategy was developed through a coordinated effort between the BiH Ministry of Transport and Communication, France, EBRD, and the World Bank, it has not yet been approved. An Air Traffic Management Strategy has also been created. Other guiding documents include the BiH Railways Law (passed in 2004 but not yet implemented), the *Study on the BiH Transport Master Plan*,¹⁶⁷ and some EC regional studies such as the *Transport Infrastructure Regional Study* (TIRS) and the *Regional Balkans Infrastructure Study* (REBIS). The World Bank is expected to make a significant contribution to the strategic guidance of the sub-sector when it completes a Country Assessment Study focusing on the Transport sub-sector for the period 2008 - 2012.

This sub-sector can claim a relatively strong strategic planning component. The work of entity ministries has been improved by the adoption of new planning approaches that offer increased discipline in programme budgeting with predetermined goals providing clear strategic direction.

Positive developments and challenges in the sector in 2007

A contract outlining intended cooperation on the Pan-European Corridor 5c between the EBRD and BiH authorities was signed, and construction commenced. Furthermore, a feasibility study on the Corridor was completed. Other than that, some progress was made on building motorways and installing lighting systems in tunnels. In the Air Transport sector, the Aviation Airspace Agreement was ratified by the BiH Government. For this sub-sector, in spite of the achievements related to fulfilling the requirements under the *acquis communautaire*, there is significant work remaining in the MTDS priority areas of equipment provision and air space control.

Although there were no new substantive developments in terms of improving the Sava's River Navigation in 2007, the International Sava River Basin Commission did publish the *Pre-Feasibility Study for the Rehabilitation and Development of the Sava River Waterway* in March 2007.

¹⁶⁷ The BiHTMAP was developed with the assistance of Japan/ICA in 2001 in conjunction with the BiH Ministry of Civil Affairs, and the BiH, FBIH, and RS Ministries of Transport and Communications.

Significant challenges in the sub-sector in 2007 included the delays resulting from the state-level strategy not being passed and the postponement of the implementation of the EBRD's railway network improvement project.

Coordination and ownership

Although the practice of informal coordination in this sub-sector is generally considered to be operating at an acceptable level, there are diverging opinions as to whether overall donor coordination has increased or decreased compared to past years. Coordination of international agencies at the regional level was noted as being rather effective. One challenge to synchronizing donors' activities is the complex organization of the sub-sector. Thus, steps toward simplification would make coordination easier.

National ownership has not reached its full potential yet. This is largely due to the international community not setting up operational consultative processes. However, the joint funding requirement associated with Instrument for Pre-Accession Assistance (IPA) funds is expected to encourage greater BiH Government ownership and accountability.

Future activities

While the BiH Ministry of Transport and Communication is viewed as being very competent and prepared to guide the Transport sub-sector toward achievement of *acquis* requirements, capacity-building activities to support the Ministry's efforts to reform legal and regulatory frameworks would be useful. Other domestic authorities active in the sub-sector require capacity development assistance to enable them to take on a greater role in coordination, business planning, and project preparation skills. These skills are: developing and producing preparatory studies, contracting, implementing projects, and performing assessments of transition impacts. Donors agreed that more attention should be paid to consulting with domestic authorities.

National priorities for the Transport sub-sector include addressing maintenance deficiencies and maintenance backlogs, as well as the development of the Pan-European Corridor 5c. Large-scale investments are anticipated from donors to finance these efforts over the coming years. International agencies such as EBRD, the EC and the World Bank all require strategic justification for their investments, which highlights the relevance and importance of internal planning and policy capacities within the Transport sub-sector. The EC has stated its intention to provide dedicated twinning support to assist BiH transport authorities in strengthening their capacities to deliver remits effectively.

Communication

Sector definition	<p>Based on DAC definitions, the Communication sub-sector refers to the following:</p> <ul style="list-style-type: none"> • Communications policy and administrative management; • Telecommunications; • Radio, television, and print media; • Information and communication technology (ICT). <p>DAC code: 220.</p>
DCF donors	USA/USAID, the EC, and UNDP.
Key government partners	The BiH, the FBiH, and the RS Ministries of Transport and Communication.
Total amount of donor allocation to the sector in 2007	€ 1.9 million.
Sector strategies	No state-level strategy, but a working group has begun the strategy development process. A Strategy and Action Plan for Information Society have also been developed.
Donor coordination	Informal coordination, with no regular coordination meetings.

Overview

While the transition to a market-based Telecommunications sub-sector is underway, it remains in its early stages. Therefore, not all of the requisite market protection mechanisms are in place, and competition has not yet adequately developed. The MTDS highlights the need to increase competition within this sub-sector, a key point recently echoed by the EC.¹⁶⁸ The importance of satisfying EU requirements, as per the Lisbon Strategy, is prominently presented in the Medium-Term Development Strategy (MTDS). To this end, the goals for BiH all relate to the development of a modern information-based society. These are namely: defining priority policies and areas; adjusting and updating the legal framework, including harmonization with EU documents; promoting the development of small and medium-sized enterprises in the field; achieving further liberalization of the communications sub-sector; and creating broadband infrastructure.

Donor activities in 2007

USA/USAID, the EC, and UNDP are donors to this sub-sector. Together they contribute € 1.9 million.

The **EC** focuses on initiatives that both directly and indirectly support BiH's achievement of compliance with EU accession requirements. For example, technical assistance in the form of equipment and training to the Communications Regulatory Agency (CRA) is enabling the agency to adopt European standards in the regulatory framework. Supporting reform of the Public Broadcasting System (PBS), including the creation of a state television channel, is another way in which the EC is directly assisting BiH to achieve compliance. The Delegation is also indirectly supporting BiH's accession by advocating for the transformation of the Citizens Identity Protection System into a state-level Agency for Information Society in charge of implementing the Strategy for Information Society and its Action Plan, as well as coordinating related activities throughout the country.

As mentioned in the Public Administration Reform (PAR) sub-chapter, the objective of UNDP's *E-Governance Programme* is the development of an efficient and responsive public administration, which will ensure equitable access to public services. The *E-Governance Programme* ensures that Information and Communication Technology (ICT) will be utilized effectively for PAR objectives. Therefore this initiative has a strong link to Infrastructure as well. The EC financially supports UNDP in this endeavor.

¹⁶⁸ Medium-Term Development Strategy (MTDS) 2004-2007 – Revised Document (Sarajevo: EPPU, 2006).

In the framework of its *Digital Cities* initiative, **USA/USAID**'s provides technical assistance and supports the installation of CISCO's contribution of equipment to establish a wide communication network in Srebrenica and Bratunac. The project is designed to provide a base for all types of e-government, with a robust network that reaches into rural areas around the towns. A shared network will enable municipal institutions to ensure that information on pension payments, healthcare, education, business services and other social benefits is accessible in a way that encourages returnees to actually register their residence in Srebrenica. It will also create the opportunity for the Srebrenica community to communicate with people and agencies from other cities, develop rural areas, and connect with education institutions worldwide. Introduction to new communication technologies will open this community to the world, enabling better correspondence and higher efficiency when corresponding with potential business partners.

Sector strategies

The BiH Ministry of Transportation and Communication has established a Working Group to begin the sectoral strategy development process. This guiding document will also deal with digital media. Additionally, a Strategy for Information Society and its Action Plan have also been developed.

Positive developments and challenges in the sector in 2007

Donors note that little progress was achieved in 2007 in this sub-sector. One of the biggest challenges was the FBiH Parliament's unwillingness to sign the PBS Law.

Coordination and ownership

Coordination between the few donors in this sub-sector is solid, albeit informal. Clearly, the lack of a strategy to guide the efforts of international agencies and domestic authorities alike exerts a negative influence on both the harmonization of donor activities and the ownership of the reform process of the Communications sub-sector. The development and adoption of a state-level strategy would facilitate the work of all stakeholders involved.

Future activities

According to donors, advocating for the FBiH Parliament's adoption of the PBS Law should be one priority focus area in 2008, given that this is a precondition for BiH signing the Stabilization and Association Agreement (SAA) with the EU. The CRA has already achieved compliance with European Standards, but it continues to require some assistance in raising the regulatory framework to the same level. In greater need of support is the public broadcaster, especially in terms of transitioning to a digital format. To this end, donor assistance in terms of the provision of equipment would be helpful, but the importance of engaging the private sub-sector must also be recognized.

Energy Generation and Supply

Sector definition	<p>Based on DAC definitions, the Energy Generation and Supply sub-sector refers to:</p> <ul style="list-style-type: none"> • Energy policy and administrative management; • Power generation and (non-)renewable sources; • Electrical transmission and distribution; • Gas distribution; • Energy education and training; • Energy research. <p>DAC code: 230.</p>
DCF donors	Canada/CIDA, Germany/KfW, the Netherlands, Spain/AECID, USA/USAID, EBRD, the EC, EIB, and the World Bank.
Key government partners	The Energy Department in the Ministry of Foreign Trade and Economic Relations (MoFTER), the FBiH Ministry of the Energy, Mining and Industry, and the RS Ministry of Economy, Energy, and Development.
Total amount of funds to the sector	€ 88.9 million.
Sector strategies	No state-level strategy exists, but one is currently under development.
International obligations	Athens Energy Community and the Kyoto Protocol.
Donor coordination group	Bi-annual meetings chaired by the Energy Department in MoFTER

Overview

The Energy sub-sector in Bosnia and Herzegovina (BiH) is divided into the following sub-categories, according to the Medium-Term Development Strategy (MTDS): Electricity, Coal, Natural Gas, Oil, and Central Heating. Some of the key reform goals for this sub-sector include encouraging private investment (domestic and foreign), and achieving a stable supply of energy that is available at reasonable prices for citizens, but also provided in accordance with accepted quality standards. Moreover, within this sub-sector future activities should focus on moving in the direction of creating a single economic space, improving conditions for liberalization and competition, increasing the usage of renewable energy sources, and fulfilling the requirements of the Energy Community Treaty.

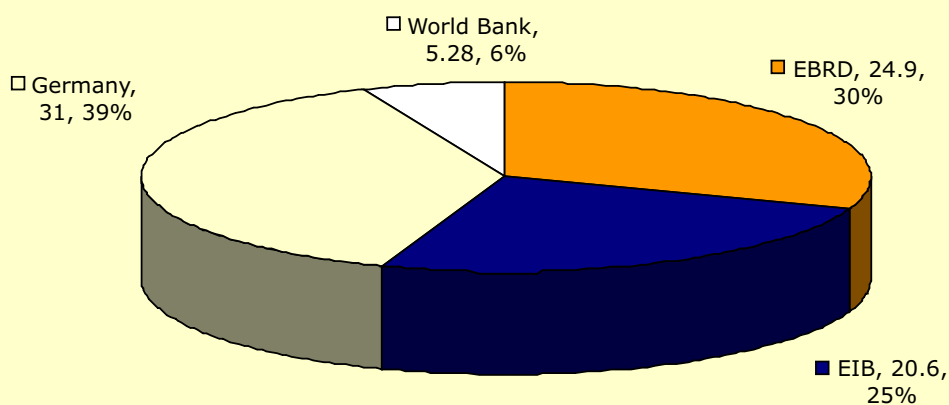
The state-level coordination responsibility for the sub-sector lies with the Energy Department in MoFTER. Yet major decisions are made at the entity level, where jurisdiction lies with the Federation of BiH (FBiH) Ministry of Energy, Mining, and Industry, and the Republika Srpska (RS) Ministry of Economy, Energy, and Development.

Donor activities in 2007

Canada/CIDA, Germany/KfW, the Netherlands, Spain/AECID, USA/USAID, EBRD, the EC, EIB, and the World Bank are the donors to the Energy sub-sector in BiH. Together, they allocated € 88.9 million during 2007, of which € 81.78 million was in the form of loans.

The **EBRD** assists BiH with the development of renewable power generation resources and facilitates private sector investments in the Power Generation sector. In the area of energy reconstruction, EBRD has been installing new measuring equipment, protective cables, and has been performing station rehabilitation in order to improve the efficiency of electricity distribution. EBRD made further progress towards unbundling power generation and distribution in the FBiH, and distribution from supply in the RS. These measures were required under the Athens Energy Community of South East Europe Agreement (ECSEE), which BiH joined in 2006. This will not only enable citizens to choose their power supplier, but will also move the sector one step closer to compliance with EU standards.

Loan allocations in the Energy Generation in and Supply sub-sector in 2007 (million Euros)

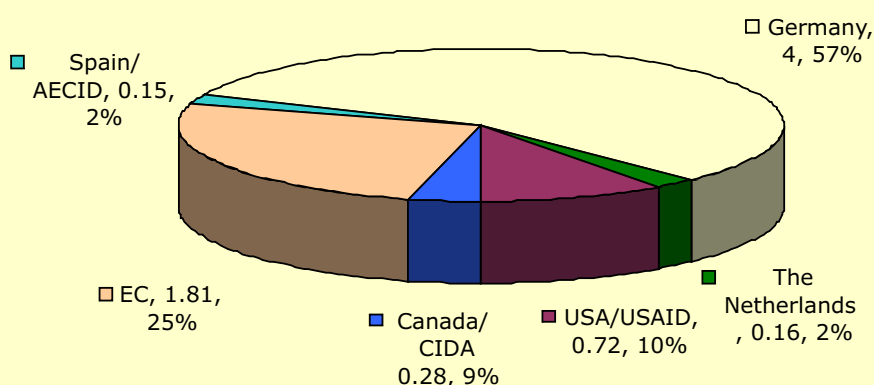


The **EC** is also supporting the process of unbundling power generation, transmission, and distribution. Additionally, the EC provides technical assistance to the Transmission Company, and works to improve its coordination and cooperation with the Independent System Operator. The harmonization of these companies' activities is essential, as they manage all transmission facilities in the country and must be compatible in order to ensure smooth operation. The EC also provides capacity-building assistance to the State Regulatory Commission for electricity and gas in BiH and to the Energy Department within MoFTER.

EIB supports the rehabilitation of hydropower plants and electric power distribution systems in BiH. This EIB loan will finance measures leading to a more rational usage of energy through the reduction of losses, improvement of energy efficiency, reducing operation and maintenance costs as well as increasing the quality and reliability of the power supply of the energy system across the country. BiH will re-lend these EIB funds to the beneficiaries: the FBiH and the RS.

The **World Bank** is implementing its fourth programme cycle in the Energy sub-sector, which is now being realized at the regional level in conjunction with a broad donor group, including, Canada/CIDA, Germany/KFW, Switzerland/SDC/SECO, USA/USAID, EIB and the EBRD. The goal of this initiative is to reform and restructure the Energy sub-sector. In addition, the World Bank is also implementing the *Power III Project*, which is a continuation of the post-conflict reconstruction of the power sector in BiH.

Grant allocations in the Energy Generation and Supply sub-sector in 2007 (million Euros)



Canada/CIDA supports the development of expertise in the electricity sector through the improvement in skills, management capability and education. Canada/CIDA's project aims to enable countries in the region to better meet their electricity needs. **Germany/KfW** with its rehabilitation of the hydro power plant in Trebinje assisted the economic development of BiH by contributing to a stable, environmentally-friendly, and efficient energy supply. Technical assistance has been provided to prepare the intended wind park project in Mesihovina and the Distribution Scada Project. Rehabilitation of Hydropower Plant Rama was still pending, due to the local procedures of contract approval. **The Netherlands** concentrates on electrification projects in the Žepa and Srebrenica regions.

Spain/AECID seeks to strengthen the capacities of the departments responsible for the development of renewable energies within the FBiH and the RS Ministries of Energy. Moreover, Spain/AECID is also supporting the technical staff of the Independent System Operator (ISO BiH) in the use of alternative energy for the production of electricity. During the project, specialized software will be installed in order to stimulate the flow of electricity. Also codes, regulations, and frame agreements will be developed for the use and commercialization of the electricity produced by renewable energies. In this sub-sector, **USA/USAID** aims to help BiH fully integrate its energy sector into the regional and EU markets as well as to restructure and commercialize its energy companies.

Sector strategies

While there is no state-level strategy, the EC is supporting MoFTER's Energy Department in its development of a countrywide energy plan. The targeted completion date for this very sensitive document is October 2008. In the absence of such a strategy, guidance comes from the Athens Energy Community of SEE (ECSEE) Treaty and the Kyoto Protocol.

The sub-sector has benefited from strategy and policy development support in the past resulting in new policies and institutional reforms, such as the introduction of new regulators and the re-organization of public utilities. These changes have been driven by the Entity Action Plans for Power Sector Restructuring that were adopted in 2003 by the RS Parliament and in 2005 by the FBiH Parliament. Ongoing strategic support activity includes EC assistance to build the capacity of the state-level Energy Department in MoFTER and to develop an energy strategy blueprint for BiH covering the period until 2030.

Additionally, a number of action plans exist, which focus on encouraging large investment, improving distribution networks, building hydro power plants, and upgrading environmental protocols.

Positive developments and challenges in the sector in 2007

The establishment of the Energy Department within MoFTER, which has legal responsibility for the implementation of the Athens ECSEE Treaty commitments, was a positive development. The privatization of an oil refinery in the RS was also a favorable achievement in 2007, as it is in line with EU accession requirements and will reduce BiH's dependence on imports. Progress was achieved in liberalizing the electricity market, beginning early in 2007, first with major industrial consumers.

New BiH legislation was introduced incorporating environmental assessments. Nonetheless, enforcement of the law remains a significant challenge. As there are several ministries involved in the process, and coordination is difficult. Another hindrance is the lack of transparency in the common practices in the Energy sub-sector. Finally, as in other sectors, behavioral change toward a client-first focus is still a challenge.

Coordination and ownership

Bi-annual meetings have been successful in facilitating donor coordination, and the new Energy Department within MoFTER is now chairing these gatherings. Donors generally agree that their activities do not overlap. However, there was a concern expressed that donor initiatives do not

effectively incorporate the views of local authorities when outlining project priorities. Changing dynamics in the donor community had an impact, as the clear leadership from past years has waned.

The Energy Department is responsible for coordination and the fulfillment of obligations under the Athens treaty. The entity ministries in charge of energy issues do not always agree on reform and development priorities. Therefore, while their ownership is strong, coordination of entity ministries' activities is a bigger challenge. Capacity building in the interest of strengthening the relevant ministries and domestic institutions would help them to take an even greater role in terms of leadership in reform processes.

Future activities

The future activities are largely the same as the current key focus areas: encouraging investment and satisfying regional commitments. Special interest is to be paid to meeting EU Energy Directives and the obligations undertaken in the ECSEE Treaty. The EC has stated its intention to provide dedicated twinning support to help the Energy sub-sector strengthen capacities for implementing market oriented reforms linked to joining regional power markets.

Water Supply and Sanitation

Sector definition	<p>Based on DAC definitions, the Water Supply and Sanitation sub-sector refers to:</p> <ul style="list-style-type: none"> • Water resources policy and administrative management; • Water resources protection; • Water supply and sanitation, large systems; • Basic drinking water supply and basic sanitation; • River development; • Waste management and disposal. <p>DAC code: 140.</p>
DCF donors	Germany/GTZ/KfW, Norway, Spain/AECID, Switzerland/SECO, EBRD, EC, and the World Bank.
Key government partners	The FBiH Ministry of the Agriculture, Water and Forestry and the RS Ministry of the Agriculture, Forestry, and Water.
Total amount of funds to the sector	€ 16.1 million.
Sector strategies	The National Environmental Action Plan (NEAP).
Donor coordination group	No formal coordination mechanisms.

Overview

Sustained economic growth, human development, and environmental integrity depend on the existence of a water system that delivers water services reliably, efficiently, safely (i.e. with proper testing for contamination), and equitably. The water system in Bosnia and Herzegovina (BiH) does not fully satisfy any of these criteria. The water supply and sewage system in BiH is currently unsustainable over the long term. It is characterized by gross inefficiencies, does not have the requisite controls in place to ensure that the water is uncontaminated, and does not reach the entire population.

There are a number of factors that can account for this state of affairs. The long-term reliability of water service delivery is in jeopardy due to two related problems: financial and physical unsustainability. The former is caused by the following: enormous quantities of non-revenue water (treated water that cannot be traced and charged due to leakage, illegal household connections, defective meters, etc.); an inability to satisfy total demand due to incomplete coverage; and insufficient fee collection levels largely due to evasion, limited enforcement options for dealing with free riders, and flawed billing systems. In turn, this lack of funds leads to insufficient annual maintenance capital expenditures, which accordingly results in the deterioration of the capital infrastructure, further non-revenue water loss, and revenue declines from reduced water delivery volumes. Although water companies are funded by their respective municipalities,¹⁶⁹ these subsidies are insufficient to cover losses and minimum maintenance capital expenditure requirements.

The lack of efficiency stems from poor physical infrastructure, limited management and administrative capacities in both the water utility companies and their associated municipalities. The ineffectiveness associated with poor physical infrastructure is mainly manifested in two ways: leakage and an inability to monitor the system properly. In turn, the latter results in difficulties in detecting abuse, like illegal connections, and billing customers properly, which requires meters. Additionally, a shortage of qualified and educated personnel keeps the water companies and municipalities from addressing inefficiency problems. Data collection, planning and budgeting are performed rather poorly by the water companies. Accordingly, municipalities experience significant difficulties. Clearly, water utilities in BiH face serious challenges, and it is therefore predictable that over two-thirds operate with a loss.

As a result of the water system not being regulated at the state or even entity levels, the weak capacity of water company personnel, and a general lack of funds, water testing is not always up to proper safety standards. This is particularly disconcerting in the context of a system with poor

¹⁶⁹ Jurisdiction over water supply and sewerage service distribution lies at the municipal level. There is no centralized regulation of this sub-sector in BiH.

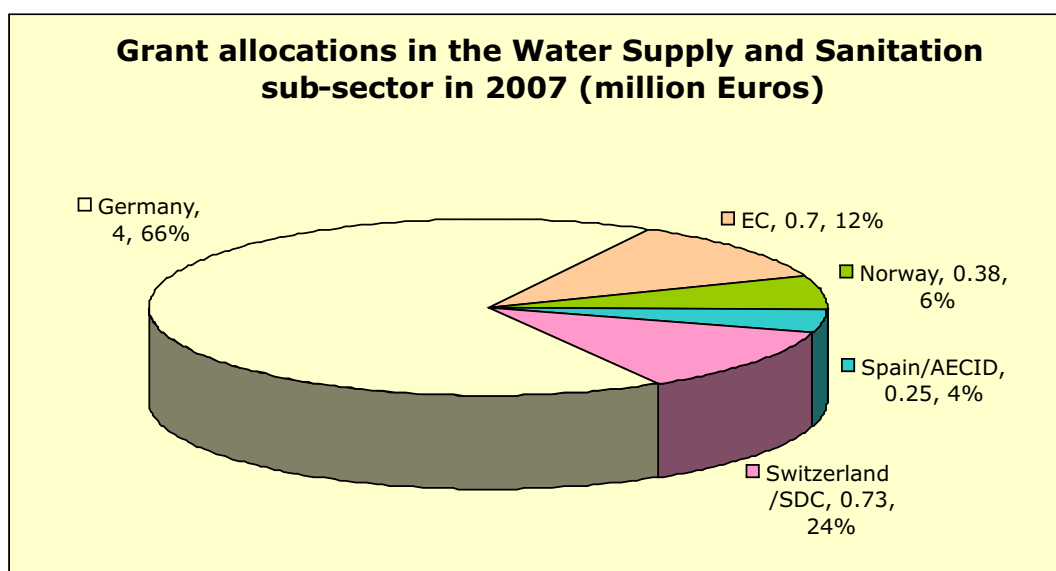
physical infrastructure, which makes the water supply more vulnerable and susceptible to contamination.

Finally, given the inadequate physical infrastructure, lack of funds needed for capital investment, and BiH's mountainous terrain populated by many isolated villages, vulnerable groups are often not covered by the system at all.

In order to rectify this grave situation, a number of measures, consistent with national priorities articulated in the Medium-Term Development Strategy (MTDS), are required. The MTDS outlines several goals associated with water management. These include satisfying international conventions and commitments, establishing an adequate institutional framework, setting up sustainable financing mechanisms, and improving the existing infrastructure to ensure the provision of safe water in sufficient quantities.

Donor activities in 2007

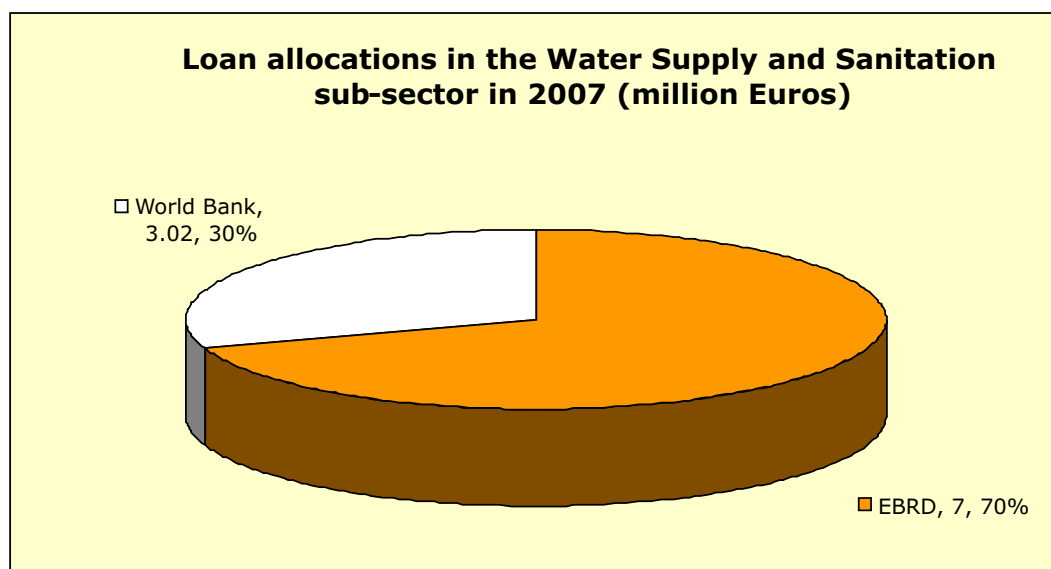
The DCF donors in the Water Supply and Sanitation sub-sector are Germany/GTZ/KfW, Norway, Spain/AECID, Switzerland/SECO, EBRD, the EC and the World Bank. Together, these donors contributed € 16.1 million to this sub-sector, of which € 10 million was in the form of soft loans.



Germany/KfW is working in selected municipalities to improve water infrastructure and water sanitation systems. Germany/KfW provides financing and supports the procurement and supervision of construction activities to be performed by the local water utilities with the assistance of internationally tendered consultants. Germany/KfW also enhances the participating water utilities at the institutional level. Germany/KfW successfully adapted the former *Una Sana Programme* into an *Urban Water and Wastewater Programme* in BiH. In addition to investments in Bihać, Derventa, Kostanica, and Kakanj, institutional support is supplied as a project-accompanying measure to the municipalities of Bihać, Derventa, and Kostanica.

In this sub-sector, **Spain/AECID** devotes its attentions to the protection of the Neretva Delta and the improvement of the control of quantity and quality of river water. Spain/AECID works on strengthening the Public Utility Company of Water for the Basin of the Adriatic Sea, in order to support the Company in its endeavor to manage the basin.

Switzerland/SECO assists municipal administrations and civil society to practice good governance related to water and environmental management. **Switzerland/SECO** assists Prijedor Municipality in the context of the new *Prijedor Water Supply Project* aiming to ensure regular water supply for the Prijedor Municipality through infrastructure investments and institutional building of the Prijedor Water Company.



EBRD is providing a loan towards the cost of construction of the priority waste water collection network in the town of Bijeljina. The aim is to prevent further pollution of underground water sources that are used for potable water, thus reducing the health hazard for the town's population. The **World Bank's** *Urban Infrastructure and Service Delivery* project is assisting with the improvement of the quality and reliability of delivery of basic infrastructure services, particularly water and sanitation, in urban areas. The **EC** has two water-related activities. One is to provide a laboratory oxygen meter, and communication and surveying equipment for the *River Basin Management Programme*. The other is to conduct a feasibility study for the Waste Water Treatment Plant in Bihać. **Norway** is engaged in improving water supplies in Vrbas and Prijedor.

Sector strategies

There is no specific state-level strategy defining or prioritizing infrastructural activities in this sub-sector. The National Environmental Action Plan (NEAP) provides a basic framework for environmental protection and has been adopted along with a number of important environmental laws (including legislature on air and water protection and waste management). For more information on this document see the Environmental Protection chapter.

Positive developments and challenges in the sector in 2007

The Water Information System is under development, with further improvements required in terms of data collection and processing. Implementation of the Water Laws has been delayed pending the approval of the requisite legislation. On the whole, donors assess that little progress towards upgrading water quality was achieved in 2007.

Coordination and ownership

For the time being there appears to be no regular coordination between the international agencies working in this sub-sector. This can be explained by the fact that, as illustrated above, most donor projects focus on particular municipalities or water basins. Nonetheless, better planning of further activities would be facilitated by regular exchanges of information among the major funders of the Water Supply and Sanitation sub-sector. As with other sectors, it can be surmised that the ownership of Water Supply and Sanitation will improve when domestic authorities become significantly involved both in terms of decision-making and financing of projects in the planning and implementation of further reforms related to water management.



Future activities

The establishment of Water Agencies is a priority in order for management, at the river basin level, to take effect. BiH has not yet ratified the amendments to the Barcelona Convention on the protection of the Mediterranean and its Protocols. Advocacy activities to encourage this would be helpful.

Insufficient wastewater treatment remains a key environmental challenge. The EBRD intends to get engaged in projects addressing municipal infrastructure deficiencies, with the main focus being on water and wastewater projects.



Conclusion

While there has been progress made in the Infrastructure sector, there is much that remains to be done in order for the sector to fulfill its role as the foundation on which economic development may proceed and flourish. Regional commitments are, appropriately, a major driver of the prioritization of activities in BiH. In most sub-sectors, donor activities are in keeping with national priorities, which are themselves generally well-aligned with regional commitments.

