



Bosnia and Herzegovina Ministry of Finance and Treasury

Donor Coordination Forum of Bosnia and Herzegovina



DONOR MAPPING REPORT 2008–2009

Prepared with financial and technical support from DFID and UNDP



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Disclaimer

This report is published by the Bosnia and Herzegovina Ministry of Finance and Treasury on behalf of the Donor Coordination Forum (DCF), a platform for information exchange between the BiH Government and 20 major donors. The report focuses on the activities and financial portfolios of these donors and does not therefore encompass all donor activity in Bosnia and Herzegovina (BiH).

The information and statistics presented in this report are based on the responses of individual donor agencies and of a number of relevant domestic institutions. Although the data has been verified by international and local stakeholders alike, there is still the possibility of error. The same applies to the information provided in the narrative of the report.

With regard to the analysis by sector, donors have selected the Development Assistance Committee (DAC) code for each of their projects. As the different DAC codes vary and in certain cases overlap, some projects may not entirely fit into the allocated DAC code while others span several DAC codes, or contain components that are also relevant to other sectors.

Foreword

I am pleased to introduce the 2008-2009 Donor Mapping Report. Although this is the third version of the Donor Mapping Report it is the first to be published by the BiH Ministry of Finance and Treasury, following the formal transfer of this product from UNDP at the beginning of 2009. Whilst I acknowledge efforts of staff in the Ministry of Finance and Treasury in managing this process I would like to express my thanks for the technical and financial support provided by both UNDP and DFID in helping to complete this task, as well as the efforts of Donor Co-ordination Forum members in providing information and actively participating in the preparation of the report. Last but not least, I should thank my colleagues from other BiH institutions in providing information and contribution in the preparation of the report.

Although the publisher of this year's report has changed, its format largely follows that of its predecessors. The report is somewhat shorter and adopts more of a forward looking approach in the information it contains on donor activity. This is consistent with the intention of Government to adopt a more proactive role in development assistance planning as part of the ongoing modernisation of our public administration.

The report confirms the trend which was first observed last year, of gradually reducing development assistance in the form of grants, alongside an increasing volume of concessionary loans. I regard this as a natural phenomenon as Bosnia and Herzegovina moves from being perceived as a post-conflict country to a future member of the European Union. In line with this, whilst direct bilateral assistance from some countries will come to an end in the near future, assistance from many of them will continue through the auspices of the European Union.

The timing of aid reductions coincides with one of the most severe global recessions in living memory. All countries in the world have been affected by this and, whilst Bosnia and Herzegovina appears to have fared better than some countries in our region, it will nevertheless impact negatively on our development. In such circumstances the receipt of development assistance is all the more important in ensuring that investment projects can go ahead despite the shortage of domestic funding. It is also more critical than ever that projects are delivered in a timely and effective manner.

Whilst the transfer of the ownership of the Donor Mapping Report may appear to be symbolic in nature, it represents part of a process through which the Government intends to play a more proactive role in development assistance planning and management in order to improve the effectiveness of this assistance. This effort is being spearheaded by the Sector for the Co-ordination of International Aid in MoFT. However, the effectiveness of this process depends as much on the active cooperation with the Entities of Bosnia and Herzegovina, other state institutions and the donor community. If the preparation and quality of the 2008-2009 Donor Mapping Report is an indication of the effectiveness of this cooperation we may indeed look to the future with confidence.



Dragan Vrankić

Minister of Finance and Treasury of BiH

UNDP Foreword

In the spirit of the Paris Declaration on Aid Effectiveness, UNDP has been working over the last several years to enhance the quality of donor coordination in Bosnia and Herzegovina. Part of this work has been the development of a data base on the contributions of the major donor and multilateral financial institutions to Bosnia and Herzegovina's development programmes. Since 2007, the Government has been increasingly involved in this work and in January 2009 UNDP handed over to the Ministry of Finance and Treasury the leadership of the Donor Coordination Forum and the authorship of the annual Donor Mapping Report. The newly established Sector for the Coordination of International Aid within the Ministry of Finance and Treasury has led the work on producing this year's Donor Mapping Report, which covers 2008 and 2009, and UNDP's role has been that of providing technical assistance during this handover period.

The results of the 2008-2009 Donor Mapping Exercise reflect the interest of the Government of Bosnia Herzegovina and the international community to share knowledge and look for synergies in their efforts to promote the socio-economic development of the country. I would particularly like to thank Assistant Minister for the Sector for the Coordination of International Aid, Ms. Dusanka Basta, and her team, for the dedication they have shown in producing the 2008-2009 Donor Mapping Report, which I am certain will be read with great interest by all national and international partners working for the development of the country. I would also like to thank the BiH Minister of Finance and Treasury, His Excellency Mr. Dragan Vrankic, for his interest, support and leadership in this key area of interface between the international donor community and the Government



Christine McNab

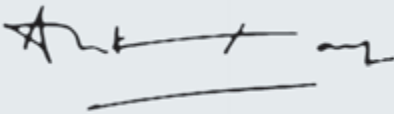
UNDP Resident Representative
UN Resident Coordinator

DFID Foreword

Aid relationships are, by their very nature, unequal. If developing countries are to lead their own development, they must have more authority to ensure that the international development community responds to their needs.

Within developing and transitional countries, governments need to be clear about what they want and set out clearly how they want to work with their international partners. These arrangements should not be the exception, but normal practice. In Bosnia and Herzegovina we are working towards a better system for the international community and the Government to hold each other to account for delivering on their respective commitments.

In 2005 the Paris Declaration on Aid Effectiveness set out concrete international commitments on how to make aid more effective. Along with its international partners, the UK is committed to deliver on the commitments made in Paris, and reaffirmed in Accra, Ghana in September 2008, ensuring that development is driven by partner countries and helps build capable, accountable and responsive states. I am delighted that, together, we are making progress towards these aims through our Aid Co-ordination and Effectiveness (ACE) Project and other associated initiatives.



Gus Mackay

Head
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Abbreviations

ADA – Austrian Development Agency
ADC – Austrian Development Cooperation
AECID – Spanish Agency for International Development Cooperation
BAM – Convertible Mark
BAS – Business Advisory Services
BiH – Bosnia and Herzegovina
CAPP – Civic Advocacy Partnership Program
CARDS – Community Assistance to Reconstruction, Development and Stabilization
CEFTA – Central European Free Trade Agreement
CIDA – Canadian International Development Agency
CIP – Centre for Information and Recognition of Documents in the Area of Higher Education
CLE – country-led evaluation
CoEM – Conference of Ministers of Education
CoE – Council of Europe
CoM – Council of Ministers
CP – Community Policing
CSOs – civil society organizations
DAC – Development Assistance Committee
DCF – Donor Coordination Forum
DEP – Directorate for Economic Planning
DFID – UK Department for International Development
DIS – Decentralized Implementation System
DME – Donor Mapping Exercise
EBRD – European Bank for Reconstruction and Development
EC – European Commission
ECSEE – Energy Community of South-East Europe
EFSE – European Fund for South-East Europe
EIB – European Investment Bank
ENSI – Energy Saving International
ERDF – European Regional Development Fund
ESRF – Enterprise Sector Recovery Fund
ETF – European Training Foundation
EU – European Union
EUFOR – European Union Force
FaMI – Family Medicine Project
FAO – Food and Agriculture Organization
FARMA – Fostering Agricultural Market Activity
FIGAP – Funding Mechanism for the Implementation of Gender Action Plan
FIRMA – Fostering Interventions for Rapid Market Advancements
FBiH – Federation of Bosnia and Herzegovina
GAP – Governance Accountability Project
GAVI – Global Alliance Vaccine Initiative
GDP – Gross Domestic Product
GEA – Gender Equality Agency
GEF – Global Environmental Facility
GFAP – General Framework for 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 für Technische Zusammenarbeit (German Technical Cooperation)
HJPC – High Judicial and Prosecutorial Council
IC – Italian Cooperation
ICMP – International Commission for Missing Persons
ICT – Information and Communication Technology

IDA – International Development Association
 IDD – Iodine Deficiency Disorder
 IDPs – internally displaced persons
 IFC – International Finance Corporation
 IFIs – International Financial Institutions
 ILDP – Integrated Local Development Project
 ILO – The International Labour Organization
 IMF – International Monetary Fund
 IOM – International Organization for Migration
 IOs – international organizations
 IPA – Instrument for Pre-accession Assistance
 IPAP – Individual Partnership Action Plan
 IPARD – Instrument for Pre-Accession Assistance for Rural Development
 IPF MW – Infrastructure Projects Facility Municipal Window
 ISCOD – Instituto Sindical de Cooperación al Desarrollo
 JICA – Japan International Cooperation Agency
 JSRS – Justice Sector Reform Strategy
 KfW – Kreditanstalt für Wiederaufbau (Reconstruction Credit Institute)
 LAMP – Linking Agricultural Markets to Producers
 LEAPs – Local Environmental Action Plans
 LJR – Legal and Judicial Reform
 MDGs – Millennium Development Goals
 MDP – Municipality Development Project
 MFA – macro-financial assistance
 MHRR – Ministry of Human Rights and Refugees
 MIFF – Multi-annual Indicative Financial Framework
 MoCA – Ministry of Civil Affairs
 MoD – Ministry of Defense
 MoFT – Ministry for Finance and Treasury
 MoFTER – Ministry of Foreign Trade and Economic Relations
 MoJ – Ministry of Justice
 MoS – Ministry of Security
 MoU – Memorandum of Understanding
 MPDL – Movement for Peace
 MTDS – Medium Term Development Strategy
 MTP – Medium Term Programme
 NATO – North Atlantic Treaty Organization
 NGOs – non-governmental organizations
 ODA – Official Development Assistance
 OECD – Organisation for Economic Co-operation and Development
 OHR – Office of the High Representative and EU Special Representative
 OSCE – Organization for Security and Cooperation in Europe
 PAR – Public Administration Reform
 PARCO – Public Administration Reform Coordination
 PfP – Partnership for Peace
 PHARE – Poland and Hungary Assistance for Economic Restructuring
 PIP – Public Investment Programme
 PFM – Public Finance Management
 PORTUS – Perspectives on Inter-Regional Transport Unitary System
 RBB – Railway Regulatory Board
 RDC – Research and Documentation Centre
 REBIS – Regional Balkans Infrastructure Study
 REDAH – Regional Economic Development Agency of Herzegovina
 REPARIS – The Road to Europe: Program of Accounting Reform and Institutional Strengthening
 RS – Republika Srpska

SALW – small arms and light weapons
 SAA – Stabilization and Association Agreement
 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
 SERDA – Sarajevo Economic Region Development Agency
 SIDA – Swedish International Development Agency
 SIFEM – Swiss Investment Fund for Emerging Markets
 SIGMA – Support for Improvement in Governance and Management
 SIPA – State Investigation and Protection Agency
 SIPPO – Swiss Import Promotion Programme
 SMEs – small and medium-sized enterprises
 SPIS – Social Protection and Inclusion System
 SUTRA – Sustainable Transfer to Return-Related Authorities
 SUTRA PLOD – Support to the Results-based Approach – Partnership for Local Government
 TA – technical assistance
 TAIEX – Technical Assistance Information Exchange Office
 TAM – Turn-around Management Programme
 TB – tuberculosis
 TNA – training needs assessment
 UN – United Nations
 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
 UNV – United Nations Volunteers
 USAID – United States Agency for International Development
 USG – United States Government
 VAT – Value Added Tax
 VET – vocational education and training
 VETIS – vocational education and training in schools
 WeBSECLF – Western Balkans Sustainable Energy Credit Line Facility
 WHO – World Health Organization
 WWF – World Wildlife Fund (in North America), also World Wide Fund for Nature

Executive Summary

The Donor Coordination Forum (DCF) comprises twenty of the major bilateral and multilateral donors contributing to reform processes in BiH. This third iteration of the Donor Mapping Report (DMR) is an overview of DCF members' support to ten sectors in BiH in 2008 and 2009. The DMR shows that the scope and area of donor contributions to BiH has evolved from support to infrastructure and peace-building through focus on developmental issues to increasingly mainstreaming cross-cutting issues across all areas receiving assistance.

The report shows that DCF members have allocated €766 million to projects in 2008 and €430 million so far in 2009. Of the €1,196 million earmarked for 2008 and 2009, €355 million was in the form of grants and €841 million in the form of loans. Compared to 2007, the 2008 figures represent an overall growth of €243 million in the total ODA allocation, with a €20 million decrease in grants and a €263 million increase in loans. This trend, which can be observed since 2006, is partially explained by the gradual phasing out of direct bilateral support from four donors (Canada/CIDA, the Netherlands, Spain/AECID and UK/DFID) and the increasing scale of concessionary loans provided by major International Financial Institutions (IFIs). At the same time it should be noted that EC's contribution is growing rapidly. In 2009 EC pipeline projects amount to €66.65 million, compared to €22.43 million contracted in 2008 and €45.77 million contracted in 2007. Another important factor impinging on developmental aid in BiH has been the global financial crisis. Although the crisis has not significantly affected ODA flows yet, its spill-over effects are felt in sectors such as Infrastructure, Economic Development or Forestry.

The last two years have seen strengthening cooperation between international and domestic stakeholders. BiH institutions are taking greater initiative to define their own developmental needs in order to use ODA funds more effectively. To achieve this, BiH has established the Sector for the Coordination of International Economic Aid at the BiH Ministry of Finance and Treasury (SCIA MoFT). SCIA MoFT has taken over responsibility for the DCF Secretariat as well as the DME database and the preparation of the Donor Mapping Report (DMR). This year's report has been prepared by SCIA MoFT with financial and technical support from UNDP and UK/DFID provided within the framework of the *Aid Coordination and Effectiveness* (ACE) Project. In several instances domestic institutions have established sector co-ordination initiatives, thereby strengthening the ownership of these processes. BiH government-led donor coordination meetings have been established in the areas of Legal and Judicial Reform, Public Administration Reform, the Energy sub-sector, Agriculture, Return and Reintegration, and the Funding Mechanism for the Implementation of the Gender Action Plan (FIGAP).

The effects of government-led and donor-supported reform processes are evident from the findings of the report. The years 2008-2009 have witnessed the development and adoption of a significant number of sector strategies and seen progress in the development of the relevant institutional framework, with some existing bodies having been reformed and others created. These achievements testify to the intensity and efficiency of reform processes regarding the institutional and legal framework in BiH. At the same time, both domestic and international stakeholders recognize the need for significant resources for these strategies to be implemented and for the capacity of new institutional structures to be developed.

The Donor Mapping Report 2008-2009 itself is an example of such collaborative effort involving international and domestic stakeholders. The third iteration of the report is based on desk research as well as on the results of 68 interviews conducted with more than 100 representatives of local institutions and international agencies. As such, it is expected to serve both the donor community and domestic institutions in their joint effort to further reform processes in BiH.

Introduction

During the past two years Bosnia and Herzegovina (BiH) has taken several steps to strengthen its international aid coordination processes. The availability of grants-based Official Development Assistance (ODA) to the country is in gradual decline and it is widely recognised that the Government and donor agencies need to work more closely to increase the impact of these reducing contributions. This is also seen as a natural consequence of the growing maturity of the public administration, which is now better able to define its own policy priorities and identify the resources required to achieve them.

The BiH Government has taken steps to adopt a more proactive approach to the management of external assistance, including the establishment of a new aid coordination architecture, improvements in public expenditure planning processes, the programming and management of external funds in line with BiH development priorities, and participation in initiatives aiming at improving the effectiveness of external assistance flows to the country.

The aid coordination improvement process dates back to 2006, when the Council of Ministers of BiH approved an Information Note on “strengthening the efficiency of the International Aid Coordination System in Bosnia and Herzegovina”. This defined a number of planned changes to the aid coordination process, including the transfer of responsibility for international aid coordination from the state Ministry of Foreign Trade and Economic Relations (MoFTER) to the state Ministry of Finance and Treasury (MoFT) and the establishment of a Board for the Coordination of International Aid.

In October 2007 the Parliament of BiH approved the transfer of responsibility for “International Aid Coordination, excluding EU Aid”, to BiH MoFT. Accordingly the coordination of international aid, previously conducted in different institutions or directly between beneficiaries and donors, is now done by MoFT (for general economic and technical assistance) and the Directorate for European Integration for EU assistance. In line with these changes MoFT established a new Sector for the Coordination of International Economic Aid (SCIA) in October 2008, comprising two units, the Unit for Public Investment Programme Preparation and Implementation and the Unit for the Coordination and Mobilization of International Aid.

With the establishment of the new Sector the BiH Government intends to achieve better coordination of activities, stronger partnerships between donors and the BiH Government, and improved alignment of aid with national development priorities. Taken together these amendments are intended to result in greater effectiveness in the use of international aid to BiH.

Improvements in the Aid Coordination processes

Although the improvement process is still in its early days, several areas of progress in aid coordination can already be observed.

In the past year the preparation of the BiH Public Investment Programme (PIP) has been improved through the development of the Grant Resources Management System, co-financed by the EC and UNDP and implemented by UNDP. The PIP is the main planning instrument for major capital projects, many of which are financed from international sources. The PIP is constructed on a rolling three-year period, showing annual project expenditure and sources of financing which are either secured or required for project implementation.

The Donor Coordination Forum (DCF) and Donor Mapping Exercise (DME) are mechanisms to facilitate partnership-building between BiH and donors. They enable both parties to obtain an overview of donor activities and priorities, to articulate BiH development priorities and to facilitate improved coordination and aid practices towards more effective delivery. As of January 2009 the DCF Secretariat is managed by MoFT, SCIA, having previously been run by UNDP and the Office of the UN Resident Coordinator. In February 2009 the DCF meeting was organized for the first time by the BiH MoFT/SCIA and chaired by the Minister of Finance and Treasury of BiH.

In January 2009 responsibility for conducting DME was also moved from UNDP to MoFT and is now implemented by SCIA with technical support from DFID and UNDP. The DME Team, now led by SCIA, will largely maintain previous processes and outputs. However, domestic institutions are now more fully involved in the research process. The current, third iteration of the Donor Mapping Report (DMR) builds upon the previous edition, which was well received by the donor community in BiH. The DMR for 2008–2009 differs from its predecessor by taking into account more substantively the opinions of domestic institutions on reform processes in BiH. Fourteen out of 68 interviews were conducted with representatives of domestic institutions relevant to the particular sector. The current DMR has also undergone a consultative process involving both international and local stakeholders, thus making for a more balanced representation of opinions regarding the pace and direction of reforms in BiH. Furthermore, the new DMR covers a longer period of time, allowing for better identification of positive developments and challenges within the particular sectors concerned. Finally, the structure of DMR 2008–2009 has been somewhat amended to provide easier reference to the ten sectors covered by the DME. In addition to the DMR, SCIA is also in the process of taking over responsibility for running the DCF website and database.

Donor Mapping Report 2008–2009 preparation

During the preparatory period of the 2008–2009 DMR donor agencies have been heavily involved in the research process by providing financial updates to the database, participating in update interviews and responding to consultation processes. The DME database now includes over a thousand donor-funded projects. In addition, the DME team has conducted surveys in respect of ten thematic sectors, comprising desk research as well as 68 interviews with 102 representatives from donor agencies and with local Institutions in order to gain a broader overview of activities in the sectors concerned.

The DME 2008–2009 found out that DCF members have allocated **€765.77 million** to projects in **2008** and **€430.37 million so far¹** in **2009** (including €66.65 million EC pipeline projects for 2009 not yet entered in the DCF database). Of the €1196.14 million earmarked for 2008 and 2009, €354.67 million was in the form of grants (including EC pipeline projects for 2009) and €841.47 million was in the form of loans. Compared to 2007, the 2008 figures represent an overall growth of €243.12 million in the total ODA allocation, with a €20.32 million decrease in grants and a €263.44 million increase in loans. This trend, which can be observed since 2006, is partially explained by the gradual phasing out of direct bilateral support from four donors (Canada/CIDA, the Netherlands, Spain/AECID and UK/DFID) and the increasing scale of concessional loans provided by major International Financial Institutions (IFIs). In 2008, the three largest IFIs (EBRD, EIB and the World Bank), together with Germany and Spain/AECID allocated over 79.87% of overall 2008 ODA to BiH. At the same time it should be noted that EC's contribution is growing as in 2009 EC pipeline projects amount to €66.65 million, compared to €22.43 million contracted in 2008 and €45.77 million contracted in 2007.