Donor-supported efforts can be divided into two categories, physical and technical assistance. Physical capital interventions include activities such as reconstruction and rehabilitation efforts in the Transport sub-sector, equipment provision in the Communication sub-sector, equipment installation in the Energy sub-sector, and the improvement of physical infrastructure in the Water Supply and Sanitation sub-sector. Technical assistance and analytic inputs have also been provided to improve institutional frameworks and support the development of sector strategies. For example, a new Country Assessment is soon to be published by the World Bank, which will work with the BiH Government to determine strategic priorities in the Transport sub-sector. Technical assistance is being provided to the state Communication sub-sector regulator to support its efforts in updating the legal framework in order to achieve compliance with European standards. Support to the process of unbundling power generation and distribution is another area where donors supply technical assistance.

In general, BiH is receiving relevant assistance from the donor community in the Infrastructure sector. Coordination among donors seems to be satisfactory, partially due to the relatively small number of actors in this sector. More effort should be made to engage domestic stakeholders during the decision-making process regarding the prioritization of projects.

AN OVERVIEW OF DONOR ACTIVITIES AND COORDINATION MECHANISMS

SREBRENICA AND NEIGHBOURING MUNICIPALITIES¹⁷⁰

Background

Wartime atrocities and political obstruction in the postwar period have made the Srebrenica region one of the most socially and economically affected areas in Bosnia and Herzegovina (BiH). Srebrenica and its neighboring municipalities have lagged behind the rest of the country as it has striven to move from post-conflict reconstruction to long-term development.¹⁷¹ Donor attention to this region has attempted to overcome these realities and to ensure a better future for Srebrenica.

Since the end of the war, international agencies have had a special focus on this area, resulting from the specific nature of the atrocities committed there. Attention to Srebrenica and its neighboring municipalities has increased in the last several years and particularly since the February 2007 judgment of the International Court of Justice on genocide in Srebrenica, which led to a sharpening in inter-ethnic tensions.¹⁷² The effects of this judgment colored political discourse, impacted reform efforts in all spheres, and once again increased ethnic tensions and nationalistic rhetoric, especially with regard to the Srebrenica area.¹⁷³ Since the end of the war, the donor community has invested a great deal of funds in the region, working on infrastructure, return issues, economic development and agriculture, and welfare provision. This attention has helped Srebrenica and its neighboring municipalities in a number of ways. The results can be seen in the boost to direct investment and the growth of businesses located directly in Srebrenica, the improved handling of administrative matters and provision of public services, the decrease in unemployment,¹⁷⁴ and repairs to infrastructure and roads, as well as electrification.

Without donors' technical and capacity-building assistance as well as funding, the region would have suffered greatly from lack of productive opportunities. At the same time, international agencies have yet to develop a joint, long-term strategy, rather than focus on individual interventions. The fact that this is still missing is not surprising, as many donors have countrywide and sector-focused strategies, rather than region-specific ones. However, as a result, there is still room for establishing synergies between stakeholders and ensuring that they work towards a united goal, without overlaps or gaps in coverage.

Recently, the current Mayor of Srebrenica and municipal leaders have started working on a new development strategy, in an effort to take a more active leadership role and to encourage donors to combine efforts. This locally initiated and owned document, drafted by the Commission for Municipal Development, aims to identify priority areas for development in Srebrenica. To inform this work, local leaders will consult with the community as well as with donors, thus creating a space for working together and ensuring full coverage of all development priorities. The Strategy also has the potential to foster donor coordination. Once the Strategy is adopted, stakeholders can consult each other and jointly decide which projects to support and in which way donor resources can be used most effectively to meet Srebrenica's development needs.

Issue in focus

Donors' and domestic authorities' interventions in Srebrenica aim to increase municipal revenues so that the region becomes self-sustaining. This is done in a variety of ways, including but not limited to enhancing the pro-business environment, improving the availability of human resources and skilled labour, facilitating access to technology, and developing business support services. Recent initiatives undertaken to facilitate donor and private investment in Srebrenica have all been in support of these overarching objectives. The year 2007 has especially seen a major push for the re-profiling of Official Development Assistance (ODA) to Srebrenica.

¹⁷⁰ Although donors have tried to give as precise funding information as possible, the differences in institutional arrangements have made it difficult to adapt their data to this exercise. For example, the figures for large-scale projects that span several municipalities cannot be accurately reported just for Srebrenica. Thus, data for the municipalities of Bratunac, Milići and Rogatica are also included in this analysis.

¹⁷¹ *Portfolio of Development Projects for Srebrenica* (UNDP, 2006).

¹⁷² On 26 February, the International Court of Justice (ICJ) ruled that Serbia was not guilty of committing or abetting genocide, even though it found that genocide did take place in Srebrenica and that Serbia was guilty of a failure to prevent or punish the perpetrators. As a result of the increase in tensions which followed the ruling, the Peace Implementation Council (PIC) decided to delay the intended closure of the Office of the High Representative (OHR), which had been scheduled for June 2007. Upcoming municipal elections also led to an increase in inter-ethnic tensions and thus garnered donor attention.

¹⁷³ *EWS Biquarterly Report* (2007), 9.

¹⁷⁴ According to donor statistics, there was an increase in job opportunities by 30-50%.

To this end, on 3 July 2007, the Municipality of Srebrenica with the support of UNDP hosted the Srebrenica Development Conference, bringing together a large number of stakeholders in order to discuss concrete solutions to the region's development needs. Government and donor agencies confirmed their support to various sectors and committed funding to the area, valued at € 36.5 million. In addition to raising funds, the conference aimed to ensure better coordination within the international community and better alignment of their activities with the municipality's priorities. The conference encouraged more transparency and information sharing about donor activities to counter charges that funds were misspent and lacked a visible impact.

As preparation for this conference, in lieu of a development strategy, the Municipality compiled a Portfolio of Development Projects, which is a list of ideas offering practical solutions to the problems faced by the citizens of Srebrenica. The portfolio was developed in consultation with local residents, through the Partnership Group, and will serve as a complement to the Srebrenica Municipality's Development Strategy when it is completed.

Furthermore, on 5 and 6 November 2007, another conference explored the investment opportunities in this area and the ways the region can be integrated into the broader economic development of BiH and South East Europe. In preparation for the conference, the EC and UNDP jointly drafted the *Investment Potentials Analysis of Srebrenica*, which provided an overview of the investment climate, the industrial and resource potentials, as well as the comparative advantages offered by the region. As a follow-up, UNDP and the EU prepared the *Discussion Paper on the Options in Regard to Possible Incentives to be Offered to Investors in Srebrenica*. Following the conference, the BiH Council of Ministers (CoM) set up a Special Fund for investing in Srebrenica. To complement government and international efforts, the CoM also established a Foreign Investment Support Fund. These two conferences highlight the commitment of both international and domestic institutions to this region.

These efforts have gone some way to clarify donors' plans regarding Srebrenica and to highlight the investment potential of the region. The current Donor Mapping Exercise is intended to complement these events and provide the donor and business communities as well as the local authorities with an additional coordination tool by delineating current and future initiatives in the region.

This chapter presents an overview of donor involvement and financing trends in the Srebrenica area, discusses key future priorities and opportunities for development, and reviews donor coordination mechanisms in the region. Following extensive consultations with donor agencies and local authorities, it has become evident that for better development results in Srebrenica, coordination and strategic planning mechanisms need to be strengthened. This analysis is especially important in light of the Municipality's current efforts to come up with a coherent development strategy. By identifying the efforts already in progress and by outlining future areas of activity, both international and domestic stakeholders can better plan Srebrenica's future development.

Srebrenica developments and challenges

Srebrenica has received significant donor funding since the end of the war, and the region's economic and natural potential has been increasingly tapped by private investors. As a result, there has been a growth in job creation as well as in direct investment and businesses located there; municipal revenues are on the rise, and more small-scale production units have access to the market. Additionally, the infrastructure has improved tangibly, evident in the coverage and quality of roads, water networks, and the availability of electricity.

Nevertheless, the region continues to face significant problems which donors are trying to address by focusing their interventions on five key sectors: Infrastructure, Economic Development, Return, Public and Social Services; and others including Human Rights, Culture, and Civil Society.

Yet key aspects of Infrastructure as well as IT and Telecommunications are still missing. In some areas, such infrastructure has never been developed; in others, its absence is a result of the wartime destruction combined with insufficient maintenance in the postwar period. Private properties have also been destroyed en masse.

In terms of economic development, there is a shortage of skilled human capital in the area, as qualified individuals are difficult to attract to this region, which still provides few economic opportunities. At the same time, according to the *Srebrenica Investment Potential Analysis*, there is widespread unemployment with figures reaching 11,500 (compared to 7,300 employed in the Srebrenica, Bratunac, and Milići municipalities). Among the former of these groups, more than half have at least technical or secondary qualifications.¹⁷⁵ This suggests that the labour supply is either not matched to demand or that there is a lack of opportunities to connect the long-term jobless to employment possibilities.

Another challenge stakeholders and Srebrenica residents face is the issue of return. This process is hampered by ethnic tensions. Although communication between communities has improved, the relationship continues to be strained. Furthermore, there is a lack of trust among officials, which impacts decision-making and service provision. All issues are highly politicized and rather than politics being an engine for development, it often becomes a destructive element. Srebrenica is, to a large extent, a victim of state-level political disagreements, involving police reform, constitutional reform, etc. This factor only further complicates the political situation in the region.

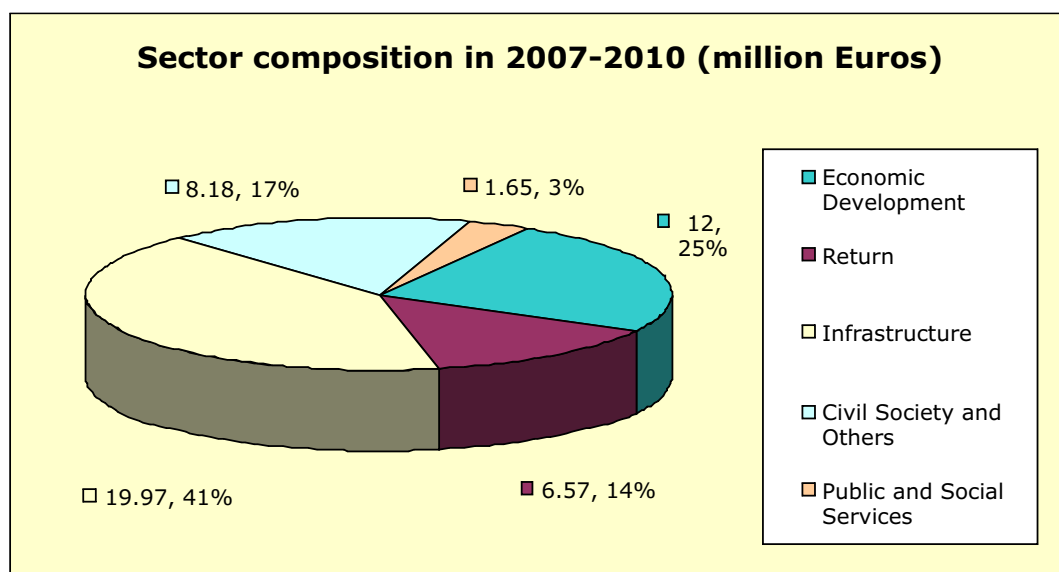
Moreover, public and social services continue to under-perform. Public institutions and utility companies suffer from poor management, low capacity, and lack of finances, making the provision of public services problematic. For example, health services are irregular and insurance coverage is not institutionalized, putting already vulnerable people at even greater risk. This is further exacerbated by entity divisions and a lack of mechanisms to ensure services for residents across the inter-entity boundary line.

Last but not least, the problem of missing persons still plagues the region. The role of civil society in addressing wartime atrocities is yet to be fully developed.

The next section explores how different donors have responded to these issues.

¹⁷⁵ *Srebrenica Investment Potential Analysis* (European Union and UNDP, 29 August 2007), 13.

Overview of donor funding and activities

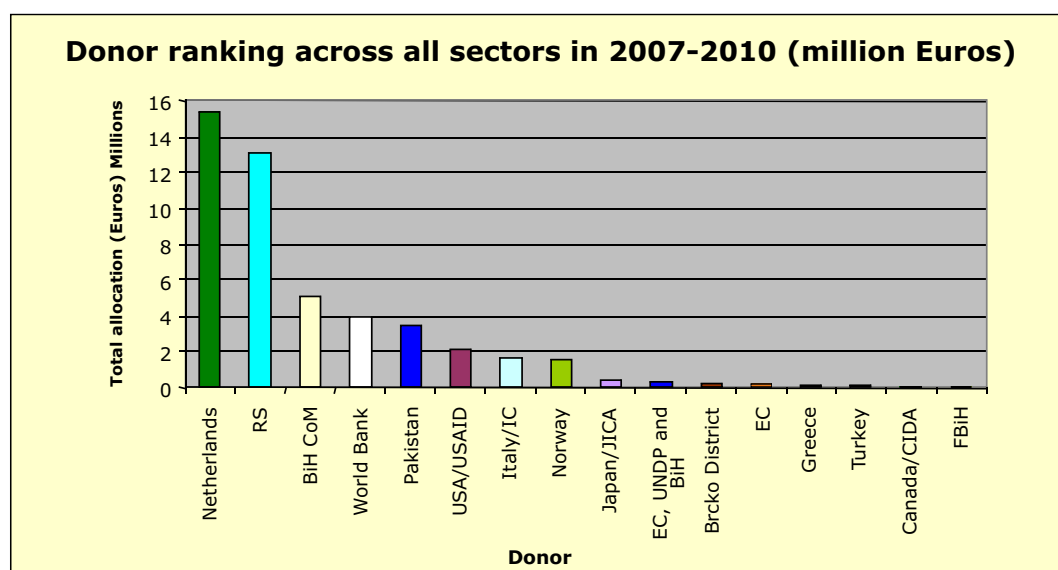


The contributors¹⁷⁶ to this exercise - which included members of the Donor Coordination Forum (DCF) as well as Greece, Turkey, Pakistan, the CoM, the Federation of BiH (FBiH) and the Republika Srpska (RS) Governments - have indicated that their current (2007) and planned (2008-2010) allocations to Srebrenica and neighbouring municipalities will total € 47.9 million. These funds are divided into the five aforementioned sectors.

The Infrastructure sector (€ 20 million) continues to be the priority area for donors, but there is also significant focus on Economic Development (€ 12 million). This reflects the reality that many basic services have now been rebuilt in Srebrenica. In order to create favorable circumstances for the long-term development of the region, there must be an increased focus on sustainability, including improving living conditions and providing economic opportunities.

Donors to Srebrenica

The donor that allocated the most significant resources is the Netherlands, with current and planned contributions (2007-2010) reaching over € 15.37 million. The Netherlands is active in all of the above-mentioned sectors. The RS Government follows closely with a planned infrastructural investment of over € 13 million.



¹⁷⁶ At the time of data collection, UNICEF was not yet a member of the DCF and did not contribute to this element of the DME.

In 2007, the CoM pledged to contribute € 5 million. According to the preliminary plan communicated by the CoM, the funds will be allocated as follows: € 3.5 million for public infrastructure, including public buildings; € 1 million for economic development interventions; and € 0.5 million for public and social interventions.¹⁷⁷ The World Bank earmarked nearly € 4 million for a variety of Srebrenica-based activities.

Pakistan, not a DCF member, gave hand-held ploughs to the value of € 3.5 million. Italy/IC supported the development of infrastructure and agriculture in the area. USA/USAID has contributed large amounts for developing the private sector, reforming the justice sector, and funding the High Representative's Special Envoy to Srebrenica. USA/USAID's contributions totaled € 2 million. Norway and Italy/IC allocated funding at about the same level of € 2 million each. There are several other donors who have earmarked under € 1 million to Srebrenica-based initiatives.

Sweden/SIDA, while an important donor, is not represented in the graph due to current unavailability of data. Sweden/SIDA's planned funding of the *North East Regional Development Association - Competitive Regional Economic Development in North East Bosnia and Herzegovina* (NERDA CREDO) project will provide support to Srebrenica in the form of economic stimulus and local capacity-building. Some of the Swedish support to the Agriculture sector is also allocated to Srebrenica.

In terms of implementation mechanisms, the UNDP *Srebrenica Regional Recovery Programme* (SRRP) is the highest valued project in the area. It aims to promote the socio-economic recovery of multi-ethnic communities with strengthened local government structures. It receives funding to the value of € 8.5 million from a variety of donors, including the Netherlands, Italy/IC, and Greece, as well as the FBiH and the RS Governments. The SRRP is therefore a prime example of donor coordination and the application of the Paris Declaration. SRRP implements projects in all above-identified sectors, ensuring complementarities between the components. It was planned that by 2008, some SRRP funds will be directly transferred to the Municipality. Pending the authority's absorption capacity, the goal is to shift an even larger portion of aid the year after.

Financing trends

In the long-term, grants are likely to decrease as there is an increasing amount of private investment in the area, contributing to economic development and providing market access for agricultural products. In the short-term donors do not expect that their involvement in the various sectors will change considerably.

As long as the major donors, including the Netherlands and the local authorities, maintain their current levels of funding, the area will continue to get sufficient attention. Although the Netherlands plans to cease its general funding to BiH by 2011, Srebrenica will continue to receive development cooperation assistance beyond this date.¹⁷⁸ Several other donor agencies have indicated that they would be willing to give additional funds to the region, pending worthwhile and needed projects identified by the Municipality. The Municipality's Development Plan will be important in this regard, giving international agencies guidance in terms of the municipality's priority areas, and ensuring that donor and municipal development efforts are harmonized.

Infrastructure sector - € 20 million

The RS Government's planned contribution of over € 12.5 million is the largest source of funds for Srebrenica's infrastructure. In second place is the CoM with a pledge of € 3.5 million for infrastructure, including public buildings. The interventions planned by the RS Government have already started. As for the CoM, discussions on the modalities for the release of funds are still ongoing.¹⁷⁹

¹⁷⁷ Since these plans were not yet confirmed at the time of collecting the data, the CoM's planned allocation was categorized in the 'Civil Society and others' sector.

¹⁷⁸ Regional cooperation will continue to be a major focus of the Netherlands, and funds for the region will be administered through its office in Belgrade.

¹⁷⁹ The CoM is therefore not featured on the graph.

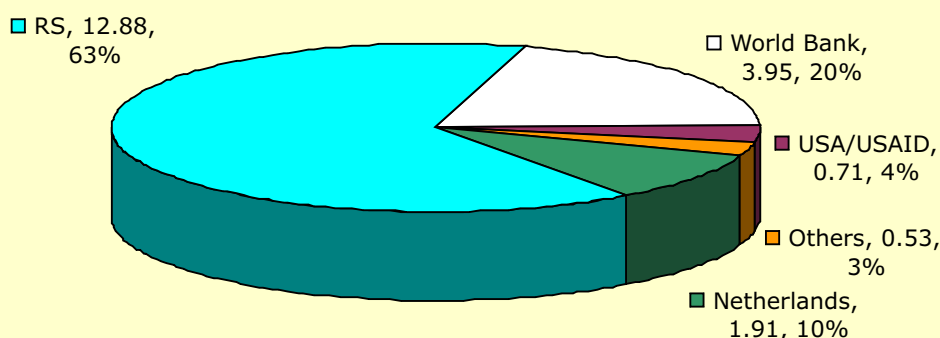
The contribution of the Netherlands is mainly support for the SRRP project in constructing roads, water supply systems, as well as public buildings and community infrastructure in the municipalities of Srebrenica, Bratunac, and Milići. In addition, the Netherlands is financing the electrification of Žepa in Rogotica Municipality through its implementing partner, Hilfswerk Austria.

Other donors to the sector include Italy/IC, Canada/CIDA, and USA/USAID. The two World Bank projects, the *Community Development Project* and the *Urban Infrastructure and Service Delivery Project*, are financed at ca. € 3.95 million. The former will introduce a sustainable mechanism for the financing of municipal capital investments; the latter will develop an Urban Management Plan, providing a framework for urban improvement and water supply initiatives. This Plan has the potential for rationalizing the Infrastructure sector and thus would be a good starting point for the Municipal Development Strategy as it pertains to infrastructure.

Srebrenica Regional Recovery Programme (SRRP)

SRRP focuses on three sectors, Economic Development, Local Governance, and Infrastructure. Thus, the Programme is designed to achieve conceptual and operational synergy between local governance, and urban and rural development. SRRP develops the municipal management system and planning capacities towards meeting higher quality of service delivery standards; it enhances municipal-level capacities in infrastructure development planning and the implementation of related projects; and it reduces poverty by increasing income levels for the poor. The Programme and its evolving strategies are a result of a thoroughly collaborative effort between donors and local authorities. SRRP's Phase II was developed together with the municipality and is based on experience from the field and discussions with local stakeholders.

Donor composition in the Infrastructure sector in 2007-2010 (millionEuros)

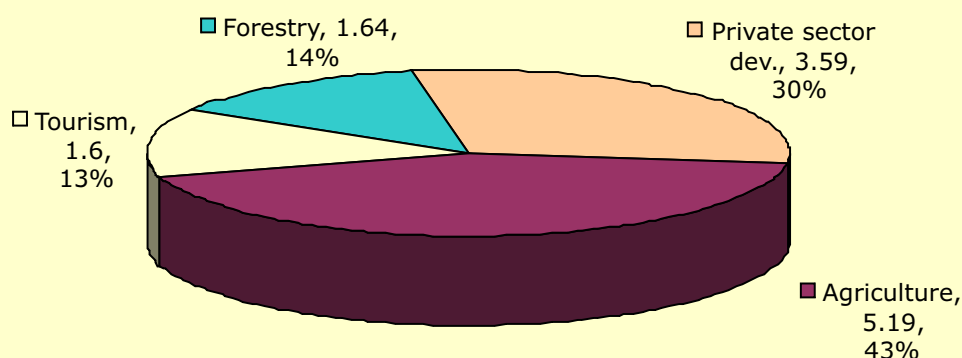


Other donors are Canada/CIDA, FBiH and Italy/IC.

Economic Development - € 12 million

The Economic Development sector is divided into four sub-sectors: Private Sector Development, Agriculture, Tourism, and Forestry and Wood Processing. Most of the donors are present in the first two of these sub-sectors, reflecting the need for the creation of basic living conditions and economic opportunities through formal employment and self-sustenance. To this end, donors tend to support projects focusing on the development of small and medium-sized enterprises, facilitating access to the market for production units, providing technical and material assistance to farmers, and establishing agricultural cooperatives.

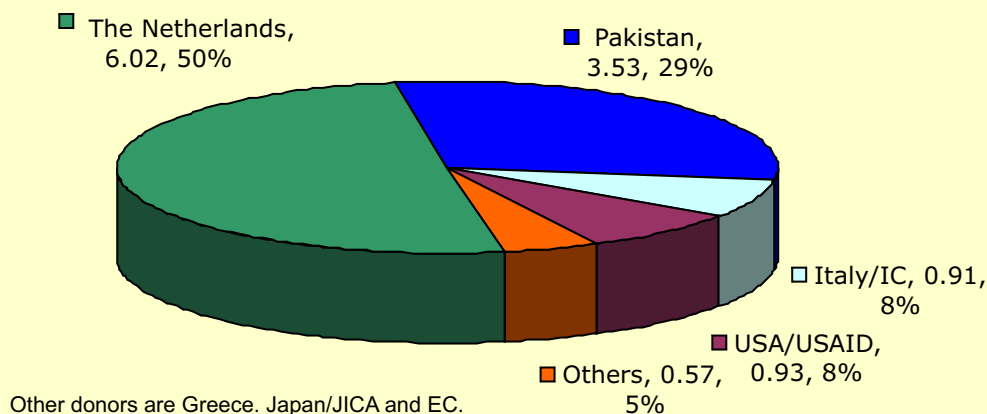
Economic Development sector composition in 2007-2010 (million Euros)



The Netherlands contributes a large part of the funds to this sector, partially through SRRP, but also through other projects implemented in cooperation with Mercy Corps and CARE International. These latter projects focus on job creation, improvement of the business environment, and institutional development. The Netherlands financially supports projects in all four sub-sectors.

Pakistan features as the second largest donor to Economic Development. This is due to Pakistan's above-mentioned one-time contribution of hand-held ploughs worth € 3.5 million. Moreover, the CoM reported a planned allocation of € 1 million on economic development projects, but discussions on the modalities for the release of funds are still ongoing.

Donor composition in the Economic Development sector in 2007-2010 (million Euros)



Italy/IC intends to fund projects aimed at giving support to local institutions for territorial development planning, sustaining local women's agro-food associations and cooperatives for quality standardization, marketing organic agriculture products, and creating job opportunities especially for youth and returnees thanks to their access to micro-credit funds. The total value of these projects is almost € 1 million.

Finally, USA/USAID is funding and planning to fund a variety of private sector development projects to the value of nearly € 1 million. These initiatives include the following: assessing the business climate; providing employment opportunities for youth; seconding an advisor to the Municipality to assist in business development and the improvement of the investment climate; developing IT and telecommunications networks; and improving media transmission. USA/USAID's support for a business advisor, who will offer guidance regarding the private

sector, will help in the creation of the Municipal Development Plan. USA/USAID also aided two agricultural projects, both of which are now completed.

The only donor present in the Tourism sub-sector is the Netherlands, who is funding the *Drina Valley Tourism Development* project. Several other international agencies have identified this sub-sector as having unexplored potential for development, especially through health-based tourism (e.g. spas).

The sustainable use of natural resources and the protection of the environment are covered through the SRRP and a project funded by Italy/IC, aiming to implement reforestation actions, technical assistance, and awareness raising.

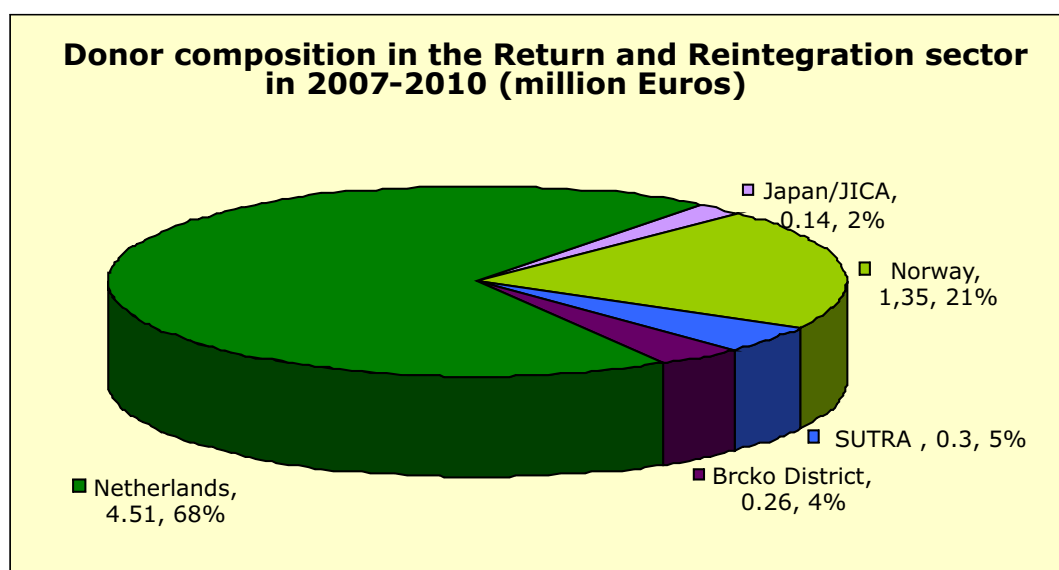
Several donors have commented that when planning job creation projects, agencies should also focus on the long-term unemployed of Srebrenica, not just on re-attracting refugees and displaced persons. Moreover, where job creation is aimed at this latter group, it must be ensured that employment offered is not artificial and short-term. In this regard, attention should be paid to training the labor force to make its skills more attractive to the private sector. Since the final objective of many projects is the improvement of living standards, often through job creation, no agency should design projects without a proper assessment of the absorption capacity of the region and ways to ensure sustainability. UNDP's *Support to Results-based Approach* (SUTRA) project is particularly interested in ensuring the sustainability of return. SUTRA works closely with municipal business leaders to guarantee employment opportunities are available to returnees. The project also provides monetary incentives to businesses for hiring returnees.

Return - € 6.57 million

The Return sector has a small number of donors. This is partially due to the fact that many of the activities in all other sectors also cover returnees. All projects within the Return sector have sustainability as their focus, resulting from previous, unsuccessful efforts to re-attract refugees and internally displaced persons (IDPs) over the long-term.

The Netherlands funds over 70% of interventions, including the reconstruction of houses, infrastructure, and income-generation projects.