Since the publication of the 2007 report the world has been hit by a deepening financial and economic crisis. Whilst the effects of the crisis are certain to be long lasting, there has been little short-term impact on global ODA flows, due to existing funding commitments. However, economic growth has fallen sharply and could be negative for 2009, export markets have deteriorated and income from remittances and Foreign Direct Investment is falling. In such circumstances aid flows are even more important, particularly those that finance vital capital investment projects. The Government places a high priority on the need to improve the effectiveness of development assistance and accelerate the delivery of investment projects as part of its wider response to the crisis.

Country ownership and the Paris Declaration

As part of the aid coordination improvement process BiH is strengthening the ownership of its development processes and initiating activities in support of the decentralised management of EU funds.

The BiH Government has also commenced the preparation of the new *Country Development Strategy* and *Social Inclusion Strategy* and has taken steps to improve capacity for strategic planning at the sector level. This is combined with ongoing improvements in Public Expenditure Management based on the Medium-Term Expenditure Framework.

It is, however, recognised that the Government's capacity to perform aid coordination functions effectively needs to be strengthened still further. Improvements in aid coordination and effectiveness will also require changes in the behaviour of donors, most of whom have been active in BiH for many years. Whilst the international community is increasingly stressing the need for changes to improve the effectiveness of international aid, this is a somewhat recent phenomenon in which the gap between intent and practice is still quite wide.

The SCIA at MoFT has launched a process that will lead to the signing of the Paris Declaration by the BiH Government and the application of its key principles in the country. After signing the Declaration, BiH will focus on the preparation of its own Memorandum of Understanding, to be co-signed with all donors, defining a new model of partnership between the BiH Council of Ministers and donors in line with Paris Declaration principles. This will involve the development and establishment of a new Mechanism for the Coordination of International Aid, involving all levels of government, further improvements in the PIP and capacity building of the SCIA. DFID and UNDP are supporting this process through their joint *Aid Coordination and Effectiveness* (ACE) Project, which commenced in April 2009. However, all donors to BiH are invited to join in this process as part of a new phase of development in the country's progress towards EU membership.

¹ The financial data for **2009** is **not final** as some donors have not been able to provide their overall allocations for 2009.

Paris Declaration on Aid Effectiveness

The Paris Declaration on Aid Effectiveness was formulated in February 2005 at the Paris High Level Forum on Aid Effectiveness, organized by the Organisation for Economic Co-operation and Development. By June 2009 some 127 countries and a further 27 international organizations have formally endorsed the declaration. Signatories include all major donors to Bosnia and Herzegovina.

The Paris Declaration is a response to a growing belief that international aid processes have been too strongly led by donor priorities and normally administered through donor channels. The Declaration represents a broad consensus among the international community about how to make aid more effective.

The Third High Level Forum on Aid Effectiveness was held in Accra, Ghana in September, 2008. The Forum agreed the Accra Agenda for Action identifying three main areas where progress towards aid reform is still considered to be too slow. The Forum also launched the International Aid Transparency Initiative (IATI) a new initiative that aims to make information about aid spending easier to access, use and understand.

The procedure for BiH to formally endorse the Paris Declaration and the Accra Agenda for Action was launched in June 2009.

Chapter 1

Education sector

DCF donors active in the sector in 2008–2009	Austria/ADC, Germany, Hungary, Italy/IC, Japan/JICA, The Netherlands, Norway, Sweden/SIDA, USA/USAID, EC, UNICEF
Other key international organizations (IOs)	Council of Europe (CoE), Organization for Security and Cooperation in Europe (OSCE), Office of the High Representative and EU Special Representative (OHR), United Nations Educational, Cultural and Scientific Organization (UNESCO), European Training Foundation (ETF)
Key government partners	BiH Ministry of Civil Affairs (BiH MoCA); entity, district and cantonal Ministries of Education; Pedagogical Institutes; Agency for Higher Education and Quality Assurance, Agency for Pre-school, Primary and Secondary Education, and Centre for Information and Recognition of Documents in the Area of Higher Education (CIP); BiH Rectors' Conference; BiH Conference of Ministers of Education (CoEM); and BiH Education Councils
Total allocation to the sector in 2008 and 2009 by DCF donors	2008: €6.62 million 2009 ² : €6.75 million
Sector strategies	<i>Strategic Directions for the Development of Education in BiH and Implementation Plan 2008–2015; Strategy for Pre-School Education in BiH; Strategy for Development of Vocational Education and Training (VET) in BiH for 2007–2013; Road Map and Action Plan for EU Community Programmes for Life-long Learning and Youth in Action; 7 Key Strategies and Guidelines to Implement the Bologna Process.</i> An action plan for the implementation of the VET strategy has been developed by BiH MoCA, with support from the EC, and it will be submitted for approval procedure in the course of the year. There are no entity-level education strategies.
Donor coordination	There is no sector-wide donor coordination mechanism, although donors have attended ad-hoc information-sharing meetings, mostly organized by the OSCE. A number of donors are regularly invited to the meetings of the Conference of Ministers of Education. It is foreseen that BiH MoCA will begin to organize sector working-group meetings in 2009, involving local and international stakeholders.

² Including €3.7 million EC pipeline projects planned to commence in 2009.



Overview

The years 2007–2009 in the Education sector have been characterized by significant institutional and legislative progress, such as the legal establishment of three state-level education agencies, the strengthening of the Conference of Ministers of Education (CoEM), as well as the adoption of four framework laws at the state level. In 2007 these were the *Framework Law on Pre-school Care and Education in BiH* and the *Law on the Agency for Pre-school, Primary and Secondary Education*. In 2008, the *Framework Law on High-school Vocational Education and Training in BiH* and the *Framework Law on Higher Education in BiH* were endorsed. Moreover, the state-level *Strategic Directions for the Development of Education in BiH and Implementation Plan 2008–2015* have been adopted in 2008 by the CoEM and the BiH Council of Ministers (CoM).

Progress has been noted in other areas as well. For example, the number of so-called 'Two-Schools-Under-One-Roof' has decreased from 54 to less than 40, and the BiH CoEM has established a working group to provide recommendations on how to eradicate this practice completely. That this step was locally instigated has been perceived by the international community as a sign of progress towards true ownership of some of the most sensitive issues in the Education sector. The introduction of the Culture of Religion classes in Republika Srpska secondary schools and the use of a new generation of progressive history textbooks in selected schools have facilitated the establishment of an integrated, multi-perspective education system.

Such successes notwithstanding, harmonization of legislation has been slower than anticipated. There is also, as yet, insufficient progress in the implementation of laws. Pupils continue to be ethnically segregated and subjected to ethnically biased curricula in many schools; access to and quality of education are below European standards; and public expenditure on education is inefficient. Moreover, given the difficulties surrounding the functioning of the BiH Rectors' Conference throughout 2008, it has been difficult to get an overview of the Bologna Process implementation, which remains a crucial element of higher education reform. However, both the *Country Development Strategy* and the *Social Inclusion Strategy* recognize education as a priority area and propose to treat it as a key issue of development.

This sector received 0.86 % of total Official Development Assistance (ODA) allocations in 2008 and so far 0.84% of total ODA in 2009 (excluding EC pipeline projects for 2009). These figures indicate that Education is one of the least donor-funded sectors.

Donor activities in 2008 and 2009

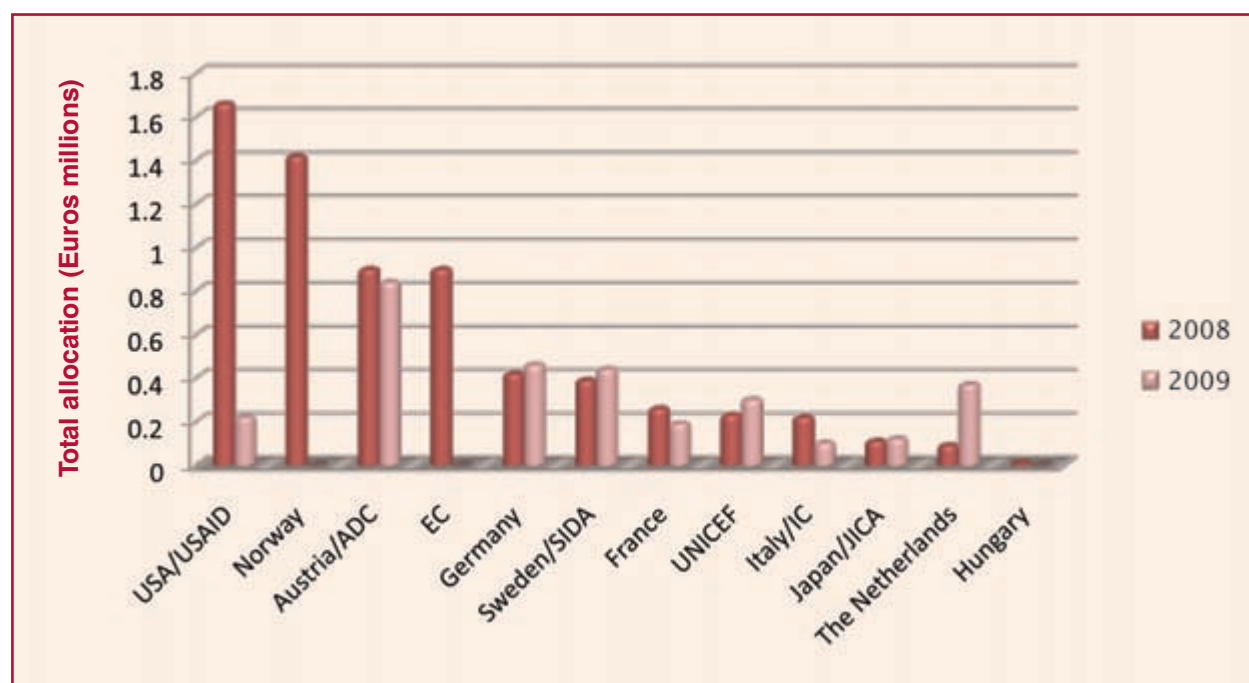
The Donor Coordination Forum (DCF) donors active in the Education sector during 2008 were Austria/ADC, France, Germany, Hungary, Italy/IC, Japan/JICA, the Netherlands, Norway, Sweden/SIDA, USA/USAID, the EC, and UNICEF. A number of donors have indicated that they will enter the Education sector in 2009, namely, Switzerland/SDC/SECO and UNDP.³ In general, donor support aims to highlight education as an element of socio-economic development and move the BiH education system closer to the European education space.⁴ These efforts consist of strengthening the legal and institutional frameworks of the sector, modernising teaching and learning, ensuring access to education and equal treatment in education institutions, establishing stronger links between learning and the labour market, and facilitating the continuous development of teachers⁵.

³ Non-DCF organizations, such as the Council of Europe (CoE), the Organization for Security and Cooperation in Europe (OSCE), the Office of the High Representative and EU Special Representative (OHR), the United Nations Educational, Cultural and Scientific Organization (UNESCO), the European Training Foundation (ETF), Kulturkontakt and World University Service (WUS) Austria, are also active in the Education sector.

⁴ *Development of Education in Bosnia and Herzegovina – State Report*, Ministry of Civil Affairs of BiH, October 2008. pp. 4 and 7. Hereafter: Education – State Report, MoCA, 2008.

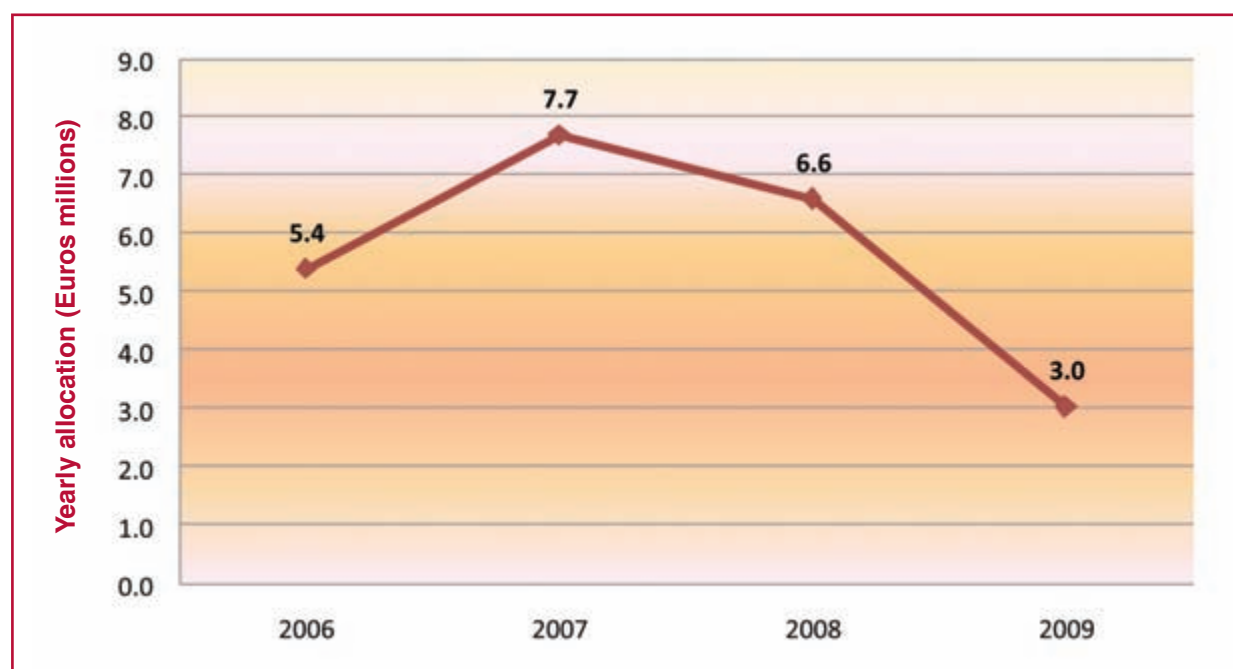
⁵ *Ibid*, p. 9.

Figure 1.1. Donors Active in Education sector 2008-2009



To this end, the total allocation to the Education sector by DCF members was €6.62 million in 2008 and €3.05 million so far in 2009. EC pipeline projects for Education for 2009 (not included in the charts) amount to €3.7 million. Although the 2009 figure may rise in the course of the year, funding to the sector has decreased since 2007, when these agencies allocated a total of €7.69 million. The U.S.A. contributions for Education sector in 2009 are about US \$1.5million (not yet reflected in the database nor the charts).

Figure 1.2. Change in Donors Allocation to the Education sector 2006-2009



Support to the strengthening of legal and institutional frameworks

The EC Delegation is particularly engaged in increasing the efficiency of educational management and administration. Specifically, the EC has assisted in the development of the state-level education strategy, as well as several other internal documents and standards for ministries of education, pedagogical institutes and educational inspection services. Furthermore, the EC has promoted cooperation and coordination among all institutions responsible for education, but donors express concern that this sector continues to be very fragmented and a stronger multi-ethnic approach needs to be implemented.

Since 2008, the EC has also supported the establishment of the three state-level education agencies, as envisaged by the recently adopted framework laws, namely the Agency for Higher Education and Quality Assurance, the Agency for Pre-school, Primary and Secondary Education, and the Centre for Information and Recognition of Documents in the Area of Higher Education (CIP). Although these institutional bodies are yet to become fully functional, it is expected that they will grow into professional and independent institutions, capable of imposing authority through the offer of quality products and setting much-needed education standards in BiH.

The Agency for the Development of Higher Education and Quality Assurance will also receive institution strengthening support from **Austria/ADC**. This donor has been engaged in higher education reform and strengthening quality assurance in university education for several years. In 2009, Austria/ADC plans to support a project with three key objectives, namely capacity development for the Agency's staff, procurement of equipment for the institution, and a media campaign to raise public awareness about the role of the Agency.

The other key stakeholder in educational policy development is **UNICEF**. UNICEF strives to ensure that educational policies are developed with a strong evidence-base and upstream flow of community-level findings. To this end, UNICEF has continued its engagement in policy dialogue on basic education and the promotion of the 'Child-Friendly Schools' concept in 20 communities across BiH. In 2009, UNICEF will also support a project addressing the 'Two-Schools-Under-One-Roof' practice, recommending specific school based programme interventions focusing on the development of skills for peaceful conflict resolution.

Non-DCF member, the **Organization for Security and Cooperation in Europe (OSCE)** has continued advocating the removal of divisive national politics from the classroom and promoting integrated education models, such as those developed in Brčko District. OSCE is the only organization in BiH with a country-wide field presence, thus capable of providing a community view of reform implementation. OSCE had planned to use this capacity to organize a series of school-level discussions on the potential role of the BiH Education Agency and to provide recommendations to appropriate institutions; however, it has postponed this activity until a later time.

Higher education reform

Higher education reform in BiH, as outlined in the relevant Framework Law, is implemented according to the Bologna Process and Lisbon Convention. Reforms foresee the establishment of master and doctoral study programmes, the development of research and development networks at institutions of higher education, the integration of universities and the increase of enrolment rate from 22% to 32%.⁶

To this end, **Austria/ADC** has been supporting the modernization of the higher education curricula since 2002, aiming to align BiH universities to the European Education Area. This project, implemented by WUS Austria, is now entering a new phase, which will support the third level of higher education, namely the master and doctoral levels.

Austria/ADC also attempts to raise the quantity and quality of BiH participation in the 7th European Union (EU) Framework Programme, which is the main instrument for supporting Research and Technological Development in the EU. In order to achieve this, Austria/ADC has supported the creation of the BiH National Contact Point System (NCP), a part of which has now been integrated within BiH Ministry of Civil Affairs' (MoCA) Department of Science, thereby ensuring that this initiative will be sustained. Austria/ADC will continue supporting the NCP until it develops into a sustainable institution.

Finally, Austria/ADC has established a business start-up centre for university graduates in Tuzla, aiming to promote entrepreneurship. The goal is to gain recognition of the Centre as a relevant actor in the development of new methodologies. This project will continue until 2010.

In 2008 **France** started implementing the *Cooperation for Universities and Research Issues* project.

⁶ Education – State Report, MoCA, 2008. p. 11.

Under the Instrument for Pre-Accession Assistance (IPA) 2007, the EC Delegation has launched Phase III of its *Strengthening Higher Education in BiH* project, which aims to support the harmonization and implementation of the higher education law. In addition, the EC Delegation provided funds for *EU Support to the Higher Education Reform in BiH* and a *Feasibility Study of the Reform for Financing Higher Education in BiH*. Universities in BiH still tend to be loose associations of faculties. In order to ensure cost effectiveness and a more efficient use of human resources the law requires that universities become more closely integrated. The EC project will aim to assist in this process, whilst providing support to the development of CIP, as required by the Lisbon Convention.

A number of donors also support the development and/or continuation of various education courses, such as the European Regional Masters in Democracy and Human Rights for South East Europe (**Italy/IC**), the multidisciplinary Masters Programme in Gender Studies (**Norway**), the University Masters Study in Social Work (**Sweden/SIDA**), and the Graduate Business Education Programme (**USA/USAID**). In addition, Norway funds several programmes for the practical education of law students and young lawyers while Sweden/SIDA promotes cooperation between the Stockholm Royal College of Music and BiH music academies.

Pre-primary, primary and secondary education reform

Donors' approach to primary and secondary education reform is focused on promoting tolerance through either common curricula or multi-perspective education initiatives. In addition, donors aim to enhance access to and attendance of education institutions, and to extend coverage to the pre-primary age group.

In 2008 **France** started implementing the *Cooperation for French Language in the New Educational System in Primary and Secondary Schools* project.

Since 2008, **Japan/JICA** has funded an activity to promote and modernize IT education. The project started at the Mostar Gymnasium, bringing together students and teachers from different ethnic backgrounds over a common IT curriculum. The curriculum is now being used in 18 gymnasias in the Federation of BiH (FBiH) and RS.

In 2008, **UNDP**, **UNICEF**, and **UNESCO** started the joint *Improving Cultural Understanding in BiH programme*, funded by the Spanish MDG-Fund. The programme aims to improve cross-cultural understanding in BiH and promote the country's unique multicultural identity by developing and implementing the cultural policy and legal framework, improving cross-cultural understanding at the community level, strengthening the cultural industry and improving tolerance towards diversity. As such a significant part of this programme's activities fall within the Education sector.

In a similar vein, through the Democratic Schools project, UNICEF aims to address discrimination based on religious/cultural and social grounds by teaching children tolerance and respect for diversity. **OSCE** has likewise worked to promote a culture of tolerance by organizing over 100 activities for children of different backgrounds, aiming to expose how much they have in common with other communities. In cooperation with Save the Children, OSCE has launched the initiative *Inclusive Schools – Inclusive Communities*, using the Index for Inclusion, a self-assessment mechanism aimed at determining to what extent a given school is inclusive and democratic and how to improve those two aspects of school life.