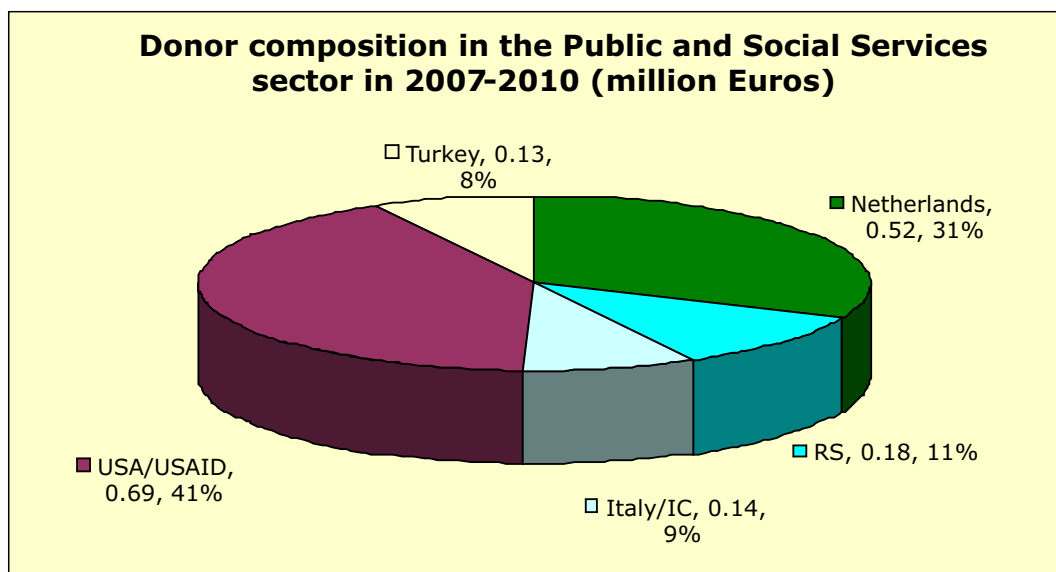
UNDP's SUTRA - *Partnership for Local Development* (SUTRA-PLOD) receives funding from the EC, UNDP and the local authorities to the value of € 0.31 million. This project focuses on the return of refugees and IDPs throughout BiH, by reconstructing their pre-war homes and the associated infrastructure. This specific SUTRA-PLOD initiative in the Srebrenica region aims to rebuild 27 houses and implement a small infrastructure project.



The Japan/JICA grant is for the implementation of two grass-roots projects that support sustainable return through the reconstruction of the livestock market and the promotion of agriculture. Japan/JICA is currently formulating project documents for its continuing work in the Srebrenica region.

Public and Social Services - € 1.65 million

The Public and Social Services sector receives the smallest amount of donor funding. Most aid is focused on building the capacity of the Municipal Administration for better policy planning and service delivery. The Netherlands is the biggest contributor, supporting health, education and municipal administration projects, mainly through SRRP. The CoM has planned to allocate € 0.5 million for projects related to education, to create incentives to attract experts and prevent "brain drain," and to support people with special needs. The selection of projects will be done at a later stage.



USA/USAID and the RS Government will co-finance (60% and 40% respectively) a project for Justice Sector Development, to the value of € 0.43 million. The project will support the Srebrenica Municipal Court to address delays in case processing and thus improve both the public image as well as the business climate.

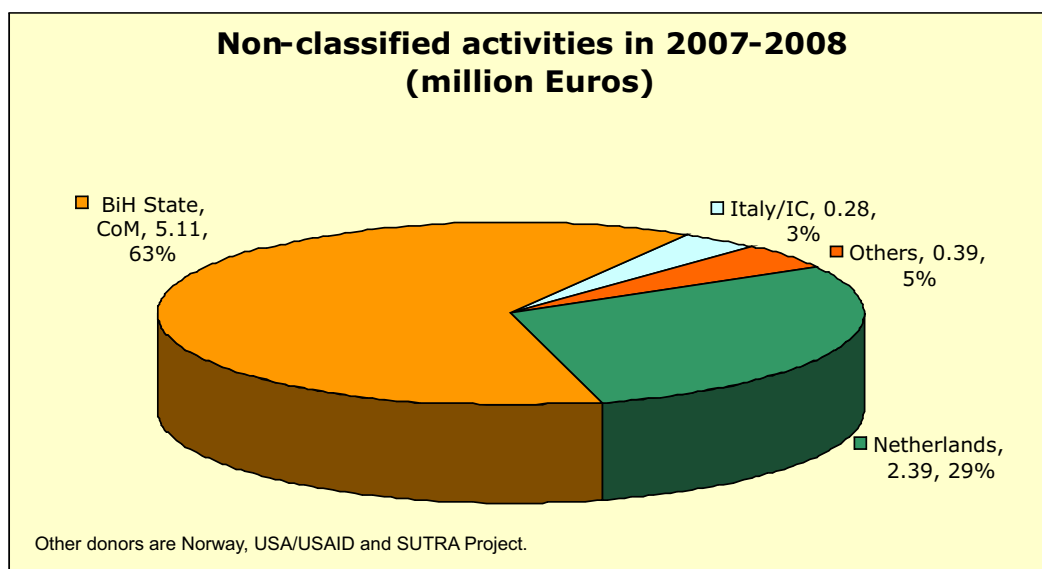
Phase II of the Netherlands, Sweden/SIDA, and USA/USAID's *Governance Accountability Project* (GAP) started in December 2007 and will be implemented over a five-year period. GAP works on improving the policy and fiscal framework of good governance in 71 municipalities, including Srebrenica, which has been a GAP partner for three years. GAP works with mayors and municipal associations to enhance the transparency, accountability, and effectiveness of local governance structures. Once underway, this project will likely make USA/USAID and Sweden/SIDA the largest donors to this sector, alongside their partner, the Netherlands.

Others - € 8.18 million

A large part of the funding allocated for non-classified 'others' activities (€ 8.18 million) comes from the Netherlands' commitment to the International Commission for Missing Persons' activities. The Netherlands earmarked € 2.4 million to this end. In addition, Dutch funding covers the SRRP's Association Strengthening component, which aims to enhance the capacity of NGOs to participate in the development process.

The CoM's € 5.1 million allocation is also indicated within this sector, because precise data about how the funding will be distributed was not available.

Moreover, Italy/IC is funding a variety of cultural and human rights projects, which aim to increase awareness and understanding of the atrocities that took place in Srebrenica.



Finally, Germany/GTZ has actively supported youth organizations in Srebrenica since November 2003. This support culminated in the creation of a youth centre. Srebrenica now also has a youth referent and a budget line for youth policy that aims to systematically improve the standing of young people, ranging from youth employment measures to youth extra curricular activities.

Development strategies

Because of its political importance and wartime history, the Srebrenica region continues to get special attention from donors and domestic authorities alike. Yet most international agencies do not have a specific plan for this area. This is understandable given that donors tend to operate with countrywide and sector-specific strategies rather than area-based plans; but it is also indicative of a lack of long-term prioritization. At the same time, the Municipality's strategic plan is still being drafted and currently the only indication of the Municipality's priorities is the *Portfolio of Development Projects*. This document, however, is a set of desired projects rather than a plan based on need and opportunity. Several plans, at entity and state levels, include Srebrenica; however, none of these are specific to the area. In other words, there is no strategy that articulates how supply and demand of funding can be aligned or made operational, which is problematic with such a significant level of ODA directed at the region. It is hoped that the new Municipal Development Plan will remedy this shortcoming and will serve as guidance for both local actors and donors in the region.

There is an urgent need to address the municipal weaknesses (evidenced in the lack of qualified staff) in strategic planning, project design, monitoring, and evaluation. UNDP and USA/USAID are working towards this end. UNDP will provide advice to the municipality in the creation of the Development Strategy, by helping make the Strategy realistic and feasible, especially in terms of the financial aspects. USA/USAID, as previously mentioned, will provide an advisor to the Mayor to inform the private sector aspect of the Strategy and methods for its implementation.

Donor coordination

There are several coordination mechanisms in place, aiming to direct donor activities.

- In March 2007, an Assessment Group on Srebrenica comprising all relevant international actors was established by the Office of the High Representative (OHR). The Group was tasked with reviewing international assistance to the Srebrenica area and, following the actions of the domestic authorities, to improve living conditions in and around Srebrenica.

- Furthermore, in May 2007, the then-High Representative and EU Special Representative appointed an Envoy to the Srebrenica Region, Ambassador Clifford Bond. The role of the Envoy is to serve as a contact between the international community and the local authorities, to supervise the international community's activities, to ensure that the authorities establish and maintain effective coordination arrangements for the implementation of the Assessment Group for Srebrenica's recommendations, and to attract investment to the area. OHR's involvement in Srebrenica coordination is high-level and focused on overcoming ethnic tensions. Therefore, donors recommend that the Municipality should coordinate planning and implementation.
- After the decisions by the FBiH Government, the RS Government, and the CoM to allocate substantive funds for the development of Srebrenica, a coordinator within each government was appointed to ensure the proper selection of priorities and to prevent any overlapping of activities. These representatives met regularly and their combined efforts lead up to the November 2007 Investment Conference.
- In addition, the Municipality also endeavors to establish mechanisms and instruments to improve the flow of information and subsequently the follow-up on interventions within Srebrenica.

Nevertheless, both donor agencies and the Municipality have noted that despite these interactions, coordination efforts have not produced sufficient results. There is no regular mechanism for information sharing among donors and there is insufficient coordination in terms of strategic planning, harmonization of project priorities, and avoidance of overlaps in the coverage of beneficiaries. Moreover, the relationship between implementing agencies still reflects a battle for funds and therefore a tendency to regard each other as competition.

According to the Municipality, there is also not enough coordination in the realization and closing of projects. The Municipality does not receive sufficient information on what has been implemented and there is no tracking mechanism (e.g. database) for following projects' progress. Coupled with limited (vertical and horizontal) donor coordination, this gap in planning is hindering the more effective use of development aid.

The donor community and local authorities have a unique opportunity to turn this situation around while funding commitments remain high and Srebrenica continues to get special attention. To this end, donors recommend that the following steps should be considered:

- **The Municipality to designate an official for the coordination of international aid.** Since this is a specialist field, significant capacity building, management, and leadership training should be offered.
- **The Municipality to continue carrying out regular donor mapping exercises and make the results widely available in English and local languages.** In addition, the Municipality should be assisted in creating a database of beneficiaries in order to be able to track the distribution of funds during implementation.
- **Stakeholders to explore the feasibility of a joint donor strategy, focusing on the Srebrenica region, to which both international and domestic agencies can align.** The High Representative's Special Envoy for Srebrenica, UNDP (on behalf of the Donor Coordination Forum), and the BiH Board for the Coordination of International Aid should take the lead in bringing all interested parties to the table.
- **Donors to support the Municipality's efforts to develop a strategic plan that meets the needs of all stakeholders.**

The Srebrenica Mayor, Mr. Abdurahman Malkić identified the Municipality's development priorities as follows: **1)** the development of a spatial plan as a basis for infrastructure works and the improvement of public services; **2)** the repair and construction of infrastructure, including public and social infrastructure; and **3)** the sustainable and proper use of natural resources. The donor community's interventions have gone a long way to meet these priorities and have been able to provide a large part of the funding that the Municipality did not have. Future initiatives will

respond to many of the needs identified by the Municipality. The cooperation between individual donors and the Mayor's office in the planning phase is good. All major agencies share information with the local authorities about their project ideas and many try to ensure thorough consultation.

The overarching priority and objective for international organizations supporting this area is to assist the Srebrenica region in increasing municipal revenues. This is directly related to aiding the development of the private sector and creating a business-friendly environment. To this end, investors need access to finance, adequate human resources, technology (in order to boost productivity), and business support services.

Access to finance is well developed. Due to a change in entity laws, municipalities now can apply for credit lines, an important factor in making Srebrenica appealing to investors. More problematic for Srebrenica remains the ensuring of trained human resources. It is still difficult to attract and retain qualified workers in the region. Moreover, the availability of technology is limited, and there is no access to product development support. On the IT side, the company CISCO, in partnership with a USA/USAID project, will address IT shortcomings, and it is hoped that this will significantly improve the situation. Currently, business support services are extremely weak. At the same time those that do exist are not being fully tapped by local businesses.

Addressing the current shortcomings in the private sector will require investment. First, it is necessary to upgrade the labor force's skills so that qualified labor becomes an advantage rather than a shortcoming of the region. There is a need for investment in Srebrenica's public services, especially education, health services, infrastructure (including water and roads), and waste management. It is necessary to establish a structure to facilitate local companies' access to new technology, especially for small enterprises and start-ups. In the future, more attention must be paid to Business Support Services that are meant to facilitate businesses' entrance into the market and to improve their operations.

Several planned donor projects will help in the aforementioned areas. For example, GAP II will develop the policy and fiscal framework of good governance, while Sweden/SIDA's NERDA - CREDO project will address Srebrenica's problems in this respect. UNDP's *Srebrenica Business Park* project will also aim to improve the current business environment in the Srebrenica region by providing services and infrastructure for private sector development. This will be achieved first through the establishment of a business park and second, through the offer of technical assistance to the municipal authorities and local actors in economic and private sector development. The project will also offer commercial services in the form of worker training.

Donors will work with local stakeholders in implementing these projects, which will both clarify the local institutional framework and seek to make Srebrenica more investment friendly. Local leaders are eager to work in the areas so crucial to attracting investment to the region. The Municipal Development Strategy is likely to focus on this priority area, which will be a big step in the right direction.

Conclusion

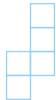
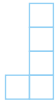
The special attention devoted to Srebrenica is, on the one hand, an opportunity for producing significant development results, and on the other hand, a challenge to ensure success. The area's wartime past makes the implementation environment difficult, but also serves as a reminder that failure is not an option. Given that resources are gradually decreasing for BiH in general, and thus for Srebrenica, the sustainability of interventions must be ensured. To this end, common strategic planning and more directed coordination among donors and local authorities is necessary.

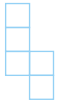
As this analysis has shown, donors have invested significant funds, worked on a variety of activities, and achieved a great deal of success in Srebrenica. This is evidenced by the increase in direct investment in Srebrenica, the improvement of municipal administration, and the decrease in unemployment. However, donor interventions have not yet reached their full potential due to the lack of strategic planning among international and local stakeholders. Thanks to donors' and municipal leaders' commitment, however, there is a new willingness to coordinate efforts to achieve development goals and to ensure the success of current and future interventions.

Local leaders are willing and able to take charge of strategic planning as shown by their present work on the Development Strategy. This Strategy will be of great help to domestic stakeholders and international donors alike as it will highlight priority areas, taking into account what has already been accomplished. The Strategy also has the potential for enhancing coordination as it will provide a framework for what is yet to be achieved, giving donors a roadmap for where to channel future funding.

As both donors and municipal leaders identified private sector development as a priority, it is likely that this area will receive a great deal of attention in the future. It is necessary that international organizations coordinate their efforts and align to the municipal Development Strategy. For this to happen, it is imperative that the lines of communication and cooperation remain open among all stakeholders. It is only in this way that all parties can achieve success in this region.

Accomplishments to date and future commitments attest to the interest that domestic government and international agencies both have in the Srebrenica region. It is now up to donors and local leaders to seize on this momentum and continue to focus on coordinating their efforts and creating synergies as they work in Srebrenica.





Donor Profiles





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Policy approach in Bosnia and Herzegovina

The aim of Austrian Development Cooperation (ADC) in Bosnia and Herzegovina (BiH) for the period 2005-2008 is to aid the individual and social development of BiH's population through the creation of a functioning public life and the promotion of economic prosperity with a strong state framework.

The programmes and projects implemented by the Austrian Development Agency (ADA) are based on the principles of ownership, integration into the socio-cultural context, consideration for the needs of children and people with disabilities, and gender equality. ADC is strongly committed to helping BiH harmonize and align itself to European Union (EU) institutions.

The Austria/ADA Country Programme for BiH focuses on the following areas: the Education sector (focusing on higher education and vocational training), Economic Development and Social Protection sector (particularly aiming to increase employment), strengthening state-level Institutions, and de-mining.

In addition to the BiH country programme, Austria/ADA finances a regional budget line for South East Europe (SEE). The promotion of cross-country cooperation is designed to ensure long-term peace, strong economies, and integration of the entire region into European structures.

Key activities in 2007

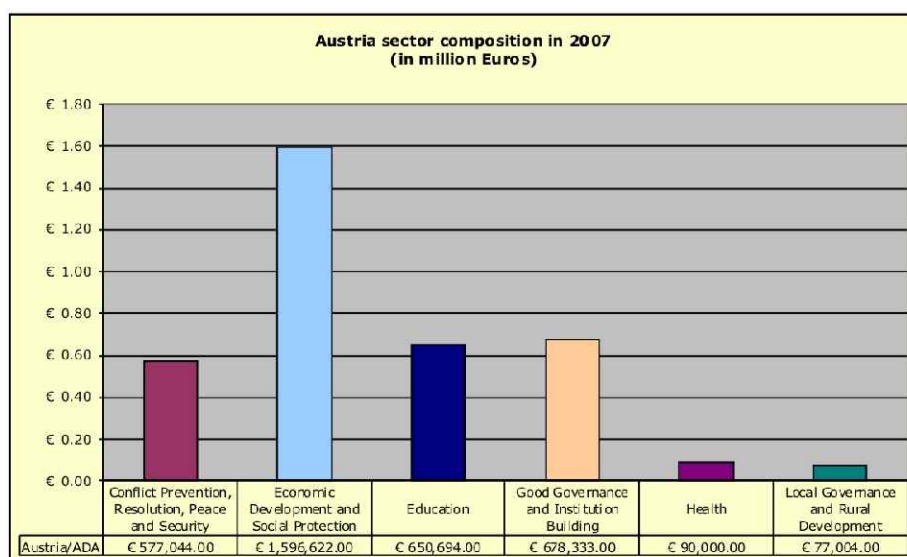
Austria/ADA's total spending in 2007 was € 3.7 million. This figure includes the Agency's € 2.3 million country budget, as well as projects financed through the NGO Co-financing Line, the *Regional Cross-Border Programme* and the *Mine Action Programme*. Austrian development assistance over the upcoming two-year period is expected to remain at the same level, with a possible budget increase from 2010 on.

Austria/ADA allocates the largest share of its funding to the Economic Development and Social Protection sector (€ 1.6 million), where the concentration is on land administration, improvement of the business climate, and the social inclusion and protection of disabled people. The Good Governance and Institution Building sector (€ 0.68 million) also receives significant funding, as do the Education (€ 0.65 million) and Conflict Prevention and Resolution, Peace and Security (€ 0.57 million) sectors. In addition, Austria/ADA is involved in the Local Governance and Health sectors.

In the Economic Development and Social Protection sector, Austria/ADA readied the second phase of the *Land Administration Project* (LAP) and undertook preparation for the third phase, together with project partners Germany/GTZ and Sweden/SIDA. This project continues to support the modernization of the land registry system in BiH. It aims to educate the courts' staff, to equip the courts with adequate electronic data processing equipment, to assist the courts in transferring data into the new electronic system, and to link the cadastre and the land registry.

In addition, Austria/ADA is active in improving the business climate. For example, the *Business Start-up Centre* project at the University of Tuzla is an important contribution promoting business and entrepreneurship, changing the traditional approach and encouraging students' creativity and self-initiative. Austria/ADA also supported the establishment of an exercise firm network in economic schools, in order to support the trade and exchange between schools in SEE. Moreover, Austria/ADA provides financing for the implementation of the World Bank Country Assistance Strategy with its focus on developing the private sector and corporate governance, and raising awareness about the importance of economic development in society.

Preparation of a new project dedicated to youth employment, together with partner Switzerland/SDC/SECO, began in 2007. The aim of the initiative is to make a substantial contribution to the reduction of youth unemployment in BiH by improving the employability of new entrants to the labor market through support to vocational and technical schools. The project will focus on small towns and rural areas, and will rely on collaboration with private sector labor market service providers.



In the Social Protection sub-sector, Austria/ADA has two NGO co-financing lines, which provide support for handicapped and disabled people.

Austria/ADA has continued its work in the Good Governance and Institution Building sector as well. For example, Austria/ADA supports the State Court by financing international judges and providing funding to the War Crimes Chamber. Additional financing for the period 2008-2009 is now being planned. Furthermore, Austria/ADA is currently sponsoring the implementation of an anti-human trafficking programme.

Austria/ADA's engagement in the Education sector also continued in 2007 and particularly in the field of Higher Education, which has been one of the focus areas for this agency. Austria/ADA collaborated with its implementing partner World University Service in the preparation of several projects. These initiatives include *CDP Course Development*, which supports course development at BiH universities, with regard to the integration into the European Education Area. The *Brain Gain Programme* is aimed at opening up the higher education sector in SEE, by inviting émigré academics from the region to teach courses not available at universities in BiH. On the institutional level, Austria/ADA supported the BiH Ministry of Civil Affairs (MoCA) through the *Quality Assurance and Capacity Building* project whose aim is to ensure the transfer of knowledge and expertise from EU experts to BiH Universities and to provide BiH Universities with the guidelines for Quality Assurance systems. This work will continue in 2008 and 2009. Finally, Austria/ADA supported the *BiH National Contact Point System FP6 + FP7 Framework Programme*. The principle objective of this project is to raise the quantity and quality of participation from BiH in the *7th EU Framework Programme (FP7)* the main instrument for supporting the Research and Technological Development sector in the EU. This programme will also continue through 2008-2009.

In the Conflict Prevention and Resolution, Peace and Security sector, Austria/ADA's financing is concentrated on mine action, channeled through the International Trust Fund in Slovenia. In 2008, Austria/ADA will provide € 150,000 for the activities of the BH Mine Action Centre.

Medium- and long-term plans

In 2008, ADC will define its mid-term programme for BiH for the period 2009-2012. Meanwhile, ADC will continue to support BiH development plans with a focus on EU integration. The programme will further cover three fields of cooperation: education (particularly higher education and vocational training), economic development and employment, and support to state-level institutions.

Promotion of Paris Declaration in BiH

ADC is based on the principles of ownership and partnership with the country in which ADC is active. Austria/ADA's programme uses BiH development plans (e.g. the Medium-Term Development Strategy, (MTDS) and its Stabilization and Association Process of the European Union) as a framework. ADC implements its programmes in close collaboration with the operations of different multilateral and bilateral donor agencies.

Donor coordination efforts

Austria/ADA coordinates with other donors active in BiH. The LAP has been co-financed and implemented in close collaboration with Sweden/SIDA and Germany/GTZ. The *Project on Support to the Registry of the Court and Prosecutor's Office in BiH* is based on the Joint Financing Arrangement between the Donor Group and the Registry. And the youth employment project is implemented together with Switzerland/SDC/SECO. Furthermore, Austria/ADA is actively involved in the Donor Coordination Forum.

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Canada/Canadian International Development Agency (CIDA)

Policy approach in Bosnia and Herzegovina

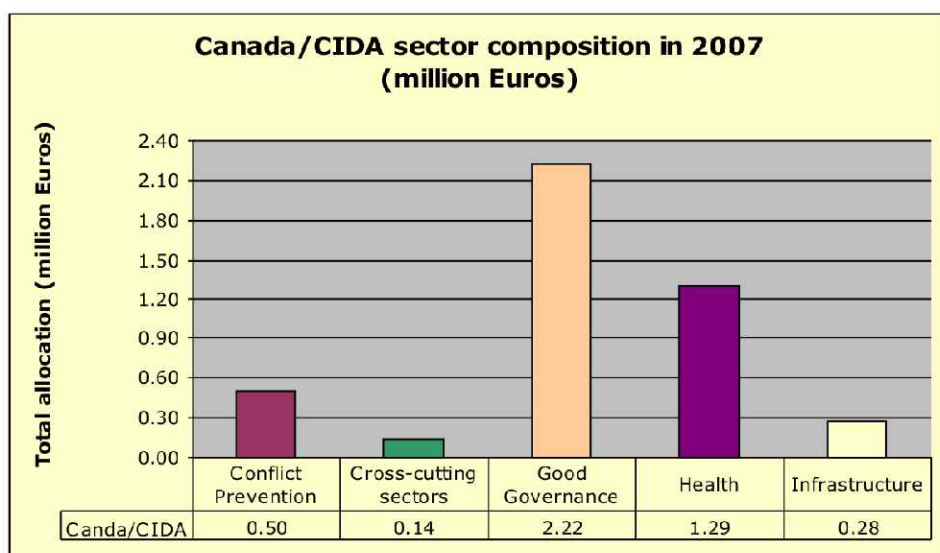
Canada has been present in the Balkans since 1990, actively supporting programmes aimed at furthering peace, stability and prosperity. Since 1994, the Canadian International Development Agency (CIDA) has disbursed more than € 82 million (CAD \$130 million) in bilateral assistance to Bosnia and Herzegovina (BiH). Assistance from Canada/CIDA has evolved over time, from an initial focus on emergency reconstruction to a concentration on political and economic transition and social development. Canada/CIDA's current programming in BiH focuses on two key sectors: Legal and Judicial Reform, and Health.

Canada/CIDA has embarked upon its last cycle of programming in the Legal and Judicial Reform, and Health sectors, and will phase out its funding by 2010. The main challenge will be to ensure that remaining programming is well targeted in order to safeguard the large investments that Canada has made in BiH to date, achieve and consolidate strong results, and leave behind a legacy upon which Canada can maintain its bilateral relationship with BiH beyond 2010, as the country draws closer to the European Union (EU).

Key activities in 2007

Canada/CIDA operates as a grant organization in BiH. In 2007, Canada/CIDA allocated approximately € 4.4 million to a variety of activities, including transfers to multilateral agencies. The data indicates that compared to 2006, there has not been a significant change in either the total allocation or the composition of sectors to which Canada/CIDA contributes. It is expected that in 2008, Canada/CIDA's total allocation will rise to € 5.8 million, due to an increase in funding to BiH's legal and judicial reform.

In 2007, approximately half of Canada/CIDA's funds (€ 2.2 million) were spent in the Good Governance and Institution Building sector, particularly on Legal and Judicial Reform and Civil Society development. Canada/CIDA contributed a further € 1.3 million to the Health sector and € 0.5 million to Conflict Prevention and Resolution, Peace and Security activities, like MineAction. Canada/CIDA has also allocated a proportion of its funds to Infrastructure, as well as cross-cutting activities in such areas as Gender and Youth.



In the Health sector, Canada/CIDA supports four major projects. Three of them are implemented by Canadian partners. These are: the *Primary Health Care Policy Project (PHCPP)*, the *Youth and Health Project*, and *Strengthening Balkans Civil Society Voice for Public Health through Public Health Associations*. Canada/CIDA's fourth Health sector activity, *Strengthening the Health System in Bosnia* project, is implemented by the World Health Organization.

The three projects implemented by Canadian agencies held their first formal steering committee meetings in April 2007. The aim of these gatherings was to approve work plans and budgets for the period of 1 April 2007 to 31 March 2008. In addition, the Memorandums of Understanding governing the PHCPP and the *Youth and Health Project* were signed in September 2007.

In October 2007, the PHCPP held the first of three planned regional conferences on "Human Resources for Effective Service Delivery in Primary Health Care" in Banja Luka. Over 150 participants from Serbia and BiH took part. Conference presenters from Croatia, Slovenia, Hungary, Great Britain, Canada, Slovenia, Serbia, and BiH attended. The purpose of this conference was to share experiences and examine the relationships between the planning, management and use of the health workforce, and the delivery of primary care services.

In June 2007, the *Youth and Health Project* hosted a study tour for a delegation from BiH and Serbia consisting of 13 representatives of youth NGOs, partner Ministries, and other institutions. They attended the International Union of Health Promotion and Education World Conference in Vancouver, Canada with site visits both in Vancouver and in Ottawa. In July, a group of 24 representatives of partner organizations and institutions from BiH and Serbia attended a two-week summer school at the Centre for Health promotion in the Department of Public Health Services at the University of Toronto. Both the study tour and the summer school trained and inspired participants who work to implement youth-friendly health services in BiH.

Strengthening Balkans Civil Society Voice for Public Health through Public Health Associations was successful in helping to create two public health associations in BiH. The Partnership for Public Health was formed for the Federation of Bosnia and Herzegovina (FBiH) and the Public Health Association of Republika Srpska (RS) was created in the RS. The two organizations immediately began promoting public health issues and organizing public health events such as World Health Day, No Tobacco Day, and World Heart Day.

In terms of Legal and Judicial Reform (activities in the Good Governance and Institution Building sector), Canada/CIDA's *Judicial Reform Project* (JRP) and local government partners held the first formal Project Steering Committee in Sarajevo, which approved the 2006-07 annual project progress report and the 2007-08 project work plan, reconfirming the partners' commitment to local ownership and support of the project.

In October of 2007, the BiH Ministry of Justice (MoJ) released a draft document outlining the five-year Justice Sector Reform Strategy. The Strategy was developed with the technical assistance of UK/DFID, and in cooperation with various stakeholders in the sector, including Canada/CIDA's JRP. The JRP is also participating in a justice sector working group whose mandate is to contribute to the development of a plan for a monitoring and assessment methodology and a reporting system for the Justice Sector Reform Strategy (JSRS), to be shared with relevant institutions and international organizations.

As part of the JRP's support to capacity building of the BiH Association of Mediators (AoM), the project supported a publication on mediation practice in BiH. Widely distributed, it is the only book of its kind in the country, and will serve as a reference manual for judges, lawyers, and mediators in BiH. The book also contains relevant documents from the EU pertaining to mediation standards. It has been well received by judges, lawyers, and mediators alike. As further support to the development of the AoM, and mediation as a key to alternative dispute resolution, the JRP also supported the planning and organization of the first regional bilateral roundtable on mediation, held in Belgrade in October 2007.

Medium- and long-term plans

Looking towards 2010, the major challenge is to ensure that final programming in the Balkans is implemented efficiently to ensure maximum impact and to smooth BiH's transition into a mature bilateral relationship with Canada. Efforts will also be made to further strengthen linkages with other donors, local strategic partners, and Canadian organizations, which could continue to be involved in the Balkans post-2010.

Promotion of the Paris Declaration in BiH

Canada/CIDA is an active proponent of the principles of the Paris Declaration on Aid Effectiveness. The Agency has worked to ensure that its activities are in line with BiH's Medium-Term Development Strategy (MTDS), and that its programming responds to local priorities. Thus, Canada/CIDA's programmes have been designed on an iterative basis with annual work plans designed to respond to changing needs. Canada/CIDA has made clear to local officials its plans for aid flow between now and 2010 when the Agency plans to disengage from bilateral aid funding in the Balkans. Canada/CIDA is also working in conjunction with other interested donors to complete a joint evaluation of activities in the area of primary health care and family medicine.

Donor coordination efforts

Canada/CIDA is an active participant in the Donor Coordination Forum. In addition, at the project level, it ensures that activities are well coordinated with those of other donors active in its two principal areas of concentration: Legal and Judicial Reform, and Health.