In 2008, **USA/USAID** supported a two-year initiative *Prevention of Violence Involving Children and Promotion of Respect for Differences in BiH through the Education System* implemented by Save the Children UK and the BiH Ministry for Human Rights and Refugees. The main objective is to create a mechanism for integration of violence prevention curriculum into mainstream education and to develop local school practices aiming to respond adequately to the presence of violence in schools. Approximately 300,000 primary school age children (6-15-year-olds) will benefit from increased capacities within the educational institutions in BiH to prevent and adequately respond to all forms of violence involving children in cooperation with social, health, police and the non-government sector. Under a community-based initiative aimed at producing School Development Plans, USA/USAID will support the implementation of the Index for Inclusion methodology in 27 municipalities and in over 120 schools.

In 2008, the USA continued implementing the *Civitas* civic education programme, which promotes inter-ethnic cooperation and effective citizenship through the development and implementation of quality education programmes, teaching materials and teacher training efforts at the pre-school, primary, secondary and university levels throughout BiH. More than 4,000 teachers from all parts of BiH were trained in the 2008/09 fiscal year by Civitas. Civitas developed a module on intercultural education and implemented it in cooperation with the OSCE in a project to promote national minorities in BiH in 60 elementary schools from all parts of the country. Civitas Project citizen competitions and the Brčko Summer Camp connect more than 50,000 students from all parts of BiH annually.

In 2009, the RS Ministry of Education moved towards harmonizing the elementary school curricula by including a democracy and human rights course in the elementary school curriculum in cooperation with Civitas which trained 186 teachers and donated 12,000 textbooks to school libraries. In cooperation with Civitas UNICEF has facilitated the introduction of life-skills classes into all BiH

secondary schools. This course uses child-centred, participatory and interactive approaches to enable learners to acquire knowledge and develop attitudes and skills that support the adoption of healthy life styles and care for self and others.

The Quality Assurance in Education in BiH, Community Assistance to Reconstruction, Development and Stabilization project has the objective to draft a proposal of a set of standards for a common essence of educational plans and programs, evaluate models of the learning effects in pre-school, primary and secondary education, pilot a model of the matriculation exam, a model for the reform of the pedagogy institute and its development; and the *Feasibility Study on Reform of Adult Education in BiH* project was realized in cooperation with the European Training Foundation to provide guidelines for development of a strategic document as well as legislation and establishment of the institutions in this area.

Vocational education and training (VET)

BiH is aiming to improve the quality of vocational education and training (VET) in line with the Copenhagen Declaration, which provides for the vertical and horizontal mobility of students. This is a crucial aspect of education reform given that c.70% of students in secondary education enroll into VET programmes. Three donors support VET reform.

The EC's VET III project finished at the end of the first half of 2009, assisting BiH in adhering to the Copenhagen Declaration. During the project the following documents were developed: Manual for the Revenue Initiatives and Activities in VET Schools in BiH; Vocational Education and Training in Schools (VETIS) Model and Consumer Directions; State Generic Qualifications Framework; Standards for Modular Educational Plans and Programmes in VET in BiH, Guidelines for Development VET Modular NPPs in BiH; Pilot Testing, Monitoring and Evaluating Manual for Modular NPPs developed within EU VET project – Methodology General Overview; Concept for Teacher Training in Secondary Education in BiH.

Germany has been involved in VET for over ten years and has a multi-faceted approach to reforms in this sector. Germany assists BiH authorities and VET schools/centres to adapt their subject offers to the current and expected economic needs of the country, while ensuring that the approach used in these schools is compatible with EU requirements and improves students' employability and labour mobility. To this end, Germany works to improve cooperation between schools and the private economy in the metal processing, wood processing and electrical engineering sectors. In addition, Germany also supports job training initiatives for adolescents.

Austria/ADC contributes to two VET projects, both implemented by Kulturkontakt. ECO-Net IV aims to establish a model firm network in economic schools, in order to support the trade and exchange between schools in SEE and thus increase economic competitive abilities within the region. TourReg, on the other hand, aims to support the development of teaching materials and curricula in the tourism vocation.

Education facilities and teacher training (pre-service and in-service)

The **Netherlands**, a new donor in the Education sector, initiated a project in 2008, which aims to improve the quality of life and development opportunities for children from problem-ridden families by creating six day- care centres in different regions of BiH and ensuring that they receive long-term support from the general public as well as the authorities. The centres will provide quality care and child-focused support to beneficiaries.

Norway supported five projects in 2008, aiming to improve educational facilities in different parts of the country, such as the financing of the reconstruction and preparation of one classroom in Stolac high school for joint extracurricular activities; the improvement of conditions for learning, education and pedagogical activity at the Donja Vidovska school in Velika Kladusa; the construction of science laboratories in the Mostar Gymnasium; and the creation of study rooms in the Šekovići public library and the Srebrenica National Library. In addition, Norway has also financed the participation of three history teachers in the Euroclit Bristol conference and organised a teacher exchange programme between the University of Oslo and the University of Sarajevo.

UNICEF has three in-service teacher training programmes on improving school efficiency, educating children to think critically and make informed decisions, and adopting a child-centered approach. Over 500 teachers have benefited from these programmes. In order to assist the schools in creating a positive learning environment, UNICEF has also procured tables, shelves and boards for 90 primary school classrooms.

The above-mentioned **USA/USAID** Civitas programme provides continuous in-service training for pre-school teachers from 40 kindergartens around the country, as well as funding participation of more than 800 children from 42 communities in mobile kindergarten programmes for under-served populations.

The fact that there are no current initiatives to reform pre-service teacher training is considered by donors a development gap, particularly as the reform of Pedagogical Institutes and Faculties has been identified as a national priority under Tempus.

Sector strategies

In 2008, the CoEM and the BiH CoM adopted a state-level education strategy, entitled *Strategic Directions for the Development of Education in Bosnia and Herzegovina and Implementation Plan 2008–2015*. The strategy was developed within the framework of the EC-funded *Institutional and Capacity Building of BiH Education System* project and with the participation of a wide array of stakeholders, primarily from BiH government and educational institutions.

Donor agencies active in the sector consider the strategy to be comprehensive and clear, reflecting a thorough understanding of the current situation and needs at all levels of the Education sector. Not only does the document provide short-, medium-, and long-term objectives, but it also serves as a starting-point for designing action plans and topic-specific strategies within the sector. As such, donors are either aligning their own country programmes to the strategy (by, for example, using it in the UN's Development Assistance Framework planning process) or the strategy has taken their ongoing activities into account.

Although donors are unanimously satisfied with this document, some are concerned that its implementation will require substantial financial resources and implementation capacity. This is particularly worrisome in light of decreasing donor funding to the sector. It is also considered that a monitoring and evaluation framework should be appended to the strategy.

Currently, there are no entity-level education strategies, but a number of topic-specific strategies (as outlined in the information box at the start of the chapter) have been adopted by the BiH CoM.

Donor coordination

Donors continue to take part in semi-formal information-sharing meetings organized by the OSCE and some donors are regularly invited to meetings of the CoEM. The CoEM is an advisory body aiding the coordination of the Education sector. Membership of the Conference includes state, entity, and cantonal Ministers of Education and the Head of the Department for Education of Brčko District. In the absence of formal coordination mechanisms, donors often organise their own briefing meetings for embassies and other development agencies. Such ad-hoc initiatives suggest the need for institutionalized donor coordination and joint planning within the sector.

In recognition of this need, several agencies have suggested to the BiH MoCA to take the lead in bringing both domestic and international stakeholders together. Although the technical details for establishing such a sector working group are yet to be developed, there is strong indication that throughout 2009 a government-led donor coordination body will be established. Several donors have commented that the sector strongly needs increased stakeholder dialogue and they would be keen to support such an initiative, particularly in these politically volatile times. From the Government's perspective, a coordination forum for Education sector donors would represent an opportunity to articulate BiH reform priorities and thus a departure from supply-driven funding.

Future activities

Education sector stakeholders identify a number of areas which have not received substantial donor support, namely formal and informal adult education, pre-primary education, pre-service teacher training, and investment in the physical infrastructure of educational institutions, including in laboratories, machines and equipment. Some donor agencies have also noted that there is an insufficient link between Education sector support and the work done to reduce youth unemployment and therefore suggest that stakeholders should align not just to the Education sector strategy, but also to the planned BiH *Youth Policy and Small and Medium-Sized Enterprises (SME) Charter*. It has also been pointed out that there are currently no initiatives to develop model curricula and education standards for languages, history and geography.

In order to address some of these issues, under IPA 2009, the EC plans to assist local authorities in developing a framework law on both formal and informal adult education and to launch a twinning project for the Agency for Pre-Primary, Primary and Secondary Education, particularly to support the Agency's capacity in data collection according to EUROSTAT and OECD standards. A project to enhance entrepreneurial learning in line with the *SME Charter* will also be funded under IPA 2007.

Until recently, the issue of education financing has not been high on donors' agenda, but in 2008, the OSCE organized a conference on School Rationalization Efforts in SEE. Likewise the EC has recently completed a feasibility study on the financing of higher education and plans to support reforms in this area for higher education under IPA 2008 and for lower levels under IPA 2009. The key reform objective will be to introduce output-based budgeting and medium-term financial planning to all education institutions.

Conclusion

Education sector donors have continued to provide significant support to the conceptualization and implementation of reforms necessary for the creation of an efficient, integrated, high-quality educational system, in line with BiH's supranational commitments. BiH institutions report that donors' assistance has been invaluable in enabling reform in the sector.

Donors praise the legislative and institutional progress in the sector, in particular: the establishment of new state-level education agencies; the adoption of framework laws and a long-term sector strategy; and the intensification of efforts to coordinate effort amongst the various educational institutions. Donors also comment that there is strong ownership of education issues within BiH institutions and, although there may not always be a common direction among stakeholders, there are now a number of reform champions, who deserve considerable praise for their efforts.

Despite these successes, both donors and BiH institutions believe that the pace of reform implementation could accelerate further. Several agencies commented that BiH has state-of-the-art education laws and policies, but they believe that the country needs greater financial and implementation capacity to see through these commitments.

In order to ensure continued progress in the sector, several donors have committed multi-annual funding to projects. The availability of IPA funding for education reform will ensure and strengthen continued donor involvement in this sector. Donors and BiH institutions alike are clear that there is a need to maintain a commitment to the sector and to build on the work that has been started. BiH will have a promising future if today's generation is growing up in a system that promotes tolerance and demands high standards of skills and knowledge. Sustained donor funding can play a vital role in supporting this vision.

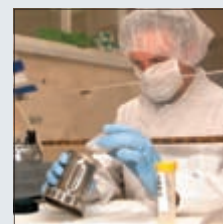
Chapter 2

Health sector

DCF donors active in the sector in 2008–2009	Austria/ADC, Canada/CIDA, France, Germany, Italy/IC, Japan/JICA, The Netherlands, Norway, Switzerland/SDC/SECO, USA/USAID, EC, UNDP, UNICEF, World Bank.
Other key international organizations (IOs)	World Health Organization (WHO), United Nations Population Fund (UNFPA), International Organization for Migration (IOM), the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM), Global Alliance for Vaccines and Immunization (GAVI).
Key government partners	BiH Ministry of Civil Affairs (MoCA), FBiH Ministry of Health, RS Ministry of Health and Social Welfare, Brčko District Department of Health, cantonal Ministries of Health, Health Insurance Funds, Public Health Institutes, and the State Regulatory Agency for Radiation Protection and Nuclear Safety.
Total allocation to the sector in 2008 and 2009 by DCF donors	2008: €9.19 million - €6.55 million in grants and €2.64 million in loans; 2009: €12.56 ⁷ million - €6.5 million in grants and €6.06 million in loans.
Sector strategies	Currently, there is no state-level health system strategy. The FBiH has adopted the <i>Strategic Plan of Development of Health Sector in FBiH for the period 2008–2018</i> , and in the RS, a similar document is currently being prepared. Brčko District adopted its own strategy in 2008: <i>Strategy of Health Development in Brčko District BiH for the period 2008–2013</i> . Primary, secondary and tertiary health care strategies have been adopted at entity level, and a primary health care strategy exists at state level. In addition, the following state-level sub-sector policies and strategies have been adopted to guide health care reform: <i>Disability Policy in BiH</i> ; <i>National Strategy on Supervision over Narcotic Drugs, Prevention and Suppression of the Abuse of Narcotic Drugs in BiH for the period 2009–2013</i> ; <i>National Strategy to Prevent and Combat HIV/AIDS</i> ; <i>Strategy for Prevention of IDD⁸ in BiH</i> ; Finally, the EC has developed a Road Map of European Integration Priorities and Requirements in the Health Sector.
Donor coordination	In the absence of a sector-wide coordination group, donor activities in the Health sector continue to be coordinated on an ad-hoc basis or in the context of sub-sector working groups. Sub-sector working groups include the Country Coordination Mechanism (CCM) in the field of HIV/AIDS and Tuberculosis, the Inter-Agency Coordinating Committee on Immunization Issues, and the United Nations Theme Group on HIV/AIDS.

⁷ including EC 2009 Pipeline project in the amount of €1.5 million

⁸ IDD – Iodine Deficiency Disorder



Overview

Since 1997, the primary emphasis of Health sector reform in Bosnia and Herzegovina (BiH) has been on the introduction of the family medicine model and improvement of primary health care. Donors and international organizations have provided significant support in the realization of these efforts, in terms of financial and technical assistance to strategic planning, policy development, and institution building, and in the development of professional capacities at all levels of the Health sector. Reform implementation has seen steady progress, with an expanding network of family medicine teams across the country and a strengthened institutional framework supporting the model.

In addition to the continuation of primary care reform, significant donor support in 2008-2009 has been provided for the prevention and treatment of communicable diseases, particularly for HIV/AIDS and tuberculosis (TB), and the reform of mental health services, in favour of a more community-orientated model of care. In general, donors fund initiatives which aim to modernize health care services, whilst ensuring equity and efficiency in the delivery, financing and administration of the system. International agencies express satisfaction with reform implementation in the Health sector, although they note that change could be faster and that significantly more needs to be done to bring the BiH health system and health outcomes up to European standards.

This sector received 1.20% of total Official Development Assistance (ODA) allocations in 2008 and, so far, 3.04% of total ODA in 2009 (excluding EC pipeline projects for 2009). These figures indicate that Health is one of the least donor-funded sectors.

Donor activities in 2008 and 2009

Donor Coordination Forum (DCF) donors active in the Health sector during 2008 were Austria/ADC, Canada/CIDA, France, Germany, Italy/IC, Japan/JICA, Switzerland/SDC/SECO, the Netherlands, Norway, USA/USAID, the EC, UNDP, UNICEF, and the World Bank. Non-DCF organizations, such as the World Health Organization, the United Nations Population Fund, the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM), the Global Alliance for Vaccines and Immunisation (GAVI) and the International Organization for Migration (IOM) are also active in the Health sector.

The allocation to the Health sector by DCF members was €9.19 million in 2008 and €12.56 million (including EC pipeline projects for 2009 to the value of €1.5 million) so far in 2009. The total amount for 2008 and 2009 contains a €8.7 million concessional loan by the World Bank.

Figure 2.1. Total Allocation to the Health sector in 2008-2009 (Euros millions)

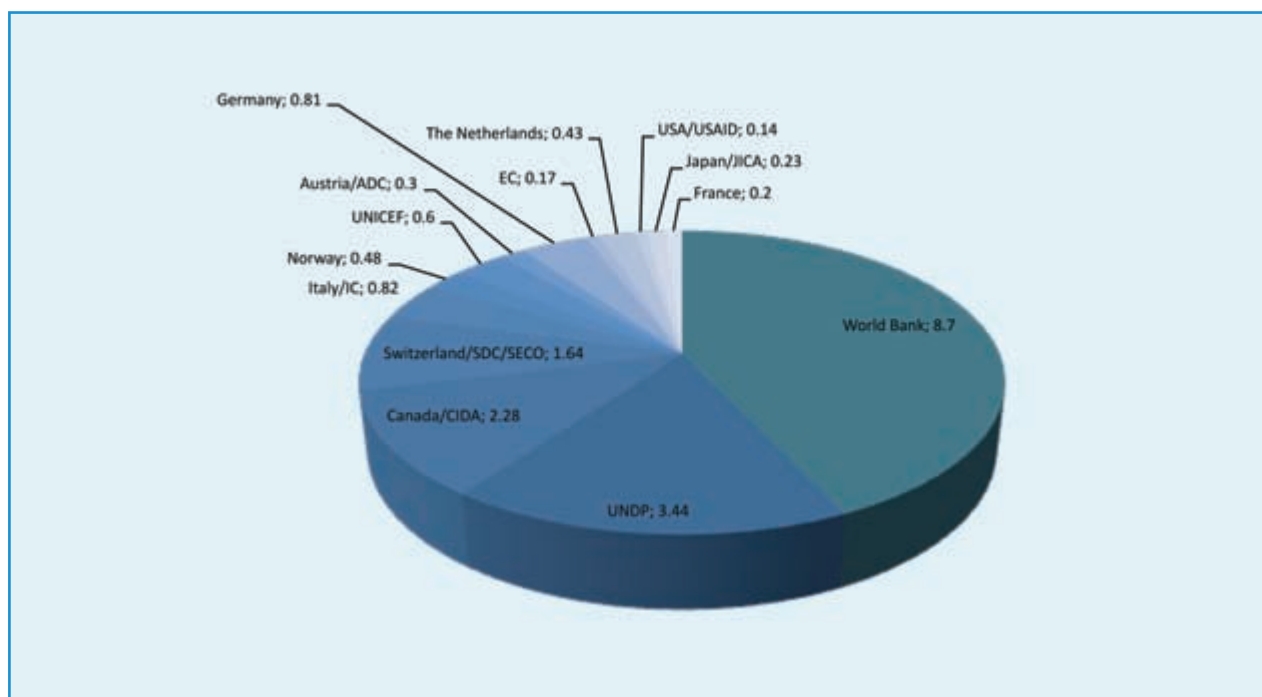
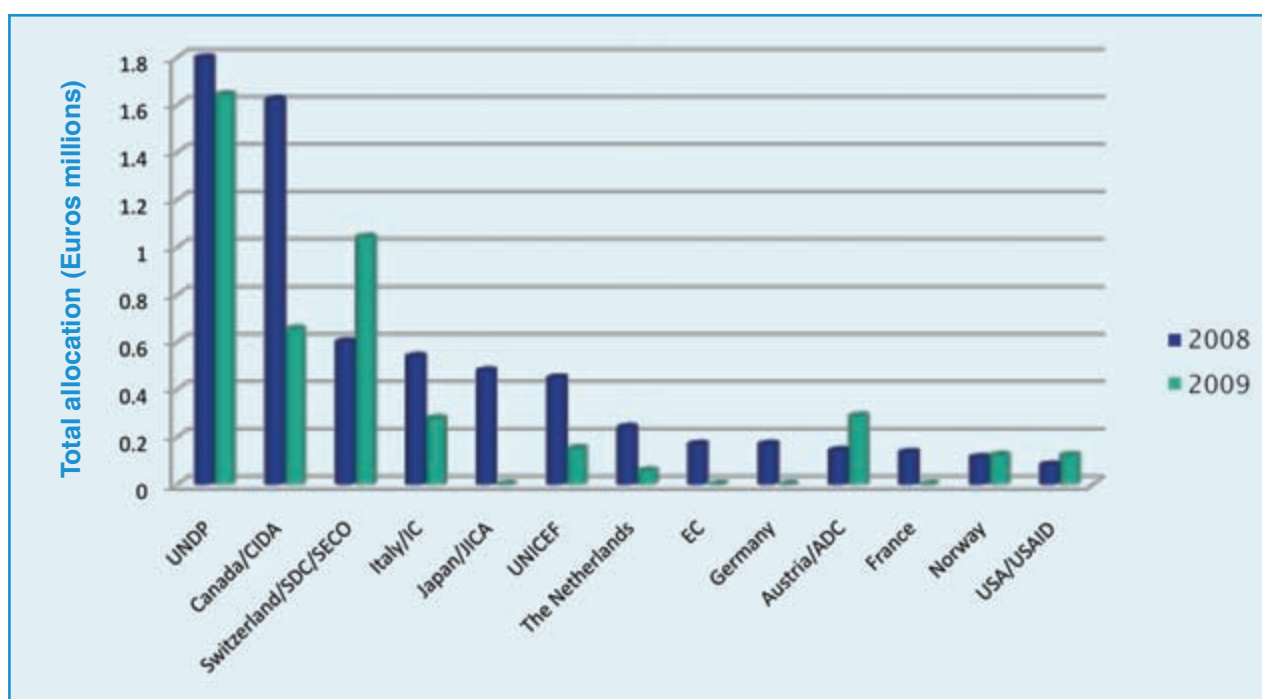
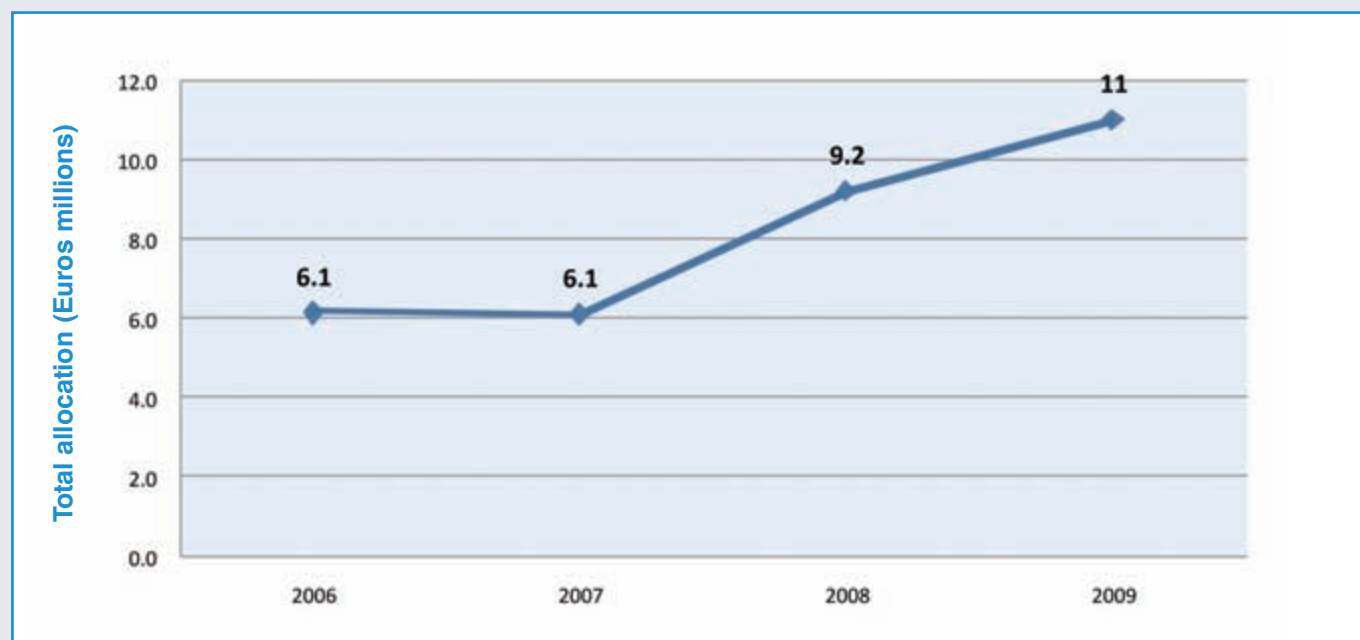