Canada/CIDA also supports multilateral donors. For example, Canada/CIDA has committed up to € 2.8 million (CAD \$ 4.5 million) towards UNDP's *Integrated Mine Action Programme*, to contribute to BiH Government efforts to free the country from mines. Likewise, Canada/CIDA partnered with the Council of Europe (CoE) to implement a grant seeking to develop the capacities of the Judicial and Prosecutorial Training Centres of BiH to carry out their core functions. Activities of the project focus on the following areas: institution building, human resources development, curriculum development including teaching materials, and training.

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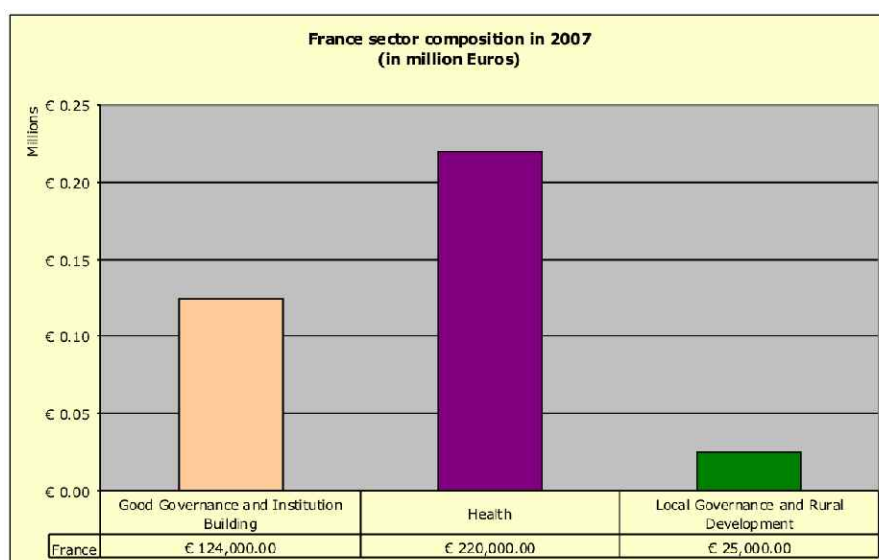
Policy approach

The French Embassy deals both with cooperation assistance (support of police, justice, administration, NGOs; exchanges between regions and cities in France and Bosnia and Herzegovina, BiH) and traditional cultural institutions and activities (universities, French language teaching, cinema, theatre, dance, visual arts, and literature). The goals of the latter are to promote the French language and cultural diversity. The Embassy also gives support to civil society, focusing especially on empowering youth and women, by financing education initiatives and creating spaces where youth and women can meet and raise their voices.

From a political standpoint, the French Embassy in BiH aims to strengthen the central state. The Embassy does this by promoting the rule of law, supporting institution building and providing education to civil servants, judges, and police officers. France's priority sectors in BiH are: Justice, Education, Culture, Youth, Health, and decentralized cooperation.

Key Activities in 2007

In 2007 the French Embassy was active in several sectors. France's total direct allocation was € 369,000, with a further contribution to multilateral agencies of € 900,000.



In the Health sector (€ 220,000), France organizes regular exchanges between French and BiH specialists (particularly doctors) and students, as well as trainings and partnerships between French and BiH hospitals.

In the Good Governance and Institution Building sector (€ 124,000), France focuses on juvenile justice. The Embassy has financed the training of judges and prosecutors, and supported the coordination group in charge of the implementation of the Juvenile Justice Strategy. The coordination group received expert support and training in order to help its members implement the Strategy against Juvenile Offending for BiH. The training component aims to educate judges and prosecutors, and to encourage the creation of a real specialization in the field of juvenile crime.

The French Embassy also trained civil servants in 2007. BiH is the only country in the region that does not have a diplomatic academy. In cooperation with the Diplomatic Academy of Vienna, the French Austrian Centre in Vienna, and the National School of Administration in France, the French Embassy is supporting the establishment of a systematic training for diplomats (initial and continuous learning) within the Ministry of Foreign Affairs. The project will train diplomats in European affairs, foreign languages, international relations, and in doing so, create a functioning department within the Ministry in charge of diplomats' education.

In an effort to promote gender equality, the Embassy trained the Municipal Commission in Stolac in gender sensitivity. Furthermore, the Embassy instituted cooperation between the Gender Equality Agency of BiH and its counterpart in France.

On the grass-roots level, France supported NGOs (including MEDICA Zenica, and CURE) in cooperation with the National Agency for Gender Equality, the International Organization on Migration, and the National Office for Anti-Trafficking of BiH, in the implementation of an anti-human trafficking project. The aim of this initiative is to link BiH with neighbouring countries and the region, and to strengthen the existing anti-trafficking network.

Medium- and long-term plans

The cooperation and cultural office will continue to promote European Union (EU) principles and to strengthen BiH State institutions in preparation for European Integration. The office looks forward to implementing joint projects with other donors (agencies, the EC, Regions in France) in order to develop its on-going projects.

Other future priority areas will be the following: youth, and supporting NGOs dealing with youth; activities targeted at pupils and university students; and cultural activities fostering young artists and/or aiming at young audiences.

Promotion of Paris Declaration in BiH

France participates in regular meetings with other donors (embassies and cooperation agencies, like the EC delegation and USA/USAID) to keep informed about their activities and to look for joint projects. France also actively participates in sector-specific donor coordination meetings (including gatherings regarding the Good Governance and Institution Building, and Cross-cutting sectors), as well as EC meetings as they relate to the Instrument for Pre-Accession Assistance.

Donor coordination

In the field of juvenile justice, France has participated in coordination meetings since December 2007 with UNICEF, Save the Children UK, and the OSCE. One of the results of these meetings is a joint open letter, sent to the BiH Government in order to advocate for the implementation of a strategy for handling juvenile offenders, and constant information sharing among donors.

France, along with other donors, took part in justice sector reform meetings chaired by the Ministry of Justice (MoJ). These regularly organized meetings enabled both donors and domestic stakeholders to get a clear picture of who is involved in this sector and thus aided donors in avoiding overlap in their activities. As of yet there has been a lack of coordination between the actors involved in juvenile justice reform. Regarding the State Court, France participated in donor meetings organized by the US Embassy. Coordination meetings organized by the BiH Agency for Gender Equality identified donors ready to support the implementation of the Gender Action Plan.

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Germany/KfW Entwicklungsbank (the German Development Bank, KfW) the German Technical Cooperation (GTZ)

Policy approach in Bosnia and Herzegovina

German cooperation policy takes its cue from the shared aims of the international community: the Millennium Declaration and the eight Millennium Development Goals (MDGs), the Monterrey Consensus and the Johannesburg Plan of Implementation. Germany's strategy paper for realizing these development objectives, in particular the MDGs, is the 2006 inter-ministerial Programme of Action, which was adopted by the German government in 2001 and further defined within the regional and country strategies. Besides financial and technical cooperation carried out by KfW and GTZ, Germany supports several conflict resolution institutions in BiH within the Stability Pact for South East Europe (SEE).

The German Technical Cooperation (Deutsche Gesellschaft fuer Technische Zusammenarbeit GTZ) is an enterprise under private law that executes a wide spectrum of tasks commissioned by the German government within the framework of technical cooperation in a large number of developing countries. The German Federal Ministry for Economic Cooperation and Development is its major client. The company also operates on behalf of other German ministries, the governments of other countries and international clients, such as the European Commission, the UN and the World Bank, as well as on behalf of private enterprises.

GTZ's main focuses are economic development and employment, the promotion of democracy, and civil society. These priority areas are addressed through projects emphasizing local and regional economic development, export promotion, land management (including land registry and cadastre), youth policy, vocational training, and economic law reform. Bosnia and Herzegovina (BiH) has transitioned from a previously centrally-managed economy to a competitive market economy. Thus domestic stabilization and the country's economic integration into the European Union (EU) are core issues for German Development Cooperation.

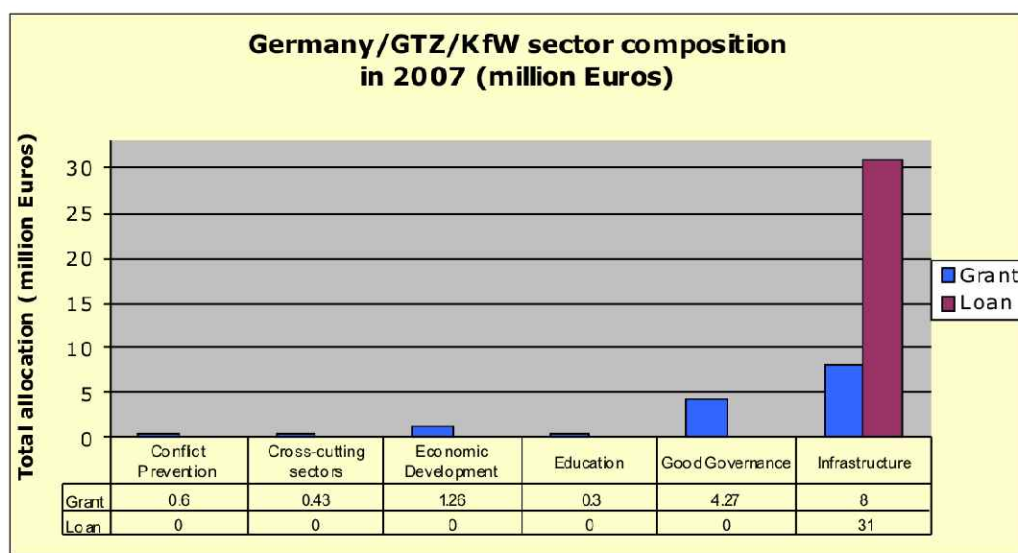
Against this economic backdrop, German Development Cooperation serves to rebuild BiH's economy, focusing on the following areas: economic reform and the promotion of Small and Medium-sized Enterprises (SMEs), democracy, and civil society. In these fields, GTZ manages programmes and projects across geographical and ethnic divides, thereby making a significant contribution to stability in the region. In preparing, implementing, and evaluating technical cooperation projects, GTZ uses a number of instruments to assess the overall impact of each programme and project on development.

KfW Entwicklungsbank (the German Development Bank) is part of the KfW Bankengruppe (KfW Group) and is responsible for financial cooperation with developing countries on behalf of the German Government. It provides long-term capital and promotes investment in infrastructure, financial systems, and environmental protection. In BiH, KfW continues to support financial sector development, the energy sector (with a specific focus on renewable energy and energy efficiency), and municipal infrastructure (with a concentration on water and wastewater management, and environmental protection).

KfW programmes in the municipal water sector focus on the improvement of water quality, reduction of losses and a sustainable operation of water utilities. In the energy sector Germany is especially supporting the optimal use of the huge potential of renewable energy sources. Current development of the financial sector is still very promising and KfW continues its aid of Micro Credit Organizations and Refinancing Lines for Micro, Small and Medium Companies. Projects in water, sewage, and energy will be the largest projects in terms of funding under German development cooperation with BiH in the upcoming years. KfW programmes are mainly financed by loans.

Key activities in 2007

Financial cooperation is mostly done by KfW, especially in the fields of renewable energies, water supply, and wastewater. Technical cooperation is mostly done by GTZ, particularly in terms of economic support, youth (professional training) and land administration. The most important projects of the Stability Pact for SEE in 2007 were the financing of the International Commission on Missing Persons (ICMP) and the War Crimes Chamber. All together Germany supported BiH with more than € 5 million from the Stability Pact for SEE in 2007.



GTZ's projects in 2007 concentrated on several fields. In the Economic Development and Social Protection sector, GTZ's *Economy and Employment Promotion* initiative came to a close and was replaced by a new one entitled the *Promotion of Local and Regional Economy*. The *Economy and Employment Promotion* project's objective was to support private enterprises from selected industries in realizing their potential for growth and development. The project stimulated investment, supported the framework in which private enterprises operated, and helped businesses seize domestic and international market opportunities.

In the Good Governance and Institution Building sector, GTZ's *Land Administration Project* (LAP), which is co-financed by Austria/ADA and Sweden/SIDA, has continued to support legal reform, the development of modern standards, the modernization of land administration services, and the development and testing of efficient methodologies for the digitizing and updating of land registry and cadastre records. The project also supports the justice ministries in designing modern economic and transport legislation in conformity with European standards, and in setting up a land registry system. The project aims to decrease territorial, economic, and political differences between ethnic groups over the medium term, and to introduce the necessary economic flexibility within the private sector. Legal security, especially through the formal registration of rights to land and buildings, will also promote foreign direct investment. The amendment of property, social, and contract law will create the legal framework conditions for a competition-oriented economic constitution.

GTZ's cross-cutting project, the *Establishment and Promotion of Structures in the Youth Sector*, promotes the interests of young people and ensures that youth issues are being developed and implemented through cooperation with state structures, non-governmental organizations, and youth councils. The project will provide young people with new prospects, promoting peaceful coexistence in a multi-ethnic society.

In 2007 KfW signed a financing agreement for the third phase of the Credit Guarantee Facility (CGF) valued at € 5.1 million. This will facilitate the refinancing of micro credit organizations by local banks. This phase supplements the ongoing CGF 1 and 2, which facilitate the refinancing of local banks by international partners. The guaranteed loan funds are used by the selected partner banks to expand their lending business to SMEs, thus encouraging entrepreneurship and employment.

KfW also finances projects in the Infrastructure sector. In the area of energy, KfW, together with the utility company Elektroprivreda Hrvatske Zajednice Herceg-Bosne (EPHZHB), prepared the preconditions for financing the first wind park in BiH. Germany is intending to support EPHZHB to construct and operate a 44-megawatt wind park at Mesihovina. € 25 million were allocated for this purpose in 2007. Also in the Infrastructure sector, in the water and wastewater area, KfW's *Una Sana Programme* has been extended to the *Programme for Rehabilitation of Urban Water Supply and Sewage Systems in Bosnia and Herzegovina*. Beneficiaries of this programme are the municipalities of Bihać, Derventa, Kakanj and Kostanica. This project supports the repair and upgrade of existing water supply systems and the improvement of sewage systems. Definition of projects, procurement and supervision of construction activities is performed by local water utility companies with the support of internationally tendered consultants. Also some institutional support will be provided to the participating water utility companies. With the Municipality of Bihać, a cooperation for a new water treatment facility has been envisaged. The Feasibility Study is prepared with the support of the EU.

Medium - and long-term plans

After having provided substantial humanitarian assistance in the past years, German policy shifted in favour of supporting government institutions with the aim of stabilizing the State as well as NGOs to strengthen civil society. In the long-term, assistance will focus on BiH's EU accession process.

The priority areas of GTZ support in BiH will continue to be economic reform and the promotion of democracy. GTZ plans to extend its activities to the sector of energy efficiency in 2009.

KfW will continue to focus on the aforementioned issues. Additionally, KfW will extend its financing activities to the energy sector and will especially focus on the promotion of the use of renewable energy sources and the increased use of energy efficiency potentials.

In the financial sector KfW intends to support the European Fund for SEE as a joint-donor vehicle for the further development of the financial sector in BiH. KfW's regional refinancing window for energy efficiency, created with various partner organizations, will be offered to the financial sector in BiH, too.

Improvement to municipal infrastructure will be one of the fundamentals for the further development of BiH. In cooperation with bilateral and multilateral donors, KfW will increase its commitment towards this sector and will provide additional development loans to municipal governments.

Promotion of Paris Declaration in BiH

In general, Germany attempts to involve BiH partner institutions in all its projects. As much as possible, Germany uses domestic priorities when developing projects. Furthermore, Germany tries to develop best practices in order to better use its experience in the field of development cooperation. Special importance is given to avoid parallel structures. Every project is evaluated at least once a year or before new support is allocated.

GTZ acts as the technical wing and KfW as the financial wing of German Development Cooperation in BiH. In accordance with the Paris Declaration, the two agencies keep close contact with all relevant domestic partner organizations and donors. The two organizations support the development of joint approaches that are agreed upon in bilateral government consultations and negotiations. For further improvement of this coordination, the German government appointed GTZ as the focal coordinator of German Development Cooperation for BiH in the areas of economic development and employment, and KfW as the focal coordinator in the areas of energy and municipal infrastructure.

Donor coordination efforts

The LAP is a particularly good example of donor coordination. The Project itself is funded by three bilateral donors, Austria/ADA, Germany/GTZ, and Sweden/SIDA. It provides technical assistance to the Ministries of Justice implementing the World Bank funded Land Registration Project. The Project promotes coordination in legal and IT matters among multi-lateral (the World Bank, the EU) and bi-lateral (USA/USAID) donors active in the land administration sector within specific working groups.

KfW has been especially successful in the promotion of donor coordination within its activities in the financial sector. In the European Fund for BiH, KfW has combined its efforts with various bilateral donors for a joint approach. This coordination has been continued and deepened with the promotion of the European Fund for SEE, which brings together not only bilateral and multilateral donors but also private companies, providing collective support to the financial sector in this region. KfW is cooperating with BiH, Swiss, Swedish, and German institutions to finance joint projects with the finances remaining from the European Fund for BiH.

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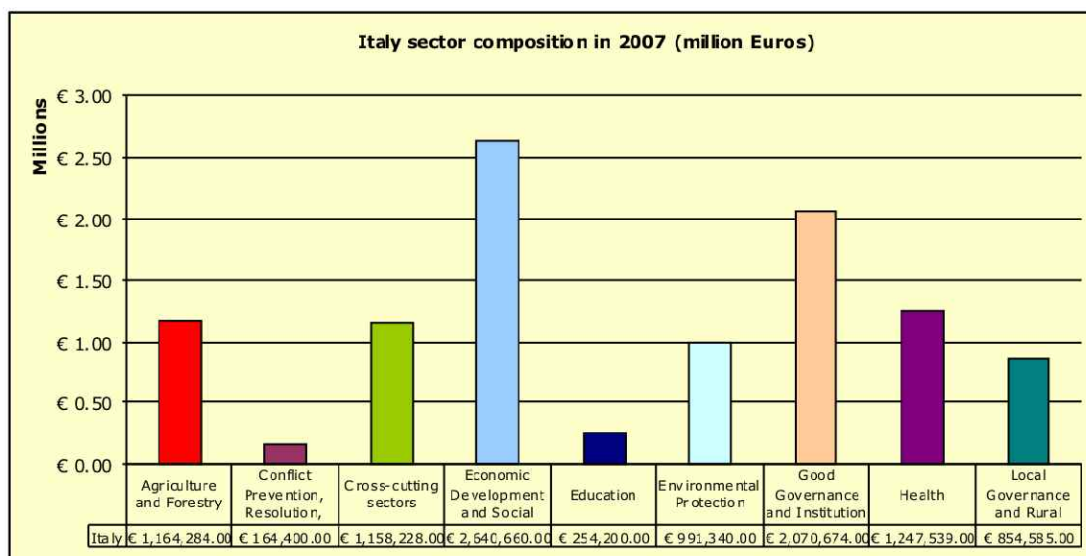
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Policy approach

Italy has been active in Bosnia and Herzegovina (BiH) since 1992. Currently, Italy/Italian Cooperation (IC) is involved in the following areas: Cross-cutting sectors (with a focus on Youth and Gender); Agriculture and Forestry; Conflict Prevention and Resolution, Peace and Security (with a focus on de-mining); Good Governance and Institution Building; Economic Development and Social Protection (job creation and tourism); Health; Education (with a focus on higher education); and aid coordination. Italy/IC's total contribution in 2007 was approximately € 10.5 million.



Italy/IC in BiH commits a great deal of its resources to Economic Development and Social Protection, and to Good Governance and Institution Building. Interventions in these sectors, which make up € 4.7 million of total funding, are implemented by Italian organizations, NGOs, and international agencies. This approach aims to reduce poverty and encourage ethnic integration, thus promoting the diversification of the rural economy and increasing the value of BiH's natural resources. The ongoing initiatives within the Agriculture sector endeavour to promote sustainable agricultural systems, such as integrated and organic agriculture.

In the Environmental Protection sector, Italy/IC's interventions are focused on supporting local institutions as they draft Local Environmental Action Plans (LEAPs). These Plans ensure natural resources management and biodiversity protection. In addition, LEAPs enhance a system of integrated monitoring for the management of forests, river basins and landfills. Italy/IC also supports the modernization of university courses in environmental studies, and offers refresher classes for experts and academics involved in this sector.

In 2007, Italy/IC was active in the Health sector, to which they contributed € 1.2 million. Their main project in this area was *Promotion of Mental Health in Republika Srpska*, which aims to improve the accessibility and the quality of the services to mentally ill people and their families.

Italy/IC also funds Cross-cutting sectors (€ 1.16 million), especially activities regarding Gender and Youth. Italy/IC has been involved in these fields through several initiatives aimed at protecting and promoting the rights of the most vulnerable populations like children, young people, and women. In this respect, Italy/IC sponsors numerous initiatives, which focus on building and promoting the social inclusion of these groups. Italy/IC's projects are aimed at addressing psychological and physical services for youth with special needs. In particular, efforts implemented by Italian NGOs and Italy/IC itself, fight the social exclusion and marginalization of minors with special needs. This is achieved through the promotion of a culture of inclusion by facilitating their access to educational services, psychological recovery, and physical rehabilitation. The Italian government's commitment to this sector includes a focus on

female empowerment. The various activities carried out by Italy/IC in the Cross-cutting sectors are coordinated by a special "Youth and Gender Unit" within the Italian Cooperation Office (UTL) in Sarajevo.

Italy/IC has contributed € 1.16 million to the Agriculture and Forestry sector, as well as € 0.85 million to the Local Governance sector.

Key activities in 2007

The project *Support to Initiatives in Favour of Children and Youth in BiH*, directly managed by Italy/IC, aims to coordinate and strengthen the numerous Italian interventions in this sector. The overall objective is to facilitate peace building, to encourage integration and inter-ethnic dialogue, to raise children and youth's awareness of environmental issues, and to offer adolescents the chance to be proactive by promoting their creativity and active participation in education. As far as particularly vulnerable minors are concerned, the project contributes to creating a climate of greater opportunities and to building up an attentive, proactive and self-sufficient civil society. This project enforces a series of pilot initiatives aimed at promoting inter-ethnic dialogue and the democratic values of peace and tolerance amongst young people. The positive results of this initiative have encouraged Italy/IC to replicate the activities in other areas of BiH, and particularly in the Srebrenica area, in order to support ethnic reintegration.

Italy/IC continues to finance de-mining activities, as this effort is of vital importance for the recovery of economic and social life of BiH. In particular, through its financing of UNDP projects, the Italian government contributed to the de-mining of important sites, including: the FAMOS industrial complex in Ilidža, the Butmir International Airport, the reparation shops of Brijese Polje railway station, and the tourist facilities on Trebević Mountain.

Since awareness of security issues is fundamental, Italy/IC, through the Italian NGO Intersos, is a leading donor in the prevention of mine-related accidents in BiH. Italy/IC is also active in designing programmes to increase mine awareness among civilian populations. Italy/IC's initiatives involve local administrators, civil society associations of groups more exposed to mine risk (workers in the agricultural, forestry and construction sectors) and local communities. In order to continue carrying out de-mining activities, since 2006 Italy/IC has approved several new demining projects, both financed and managed by UTL in Sarajevo in collaboration with the NGO Intersos. UTL coordinates and directly supervises all de-mining-related activities, including those related to mine risk education.

Communication represents an essential factor in the ability to respond to the most urgent challenges in the field of development aid. Information and communication technologies have marked the beginning of a new phase of global economic growth. Thus, Italy/IC's support of a particular journalistic project is especially relevant. The initiative, which has been carried out and that will soon enter its second phase, supports professional qualifications for journalists and the improvement of the process of inter-cultural and inter-religious dialogue amongst the local population. This pilot project includes six courses spread over a one-year period. This initiative is contributing to the training of 78 journalists with a clear focus on issues of human rights and equality.

Medium- and long-term plans

Italy/IC intends to continue focusing on the Cross-cutting sectors (particularly on Youth), on rural development and the Agricultural sector. In particular, Italy/IC programmes will focus on an integrated approach which will bring together Italian institutions and partner countries along with NGOs, universities, associations, and local communities. Italy/IC will work on the basis of concrete projects with clear and measurable goals and indicators, in order to promote development that includes not only an economic dimension but also the social and individual growth of people, with respect to different cultures.

Moreover, Italy/IC will particularly focus its attention on the region of Srebrenica, which is one of the most depressed areas in social and economic terms in BiH. Italy/IC has been active since 2002 in this region as one of the donors to the Srebrenica Regional Recovery Programme

(SRRP), which is implemented by UNDP. Furthermore, since 2006, Italy has financed a multi-sector project for social and economic stabilization and the fight against social exclusion in areas to which refugees are returning.

The heightened focus on Srebrenica has led to the definition of a new strategy of intervention by the donor community and by their institutional counterparts. In this new, wider framework, the Italian government operates by promoting multi-sector interventions aimed at re-launching the rural economy while at the same time taking into consideration ethnic-cultural aspects and socio-cultural revitalization features.

Promotion of Paris Declaration in BiH

In order to improve the efficiency of Italy's contribution to BiH, Italy/IC has created a wide network of useful relationships and has established close collaboration and coordination with local institutions. With the aim of mobilizing BiH's resources towards economic, political, and social development, Italy/IC has focused its attention on the definition of its strategies for intervention in the Cross-cutting sectors (with a focus on Youth and Gender), as well as in Education, and Agriculture and Forestry.

Moreover, in order to promote the principles of the Paris Declaration in BiH, the Italian government has been financing activities that endeavour to improve the population's ownership of projects and, enhance citizens' professional capabilities and skills. Finally, to ensure efficiency in its interventions and to guarantee more effective results, Italy/IC regularly monitors and evaluates the projects implemented in BiH to constantly assess the progress achieved.

Donor coordination

Italy/IC is very interested in donor coordination. Consequently, all projects are identified, formulated, and implemented taking into consideration this important issue. For this reason, Italy/IC has played a significant role within a project being carried out by UNDP, specifically *Support to BiH in the Management and Coordination of Development Resources*. The project, created to serve as a clear and effective tool for coordination and development, aims to support the Donor Coordination Forum and the development of a resource database in order to optimize synchronicity among the different activities carried out in BiH by the international community.

Italy/IC also participates in coordination activities conducted by the Delegation of the European Commission in BiH in line with commitments assumed with the signing of the Rome Declaration in February 2003. Sectoral meetings are currently taking place among interested donors in order to increase the efficiency of interventions through effective coordination. Finally, the Office of Italian Cooperation plays an important role in coordinating Italian aid within the country and in liaising with both local institutions and the donor community.

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Japan/Japan International Cooperation Agency (JICA)

Policy approach in Bosnia and Herzegovina

The Japan International Cooperation Agency (JICA) is the implementation agency for most Japanese technical cooperation efforts. JICA will be restructured in 2008, and its responsibilities expanded so that it will be organizing loan and grant assistance as well.

In January 1996, just after the end of the conflict, Japan/JICA started its emergency and reconstruction assistance to Bosnia and Herzegovina (BiH). Since then, Japan has played an important role in the reconstruction of BiH, as one of the largest bilateral donors to the country. Japan provides grant assistance in many fields, whether directly to the government of BiH, through international organizations, or through NGOs.

As there have been great achievements in BiH's reconstruction, Japan/JICA's current assistance to the country focuses on the implementation of projects together with other donors and international organizations. These initiatives aim to facilitate ethnic reconciliation and economic stability as a way of achieving a consolidation of peace. Japan/JICA also works in the following sectors: Education, Health, Economic Development and Social Protection, and Infrastructure. These activities are meant to improve BiH's capacity through the provision of technical assistance. Japan/JICA prioritizes the following areas: transition to a market economy, the environment, and the consolidation of peace. Japan/JICA sees the BiH Government as a partner and, as such, aligns its activities to BiH's priority areas.

Key activities in 2007

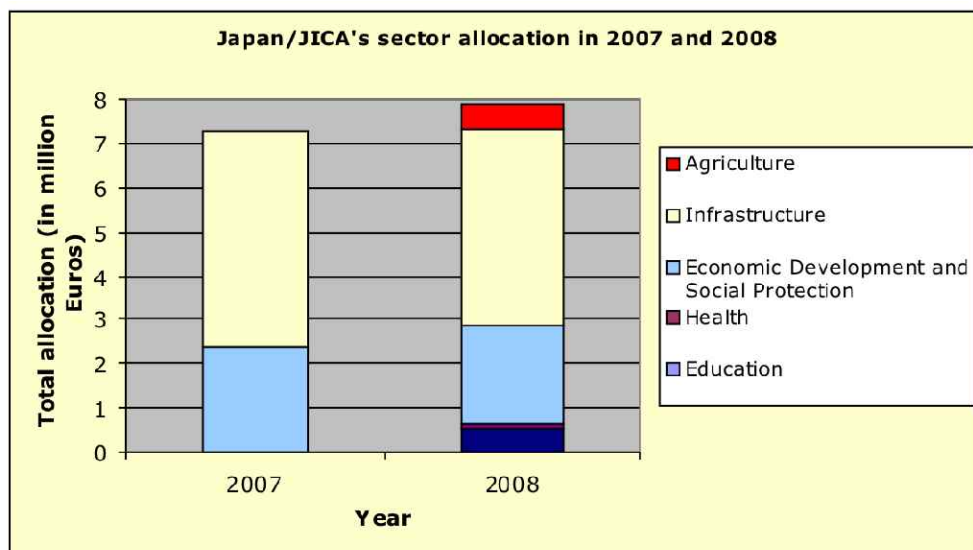
Japan/JICA's total allocation in 2007 was € 7.27 million, mainly concentrated in the Infrastructure (€ 4.89 million), and Economic Development and Social Protection (€ 2.38 million) sectors. Data shows that Japan/JICA is also involved in the Agriculture, Health, and Education sectors, however some of these activities will only begin in 2008.

In the Cross-cutting sectors, Japan/JICA promotes ethnic reconciliation by assisting community development involving returnees, and through the development of an IT education curriculum. Additionally, Japan/JICA is sensitive to the promotion of reconciliation by getting multiple ethnic groups involved in projects whose sole aim is not ethnic reconciliation.