Figure 2.2. Total Allocation to the Health sector in 2008-2009 Grants only (Euros millions)



Funding to the Health sector has increased from 2007 to 2008 and donors may allocate additional funds in the course of 2009.

Figure 2.3. Change in Donors Allocation to the Health sector 2006-2009



Support to the strengthening of legal and institutional frameworks

Until mid-2008, the EC's focus was on strengthening the BiH health care systems for EU Integration by boosting institutional capacities at the state, entity and Brčko District level. Through its two-year project the EC has assisted the establishment and functioning of the Health Department in BiH MoCA as well as the foundation of a Ministerial Conference for Health in BiH, thereby reinforcing state-level coordination capacities in the sector. Moreover, with EC support, a structure for reporting health indicators to EUROSTAT was established and the first set of statistical data in accordance with EUROSTAT standards was prepared. The EC has also encouraged harmonization of health legislation with the *acquis* and developed a road map for activities necessary for EU integration.

The EC's focus in the health sector was on strengthening the institutional capacity of the Federation of BiH (FBiH) Agency for Healthcare Quality and Accreditation and the Republika Srpska (RS) Agency for Accreditation and Health Care Quality Improvement. This twinning light project, funded through the Community Assistance to Reconstruction, Development and Stabilization (CARDS) National Programme, was aimed at supporting the Agencies in developing accreditation programmes for different service providers, including hospitals, local health facilities (*dom zdravlja*) and family medicine teams, in order to ensure and demonstrate their quality and safety. Through the Instrument for Pre-Accession Assistance (IPA) 2007 the EC is also implementing a project which aims to introduce biosafety cabinets in microbiological labs.

In BiH health issues are entity-level competencies, but BiH MoCA has responsibility for coordinating activities and harmonizing plans of the Entity authorities and defining a strategy at the international level in the field of health. In order to clarify how these roles can be harmonized with international reporting and monitoring obligations, in 2008, the WHO signed a Memorandum of Understanding (MoU) with BiH clarifying its contact with the authorities and developing single channels for reporting, representation, and correspondence and implementation of International Health Regulations (IHR 2005)⁹. WHO has been assisting BiH MoCA in fulfilling its obligations under the MoU.

WHO also provides significant support to the strengthening of the institutional framework in the Health sector. In particular, WHO aims to improve the health system stewardship and health information management in order to enable BiH authorities to implement the Health System Reform Plan. In essence, WHO promotes a method of "good governance", in which the government has responsibility for the health of the population and the provision of accurate information on system performance and health outcomes. To this end, WHO has been assisting entity-level institutions in designing health system strategies and will provide support to BiH MoCA in

⁹ WHO, International health regulations (2005) - 2nd ed., 2008. - http://whqlibdoc.who.int/publications/2008/9789241580410_eng.pdf

developing a framework reform strategy. Moreover, WHO aims to work towards the improvement of the quality and availability of information to support evidence-based decision making in the sector. WHO also provides policy advice on the development of a health finance policy.¹⁰

UNICEF's focus in institutional development is on social inclusion, gender-based violence and child-abuse referral mechanisms in BiH. In a recently started project UNICEF is working to develop, test and evaluate a pilot model for such a mechanism and to adjust it for further replication. Moreover, the project aims to scale up the existing referral mechanism and follow-up on its official endorsement by the Government. A new *Enhancing the Social Protection and Inclusion System for Children in BiH* project will be implemented by UNICEF with EC support and in partnership with MoCA, BiH Ministry of Human Rights and Refugee, RS Ministry of Health and Social Welfare, FBiH Ministry of Labour and Social Policy, and Government of Brčko District. UK/DFID and the Government of Norway will also support this project.

Primary health care reform

The key direction in primary health care reform is the introduction of the family medicine model. This model promotes an efficient system of care, reorienting services from the secondary and tertiary level to the primary level, and dedicating resources to public health, health promotion and disease prevention.

The two main donors supporting the roll-out of the family medicine model are Switzerland/SDC/SECO and the World Bank. **Switzerland/SDC/SECO** is currently implementing the fifth phase of its *Family Medicine Implementation Project*, which focuses on the development and strengthening of the network of social-health services at the community level to enhance accessibility for marginalized groups. In addition, the project promotes the continuous professional development of family medicine teams and community nurses and strengthens their outreach activities, while integrating selected health promotion activities. The project pays particular attention to vulnerable populations and therefore aims to develop links between family medicine, the social sector and civil society organizations.

The **World Bank's** approach to restructuring and strengthening primary health care is also through the introduction of the family medicine model. Their programme has three objectives: to address sectoral inefficiencies and enable the sector to deal with core health issues in a cost effective manner; to build capacities to manage and implement essential changes in service delivery; and to strengthen the policy making process through the development and implementation of a system for monitoring and evaluating health sector performance. The *Health Sector Enhancement Project* will continue until 2010 and is the World Bank's fifth intervention in the field of health care. The World Bank's activities cover BiH in its entirety.

Both **Switzerland/SDC/SECO** and the World Bank are taking measures to ensure local ownership and the long-term sustainability of their activities. Switzerland/SDC/SECO has introduced a co-financing requirement by BiH health institutions and has transferred project execution to a national foundation, the Fondacija Fami, whereas the World Bank project is directly implemented by entity ministries of health. Health sector stakeholders perceive this common strategic direction as being very positive and are satisfied with the speed of implementation, although some donors have expressed concern that in the absence of a sector-wide coordination mechanism there could be discrepancies between the models introduced by these two agencies.

Canada/CIDA supports primary health care reform and the introduction of the family medicine model by providing technical advice on the design and implementation of reforms in key areas, including policy development, strategic planning and human resource management, while integrating gender equality as a cross-cutting theme. Canada/CIDA specifically focuses on the development of capacities to design and deliver youth-friendly models of health counseling, diagnosis, and treatment and the promotion of healthy life-style choices among young people. Canada/CIDA also supports WHO in the development of quality of care standards and integrated care models for select health conditions. CIDA will withdraw from BiH by August 2009 and will manage its ongoing projects from Belgrade.

WHO's effort to integrate quality improvement and continuity of care aspects into ongoing primary health care reforms will continue beyond the end date of the project funded by Canada/CIDA. WHO will propose a framework for expanding the integrated care delivery model, review existing quality assurance systems in BiH and provide recommendations and training for more effective health management capacities.¹¹

¹⁰ Biennial Collaborative Agreement (BCA) between BiH and the Regional Office for Europe of the WHO 2008/2009.
<http://www.euro.who.int/document/bca/bih0809.pdf>

¹¹ WHO BCA 2008–2009. pp. 6–7.

Public health reform

A further element of **Canada/CIDA**'s health programming in the Balkans is the encouragement of civil society to act as advocates for public health and watchdogs in monitoring the impact of health reform on primary health care. In order to achieve this objective Canada/CIDA works to strengthen nascent public health associations in BiH.

In 2008, **UNICEF** supported the Government of BiH to implement a comprehensive *Strategy for Prevention of IDD in BiH*, and has supported the two entity Ministries of Health, their national teams and a team of health professionals from Brčko District to collect accurate information regarding the situation in BiH related to IDD and iron deficiency anemia in pregnant and lactating women.