The Community Development Project in the Srebrenica Municipality, which promotes local agricultural production and involves five local NGOs, was implemented, raising income for local vulnerable residents. The objective of this project is to enhance economic self-reliance and build confidence among residents of the Srebrenica region. In order to achieve this goal, the project involves various agricultural production activities, conducted by the local government and NGOs.

The pilot *Project for Modernization of IT Curriculum* in Mostar, due to start in 2008, is based on the Japanese Informatics Curriculum and is part of a larger efforts towards the promotion and modernization of local teaching methods on IT education. It was first implemented as a trial project at the Mostar Gymnasium and subsequently expanded to two other Gymnasias in the Federation of BiH (FBiH), in Canton 7. After the successful completion of the pilot phase, the project will become the basis for a more sophisticated and user-friendly informatics curricula at various high schools in BiH. The initiative also has an ethnic reconciliation component as the courses are taught to mixed classes.

In the Economic Development and Social Protection sector, Japan/JICA's *Project of Sustainable Regional Development through Eco-tourism* focuses on project sites in the Pliva and Velež regions, both of which cover the border areas between the FBiH and the Republika Srpska (RS). It promotes eco-tourism activities by various local stakeholders. In order to achieve human and institutional development in the private and public sectors, the project aims to transfer the practical knowledge and skills necessary to enhance such development, and provide BiH personnel and organizations the fundamental tools to continue promoting their activities in the field of eco-tourism.



Medium- and long-term plans

Japan/JICA will continue to focus on three main issues: consolidation of peace, promotion of the private sector, and environmental protection. In the medium term, currently ongoing projects will be continued for the next 3 years. In the longer term, Japan/JICA regards BiH's EU accession as the goal of Japanese developmental assistance towards the country. Japan/JICA will withdraw from BiH gradually after EU accession is achieved.

Promotion of Paris Declaration in BiH

Japan/JICA is fully aware of the importance of the Paris Declaration and tries to coordinate with other donors to improve aid effectiveness. In BiH, special attention is paid to the enhancement of ownership by the government of BiH. For example, the project for *Community Development in the Srebrenica Municipality* attempted to maximize the involvement of the municipal and local governments as much as possible in order to ensure the sustainability of the project.

Donor coordination

Japan/JICA supports the project for *Comprehensive Pain Therapy Management* in BiH, in close cooperation with an Australian NGO, HOPE '87. The project is planned to start its third phase in April 2008 and will last for two years. The goal of the project is to promote pain therapy for mine victims in all of BiH.

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The Embassy of the Kingdom of the Netherlands (EKN)

Policy approach in BiH

Bosnia and Herzegovina (BiH) is one of the 36 partner countries worldwide with which the Netherlands has a substantive bilateral development cooperation programme. After having focused predominately on the facilitating of minority return and creating stability in the aftermath of the war, the programme is currently shifting, increasingly concentrating on the creation of sustainable, transparent, and accountable governance structures, in line with criteria prescribed by the European Union (EU) accession process and concentrating on the development of a business climate inclusive of private sector development and foreign direct investment. In the coming years the bilateral development assistance for BiH will be gradually phased-out and transformed from a more traditional development relationship into a relation geared towards EU accession. This new relationship comes with its own instruments, like the programme for societal transformation (Matra), for which BiH will qualify in January 2008.

Harmonization with other donors, and where possible, the alignment of assistance, are clear priorities for the EKN over the current, four-year period. Strategic issues for the 2005-2008 period are the following: broad, nation-wide acceptance of, and progress in, a BiH-owned reform agenda supporting the EU accession process and in line with the BiH's Medium-Term Development Strategy (MTDS); implementation of a national and regionally accepted solution for the remaining refugees and Internally Displaced Persons (IDPs), including an integration of policies in support of sustainable return into the more general socio-economic recovery programmes (with a special emphasis on the Srebrenica area); improvement of donor coordination and donor harmonization in support of Sector-wide Approaches where possible.

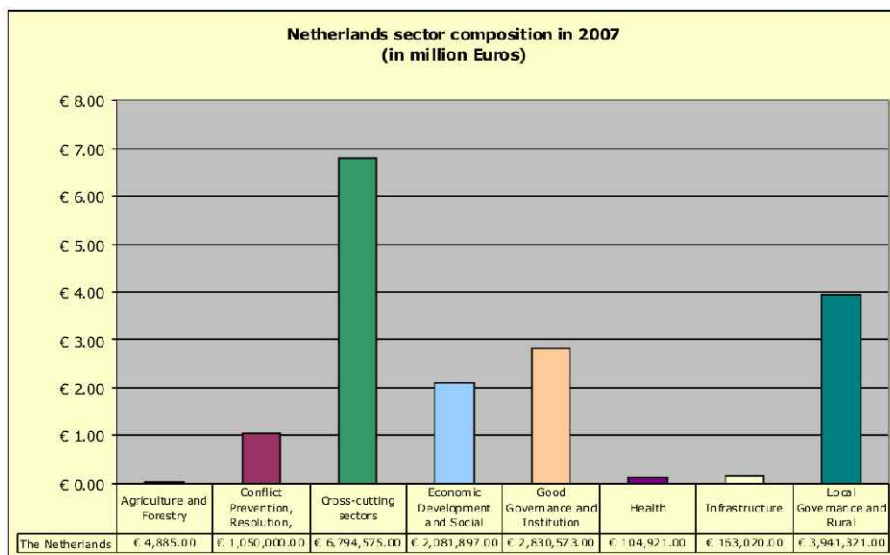
EKN has traditionally focused on post-conflict support and peace building. In recent years the emphasis has shifted more towards Good Governance, Legal and Judicial Reform, Institution Building, and Economic Development and Social Protection. The Embassy is under parliamentary obligation to spend a third of the ODA budget on activities related to Srebrenica, which include sustainable return programmes and psycho-social assistance.

Key activities in 2007

In 2007, the Netherlands's total allocation was approximately € 16.9 million. The largest share of funding was allocated to Cross-cutting activities (€ 6.8 million), which include the Return and Reintegration of refugees. The Local Governance and Good Governance and Institution Building sectors, particularly Public Administration Reform (PAR) and Legal and Judicial Reform also featured high in the Netherlands' sector allocation.

Among EKN's key activities rank its support for the State Court Registry (core funding, plus the secondment of international judges and investigators), the start of the second phase of the *Governance Accountability Project* (GAP), support to International Commission on Missing Persons and a range of activities in support of sustainable return of refugees and IDPs.

The War Crimes Chamber of the Court of BiH was established in March 2005 to investigate and prosecute the most serious of war crimes committed in BiH in accordance with international law and norms of criminal procedure. Salaries for international judges, prosecutors, and other personnel are funded directly by international donors, including EKN, and managed separately from the Court budget. EKN provides support to the Office of the State Court Registry. The mandate of the Registry is as follows: to manage and provide administrative, legal and other support services to Section I for War Crimes and Section II for Organized Crime, Economic Crime and Corruption of the Criminal and Appellate Divisions of the Court of BiH; and to provide support services to Special Departments of the Prosecutor's Office. These services include, but are not limited to, the support of international judges and prosecutors in their work, the cooperation with national authorities to organize and coordinate detention related activities, and the support and protection of witnesses.



In the Local Governance sector, GAP, which is financed by Sweden/SIDA, EKN, and USA/USAID, builds the capacity of BiH municipalities to better provide their citizens with a service, policy, and fiscal framework of good governance. At present, 56 out of 143 municipalities are participating in GAP; another 15 will be added in the autumn of 2008.

In the Conflict Prevention and Resolution, Peace and Security sector, EKN supports the ICMP in its primary role to ensure the cooperation of governments in locating and identifying those who have disappeared during armed conflict or as a result of human rights violations.

EKN, together with Sweden/SIDA and UK/DFID, contributes to the funding of the Enterprise Sector Recovery Fund (ESRF) as part of its work in the Economic Development and Social Protection Sector. These donors will work with relevant state and entity ministries addressing a number of structural economic problems. The primary objective of the ESRF is to alleviate poverty by assisting the transformation of the BiH economy according to the priorities defined in the MTDS. The second objective of the project is to encourage the development of a single market within BiH. The third objective of the project is to encourage dialogue and cooperation between the Entities and the State in the economic sphere.

In the Cross-cutting sectors, EKN financially supports UNDP's *Support to Results-based Approach - Partnership for Local Development* (SUTRA-PLOD) project. This initiative, now in its third phase, aims to provide local communities in BiH with the tools to articulate and implement return and reintegration projects in a joint effort between government, civil society, and businesses that could lay the foundation for broader development activities in future. It also assists state-level bodies in creating a coherent policy and administrative framework that would allow such projects to unlock the potential of stakeholders at the local level. SUTRA-PLOD supports municipal governments in improving the delivery of vital services to those who need them most, above all returning refugees and displaced persons.

Medium- and long-term plans

The Embassy of the Kingdom of the Netherlands has drafted a Multi-annual Strategic Plan, covering the period 2008-2011, in which its policy priorities are drawn-up. Because of the gradual scaling-down of the Dutch development cooperation programme in BiH and the objective of creating coherence, it is even more important to make strategic choices. For the period covered in the strategic plan, the Embassy of the Kingdom of the Netherlands has an annual budget of approximately € 14.7 million for 2008, which will be gradually reduced to approximately € 7.5 million by 2011. After 2011 the Embassy will only have a limited budget of around € 5 million, which is reserved in its entirety for the support to the victims of the genocide which occurred in the Srebrenica area. This above mentioned budget does not include interventions funded by the Government of the Netherlands directly through the ministry in The Hague.



Promotion of Paris Declaration in BiH

Partnership with the BiH Government is sought to the extent possible, thus stimulating local ownership of reform processes. EKN tries to cooperate closely with other donors present in BiH in order to create synergy between programmes and prevent overlap.

Donor coordination

Harmonization with other donors, and where possible, the alignment of assistance, are clear priorities for EKN.

The second phase of GAP, in which EKN, Sweden/SIDA, and USA/USAID partner, is innovative in its set-up and has served as a best practice for activities in other developing countries. The project accomplished a pooled funding approach between all three donors. It succeeded in taking the Nordic+ template for a joint financing arrangement as a model (a first for USA/USAID), and it overcame differences in interpretation of open tendering procedures by using an inclusive (World Trade Organization Agreement on Government Procurement) list rather than an exclusive list of eligible countries. This has simplified funding and reporting procedures for GAP partners.

Other major programmes in which the Netherlands partners with other donors include the PAR Fund and the support to the State Court of BiH, which is responsible for the prosecution of war crimes and organized crime cases.

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The Royal Norwegian Embassy in Sarajevo

Policy approach in Bosnia and Herzegovina

The overarching goal of Norwegian development cooperation globally is to contribute to lasting improvements in economic, social, and political conditions for the populations of developing countries. Development cooperation must strengthen the capacity of these countries to solve problems of poverty and to promote politically, economically, and environmentally sustainable development.

Much of Norwegian international development cooperation involves long-term assistance in the form of grants. In general, it emphasizes both bilateral assistance, channeled directly to the governments of partner countries, and multilateral assistance, directed through the UN system and development banks. Norway also provides significant assistance through international, local, and Norwegian NGOs.

Norway is working to secure greater clarity about the role of the UN system and the international development banks in development work, and to ensure that the division of labor between them and with other partners is improved. Norway will continue to contribute to the achievement of the UN Millennium Development Goals (MDGs). A particular challenge will be to achieve noticeable improvements in the poorest countries and in countries that are in conflict or in the process of finding a political solution to a conflict. Norway has taken the initiative to launch a special international drive for the health-related MDGs, for reducing child and maternal mortality, and combating AIDS and other diseases.

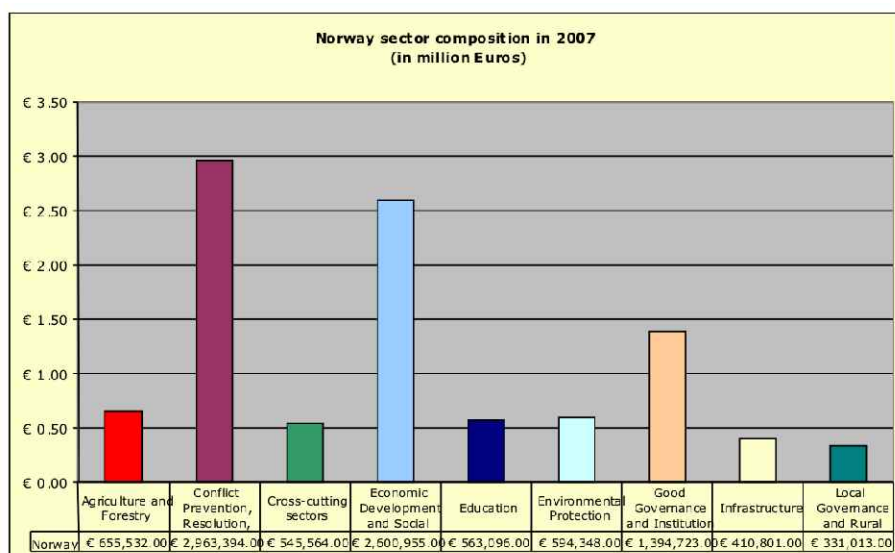
Norway seeks to promote a better division of labor between donors and to focus more strongly on areas in which Norway has particular expertise. Accordingly, the increase in development assistance introduced by the present government will primarily be allocated to five main priority areas where Norway has comparative advantages. The five areas to which Norway can contribute most strongly are climate change, the environment and sustainable development; peace building, human rights and humanitarian assistance; oil and clean energy; women and gender equality; and good governance and the fight against corruption.

Norway has in recent years provided approximately € 15 million in assistance annually to Bosnia and Herzegovina (BiH). Norwegian development cooperation with BiH has shifted over time in accordance with the changing needs in the country from a focus on humanitarian assistance and reconstruction and development of infrastructure, to the current concentration on supporting reforms and processes to promote stability and bring BiH closer to the Euro-Atlantic structures. These efforts involve support to institution building (state parliament, judicial institutions, security sector, police, local government), and judicial reform.

When it comes to institutional development, Norway's largest recent contribution is to the judiciary, where it has, over the course of several years, provided considerable support to the High Judicial and Prosecutorial Council, the BiH State Court and the reconstruction of local courts. Norway will continue to give high priority to the judiciary, as well as to other aspects of justice and security (police, intelligence and defense) and to parliamentary cooperation. Private sector development, with a particular focus on agriculture and ICT, is a second pillar of Norwegian assistance in BiH. Norway provides significant support to a range of important initiatives involving women, children, youth and education, the environment, peace and reconciliation including efforts to deal with the past and to promote inter-ethnic dialogue and cooperation. Furthermore, substantial assistance is given to de-mining.

Key activities in 2007

Norway contributed € 10 million in 2007 to BiH development, dedicating the most funds to Conflict Prevention and Resolution, Peace and Security (€ 2.96 million), Economic Development and Social Protection (€ 2.6 million), and Good Governance and Institution Building (€ 1.39 million) sectors. With smaller donations they were active as well in Agriculture and Forestry, Environmental Protection, Education, Infrastructure, and Local Governance.



In 2007, Norway supported several projects in the above-mentioned sectors in BiH. In the Judicial Reform sector, Norway supported the work of the HJPC and the BiH Court's Special Chamber for War Crimes, as well as the OSCE's monitoring of war crimes cases transferred to BiH from the International Criminal Tribunal for the former Yugoslavia (ICTY). Norwegian support for the Balkan Investigative Reporting Network, including their Justice Report, and for the Institute for War and Peace Reporting promoted critical journalism and public understanding of war crimes trials in BiH and the ICTY. An independent, accountable and functional justice system is a pillar of democracy. Public information on the State Court and its role and limitations, particularly in war crimes cases, is essential in building public confidence in the judiciary. Norway also assisted the Court Support Network that aims to increase knowledge amongst the BiH population about the country's court system, with a particular focus on war crimes trials. The Royal Norwegian Embassy aids two of the NGOs involved in the Court Support Network: *Izvor*, located in Prijedor, and the Helsinki Committee for Human Rights, in Republika Srpska, based in Bijeljina. Their projects focus on the establishment of a network of different organizations that works on supporting witnesses and potential witnesses in cases regarding the War Crimes Chamber in BiH.

Norway aids a range of civil society organizations in key sectors, including the Research and Documentation Centre (RDC) and the International Commission on Missing Persons (ICMP). These two organizations assist families of victims and the wider society by establishing facts on persons missing as a result of the 1992-95 war. RDC has developed a comprehensive database on the fate of killed and missing persons, which is accessible to families, researchers, and the public. ICMP assists the BiH Government in the process of locating, recovering, and identifying missing persons. Other central organizations that receive Norwegian funding for projects related to reconciliation are the Nansen Dialogue Network and XY Film.

In terms of the Gender, Youth, and Education sectors, Norway supports a number of activities, implemented by both domestic and international actors. Within the area of Education, Norway supports a variety of work: activities that aim at contributing to high quality teaching in primary and secondary schools, and at the university level; projects that strengthen parent-teacher councils and student councils; initiatives that help foster cooperation between students learning different education curricula; and endeavours to integrate education. United World College in Mostar, the Education Department of the OSCE Mission to BiH, the Centre for Interdisciplinary Postgraduate Studies at the University of Sarajevo, and several NGOs are Norway's partners in these efforts.

In support of private sector development, Norway has focused particularly on the following initiatives: the development of competitive Small and Medium-sized Enterprises (SMEs) in Information and Communication Technology (ICT); the strengthening of agricultural businesses, cooperatives, and vocational education in agriculture; and the promotion of youth entrepreneurship. Norwegian aid comes in the form of grants and transfer of technical expertise. For example, Norway provides financial and educational support for the establishment and development of the Business Information and Technology Centre (BIT Centre) in Tuzla. Since 2005, the BIT Centre has helped in the creation of over 20 innovative companies and 100 new

jobs, and through this added to the economic recovery and development of the Tuzla region. A similar initiative, the EXIT Centre, is under development in Banja Luka.

In the field of agriculture, two Norwegian organizations, Jæren Produktutvikling and the Foundation Sandnes-Dubrovnik, draw on extensive experience with agricultural development, agricultural education and cooperative solutions for small farms in Norway. Both organizations are provided financing by Norway, as they work to support a range of agricultural development projects in BiH.

Medium- and long-term plans

In the medium term, Norway plans to continue to assist BiH as it aims to integrate into European and Atlantic structures through development cooperation. Assistance for reform processes and institutional development will remain central, as will support for civil society initiatives in a range of sectors and for private sector development. Emphasis will continue to be placed on local ownership and sustainability.

Promotion of Paris Declaration in BiH

Emphasis is being given to implementing the objectives of the 2005 Paris Declaration on Aid Effectiveness at both the international and national level. Norway's development cooperation work will be guided by the principles of national ownership, alignment with recipient countries' systems, harmonization among donors, results-based management, and mutual accountability.

In choosing which projects to support, Norway places priority on initiatives with local ownership, and efforts that tap on to funding from local or national sources. Projects should have a certain long-term perspective and a strategy to be sustainable without Norwegian support within a reasonable length of time, where appropriate.

In the area of defense and security reform, for example, Norway supports the NATO Trust Fund. The project is implemented by the International Organization for Migration in cooperation with the Ministry of Defense (MoD) to facilitate the financial independence of redundant defense personnel discharged from the BiH armed forces and MoD over a three year period, and to assist them in their transition to civilian life through education, vocational counseling and training, referrals and the provision of tool kits and equipment, or self-employment. The project also aims to build the capacity of the MoD to assist future redundant personnel.

Donor coordination efforts

Norway's projects take into account how their activities align with other donor efforts in the same sector or geographic area. Norway prioritizes efforts with documented synergies. To this end, Norway has entered into joint arrangements with other donors, such as the Joint Financing Agreement for the Registry of the BiH State Court and Office of the BiH State Prosecutor.

Support for the judicial system and human rights efforts has been channeled in large part through organizations like the High Judicial and Prosecutorial Council (HJPC), the BiH Court, EUPM, UNICEF, ICMP, the OSCE, and OHR, while significant assistance in these and other fields has also been provided through international, Norwegian, and local NGOs.

In the Education sector, Norway supports the work of UNICEF on children's issues in the programme entitled *Enhancing the Social Protection and Inclusion System for Children in BiH*.

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Spain/Spanish Agency for International Development Cooperation (AECID)

Policy approach in Bosnia and Herzegovina

The presence of the Spanish Agency for International Development Cooperation (AECID) in Bosnia and Herzegovina (BiH), denoted in its Master Plan 2005-2008 as a Country of Special Attention, is a reflection of Spain's commitment to a country in transition working towards European Union (EU) accession. As a result, Spain/AECID's activities focus greatly on institutional strengthening, both at the state level, supporting the consolidation of a strong, viable state, and at the local level in the south of Herzegovina and Sarajevo region. Spain has been especially involved in BiH since the beginning of the conflict, through its activities designed to support the consolidation of peace.

Each of the aforementioned activities corresponds to the global strategic objectives of Spain/AECID: to support BiH in the consolidation of peace, as well as in its advance towards the EU with the political, economic, and social transformations this process entails. These global strategic objectives are in line with BiH's stated needs. Spain/AECID achieves its goals through alignment and cooperation with major international donors, as well as by focusing on synchronicity and coordination among Spanish actors present in the country (i.e. Spanish NGOs).

In the context of this global strategic objective, Spain/AECID activities correspond to the following sectoral strategic objectives:

1. Enhancement of Social and Institutional Capacities (Democratic Governance). This is accomplished through a combination of the following efforts: the promotion of representative, participative democracy, and political pluralism; the strengthening of the Rule of Law; the development of service-oriented Public Administration; and support for European integration. These objectives are met through strengthening civil society organizations, supporting judicial and police reform, as well as the Public Administration Reform (PAR), and assisting local bodies and central institutions responsible for the process of European integration.

2. Increase of Economic Capacities. Spain/AECID achieves these goals by aiding micro and small enterprises and strengthening market institutional capacities. This is accomplished by supporting decentralized public services, which, in turn, helps create businesses.

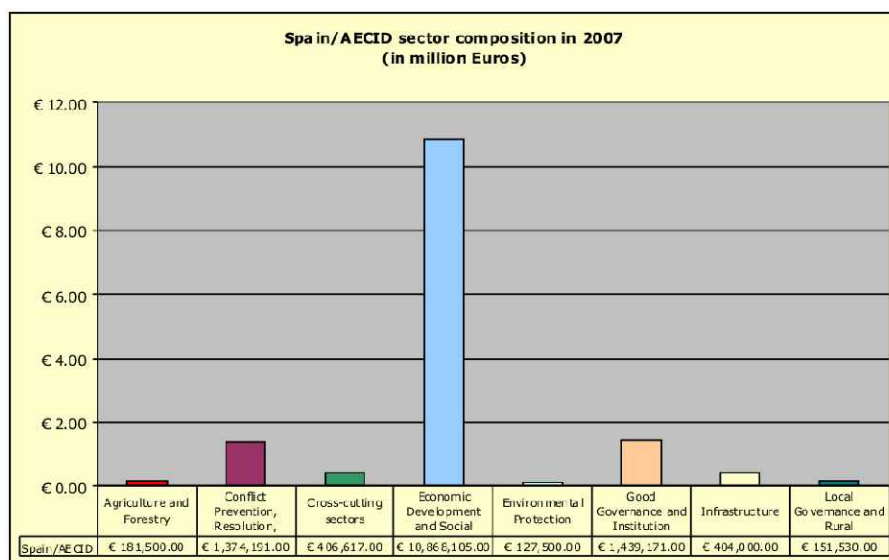
3. Conflict Prevention and Peace-Building. This is addressed by focusing on reduction of small arms and light weapons and ammunitions, transitional justice, helping war crime victims and witnesses, especially victims of rape, and reinforcing peace-making civil initiatives.

In 2007, Spain/AECID allocated € 5.2 million to the above activities. In addition, Spain/AECID provides funds to the Infrastructure sector and financial support to micro-credit organizations. Thus, in total, Spain/AECID's allocation for 2007 was € 15.2 million.

Key activities in 2007

Regarding Spain/AECID's first strategic goal, it is important to highlight activities carried out in the fields of European Integration, PAR (support to the Civil Service Agencies, at both the state and entity level), Good Governance and Institution Building, and Local Governance (support to the Entity Associations of Cities and Municipalities).

Spain/AECID has continued to aid domestic judicial institutions, signing the Joint Financial Agreement with several donors and the Registry of the Court and Prosecutor's Office of BiH, for the period 2007-2009. In the Legal and Judicial Reform sector, there were advances at the Centre for Judicial Documentation (CJD) housed at the High Judicial and Prosecutorial Council (HJPC). In 2007, the foundation was laid for the CJD to begin its work in 2008. Finally, strong support has been given to the Special Department of Organized Crime, Economic Crime and Corruption in order to increase the Department's capacities to fight these crimes.



Moreover, Spain/AECID's project *Support to the Creation and Consolidation of the Financial Intelligence Unit* (FID) at the BiH State Investigation and Protection Agency (SIPA) has successfully concluded, finalizing a three year, more than € 600,000 investment. Due to the success of this project, FID is now fully equipped, with the necessary tools and skills at its disposal to prevent money laundering and terrorism financing in BiH.

Related to the second priority sector, namely support for the Economic Development and Social Protection, Spain/AECID collaborates with the Regional Economic Development Agency for Sarajevo (SERDA) and the Regional Development Agency for Herzegovina (REDAH) respectively. In 2007, REDAH began implementation of the project *Support to the Creation and Consolidation of the Centre for Agricultural and Rural Development of the Region of Herzegovina*. The Centre aims to support and encourage the rural and agricultural development of Herzegovina, offering its services to the region's rural communities. The project will strengthen agricultural capacities in this region. Spain/AECID identified and formulated additional projects like *Support of the economic development of Herzegovina through the boost of the SME sector* (also enacted by REDAH) and *Support for the economic development of Mostar by means of the improvement of the tourism sector* (put into practice by the Mostar Municipality).

Spain/AECID has substantially increased its activities in its third priority sector, Conflict Prevention and Resolution, Peace and Security. Collaboration with local NGOs has improved. Likewise, the realization of such projects has begun: *Support to victims and witnesses of war crimes that testify at the State Court of BiH*, implemented by the Association for Rehabilitation of Torture Victims Centre for Torture Victims, Sarajevo; and the *Promotion of Citizen Participation in Defense of Human Rights and Access to Justice in the Cases of War Crimes in Bosnia and Herzegovina*, enacted by Žene Ženama. Spain/AECID is also involved in sustained action for the reduction of small arms and light weapons and ammunitions (SALW) and in support of transitional justice; these efforts are embodied by two projects implemented by UNDP. Finally, the Spanish NGO, Movement for Peace, Disarmament and Liberty, runs projects through its regional *Programme of Consolidation of Returns and Stabilization of the Balkans*.

Medium- and long-term plans

The presence of Spain/AECID's development support in BiH has a clear time limit related to the European Integration process. Therefore, its activities in the country will finalize as BiH enters the short-term phase of pre-accession to the EU. As a result, Spain/AECID will most likely be active in BiH for the next five years.

Promotion of Paris Declaration in BiH

Spain, as a signatory to the Paris Declaration embraces its principles and approaches. In the case of BiH this emphasis takes two forms. Firstly, all efforts to synchronize with donors present in BiH are made. Spain takes an active role in both general and sectoral coordination meetings. Secondly, although BiH is still lacking a donor coordination structure, Spain/AECID takes particular care that domestic actors take the leading role in all Spain/AECID sponsored projects. This ensures Spain/AECID is aligning with local needs, and thus, in principal, being loyal to the Paris Declaration.

Donor coordination efforts

Spain/AECID is an active donor and participant in the project *Support to State Judicial Institutions*. In 2007, a Joint Financing Arrangement was signed between the BiH Ministry of Justice, the Registry of the Court and Prosecutor's Office of BiH and the Foreign and Commonwealth Office, Sweden/SIDA, the Netherlands Minister for Development Cooperation, the Norwegian Ministry of Foreign Affairs, and Spain/AECID. This agreement aims to increase the effectiveness of aid provided by donors to the Court and Prosecutor's Office of BiH. The Arrangement is based on the Agreement on the establishment of the Registry signed between the High Representative for BiH and the BiH state government, and is in line with the Paris Declaration. It is hoped it will serve as an example for future sector-wide efforts undertaken by a number of donors at the same time. This process, over a period of five years, has had a tremendous impact on the BiH Judiciary. Due to donor coordination, the Court's effectiveness has increased and now the Court of BiH and the Prosecutor's Office are processing war crimes cases (including cases transferred from The Hague) as well as organized crime cases. This is possible, in part, due to the support of international legal experts. In order to ensure domestic handover, a plan for transition has been established, including a scheduled withdrawal of international expertise and financing, with the final adoption of the budgeting by the BiH State in 2010.

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Sweden/Swedish International Development Cooperation Agency (SIDA)

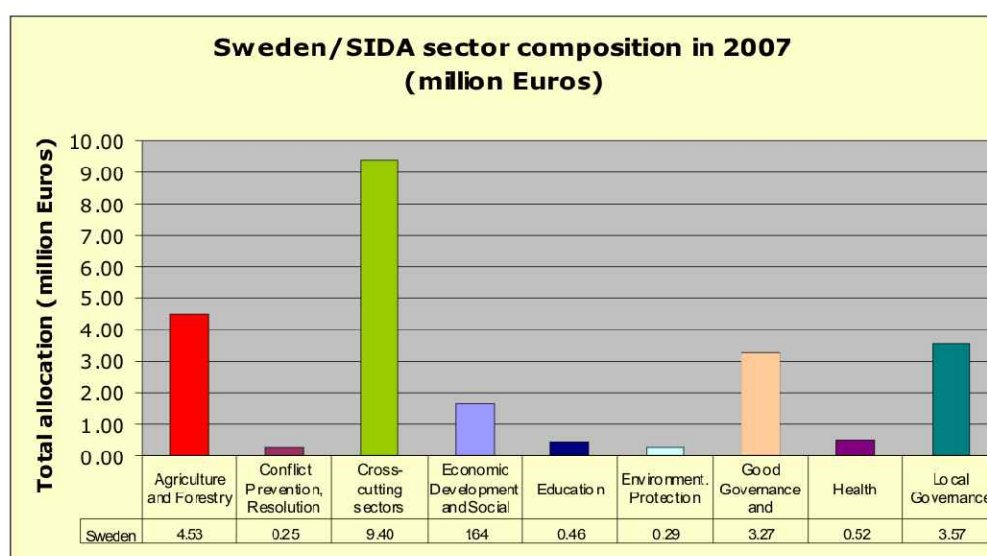
Policy approach in Bosnia and Herzegovina

As is the case with other Swedish government agencies, the Swedish International Development Cooperation Agency (SIDA) works independently within a framework laid down by the government and approved by the Swedish Parliament specifying, *inter alia*, the countries with which to work, budgetary frameworks, and the overall orientation of assistance. In addition to bilateral cooperation with individual countries, Sweden allocates about one-third of its aid budget to multilateral organizations, such as the UN, the European Union (EU), and the World Bank.

The current Swedish Cooperation Strategy for Bosnia and Herzegovina (BiH) came into force in January 2006 and will be in effect for five years. The objectives are poverty alleviation and European integration. The strategy is concentrated primarily on two sectors: Good Governance and Institution Building, and Economic Development. In the strategy, strengthening BiH ownership is emphasized, with a focus on the state and municipal levels. Coordination with other donors and international organizations is also a priority.

Key activities in 2007

Sweden/SIDA disbursed € 23.9 million in total during 2007. The majority of this funding was dedicated to the Agriculture and Forestry, Local Governance, and the Good Governance and Institution Building (including civil society) sectors.



Sweden/SIDA's aid to the Good Governance and Institution Building sector aims mainly at strengthening government institutions, with a specific focus on the Judicial Reform sector. Sweden/SIDA has joined other donors, including UK/DFID, the Netherlands, and the EC, in supporting the BiH Governments' strategy for Public Administration Reform (PAR), which is designed to increase efficiency, transparency, and democracy. These same donors back the PAR Fund. This Fund provides a harmonized approach to aiding the implementation of projects across BiH that fall within the framework defined by the PAR Strategy.

The *Governance Accountability Project* (GAP), which is financed by Sweden/SIDA, the Netherlands, and USA/USAID, aims to build the capacity of BiH local municipalities to provide citizens with better services, within a policy and fiscal framework of good governance. At present, 56 out of BiH's 143 municipalities are participating in GAP; another 15 will be added in the autumn of 2008. Another Sweden/SIDA supported project is designed to help set up Local Environmental Action Plans (LEAPs) at the municipal level.

Additionally in the Good Governance and Institution Building Sector, Sweden/SIDA supports the Swedish Helsinki Committee and the Olof Palme International Centre in their efforts to

strengthen and collaborate with local organizations and NGOs. Support is also provided to the Centre for Investigative Reporting in Sarajevo.

In the Economic Development sector, Sweden/SIDA has made substantial contributions to the strengthening of micro-credit organizations in BiH. Sweden/SIDA has also worked with BiH's Regional Development Agencies (RDAs); the one in Tuzla is called the North East Regional Development Agency (NERDA) and supports 34 municipalities from both Entities. Sweden/SIDA's cooperation with NERDA is planned to continue until 2010 and aims to improve conditions for employment growth of SMEs in that region.

Sweden/SIDA's support to agriculture has been channeled through five NGOs, which have been providing advisory services to farmers. This support will be phased out during 2008. The World Bank has recently initiated a three-year development project in the Agricultural sector. Sweden/SIDA decided to partner with the World Bank by contributing with a complementary grant component.

Medium and long-term plans

The present strategy will be valid until the end of 2010. A multi-annual phase-out strategy is expected to follow from 2011 onwards.

Promotion of Paris declaration in BiH

A dialogue regarding plans for and implementation of various programmes and projects is constantly ongoing with various ministries at the state and entity levels, with local government representatives and NGOs, as well as with other donors and international organizations. However, the complexities of BiH's administrative structure sometimes make it a challenge to coordinate with BiH authorities. Despite this, BiH ownership in all projects is a cornerstone of Sweden/SIDA's engagement in the country.

The dialogue on corruption, which should be given special attention according to Sweden's Cooperation Strategy, cannot thus far be assessed to have been productive or influential. Sweden/SIDA has come to the standpoint that projects that increase transparency (like GAP), strengthen the judicial system, or support investigative reporting will be an effective contribution to fighting corruption in BiH.

Donor coordination efforts

Sweden/SIDA prefers to work with other donors in large, well-coordinated projects. EU integration is one of the main objectives of the Swedish strategy for BiH. There is close cooperation between Sweden/SIDA and the EC Delegation in BiH, *inter alia* in projects such as PAR and the RDAs, and in such fields as agriculture, land management, and judicial reform. All of Sweden/SIDA's projects and programmes in BiH are EU-related in some way.

In its GAP project, Sweden/SIDA, along with its partners the Netherlands and USA/USAID, was able to come up with a pooled funding arrangement. This simplified the funding procedures for partner municipalities and was a great example of three donors putting aside their own funding guidelines to streamline their project and simplify funding and reporting procedures for partner municipalities.

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Switzerland/Swiss Agency for Development Cooperation

(SDC) State Secretariat for Economic Affairs (SECO)

Policy approach in Bosnia and Herzegovina

Bosnia and Herzegovina (BiH) is a priority country for the Swiss Confederation. Two federal offices coordinate international development cooperation and jointly implement the technical and financial cooperation programme in the fields of social and economic development and governance on behalf of the Swiss Confederation.

The Swiss Agency for Development and Cooperation (SDC) undertakes direct actions, supports the programmes of multilateral organizations, and helps to finance programmes run by Swiss and international aid organizations focusing on following areas: security democratization and good governance; economic reforms and income generation; infrastructure and natural resources; social reform and poverty reduction.

The State Secretariat for Economic Affairs (SECO) promotes sustainable economic growth by supporting stable macroeconomic conditions, encouraging investment and trade by building a basic infrastructure. The programme in BiH has concentrated on two main cooperation areas, in line with priorities defined in national Poverty Reduction Strategy and the Medium-Term Program 2004-2008: 1) Private sector development concentrated on trade and investment promotion, with a strong focus on SME support; 2) Improvement of basic infrastructure with greater attention to the improvement of cost-recovery and commercialization of public utilities, as well as to institutional and capacity building.

In addition to SDC and SECO's efforts, the Swiss Federal Office for Migration promotes the return and migration partnership. The Political Division IV of the Ministry of Foreign Affairs supports activities in the fields of human rights and peace promotion.

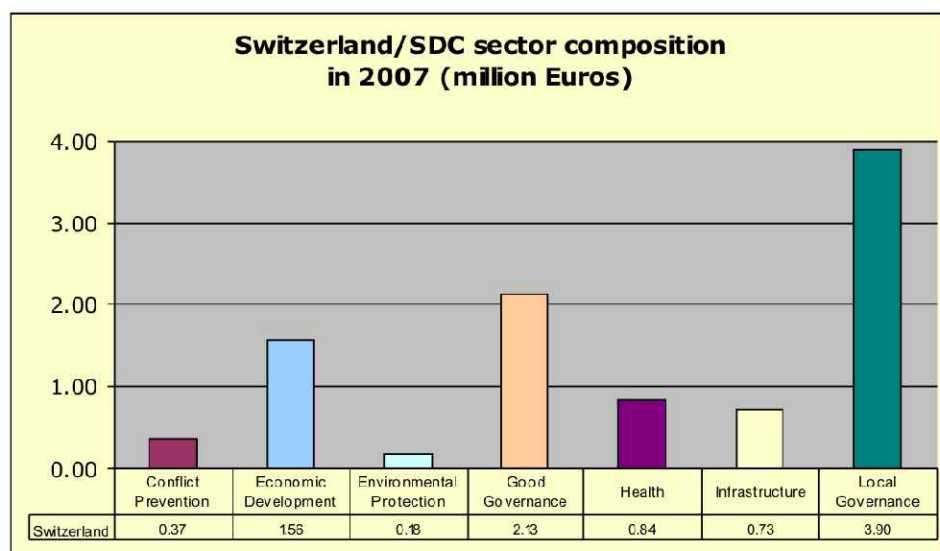
Switzerland/SDC/SECO implements a number of regional programmes which aim to enhance the exchange between Switzerland and the countries of South East Europe, as well as within and among the countries themselves: the *Swiss Cultural Programme*, *Police and Justice Programme*, *Research Programme* and activities in the frame of the Stability Pact now transformed into the Regional Cooperation Council.

The long-term goals for cooperation with BiH are based on the values and principles of Swiss foreign policy and on the principles of cooperation with Eastern European countries and the Commonwealth of Independent States. These targets coincide with the objectives of BiH, namely, implementing economic reforms, establishing a modern state based on the rule of law, reforming public administration, and fighting poverty. These objectives are outlined in the *Medium-Term Programme 2004-2008*. The transversal theme, "the Promotion of Changes, Processes and Youth" complements the programme's aims.

The goal of the *Medium-Term Programme 2004-2008* is to foster conditions for self-determined reforms related to sustainable economic, and institutional and social development. The Programme covers three distinct fields of cooperation: the social domain; the private sector development and the promotion of Small and Medium-sized Enterprises (SMEs); and governance and basic services.

Key activities in 2007

In 2007, Switzerland/SDC/SECO's total allocation was approximately € 8.5 million. The largest share of Switzerland's funding is allocated to the Local Governance sector, primarily the *Integrated Local Development Project* (ILDP), implemented by UNDP, the *Governance Project in Municipal Water and Environmental Development* (GOV-WADE), and the second phase of the *Municipality Development Project in BiH*. Another high priority sector for these agencies is Economic Development and Social Protection, closely followed by Health activities and the promotion of Good Governance and Institution Building.



With Switzerland/SDC/SECO's support, two strategies on the national level were developed in 2007, namely the Community Policing Strategy (adopted by the Council of Ministers) and the Strategy on Local Self-Governance in BiH. The enactment of Community Policing took place in the Zenica-Doboj Canton and aimed to train middle and high management police structures. Training started in the Republika Srpska (RS), too. National project rollout is underway.

In 2007, eight Municipal Development Project (MDP) partner municipalities established development and communication strategies. Switzerland/SDC/SECO's MDP is supporting eight Municipalities in the Doboj Region to become examples of good local governance in BiH, providing lessons learned for other municipalities, as well as contributing to policy development on key topics related to good governance and the functioning of decentralized state structures. On a related note, close to 500 broadcasts on social and governance issues by 15 independent radio-television stations were produced in 2007 due to Switzerland/SDC/SECO's support.

Switzerland/SDC/SECO sponsored the establishment of a Forum of 17 municipalities in the Una River Basin in order to facilitate information exchange, and advocate water management and environment issues. This project saw the mobilization of civil society environmental organizations (25 NGOs) acting jointly through a regional network. A key feature of the initiative has been increasing the capability of municipal administration and civil society to practice good governance related to water and environmental management.

In the Good Governance and Institution Building sector, a significant outcome of Switzerland/SDC/SECO's NGO Support Programme has been the fact that local NGOs initiated the establishment of the Social Inclusion Fund at the state level, through which projects in these sectors will be financed by different donors and the State. An additional success was a regional conference on the role of civil society in social inclusion.

In the Economic Development and Social Protection sector, Switzerland/SDC/SECO continued in 2007 cooperation with IFC in supporting improvement of business climate through the Sub-national Competitiveness project and improving of access to finance for SMEs through the *Corporate Governance Programme*. In the Infrastructure sector, Switzerland succeeded in preparing for the start of the Prijedor Water Supply Project in early 2008.

In a case of encouraging domestic ownership, Switzerland/SDC/SECO successfully handed over the *Foster Care Project*, which provides for more than 100 children deprived of parental care, to the domestic government.

Medium- and long-term plans

The Western Balkans will continue to be a strategic priority region for Switzerland's foreign policies. Therefore, a new mid-term cooperation strategy for the period 2009-2012 will shortly be established, mainly concentrating on four thematic sectors:

1. **The Rule of Law and Democracy** efforts will focus on the promotion of decentralization and local governance. To this end, Switzerland/SDC/SECO will support democratic institutional reforms, with a concentration on civil society participation. Switzerland/SDC/SECO, in cooperation with its domestic partners, will aim to build-up competent and efficient public service delivery systems and institutions. The promotion of human rights and protection of minorities and disadvantaged groups as well as support to security sector reforms will also be prioritized.

2. **Economic Development and Employment** will prioritize employment and income generation in rural and peripheral regions through the promotion of SMEs and small-scale commercial agriculture. Switzerland will focus on business climate and business development services and facilitate access to investment capital for SMEs and rural entrepreneurs. Vocational education and training, capacity building, management training, and local economic development will also be supported.

3. Switzerland will focus on basic **Infrastructure** with a concentration on municipal infrastructure, in particular water supply. Other fields like wastewater or solid waste may be considered, if opportunities arise and viable requests are made.

4. Switzerland/SDC/SECO will continue its attention to the **Health Sector** in the mid- to long-term. Additionally, Switzerland/SDC/SECO has entered into a partnership with the state authorities, focusing on questions of migration.

Furthermore, increased emphasis will be placed on regional cooperation in order to improve regional integration, create synergies, and foster knowledge management. This cooperation will take place in the following areas: security, particularly dealing with police reform; research, focusing on the social sciences; and culture, contributing to democracy and overall social development.

The overarching themes that are being mainstreamed in all programmes are: gender, youth, and good governance.

Promotion of Paris Declaration in BiH

Switzerland/SDC/SECO is committed to respecting BiH's national priorities and believes that BiH should have an effective leadership role over its development policies and strategies. Switzerland/SDC/SECO works with domestic authorities on defining priorities. Once those are outlined, it then coordinates with its partners in the donor community on concrete action plans. Switzerland/SDC/SECO will continue to align its overall support with BiH's national development strategies in dialogue with different national stakeholders.

Switzerland/SDC/SECO has established and applied harmonized monitoring and reporting systems for most co-financing operations and multi-donor projects. Planning, monitoring, and evaluating are key to ensuring the effectiveness of every development intervention.

Donor coordination

As with domestic alignment, the situation in relation to donor harmonization has fundamentally changed in recent years. Today, most donors in BiH are interested and ready to coordinate their efforts. However, synchronization remains easier with bilateral agencies than with multilaterals. Switzerland is engaged in a number of initiatives concerning donor coordination and, in turn, promotes jointly-funded projects. For example, Switzerland/SDC/SECO, together with Sweden/SIDA, and the EC support UNDP's ILDP. This programme fosters a BiH countrywide approach of integrated, socially inclusive local development planning.



Switzerland/SDC/SECO, in cooperation with the Open Society Fund, provided funding and expert advice for the creation of the Local Governance Development Strategy in March 2007 by the Association of Cities and Municipalities of the RS and the Federation of BiH (FBiH).

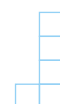
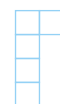
In cooperation with UK/DFID, Switzerland/SDC/SECO helped develop the National Strategy on Community Policing. Switzerland/SDC/SECO again worked with UK/DFID in the preparation of a Gender Action Plan.

The *Youth Employment Programme in BiH* is co-financed by Austria/ADA and UK/DFID. Austria/ADA and Switzerland/SDC/SECO coordinate to finance the work currently underway for the development of BiH's Development Strategy at the Department of Economic Planning.

And finally, Switzerland/SDC/SECO and Germany/GTZ co-finance and implement the agriculture project *Promotion of Entrepreneurship in the Fruit and Vegetable Sector* in Gradačac and Mostar.

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Policy approach in Bosnia and Herzegovina

The United Kingdom, and its Department for International Development (UK/DFID), has been active in Bosnia and Herzegovina (BiH) since the early 1990s, providing humanitarian relief both bilaterally through a BiH-based emergency task force and through other international relief agencies. After the conflict ended, UK/DFID's programme evolved from one of stabilization and reconstruction to one of structural reform and institutional development.

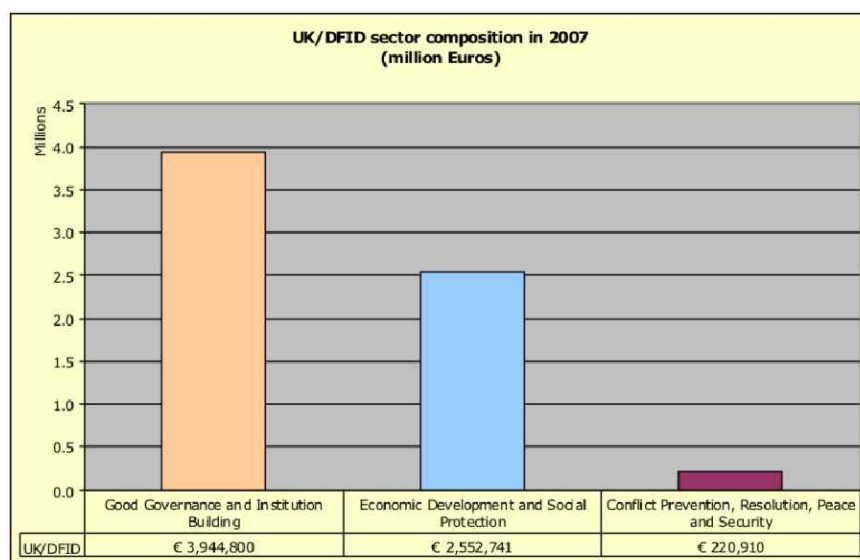
UK/DFID is currently (2005-2009) implementing its *Regional Assistance Plan* for the Western Balkans. The aim of UK/DFID's regional strategy is to improve the effectiveness of the international community's engagement in poverty reduction and to strengthen the capacity of the Government to manage its own development. UK/DFID's bilateral programme is delivered through technical assistance (TA), which seeks to support the activities of other donors, particularly the EC and the World Bank. The main focus of TA is to strengthen the government's capacity to lead in national planning, implementing and financing pro-poor development. UK/DFID places high priority on enhancing the overall effectiveness of international assistance and aligning European Union (EU) Accession and Development strategies.

In BiH, UK/DFID's project portfolio is focused on four areas:

1. EU association policies and processes, which recognize and support nationally owned, pro-poor development strategies;
2. Work with other donors and partner governments to agree on and implement a common agenda for improved aid effectiveness;
3. Active engagement, which takes account of development concerns;
4. Pro-poor growth.

Key activities in 2007

UK/DFID allocated approximately € 6.8 million in 2007. This is an increase compared to the € 6 million provided in 2006, mainly due to the agency's growing support for the Economic Development and Social Protection sector, specifically through the *Enterprise Sector Recovery Fund* (ESRF). The largest share of the UK/DFID funding is allocated to Good Governance and Institution Building, specifically to Public Administration Reform (PAR) and Public Expenditure Management (PEM). In addition to its involvement in the Economic Development and Social Protection sectors, UK/DFID is also a significant contributor to the Conflict Prevention and Resolution, Peace and Security sector, to which it channels funds through the Global Conflict Prevention Pool.



UK/DFID's main projects are highly strategic and support the strengthening of government systems mainly, but not exclusively, at the state level. These include funding and co-funding arrangements with other like-minded donors to support PAR, budget and financial planning, and the national government planning process. For example, UK/DFID is currently supporting the implementation of the second phase of the *State and Entity Public Administration Reform* project. The goal of this initiative is to promote and support the development of an effective, efficient, professional, and accountable system of public administration that provides high quality public services to the citizens of BiH and supports progress towards EU accession. As such, it assists the central and entity governments of BiH to establish and develop functioning, professional administrations through the design and implementation of appropriate institutional strengthening strategies, the capacity building of civil servants, and focused civil service reform initiatives.

An additional UK/DFID activity in the PAR sector is *Strengthening Public Expenditure Management* (SPEM). The aim of this project is to improve the effectiveness and efficiency of public expenditure management in support of economic development and poverty reduction. Therefore, an integrated medium-term, policy-led budget planning process will be introduced, through a programme of targeted technical assistance and capacity building. The project works with the Ministries of Finance and Treasury (MoFT) at the state level, the Entity Ministries of Finance, pilot Cantons in the Federation of BiH, and Directorate for Economic Planning (DEP).

In the Good Governance and Institution Building sector, UK/DFID also works to strengthen the BiH Ministry of Justice (MoJ) through the *Policy and Strategic Planning Support* project. The project aims to assist the Ministry of Justice in developing a new Justice Sector Reform Strategy (JSRS) through a countrywide participatory process. The project also helps build capacity in the Ministry for developing arrangements for donor coordination in the sector.

UK/DFID's *Support to Government Pro-Poor Development* focuses on raising the profile and competence of pro-poor policymaking within DEP. Its aim is to assist in the development of a new Country Development Strategy and Social Inclusion Strategy through targeted TA.

UK/DFID also co-finances the ESRF. This Fund provides assistance to help the transformation of the BiH economy through TA in support of the restructuring of both individual enterprises as well as institutions that bear on enterprise behavior. The use of the Fund, jointly financed by the Netherlands and Sweden/SIDA, will be managed by a locally recruited Secretariat directed by a BiH Government Steering Board. The Fund aims to support implementation of the economic recovery section of the MTDS. Governments will provide policy guidance and prioritization of reforms put forward to the ESRF for funding.

In the Economic Development and Social Protection sector, the *Business Registration Project* supports the establishment of a single, streamlined business registration system accepted throughout the whole of BiH. This represents a vital step in developing a single economic space. The project established a common registry of businesses, registration in up to one week (five working days), a uniform registration procedure, elimination of unnecessary steps, and introduction of a computerized system and high transparency of public data. This area was identified by the EC Feasibility Study as one of the key 16 areas necessary for completion before BiH can enter the Stabilization and Association Process (SAP).

Medium- and long-term plans

As BiH moves towards EU accession, UK/DFID will be changing the nature of its bilateral relationship in BiH. Bilateral funding provided by DFID will end in 2011, however its support will continue through multilateral programmes and other strategic programmes managed by the British Embassy in Sarajevo.

Promotion of Paris Declaration in BiH

UK/DFID is a signatory to the Paris Declaration and has actively contributed to efforts to enhance donor coordination and generally promote good donor practice in line with the Paris Declaration principles within BiH. Major strategic planning processes driven by the Medium-Term Development Strategy (MTDS) and SAP have provided direction for the government and donors. These efforts have been complemented by tools such as the *Public Investment Programme* (PIP) and the aid coordination database, which have enabled the government to programme and record aid resources.

Donor coordination efforts

UK/DFID places a high priority on enhancing the effectiveness of the international community's assistance efforts. UK/DFID is an active member of the Donor Coordination Forum taking turn in chairing the regular meetings and proposing key items for the agenda to ensure maximum exchange of important information and messages. UK/DFID places a high priority on information exchange with other key local partners with programme development planning issues.

In addition, a series of sector-specific and thematic coordination mechanisms, including the rule of law, mine action, small arms and light weapons, and energy were led by different donors. More recently, a number of development partners have begun to move towards pooled funding arrangements aimed at developing sector-wide approaches in support of national strategies. Additionally, UK/DFID, along with a small group of donors, is actively engaged with the Ministry of Finance to help strengthen government systems on aid synchronization. UK/DFID also coordinates its activities in both the Gender sector and the Public Administration Reform Fund.

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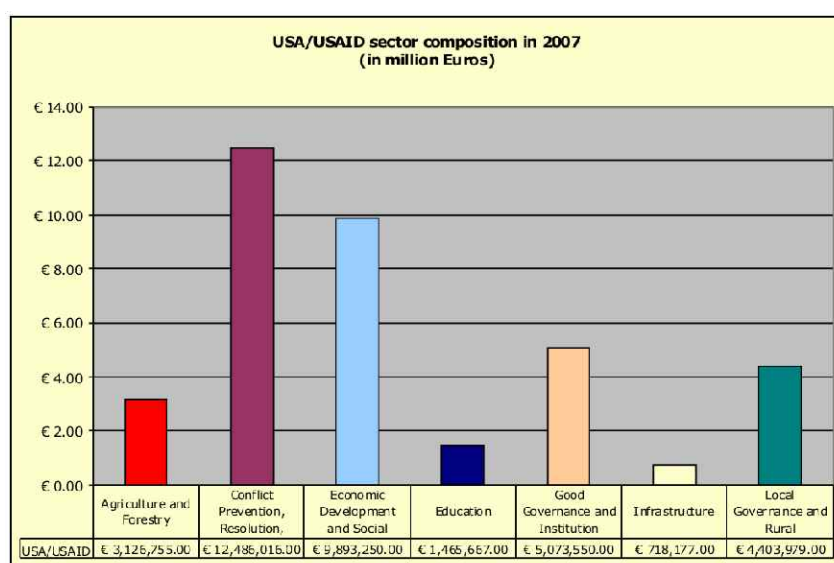
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United States of America (USA)/United States Agency for International Development (USAID)

Policy approach in Bosnia and Herzegovina

The US Department of State and the United States Agency for International Development (USAID) operate synchronously under a joint strategic plan. Although USAID is an independent agency, its administrator also serves as the deputy secretary of state for foreign assistance.

USA/USAID assists Bosnia and Herzegovina (BiH) in achieving its potential as a peaceful, democratic, forward-looking, prosperous country. USA/USAID programmes help develop the rule of law and a market-oriented economy serving the interests of BiH citizens. USA/USAID strives to help BiH become a member of the European Union (EU). Total allocation from USA/USAID in 2007 was € 37.2 million. USA/USAID categorizes its activities into three distinct programme areas: Peace and Security (Conflict Prevention and Resolution, Peace and Security sector), Governing Justly and Democratically (Good Governance and Institution Building sector), and Economic Growth (Economic Development and Social Protection sector).



In the Peace and Security sector, US funding supports the strengthening of state-level BiH defense institutions such as the Ministry of Defense, Joint Staff, and the subordinate commands, as well as developing niche capabilities at the tactical level. US funding also works to strengthen law enforcement capabilities at the state level. This donor supports local efforts to improve legal advocacy for the victims of trafficking, strengthen victim and witness protection, support sustainable victim assistance, empower vulnerable populations, and promote public education and raise awareness.

In the Governing Justly and Democratically field, USA/USAID helps reform the BiH governance system from one designed to make a patchwork country of estranged peoples into one where state and local-level institutions operate like a modern democracy. It helps to establish the rule of law to ensure fair and transparent judicial processes and the development of civil society. It also assists BiH to improve the performance of municipal governments.

To Encourage Economic Growth, USA/USAID aims to develop private sector-led growth and employment. It works to stimulate private investment and foster a healthy Small and Medium-sized Enterprises (SME) sector that can produce goods and services for export and domestic consumption, and provide jobs. It helps create an SME-friendly environment, enabling them to reduce their costs of doing business.

Key activities in 2007

US activities in 2007 supported BiH's bid for eventual NATO membership, specifically focusing resources on Professional Military Education for senior and non-commissioned officers in order to create a functioning Joint Staff and major subordinate commands which can operate within the NATO framework. US advisors also continued providing assistance to the State Investigation and Protection Agency (SIPA) to develop and harmonize policy and procedure documents on topics ranging from recruitment and human resources to firearms procedures to VIP protection. US Government assistance also provided material assistance to create secure evidence facilities, including the donation of evidence packaging supplies to law enforcement agencies, and provided training to police officers and prosecutors in evidence handling procedures.

USA/USAID's efforts to promote BiH as a tourist destination, through its Cluster Competitiveness Activity, contributed to a nearly 20% increase in tourist arrivals to BiH in 2007. The project has supported exhibits at tourism fairs, production of the "Enjoy Life" promotional video spots, and the creation and promotion of BiH's tourism brand.

In the Local Governance Sector, USA/USAID, with its partners the Netherlands and Sweden/SIDA, funds the *Governance Accountability Project* (GAP) at the municipal level in BiH. GAP is improving the customer service profiles and the administrative and management systems of local governments through direct municipal interventions, including the construction of One-Stop-Shops, which dramatically reduce waiting times for citizens by consolidating customer service for the entire municipality at one location. GAP is also helping local governments to improve management of their finances by providing technical assistance designed to help them better control and rationalize revenues and expenditures. The project helps local governments to strengthen their common voice through association building among municipalities.

US assistance also funded secondees to the State Court and in the State Prosecutor's Office. In addition, US funding in 2007 enabled the International Commission on Missing Persons (ICMP) to collect ante-mortem data and blood samples from 3,200 relatives of the missing, identify more than 2200 individuals through DNA - including the identification of 1,030 Srebrenica victims - and provide expert assistance at excavations of more than 177 mass grave sites and exhumations of more than 600 complete or partial remains.

In the Agriculture and Forestry Sector, the *Linking Agriculture Markets to Producers* project is increasing competitiveness in the agriculture sector by expanding production and sales of value-added agricultural products, increasing food exports, creating jobs, and expanding the breadth and depth of incomes of BiH farmers, agribusinesses and related market participants. It is worthy to note that this project has helped create 1,450 new jobs with over 10,000 indirect beneficiaries and sustained almost 10,000 jobs.

With support from USA/USAID's *Civic Advocacy Partnership Programme*, the Centres for Civic Initiatives (CCI) published a series of reports analyzing the performance of BiH's Council of Ministers and state and entity-level parliaments. The reports gave BiH citizens access for the first time to an objective and systematic analysis of the work of their governments along with proposed remedies. The reports generated extensive press coverage.

Medium- and long-term plans

In the medium-term, USA/USAID will continue to stay engaged in economic development and democracy building programmes to address key gaps in donor programmes. However, USA/USAID's budget is declining every year. Thus, in the long-term, particularly as BiH moves closer towards EU accession, the USA/USAID office in BiH will likely close.

Promotion of Paris Declaration in BiH

USA/USAID supports economic reforms and institution building in BiH by providing targeted, demand-driven assistance to improve the efficiency of and transparency in the financial administration of public resources. USA/USAID coordinates and collaborates with other donors to reduce duplication of efforts.

Donor coordination efforts

USA/USAID, the Netherlands, and Sweden/SIDA are jointly funding the GAP for a total of \$ 30 million over five years.

Additionally, USA/USAID and the Norwegian government are supporting the use of Information and Communication Technology (ICT) applications to improve efficiency and productivity in SMEs. The project, called *Excellence in Innovation*, focuses on businesses in the wood processing, agricultural production and processing, tourism, and light manufacturing fields. The project supports the establishment of jointly funded ICT centres owned by the private sector that will provide direct services to the SMEs.

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European Bank/for Reconstruction and Development (EBRD)

Policy approach in Bosnia and Herzegovina

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to finance the structural projects of the former socialist countries of Central and Eastern Europe, supporting their transition towards market economies. It is owned by 60 countries and two intergovernmental institutions (the European Community and the European Investment Bank), with a subscribed capital totaling more than € 20 billion.

The EBRD's approach in addressing the complex transition challenges is based on strategies, policies, and procedures that apply to Bosnia and Herzegovina (BiH), too. Regional diversity between the countries of operation is wide and the Bank adapts its products and sector focus so as to meet the specific market need of any particular country. A distinct country strategy exists and is followed for BiH.

EBRD has achieved the operational objectives set out in the previous BiH country strategy. EBRD was the largest lender for the third year in a row in BiH with eight new projects. As a result, cumulative commitments as of 31 July 2007 have reached € 685 million. EBRD also developed a good pipeline of private sector projects, reflecting the increased interest of private investors to the BiH economy.

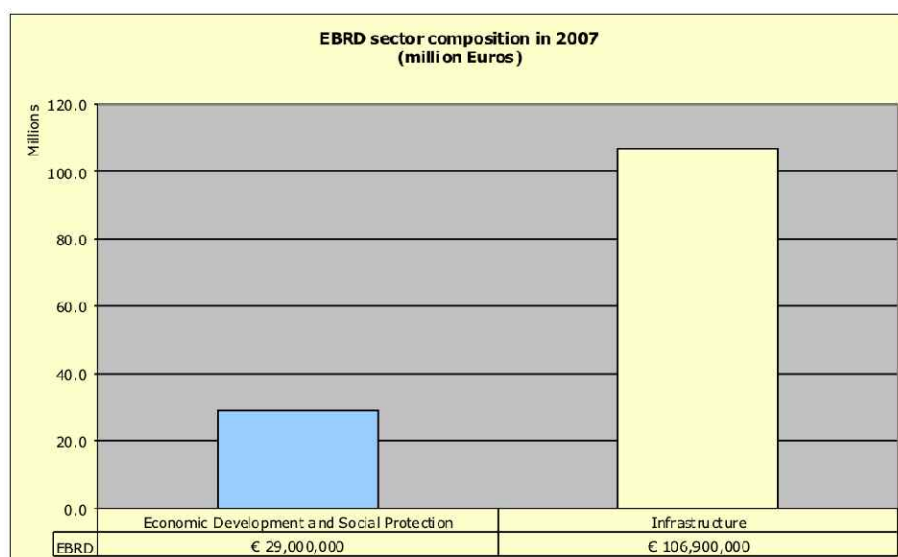
Key activities in 2007

With € 136 million of new commitments (approximately two-thirds of these for public sector projects and one-third for private sector projects, including three regional projects), 2007 was the fourth record year for EBRD in BiH. One recent public sector initiative is the *Road Rehabilitation Project*, bringing together € 75 million for the repair of key sections of the primary road network in BiH. The main purpose of the Project is to bring the primary road network in BiH up to a maintainable standard. The Project will also assist in the introduction of performance-based road maintenance contracts in selected pilot regions with the aim of improving the effectiveness and efficiency of road maintenance works.

The other public sector project signed in 2007 concerns the construction of the priority wastewater collection network in the town of Bijeljina in order to prevent further pollution of underground water (aquifers) that is used as the source of potable water, thus reducing the health hazard for the town's population.

In the financial sector, EBRD has continued its support for Small and Medium-sized Enterprises (SMEs) by providing € 10 million to Raiffeisen bank. EBRD also provided € 5 million to Raiffeisen Leasing Sarajevo that will be made available to entrepreneurs, giving them the opportunity to expand their business, for example by leasing production equipment. In the micro and small business finance field EBRD financed, to date, six of BiH's leading microfinance institutions: EKI, € 6 million and Mikrofin, € 8 million in 2006; Sunrise, € 4 million, Partner, € 8 million, Prizma, € 2 million, and MI BOSPO, € 3 million in 2007. EBRD will also provide technical assistance to help them in their commercialization and future transformation into deposit taking institutions. These institutions have an average sub-loan size of less than € 2,000 and are often active in rural areas where there are no banks.

In 2007 the Bank signed the first two projects under the Local Enterprise Facility totaling € 5.3 million.



Medium- and long-term plans

The Bank's new country strategy for BiH, approved in September 2007, sets several main strategic priorities. These are focused on continuing policy dialogue with BiH authorities at all levels (state, entity, cantonal, municipal), and assisting with key structural and institutional reforms in the infrastructure sector (transport policy and strategy, unbundling of the railway sector, road sector financing, energy strategy, PPP legislation), the financial sector (banking supervision, insurance and leasing legislation, pension reform), and the corporate sector (privatization of remaining state owned enterprises, post-privatization financing and restructuring, property and tourism sector, agribusiness sector.)

In light of the transition challenges and government priorities, EBRD's focus over the next three years will be on the following operational priorities:

Infrastructure: EBRD will continue to play a crucial role in developing the infrastructure in the country. In terms of transport, the Bank has recently signed the third *Road Rehabilitation Project*, co-financed with the World Bank and the European Investment Bank (EIB). The focus of EBRD's activities will be on assisting the country in upgrading its core road network, including the most important transport artery in BiH, the Pan-European Corridor 5c. Support will also be given to the commercialization of this sector, through the implementation of measures aimed at improving efficiency and strengthening institutions. For railways and aviation, the focus will be on the implementation of ongoing projects including the realization of institutional reforms initiated in both sectors.

EBRD will structure and implement projects in the municipal infrastructure sector initially under a sovereign guarantee focusing both on sector reform within each Entity and on institutional strengthening at the level of operating companies. In regards to energy, the focus will be on the following areas: the implementation of existing projects; the continuation of policy dialogue on re-establishing the central government's authority; and the facilitation of the country's regional integration along the lines of the Athens Treaty. Emphasis will also be given to the sector's commercialization, particularly bringing private operations in the electricity generation and distribution activities in parallel with the promotion of renewable energy in accordance with best international practices.

Financial sector: EBRD will build on its previous success in the sector and continue its support of SMEs through the local banking sector and non-bank microfinance institutions (NBMFIs). Moreover, EBRD will aim to diversify its support by considering mortgage lending, leasing, insurance and additional equity investments (including in NBMFIs). EBRD will also seek to support the development of the remaining locally owned banks and facilitate the entry of new investors in the sector.

Enterprise sector: EBRD will continue its assistance to strategic foreign investors and will support large enterprise privatizations. EBRD will also aim to support medium-sized local and

foreign private companies for which long-term debt (including smaller size transactions) or equity will be envisaged. The EBRD-Italy Western Balkans Local Enterprise Facility enables the Bank to support smaller, fast-growing companies through debt, quasi-debt, and equity finance, which is still relatively scarce in BiH. *Turn Around Management* and *Business Advisory Services* programmes will continue to provide advisory services to small and medium-sized businesses. EBRD will actively seek projects in the industrial, property and tourism, wood processing and agribusiness fields. During the next three years, EBRD will explore the opportunity for setting up energy efficiency and renewable energy credit lines through local financial intermediaries. Also, EBRD will continue to support energy efficiency investments particularly in the energy intensive industries and municipal infrastructure.

In carrying out the above priorities, the Bank will continue to coordinate very closely with other international financial institutions (IFIs), the EU, the EU Special Representative Office (EUSR), the Office of the High Representative (OHR) and the international donor community.

EBRD will also focus on assisting BiH's regional integration and its progress towards EU membership through physical investments in key infrastructure projects as well as institutional development. EBRD also supports the development of the private sector through direct and indirect financing of small and medium private enterprises, as well as remaining large-scale privatizations.

Donor coordination

EBRD has worked extensively with other multilateral financial institutions (namely, the World Bank and EIB) on joint financing of large infrastructure projects. In the past, EBRD has jointly worked on projects in the energy and roads sectors.

Additionally, bilateral donors are coordinated through a forum in EBRD headquarters in London for the provision of technical cooperation funding.

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European Commission (EC)

Policy approach in Bosnia and Herzegovina

The overall objective of all European Commission (EC) assistance is to support Bosnia and Herzegovina (BiH) in the framework of the Stabilization and Association Process (SAP). The EC's goal is to bring BiH closer to EU standards and principles. This is accomplished through the following activities: helping consolidate the peace process and fostering inter-entity cooperation; assisting ethnic reconciliation and the return of refugees and displaced persons to their homes of origin; establishing functioning institutions and a viable democracy, based on the rule of law and respect for human rights; and laying the foundations for sustainable economic development and growth.

As of 2007, the Instrument of Pre-Accession Assistance (IPA) replaced the former pre-accession instruments: PHARE,¹⁸⁰ ISPA,¹⁸¹ SAPARD,¹⁸² and CARDS.¹⁸³ The overarching goal when designing the IPA was to simplify all pre-accession assistance into a single framework for both candidate and potential candidate countries, thus facilitating the transfer from one status to another. The assistance under the IPA will concentrate on institution building, in particular, strengthening the effective implementation of the rule of law, enhancing administrative and judicial capacity, and encouraging some alignment with the *acquis communautaire*. The IPA regulation also foresees investments to promote economic and social development. BiH, as a potential candidate country, will be able to use institution building to strengthen capacities and structures, necessary for the management of pre-structural funds.

Instrument for Pre-Accession Agreement

Over time, the EU developed a broad spectrum of external aid programmes, which resulted in a complex set of more than thirty different legal instruments. The need to facilitate coherence and improve consistency, to achieve better results and a higher impact with the resources available, led the EC to propose, in September 2004, a new architecture for external actions. There are six external relations instruments that will apply from 2007 to 2013, including the new Instrument for Pre-accession Assistance (IPA). At the junction between external assistance and internal policies, the IPA intends to facilitate the entry into the Union of candidate countries and potential candidate countries.

IPA is an accession-driven instrument, fulfilling all the requirements stemming from the accession process, notably in terms of priorities, monitoring and evaluation.

To simplify and coordinate the delivery of external assistance, the major objective when designing the IPA was to streamline all pre-accession assistance into a single framework and to unite under the same instrument both candidate and potential candidate countries, thus facilitating the transfer from one status to another.

Source: European Commission BiH website

Key activities in 2007

The EC allocated € 44.6 million to BiH in the last year. The biggest part (€ 12 million) was spent for supporting the Economic Development and Social Protection, and Conflict Prevention and Resolution, Peace and Security (€ 9.7 million) sectors. In the Good Governance and Institution Building sector, the EC is the main donor (€ 6.8 million), taking into account that the biggest donation to the sector was a loan by the World Bank. Traditionally, the EC has been involved in all other sectors as well Infrastructure, Education, Environment, Cross-cutting sectors, and, to a lesser extent, Agriculture and Forestry, and Local Governance.

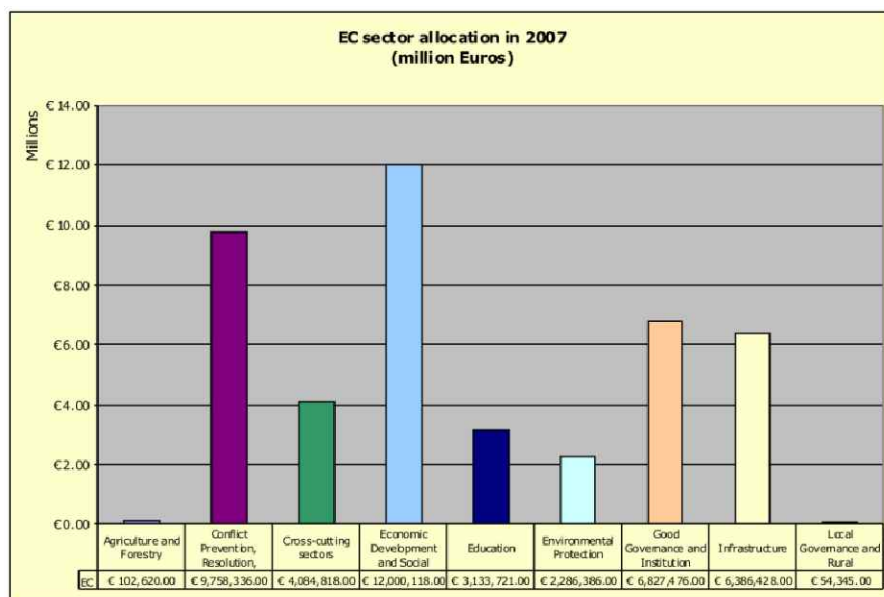
For years, the EU has provided financial and political support for Legal and Judicial Reform, first to the Independent Judicial Commission and then to the High Judicial and Prosecutorial Council (HJPC). Indeed, the establishment of this single HJPC was the first Feasibility Study priority that BiH fulfilled. As part of this assistance, the EC has invested around € 5.6 million in Information and Communication Technology (ICT), centralized within the HJPC. EU support has also included the provision of state-of-the-art equipment, now in use in all courts and prosecutor's offices throughout the country. An upcoming action will purchase legal texts and publications for the Courts and Ministry of Justice.

¹⁸⁰ Poland and Hungary Assistance for Economic Restructuring Programme.

¹⁸¹ The Instrument for Structural Policies for Pre-Accession.

¹⁸² Special Accession Programme for Agriculture and Rural Development.

¹⁸³ Community Assistance to Reconstruction, Development, and Stabilization.



In 2007, the EC continued to support the Registry for War Crimes and Organized Crime, Economic Crime and Corruption. In addition, the EC has contributed € 3.5 million to the transfer of war crime cases from the International Criminal Tribunal for the former Yugoslavia (ICTY) to the BiH courts. The EC's financial assistance has been a crucial contribution to this multi-donor effort.

Public Administration Reform (PAR) was one of the sixteen priorities in the Feasibility Study and is one of the six key European Partnership priorities. The EU assists the BiH Government in PAR through strengthening the systems of public administration and through administrative capacity building of selected key sectors. The EU has supported the PAR Coordinator's Office (PARCO) with the design and implementation of a national PAR Strategy and Action Plan. A range of EU-funded actions has strengthened the systems of public administration. The General Secretariat of the Council of Ministers (CoM) receives support to work towards full national responsibility for policy formulation and decision-making, and to help strengthen policy coordination between all levels of government. An e-government project aims to enhance the efficiency of the CoM through comprehensive and crosscutting IT, while a Human Resources Management Information System aims to create a single personnel database for the Civil Service Agencies (CSAs).

In the Agricultural Sector, the EC focuses on institution building. In 2007, the EC provided support for the creation of structures to ensure that BiH is capable of absorbing rural development funds under IPA. The EC's areas of focus in this sector in 2007 were: 1) institution building, helping to create administrative structures; 2) assistance for the adoption of the *acquis* and the implementation of standards (veterinary, food safety and phyto-sanitary); and 3) work on enhancing access to agricultural information.

The EC supports Small and Medium-sized Enterprises (SMEs) and job creation through a number of programmes, including the enhancement of Regional Development Agencies (RDAs) and their institutional strengthening. RDAs provide services directly to SMEs for increasing their competitiveness as well as support for regional growth. Grants were also provided for business infrastructure support, the facilitation of market information, and tourism development.

In the Education Sector, the EC has supported the development of the legislative framework and the adoption of laws. In 2007 almost all proposed educational laws were adopted. Thanks to the EC's support, three laws were passed and the fourth one will soon be. Since the main problem in Education is the fragmentation and division along ethnic lines, the EC proposed that all cantonal and entity ministers be brought together in a Conference of Ministers and that this newly formed body report to the Prime Minister's Cabinet. The EC assisted the government in developing the institutions that are foreseen in the laws, such as an agency for pre-primary, primary and secondary education, an agency for higher education, and an agency for diploma recognition. These will be responsible for the standardization and assessment of education (general and vocational education training), curriculum development, common certification, and more.

In 2007 the EC carried out a functional review of the Health sector and made recommendations for PAR in this field. The EC has continued to support the implementation of these recommendations. It has also aided the strengthening of the Health Department in Ministry of Civil Affairs (MoCA) and has helped to develop normative acts for the sector. Thanks to EC funding, there are now eight to nine core staff within the Health Department.

In the Infrastructure sector, the EC supports the formal adoption of the Public Broadcasting System (PBS) reform. The EC also provides technical assistance (equipment and training) to the Communications Regulatory Agency, in order to adopt European standards in the regulatory framework.

The EC was also active in the field of export promotion. It provided technical assistance (TA) to the Ministry of Foreign Trade and Economic Relations (MoFTER). This TA helped establish the Export Promotion Agency in the Foreign Trade Chamber. The Agency will be capable of providing expert advice and recommendations to the CoM, as well as support to companies in exploring market linkages. The EC's assistance entails the development of export policy papers for the development of a strategy, and on-the-job training.

Also noteworthy is the fact that the EC has included gender mainstreaming in all projects in IPA 2008, and a task manager to check if gender is a part of projects and who identifies gender priorities in each project.

Medium- and long-term plans

The Delegation will continue to strengthen its partnership with BiH, as the country builds its relationship with the EU and prepares for possible accession. The IPA will be the main instrument of EC support. The IPA will concentrate on institution building, in particular to enable BiH to fulfill the Copenhagen political criteria, enhance administrative and judicial capacity and encourage alignment with the *acquis*. IPA regulation also foresees investments to promote economic and social development.

The length of the process leading a country closer to the EU depends on the pace of the political, economic, legislative, and administrative reforms carried out by the country. These reforms are supported by the EU not just through its financial assistance but also through intense policy advice and dialogue. However, the responsibility for these changes lies with the country itself and is not purely contingent upon the availability of donors' assistance.

Promotion of Paris Declaration in BiH

In order to consolidate stability, to ensure sound socio-economic development, and to make meaningful progress towards European integration, it is important that BiH develops a functional, stable and viable state, and increases ownership in policy making. The EC is a committed partner to BiH in all of these areas.

The EU remains strongly committed to supporting country-led sustainable development through actions on aid effectiveness, innovative co-financing mechanisms, and technical assistance. The EC attaches great importance to carrying out the reforms of aid delivery and management that are embedded in the Paris Declaration on Aid Effectiveness.

The EC is part of the Development Cooperation Committee (covering the entities and state level) and has, with the help of the Netherlands, UK/DFID, and UNDP, worked on both improving donor cooperation and building domestic ownership in BiH. Strategic planning assistance (in line with the EU standards) has been provided to various BiH institutions. In this, the EC has supported trainings and has provided equipment to various government agencies and ministries.

The EC also provides support to the Directorate for Economic Planning (DEP). The EC is helping DEP design policies on the state level and has supported DEP in terms of coming up with the Economic and Social Inclusion state strategies. The EC, in cooperation with other donors, has supported aid coordination within MoFTER. In the future, the EC will support the Aid Coordination Unit within the Ministry of Finance and Treasury (MoFT) as it takes over MoFTER's

coordination role. The EC supports BiH's current aid coordination architecture because it is only with the involvement of DEP, the Directorate for European Integration (DEI) and MoFT that there can be a complete overview of the resources needed for implementation. The EC will continue to adapt its projects to the priorities defined by BiH institutions.

Donor coordination

The EC worked with other donors, including the Netherlands and Sweden/SIDA, in the implementation of the *Case Management System* at BiH courts. This project was coordinated by the HJPC. The *Case Management System* project aims to modernize procedures at courts and prosecutors' offices in BiH. The new system will simplify administrative routines, thus making the handling of court cases more efficient. It will also make information about court cases more transparent and accessible to ordinary citizens.

The EC worked with UNDP on the e-government at the BiH Council of Ministers (CoM) and the *Grants Resources Management System* (GRMS.) The *e-Government Reform Project* at the CoM will be the first step in the overall reform of BiH public administration. The project will introduce a pilot e-government system in the CoM, as a prelude to more comprehensive e-government activities to follow. The GRMS project will provide a practical public finance management tool. The objective of GRMS is to support the country's public finance management system/s by providing a system for the registry and reporting of grants assistance made available to the public sector in BiH.

The EC also provides support to UNDP's *Support to Results-based Approach - Partnership for Local Development* (SUTRA-PLOD) project. SUTRA-PLOD aims to provide local communities in BiH with the tools to articulate and implement return and reintegration projects in a joint effort between government, civil society, and businesses that will lay the foundation for broader development activities in future. It also assists state-level bodies in creating a coherent policy and administrative framework that would allow such projects to unlock the potential of stakeholders at the local level. The project supports municipal governments in improving the delivery of vital services to those who need them most, above all returning refugees and displaced persons.

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European Investment Bank (EIB)

Policy approach in Bosnia and Herzegovina

The European Investment Bank (EIB) was created by the Treaty of Rome as a financing institution of the European Union (EU). As an institution of the EU, the EIB supports its policies by financing sound public and private investments. As a bank, it works in close cooperation with the banking community both when borrowing on the capital markets and when financing capital projects. The members of the EIB are the EU member states, and the EIB's governing bodies are the board of governors, the management committee, and the audit committee.

Loans provided by the EIB are long-term loans, with repayment periods ranging from four to 20 years. The EIB finances a broad range of projects in the areas of energy, infrastructure and industry. To be eligible, such initiatives have to contribute to EU economic policy objectives.

Outside the EU, EIB's financing operations are conducted principally from the Bank's own resources, but also under a mandate from the EU or from a member state's budgetary resources. EIB also makes significant funds available under the technical cooperation and development aid policies established by the EU for non-EU countries.

After the initial focus in the late 1990s on the urgent reconstruction and rehabilitation of basic infrastructure, EIB activity in BiH has been centred on upgrading the infrastructure networks, with an emphasis on fostering regional integration and removing bottlenecks in the road, rail, and energy systems. EIB is progressively increasing its long-term lending in the Western Balkan region. EIB financing in BiH helps the country to meet EU accession criteria and to participate in the EU's economic development

Projects in the Transport sector – mainly in roads, but also railways, aviation, and air traffic control facilities – account for more than 60 percent of total loans, while projects in the energy sector represent some 13 percent of total lending over the past few years, underlining the strong need for modernizing the infrastructure networks in the countries of the region.

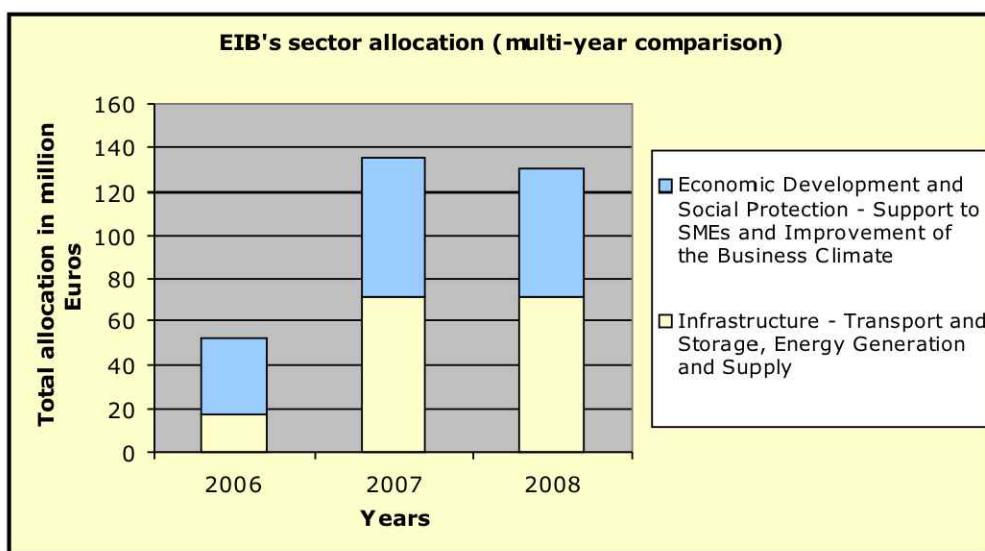
In recent years, the EIB has diversified into relatively new sectors, namely Health and Education. Moreover, the Bank has expanded its activity in favour of projects aimed at improving the environment and quality of life of the local population (water and sanitation, urban renewal). Support to Small and Medium-sized Enterprises (SMEs) and small infrastructure projects has also developed significantly through indirect financing provided by the EIB to local partner banks that on-lend funds to SMEs and municipalities. These activities represent a key sector for EIB operations in the region, and have garnered positive results in terms of job creation and economic benefits.

Since 2000, loans amounting to € 454 million have been signed with the public sector, and loans amounting to € 105 million have been signed with the private sector. Substantial new operations are in the pipeline for years to come, both in traditional sectors and in new areas, such as municipal projects.

Key activities in 2007

EIB's total investment for BiH equaled approximately € 135 million in 2007, all in the form of soft loans. This is a significant rise compared to 2006, when total allocation was about € 52 million. This sharp increase is not surprising given that EIB provided a € 50 million loan for the rehabilitation of roads in BiH and has signed an over € 100 million loan for the reconstruction of electric power. All of EIB's loans in BiH are targeted either at the improvement of Infrastructure (including the Roads and Transport or Energy Generation and Supply sub-sectors) or at Economic Development and Social Protection (particularly in the Support to SMEs and the Improvement of the Business Climate sub-sectors).





The new *Road Rehabilitation Project* will support pavement rehabilitation, overlays, and strengthening and ancillary works on the main and regional road network in the Federation of BiH (FBiH). The EIB loans will finance 50% of the total costs of the two projects, in the FBiH and in the Republika Srpska (RS), which are expected to be co-financed by the European Bank for Reconstruction and Development (EBRD) and the World Bank. This provides another example of the good coordination and cooperation among these international financial institutions (IFIs) in the Western Balkans.

EIB also lent € 103 million in 2007 for the rehabilitation of hydropower plants and electric power distribution systems in BiH. The EIB loan will finance measures leading to a more rational usage of energy by reducing losses, improving energy efficiency, lowering operation and maintenance costs, as well as raising the quality and reliability of the power supply for the energy system across the country. The project consists of the design, supply, and installation of facilities in the power distribution system and in eight hydropower plants with a total installed capacity of about 2,800 megawatts, where it will raise the safety of respective dams. BiH will be the borrower that will on-lend the EIB funds to the beneficiaries: the FBiH and the RS.

Medium- and long-term plans

While continuing its support for reconstructing and upgrading the regional and municipal networks of basic infrastructure (transport, energy, and the environment), the EIB plans to increase its assistance to the private sector and lend more in the Health and Education sectors in the coming years.

Promotion of Paris Declaration in BiH

Building on its experience in the EU Member States, the EIB is developing its partnership with commercial banks in the countries of the Western Balkans along three main lines:

Co-financing: As other sources of finance are required for any project involving the EIB, additional funds may often be provided by commercial banks. Although the documentation is specific to each party, a degree of consultation and coordination takes place between the co-lenders.

Guarantee structure: EIB financing requires an adequate security structure for the loan. This security is often provided by an acceptable commercial bank (or a group of banks, usually in the form of a syndicate). There are cases where partner banks both co-finance with the EIB and guarantee its loan.

Intermediation: This can take the form of a global loan, i.e. a line of credit typically directed towards financing a number of SMEs and smaller projects; or, in the case of larger projects, it can be an indirect loan to be on-lent for the purpose of a specific project.



When a project is in alignment with the economic priorities of the EU and the country concerned, multidisciplinary professional teams from the Bank, usually consisting of a financial analyst, an economist, and an engineer, carry out appraisals. All project appraisals include an environmental impact assessment with the identification of possible problems as well as solutions. The Bank requires that all projects respect the EU environmental standards. If an appraisal is positive, the EIB's Management Committee submits the project to the Board of Directors, which decides on the granting of the loan.

Donor coordination efforts

The EIB co-finances major projects in the region with other IFIs, particularly the EBRD, the World Bank, and the Council of Europe Development Bank, as well as with bilateral donors. The EIB also continues its close cooperation with the EC and the European Agency for Reconstruction in order to prepare and co-finance projects with EU budgetary contribution provided by the new EU Instrument for Pre-Accession Assistance (IPA).

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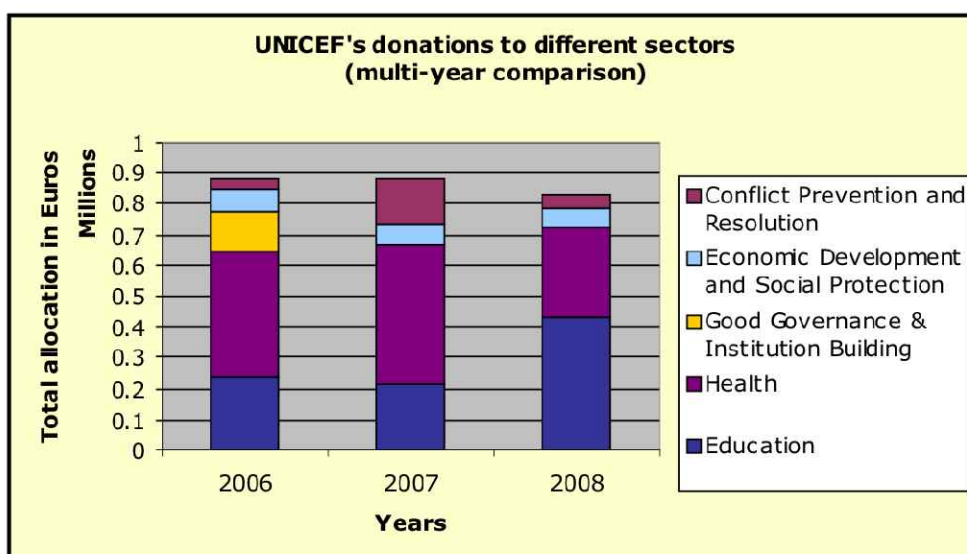


Policy approach in Bosnia and Herzegovina

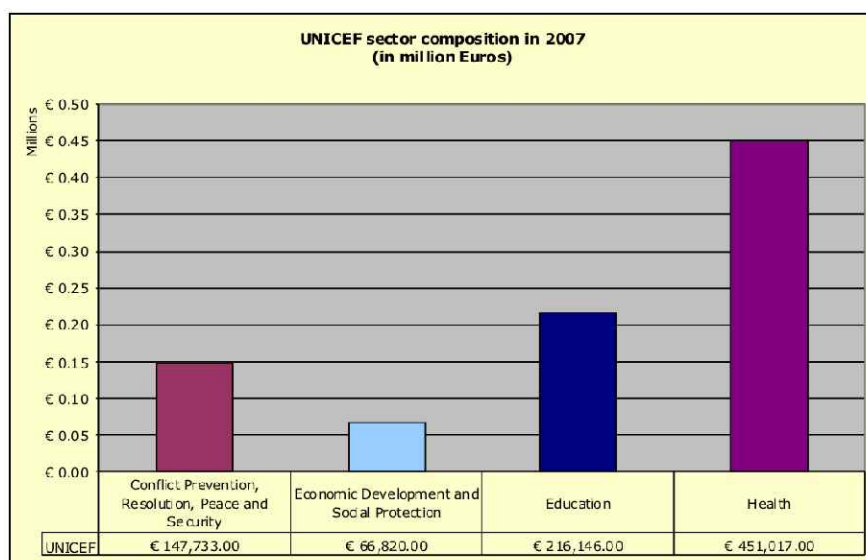
United Nations Children's Fund (UNICEF), the world's lead agency for children, has been working in partnership with Bosnia and Herzegovina (BiH) since 1992. UNICEF's policy approach is guided by the Convention on the Rights of the Child, the Millennium Declaration and its Goals, and the outcome of the United Nations General Assembly's Special Session on Children. The focus of the joint BiH-UNICEF Country Programme of Co-operation 2005-2008 is to achieve the following three key outcomes:

1. Policy makers and community representatives will provide leadership in developing national policies that contribute to the realization of the rights of children, young people, and women;
2. Service providers and caregivers will adopt behaviours that facilitate access to education, health care, and child protection services for the most vulnerable;
3. Policy makers and community representatives will encourage and facilitate the meaningful participation of children and young people in their communities, including in addressing the risk of landmines.

UNICEF's own donation to BiH programmes in 2007 was approximately € 0.88 million. Over half of these funds were allocated to the Health sector (€ 450,000). The data indicates that compared to 2006, there has not been a significant change in either the total allocation or the composition of sectors to which UNICEF contributes. It is expected that in 2008, UNICEF's total allocation will decrease slightly.



It must be noted that the allocation indicated above is a small fragment of UNICEF's approved operating budget, which totals over € 11.9 million, distributed to the following programmes: *Policy Support* (€ 1.76 million), *Inclusive Basic Health, Education, and Child Protection Services* (€ 4.84 million), *Participation for Good Governance* (€ 3.96 million), and cross-sectoral costs (€ 0.73 million). UNICEF is funded entirely by voluntary contributions.



Key activities in 2007

In 2007, priority was given to preparations for the roll-out of a large-scale intersectoral, multi-level project, *Enhancing the Social Protection and Inclusion System for the Children of Bosnia and Herzegovina* (SPIS). This was done in partnership with and supported by the Royal Norwegian Government, UK/DFID, and the EC. The project comprises the following activities: advocacy for an integrated social protection and inclusion system; analysis of the existing system according to international and national standards; vertical and horizontal functional reviews of the existing system; capacity development for improved service delivery; review of social protection legislation; analysis of the allocation of resources for social protection and inclusion at local levels; strengthening of the monitoring of the socio-economic status of children; and evaluation of the impact of the changes in the system on excluded children. Government contributions to and leadership in this initiative were provided by the Ministry of Civil Affairs (MoCA), Ministry of Human Rights and Refugees (MHRR), the Directorate for Economic Planning (DEP), the Republika Srpska (RS) Ministry of Health and Social Welfare, the Federation of BiH (FBiH) Ministry of Labour and Social Policy, and the FBiH Ministries of Health and Education.

In the areas of research, monitoring, and evaluation, UNICEF worked to strengthen the evidence base for child well-being through partnerships with DEP, Statistical Agencies and Institutes of Public Health in the implementation of a number of studies, surveys, and assessments. Several studies were completed: the Multiple Indicator Cluster Survey 3, providing new data on the situation of children and women; a Child Rights Impact Assessment, looking at the potential impact on children, especially in vulnerable contexts, of an increase in electricity prices; and a biological-behavioural surveillance study on injecting drug users, the first of its kind in the country. UNICEF and DEP also collaborated to conduct a joint Country-Led Evaluation of the child-focused social sector policies in the country's Medium Term Development Strategy (MTDS).

This data collection work also served to strengthen overall Monitoring and Evaluation systems, such as the monitoring of child rights indicators carried out by the Council for Children at the state level, and roll-out of the DevInfo database at the municipal level.

Medium- and long-term plans

UNICEF BiH will continue to act as the lead UN agency advocating for children's rights and supporting nationally-executed programmes at state, entity, and community levels. Its leadership areas in the coming years will be advocacy and partnerships for children's rights.

UNICEF BiH activities will put emphasis on addressing the exclusion of vulnerable children and women through cross-sectoral mechanisms to promote social inclusion. The multi-year SPIS

project will combine functional reviews of the financial, legislative, and monitoring and evaluation systems as they relate to children in the Health, Education, Social Protection and Judicial Reform sectors, with the consolidation of child care system reform models at the community level. UNICEF will also continue to work collaboratively with DEP to ensure that the new National Development Plan and Social Inclusion Strategy (2008-2013) are designed based on rigorous analysis of the specificities of child vulnerability and that appropriate policies are formulated, implemented, and monitored.

Promotion of Paris Declaration in BiH

UNICEF BiH is committed to supporting and strengthening adherence to the Paris Declaration principles. Effort is made to ensure coordination among other like-minded agencies and donors, and to continue to help increase national ownership. UNICEF has been applying a National Execution modality for over a decade. The Country Programme Action Plan is signed by the host government for the entirety of the Country Programme cycle. Annual Work Plans are discussed, agreed upon, and signed by partner ministries on an annual basis.

Furthermore, UNICEF's collaborative partnership with DEP led to the *Joint Country-led Evaluation of Child-Focused Policies in the Social Protection Sector*. This Country-led Evaluation will contribute to the further development of evidence-based, child-focused policies in the Social Protection sector. Furthermore, it will assess the implementation of Paris Declaration targets by national stakeholders and donors, and will include the establishment of country-led monitoring and evaluation systems. The results provide substantive and strategic inputs for the preparation of a new National Development Plan and Social Inclusion Strategy (2008-2013).

Donor coordination

Linkages were made with UK/DFID-funded projects, such as the *Pro-poor Development* project that is establishing social policy bodies throughout the country, enhancing the monitoring and evaluation system related to these policies, and engaging in pilot activities for youth and Roma. UK/DFID is also supporting a project to improve the evidence-based budgeting process, which UNICEF will support through a planned analysis of finances and budgeting as they relate to the social protection of children, and through work with user groups at the community level.

The coordination and partnership amongst the three donor agencies involved in funding the SPIS project Norway, UK/DFID, and the EC has served to harmonize some elements of the preparatory phase and is expected to positively impact on reporting requirements.

UNICEF has played a leadership role in a number of areas of UN inter-agency coordination, and participated actively in joint programming initiatives in order to accelerate efforts to reach the MDGs. UNICEF joined other UN agencies to develop concept notes for submission to the Spanish MDG Fund in 2007 in the following areas: Gender Equality and Women's Empowerment; Economic Governance; Culture and Development; Youth; Employment; and Migration. As part of ongoing UN reforms, partnerships among UN agencies were strengthened in 2007 and complementarities have increased. Coordination and joint-programming allowed UNICEF and other agencies in BiH to avoid duplicating activities and to strengthen the quality and reach of interventions.

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United Nations Development Programme (UNDP)

Policy Approach in BiH

Since its establishment in Bosnia and Herzegovina (BiH), United Nations Development Programme (UNDP) has been dedicated to supporting the BiH Government in achieving a wide array of human development goals. Consistent with UNDP's Global Strategic Plan (2008-2011), UNDP BiH has assisted with reducing poverty, improving democratic governance, preventing crises and supporting reconciliation, and ensuring environmental protection and sustainable development.

UNDP sees both capacity building and national ownership as key drivers of sustainable development, and has repeatedly achieved successes in this field. Areas of activity have included the following: the sustainable return of displaced persons; policy-level support in the social and economic domains complemented by downstream community revitalization interventions; public administration reform; human security; and environmental protection. The human rights-based approach has been incorporated as the guiding principle in UNDP's work and is mainstreamed throughout all programme activities.

From 2005 to 2009, UNDP will be completing the realignment of its activities away from humanitarian relief to development support within the framework of its Country Programme, jointly agreed upon with the BiH Government. In addition to a focus on alleviating income poverty through pro-poor economic growth, UNDP's portfolio of activities includes measures to combat other dimensions of deprivation by improving democratic governance, enhancing human security, and supporting environmental sustainability. This perspective and the associated activities are in line with the Millennium Declaration and its Millennium Development Goals (MDGs), the recently approved UNDP corporate Strategic Plan, the BiH Government's Medium-Term Development Strategy (MTDS), and the European Union (EU)-sponsored Stabilization and Association Process (SAP).

UNDP divides its activities into many portfolios. Among these are HIV-AIDS, the Environment, Social Inclusion, Human Security and Area-based Development, Public Administration Reform; Information and Communication Technology (ICT) for Development, and Justice and Human Rights. All programmes are strongly oriented towards building capacities and the gradual transfer of responsibilities and ownership to national partners. UNDP sees both as key drivers of sustainable development, and has repeatedly achieved successes in the field. In addition to dedicated gender work, a gender perspective is fully mainstreamed within all UNDP activities.

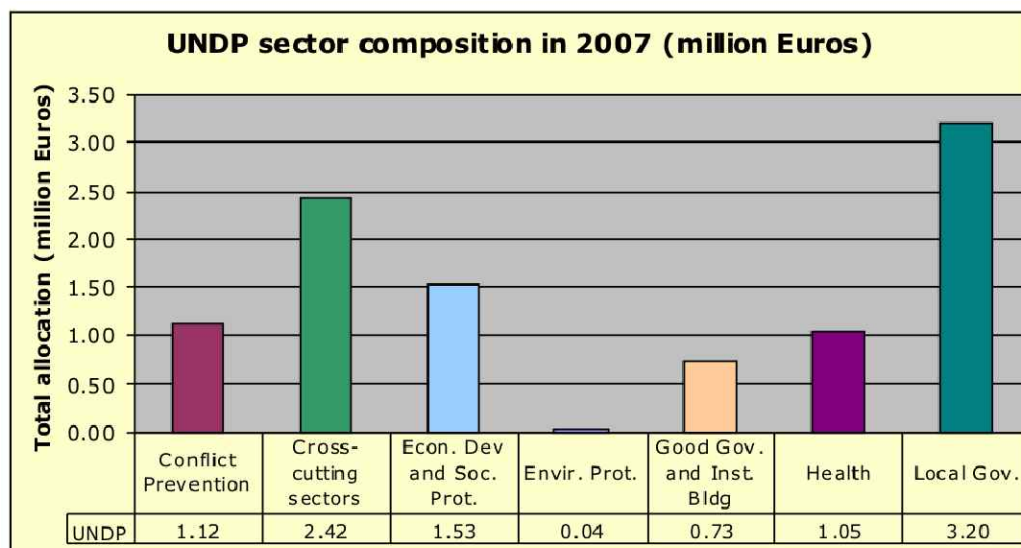
Key activities in 2007

UNDP's allocation to the projects in BiH in 2007 was € 10 million. The largest share of these allocations, namely one-third, was allocated to the Local Governance sector, in which UNDP finances and implements several initiatives. UNDP also dedicated significant funds to the Cross-cutting sectors, where most of its activities were in the Return and Reintegration sub-sector. Great contribution was made also to the Economic Development and Social Protection, Conflict Prevention and Resolution, Peace and Security, as well as the Health sectors.

In 2007, UNDP, with the support of the Netherlands, carried out the most comprehensive and thorough survey of citizens' perceptions of the social and political climate. This study provides the foundation for evidence-based policy-making and has become an oft-quoted source, including citation in the political oversight mechanism of the Peace Implementation Council (PIC).

UNDP, in partnership with the United Nations Population Fund (UNFPA), provided technical assistance to develop guidelines, including the institutional setup of the BiH national census in 2011. Concurrently, UNDP, in cooperation with UK/DFID, established a credible population estimate for the country that still operates on the data from the 1991 census.





The 2007 National Human Development Report on Social Inclusion brought this theme into the mainstream of national policy making and made a key contribution to the government's decision to create a Social Inclusion Strategy (SIS). This was followed by policy advice to the BiH Directorate for Economic Planning (DEP), which is responsible for the preparation of the SIS Strategy.

The expansion of the *Area-based Development Programmes* (ABDs) into the Upper Drina region is a significant step towards addressing unequal development in some of BiH's most impoverished areas. Meanwhile, activities in the existing Srebrenica Regional Recovery Programme (SRRP) continued promoting diversification in agriculture, forestry, and business development services.

In 2007, UNDP, along with Switzerland/SDC/SECO, launched the *Integrated Local Development Project* (ILDP), a new programme in the Local Governance sector that builds directly upon the highly successful *Rights-based Municipal Planning* (RMAP) project which came to a close in 2007. The new project goes a step further by institutionalizing the RMAP methodology within local municipal governments and establishing municipal training centres that both extend the original project and make it even more sustainable.

UNDP became a strategic partner to BiH's Public Administration Reform Coordinator's Office (PARCO) in 2007, as they implemented four out of six pillars of the National PAR Strategy and Action Plan. As part of this process, the new *Strategic Planning and Policy Development* (SPPD) programme was endorsed by the Council of Ministers in 2007. The SPPD project will have an aid coordination component (discussed in the donor coordination section).

During 2007, UNDP undertook a transitional justice project that involved setting up a working group through which the process of dialogue between NGOs, the judiciary, and the State, was facilitated. This same year, UNDP's *Small Arms Control and Reduction Project* (SACBiH) made a significant contribution to BiH's national capacities for ammunition demilitarization and increased the ammunition destruction rate nine-fold.

In addition to these key results, 2007 saw six major projects focusing on policy development: support to the State Social Inclusion Strategy; the *Municipal Training System*; the *Integrated Local Development Project*; the *Strategic Planning and Policy Development*; and, under direct leadership of the Office of the United Nations Resident Coordinator and in close collaboration with the United Nations Country Team agencies, two successful MDG Achievement Fund applications on Environment and Climate Change and Culture and Development.

Medium- and long-term plans

On the development front, 2008 will be dominated by major strategy processes, such as the articulation of a national Development Strategy, the Social Inclusion Strategy, and the revision of the Dayton Peace Accords' Annex VII (the Right to Return). UNDP will support its domestic partners in the articulation of these strategies and their eventual implementation. These guiding documents will also provide essential input for the development of the next United Nations Country Team's Common Country Assessment and United Nations Development Assistance Framework (UNDAF), both of which will be conducted this year under the leadership and coordination of the Office of the United Nations Resident Coordinator.

Within the framework of the Country Programme 2005-2009, UNDP will respond to the BiH Government's adjustment in priorities and the increased pace of the country's move towards European integration by focusing on several programming directions, as specified below.

With the creation of several projects that include strong policy components, UNDP has agreed with the government to strengthen cooperation in the field of policy development. While interventions in this sphere will cut across all sectors (Local Governance, Environment, Conflict Prevention and Resolution, Peace and Security, etc.), two areas are particularly noteworthy. SPPD will strengthen the capacity of BiH's State and Entity governments to carry out strategic planning, policy development, public finance management, and aid coordination. In addition, UNDP BiH will increase its support to the process of formulating SIS.

With regard to the key developmental need of equitable economic growth, UNDP is well positioned through its local pro-poor initiatives and ABD programmes; these projects include a new integrated local governance programme with local economic development targeting excluded groups or regions. An exciting new dimension of this portfolio is the new (MDG-F) Culture and Development project that will make a contribution to national reconciliation, a pre-requisite to achieving many social inclusion goals.

Compliance with environmental standards is an important condition for EU accession and will require significant institutional capacity and financial investment by the government. The recent global trend of recognizing and emphasizing the importance of sustainable environmental development has opened an opportunity for UNDP to support institutional strengthening both at the national and local levels. In 2008, UNDP BiH will expand its work in this sector through a newly developed (MDG-F) programme in addition to embarking on a regional project and two *Global Environmental Facility* projects, thus, increasing its portfolio in the sector by more than ten-fold compared to last year.

In 2008, UNDP BiH will shift its focus to the priority area of women's empowerment in the labour market. UNDP will continue in its role as the BiH Government's lead partner and will continue to place importance on coordinating with like-minded donors in the pursuit of effectively implementing the *Gender Action Plan*. The opening of a United Nations Development Fund for Women (UNIFEM) office will provide additional opportunities to enhance the good cooperation between UN agencies.

After major policy and preparatory work stalled in 2007 due to a lack of engagement by government partners, in 2008, UNDP will work in cooperation with the EC, UNFPA and other partners to build consensus for conducting a census in 2011.

UNDP will focus on the upgrading of ammunition destruction facilities and support actual destruction with the aim of decreasing the time necessary for destroying 30,000 tons of surplus and unstable ammunition in BiH, from 11 to 4 years, in accordance with the EC Stability Instrument and EU Safety Norms.

Promotion of Paris Declaration in BiH

UNDP places strong emphasis on supporting the ability of national authorities to assume greater responsibility, to take the lead in policy formulation, and to set the national development agenda. UNDP has also continued to concentrate on supporting the sustainable return of displaced persons. This has included community revitalization and integration programmes, as well as initiatives designed to bolster national capacities to assume managerial control of the

return process. The rights-based approach was adopted as the guiding principle for local governance, economic development, and planning processes, and remains mainstreamed throughout all programme activities.

UNDP has reaffirmed its support of the new government and will continue to systematize cooperation with it on all levels. Moreover, in anticipation of the further improvements of capacities of the domestic governments, which is a prerequisite for successful EU accession, UNDP BiH will explore the feasibility for a gradual transition from the current Direct Execution modality to National Execution. UNDP will also seek to provide support for the simplification of government procedures related to programme implementation.

The shift of the legal mandate for aid coordination to the Ministry of Finance and Treasury (MoFT) in late 2007 provides a good basis for strengthening government-led aid coordination and management. UNDP will support capacity building not only through conventional project funding (SPPD, GRMS), but also through its role as the Secretariat of the Donor Coordination Forum. Among other activities, this will include the joint publishing of the second *Donor Mapping Report*.

Donor coordination

The BiH Donor Coordination Forum (DCF) was established in 2006 with UNDP taking a lead role in supporting it both logistically and in terms of providing technical assistance, for example in the area of donor mapping. The Office of the United Nations Resident Coordinator has taken over the logistical support for the DCF, leaving UNDP to concentrate on the technical work of donor mapping and supporting government aid coordination.

This work is done in line with the principles of the Paris Declaration, which emphasize the need for donor coordination and increased aid effectiveness. The Paris Declaration also emphasizes government ownership. UNDP works actively to support the Government in this area and in particular, in collaboration with donors such as the EC and DFID, to build up government technical capacity for aid coordination.

In terms of specific examples of donor coordination, in July 2007, UNDP helped organize the Srebrenica Development Conference hosted by the Municipality of Srebrenica with the support of state and entity governments and the High Representative's Special Envoy. This conference brought together a large number of donors and key development partners in order to discuss concrete solutions to the region's development needs. Government and donor agencies confirmed their support to various sectors and committed funding to the area, valued at € 36.5 million.

Donor coordination has been critical in the field of PAR. UNDP, the governments of the Netherlands and Norway, and the EC, through the SPPD, support a broad-based programme to strengthen planning, analytical work, and public resources management by defining, providing, and institutionalizing organizational and human resource capacities for strategic planning and policy development. This will improve linkages between planning and budgeting in line ministries at the state and entity levels. Capacity building in SPPD will be linked to the budgeting process as well as the issue of aid coordination. Related to this is support to the Committee for the Coordination of International Aid, including the transfer of capacities that have been developed through the DCF.

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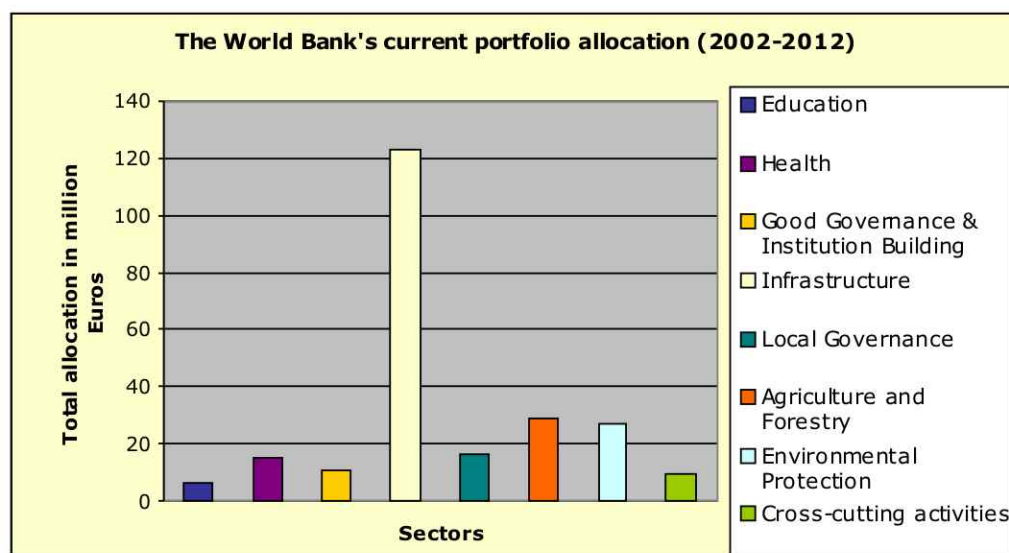
The World Bank

Policy approach

The World Bank's mission in Bosnia and Herzegovina (BiH) is to help develop the economy, create jobs, and improve the lives of all citizens, particularly the poor. The World Bank assists with finance for projects as well as with analysis of and advice on the country's economic and social challenges.

Since 1996, the World Bank has committed about € 0.7 billion to BiH through 54 projects. The World Bank and the EC successfully organized three donor conferences, raising about € 3.2 billion for post-conflict reconstruction of the country. World Bank assistance in BiH has involved many activities: rehabilitating basic services (water supply, electricity, sewage, housing, roads, and bridges), establishing an accessible health care and education system, creating jobs, reforming the financial sector (banking and microfinance), and assisting BiH in the process of EU integration. In per capita terms, the World Bank assistance programme in BiH, which consisted of International Development Association (IDA) loans and grants, has been the largest initiative enacted in post-conflict areas.

The current portfolio consists of 14 approved loans and one Global Environment Facility (GEF) grant (Water Quality Protection valued at € 7.1 million). Total commitments under these operations amount to € 238 million. About 36% of the committed amount has been disbursed.

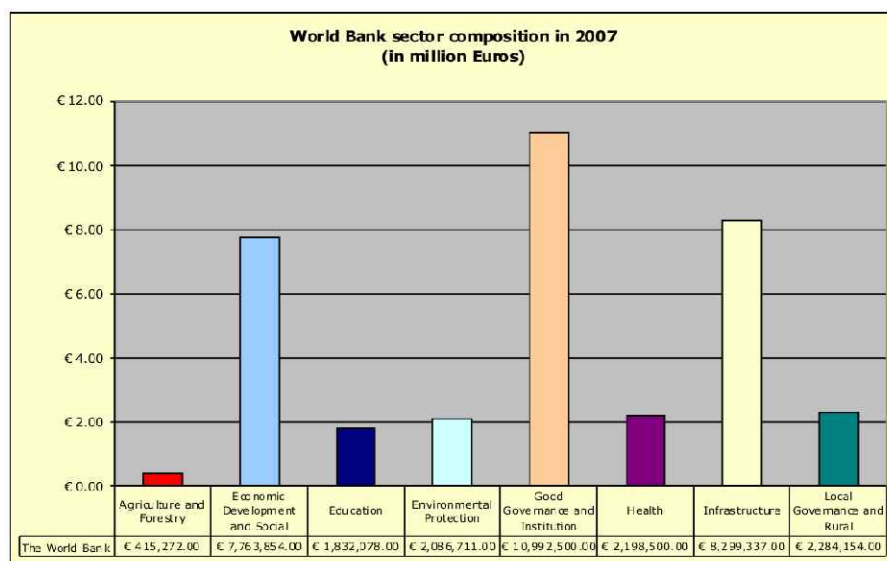


Key activities in 2007

The World Bank's total allocation in 2007 was approximately € 36 million, € 32.5 million of which was in the form of loans. The two most prominent sectors in the World Bank's funding allocation were the Infrastructure (€ 8.3 million) and the Good Governance and Institution Building (€ 11 million) sectors, followed by Economic Development and Social Protection. Local Governance, Environmental Protection and Agriculture and Forestry activities have also received significant support.

The key activity in 2007 was the preparation of the new four-year Country Partnership Strategy (CPS FY08-FY11). The CPS is the World Bank's work plan that guides its operations in a country, usually for a period of three to four years. It describes the country's economic and social performance, its main development challenges, and a summary of the government's development strategy. Within this context, it outlines the World Bank's proposed programme in the country for the period covered by the CPS. This includes all the World Bank's planned operations in the country loans, analytical work, and technical assistance. The World Bank's proposed programme reflects its mandate as an international development institution and what it is most capable of contributing to the country's growth. The new CPS for BiH outlines a lending

programme of about € 127 million in support of the country's priorities, including integration with the European Union.



Three new IDA credits (the *Agriculture and Rural Development Project*; the *Avian Influenza Preparedness Project*; and the *Road Infrastructure and Safety Project*) and additional financing for two existing operations (the *Forest Development and Conservation Project*; and the *Urban Infrastructure and Service Delivery Project*) were approved in 2007. The total amount of new financing approved in 2007 was about € 38 million.

The *Agriculture and Rural Development Project* aims to assist BiH in strengthening the capacity of its state-level and entity-level institutions to deliver more efficient and effective agricultural services and support programmes. It also endeavours to make a substantial contribution to the acceleration of BiH's eligibility to access support under the European Union Instrument for Pre-Accession Assistance for Rural Development (IPARD).

Avian influenza control programmes require a multi-disciplinary approach to integrate technical, social, economic, political, policy, and regulatory issues in addressing a complex problem. Working in a collaborative manner with other agencies (USA/USAID, the EC, UNDP, UNICEF, and the WHO), the World Bank will apply the evidence and lessons learned from international best practice in the various regions to help ensure that BiH's emergency preparedness plans and capacities are ready for the avian influenza challenge.

The *Road Infrastructure and Safety Project* aims to accelerate the recovery of the main road network, and improve institutional capacity in relation to road safety. This project comes as a response to the governments' request to focus on developing and protecting core transport infrastructure in order to support growth.

The *Forest Development and Conservation Project* will assist with the implementation of legislated reforms in forest organization and management. This initiative is expected to increase revenues, improve forest management, and enhance biodiversity conservation through participatory approaches in forest land use planning.

The *Urban Infrastructure and Service Delivery Project* will assist in improving the quality and reliability of the delivery of basic infrastructure services, particularly water and sanitation, in urban areas.

The World Bank closed two projects during 2007. The first was a large-scale loan, the *Business Enabling Environment Structural Adjustment Credit*, which aimed to improve the investment climate and strengthen a single economic space to promote domestic and foreign investment and private sector growth. The second was the *Social Insurance Technical Assistance Credit* (SITAP), which aimed to strengthen the effectiveness and efficiency of health and pension insurance systems by providing technical assistance and training to help implement existing reforms and design options for future social insurance reforms.



Medium- and long-term plans

Through the new CPS, the World Bank will support investments in the Infrastructure sector (including Transport and Energy), Economic Development and Social Protection sector (particularly, the business environment), municipal development, and government reform. With a mix of financial and non-financial services, the World Bank will support the BiH Government in achieving their development goals of improving infrastructure and the investment climate, increasing the efficiency of public spending, and strengthening service delivery in particular, those directed to the most vulnerable segments of the population.

During the CPS period, BiH will make a transition from borrowing under soft IDA conditions to more commercial, but still relatively cheap, borrowing under International Bank for Reconstruction and Development (IBRD) conditions.

Promotion of Paris Declaration in BiH

Partnership is the key principle of the new CPS for BiH. Given the overall objective of assisting BiH in the process of European integration, the World Bank is fully committed to closely collaborating with other development partners. The CPS outlines specific partnerships that will be explored within each sector, for which financing will be provided over the next four years.

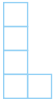
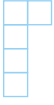
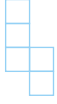
Donor coordination efforts

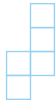
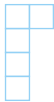
Successful donor coordination was the key in post-conflict rehabilitation of the Energy sector in BiH. Significant resources were mobilized \$ 286 million were allocated for the *Energy Community in South East Europe*, the last in a series of donor investments in the Energy sector. As a result, this sector has not only been rehabilitated but is increasingly export oriented. While the World Bank initially facilitated this process, it is important to note that today coordination of activities in this sector is led by local counterparts, namely, the Ministry of Foreign Trade and Economic Relations.

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