It is foreseen that under the IPA 2007 and IPA 2008 programmes the EC will support the reform of public health through assistance to entity Public Health Institutes and strengthen state-level efforts to coordinate reporting, data collection and health promotion.

Mental health reform

The reform of the mental health system in BiH began in 1996 with a primary focus on community level care. This includes reduced reliance on psychiatric institutions, the establishment of a network of community-level mental health centres and the development of various forms of mental health support within the community. The establishment of a regional center for mental health, to be located in BiH, is also foreseen.

Switzerland/SDC/SECO is currently preparing a three-year project to support the further enhancement of the existing primary level mental health care system in BiH. To this end, Switzerland/SDC/SECO has financed the preparation of a *Situation Analysis and Assessment of Community Mental Health Services in BiH*. The project, planned to start in 2009, will aim to foster the implementation process of reform strategies in order to improve quality and access to mental health care at the community level.

Similarly, **Italy/IC**, in the context of a new project started in 2008, is providing support to the RS authorities in the implementation of their mental health strategic goals. Primarily, Italy/IC will support the establishment and operational functioning of 22 centres for mental health.

The **Netherlands**, **Austria/ADC** and **Norway** provide assistance for psychosocial counseling. The Netherlands, through its support to NGO *Snaga Žene*, helps vulnerable groups in general, whereas **Austria/ADC** focuses on traumatized children and Norway on improving governance and interethnic cooperation through *eHealth and the Transcultural Psychosocial Education Foundation* project, to run from 2008 till 2010. The latter project will conduct a gender-sensitive survey of the social situation of women returnees in order to identify their needs in relation to their rights to pension, health, social care and employment, while increasing the capacity of women's NGOs and employment offices to deal with the challenges of women returnees. Furthermore, the project will provide empirical evidence to the Gender Mechanisms.

Prevention and treatment of communicable diseases

Donors' focus in the prevention and treatment of communicable diseases is on HIV/AIDS and tuberculosis (TB). Although the prevalence of both diseases in BiH is currently less than 0.1% donors support prevention measures to ensure that this situation does not change for the worse. Other areas of work include immunization and preparation for a potential Avian Flu outbreak.

UNDP is currently administering implementation of two projects funded by GFATM to the value of c. €10 million. The HIV/AIDS project takes a multi-faceted approach to fighting the disease including prevention focused on vulnerable groups, treatment of people living with HIV/AIDS through voluntary counseling and testing (VCT) services and referral systems, and decreasing the stigma against people affected by the disease. The TB project, entitled *Further Strengthening of the DOTS Strategy in BiH*, aims to strengthen the laboratory network, the recording and reporting system, as well as national monitoring and evaluation system for tuberculosis. UNDP has been selected as the Primary Recipient for both projects, but it is foreseen that, as national capacities are strengthened, responsibility for these initiatives will be transferred to the BiH Government.

UNICEF's HIV prevention activities are primarily targeted at youth, the group which reportedly experiences the highest rates of infection in the region. To this end, UNICEF works with young people to understand sources of risk behavior and has used its research findings to ensure that the Government treats HIV/AIDS as an issue of concern. Under its current activities UNICEF is aiming to strengthen the national coordination mechanisms for HIV/AIDS, review progress in implementing the *National Strategy to Prevent and Combat HIV/AIDS* in order to support its revision, and to enhance the rights of people living with HIV/AIDS.

Germany provides professional, organizational and financial support to ensure independent and sustainable info-points, customized to youth, and participatory learning methods at the local level. In 2009 GTZ started the project *Support to sexual and reproductive health and HIV prevention among youth* to be implemented in cooperation with entity Ministries of Health until 2011.

WHO is engaged in the prevention and treatment of communicable diseases in several ways. On the one hand, WHO provides recommendations on establishing appropriate country mechanisms for the exchange of surveillance information and reports on communicable diseases, in line with IHR 2005. To this end, BiH must develop capacities at all levels. In addition WHO provides policy recommendations on strengthening BiH's immunization programme in order to control priority vaccine preventable diseases. Finally, WHO offers technical advice to the implementation of the Global Fund projects and provides recommendations on monitoring and evaluation mechanisms of the country's TB programmes.¹²

UNICEF is also active in promoting and improving immunization service delivery, particularly to socially excluded communities of BiH. UNICEF continues to provide technical assistance to the three governments of BiH (state and two entity governments) in taking over the customs clearance procedure and distribution of GAVI-donated vaccines in the country. Furthermore, with UNICEF's technical support, the Inter-agency Co-ordination Committee continued to hold meetings and engage in collective decision-making with the two entities and Brčko District on issues related to national immunization policies and activities.

In 2008, the **World Bank** allocated a US \$5 million loan to the *Avian Influenza Preparedness Project*, which aims to minimize the threat posed to humans and the poultry industry by highly pathogenic avian influenza (HPAI) and other such viruses. In cooperation with other agencies such as WHO, UNDP, UNICEF, the EC, and USA/USAID, the World Bank is using the evidence and lessons learned from international best practices to help ensure that BiH's emergency preparedness plans and capacities are ready for the HPAI challenge. Complementary to the World Bank's efforts, **USA/USAID** is funding a project, implemented by UNICEF, which aims to prepare for a potential avian influenza outbreak by supporting a community-based information campaign on the actions that can be taken to prevent the spread of the disease.

Medical facilities and professional training (pre-service and in-service)

Austria/ADC, Germany and Italy/IC support initiatives to improve the quality of life for elderly people. **Austria/ADC** has financed the establishment of a day-care centre in Zenica, whereas **Germany** has provided furniture and an elevator for an old people's home in Banja Luka. Germany has also supported the construction of a Centre for Early Intervention and Treatment of Disabled Children. **Italy/IC** has financed the establishment of both a mobile technical team and home care services for senior citizens.

Through its new project, **Japan/JICA** works to improve the pain therapy treatment skills of medical staff in major BiH cities. Similarly, Austria/ADC supports the establishment of a pain therapy network for disabled persons. Since 2008, **France** organizes regular exchanges and trainings between French and BiH doctors and students.

Sector strategies

Given that the Health sector is under the jurisdiction of entity line ministries, most of the laws, strategies and other documents regulating health issues exist at the entity, rather than at the state, level.¹³ For example, both entities have primary, secondary and tertiary health care strategies. In addition, a comprehensive health system strategy, entitled the *Strategic Plan for Health-Sector Development in FBiH for the period 2008–2018*, has been adopted and a similar document is currently being prepared in the RS. Both documents were developed with support from WHO.

Currently, there is no state-level health strategy. In order to address this gap, WHO will support BiH MoCA in drafting a framework *Development Strategy for the Health Sector*, which will harmonize elements of the entity-level documents, such as the rolling out of the family medicine model, the rationalization of hospital networks, and the strengthening of the public health sector. Moreover, given the wide representation of health issues in the *acquis communautaire*, the EC has developed a *Road Map of European Integration Priorities and Requirements in the Health Sector*, which summarizes the obligations BiH must fulfill in order to be considered for EU membership.

Other existing state-level health strategies and policies include the *Primary Health Care Strategy*, the *Strategy for Prevention of IDD in BiH*, the *Resolution on Health Policy for all Citizens of BiH*, the *WHO Framework Convention on Tobacco Control*, and the *Declaration on Long-term Regional Programme of Cooperation and Mental Health Development in South Eastern European Countries*.

¹² WHO BCA 2008–2009. p.7

¹³ State level laws, BiH Law on Prevention and Suppression of Abuse of Narcotic Drugs, BiH Law on Food, BiH Law on Poison Circulation.

In addition, a number of state-level Health sector documents are currently being developed, such as the *Pandemic Preparedness and Control Plan for BiH*¹⁴, the *Action Plan for Implementation of Disability Policy in BiH*¹⁵, the *State Action Plan for the Fight Against Narcotics Abuse*, the *new National Strategy to Prevent and Combat HIV/AIDS for the period 2009-2014* and the *Strategy for the Prevention of Tuberculosis in BiH*. Most of these documents have been or are being prepared with support from international donors.

Donor coordination

In the absence of a sector-wide coordination group, donor activities in the Health sector are coordinated on an ad hoc basis or in the context of sub-sector working groups. While some donors report that information sharing and bilateral coordination among international agencies is adequate, others believe that it could be better integrated with the work of state institutions in the sector. In general, all donors would welcome greater government-led coordination, to bring together health sector stakeholders from both the international community and different government levels.

A number of sub-sector working groups have been functioning for several years, ensuring coordination among stakeholders on specific topics. For example, the *Country Coordination Mechanism* in the field of HIV/AIDS and TB brings together 27 representatives from government institutions, international agencies, civil society organizations and people affected by HIV and TB. A similar initiative is the Inter-Agency Coordinating Committee on immunization issues, which is a requirement of GAVI. Finally, the United Nations Theme Group on HIV/AIDS brings together the various UN agencies working on any aspect of combating the disease.

The *Conference for Health Sector in BiH* is the highest advisory and coordinating body in the area of health protection. The membership of the Conference includes Minister of Civil Affairs of BiH, entity Ministers of Health and the Head of the Department for Health of Brčko District. WHO, UNICEF, UNDP and the EC are often invited to meetings of the Conference, depending on the topic of discussion.

Future activities

Areas of donor support in the Health sector are well defined and assistance is provided to most elements of ongoing reforms. Donors express the opinion that the primary emphasis should be on continuing what has been started, particularly in the development of health information systems, public health, immunization, and financing reform. From the BiH Government's perspective, the key priorities in the medium-term future include the alignment of existing legislation with EU legislation and the development of strategic documents relevant to certain segments of health care, such as medical waste, communicable diseases and mental health.

It is foreseen that under IPA 2007 the EC will support public health reform efforts and under IPA 2008 financing will be provided for the reform of secondary health care. The key reform objective will be to introduce output-based budgeting to develop a more efficient hospital network. Under IPA 2008 the EC also plans to support the establishment of a calibration laboratory and to provide equipment for the protection of staff working with radioactive materials (hot labs), whereas under IPA 2009 the EC will finance the procurement of a mammograph. The EC will also implement a twinning project for the state-level Pharmaceutical Agency under IPA 2008. Mental health is a medium-term EC priority.

Conclusion

In 2008 the Health sector was one of the least donor funded sector in BiH. On the one hand, this could be an indication that the reform process – at least at the primary care level – is progressing well. On the other hand it could signal donors' limited interest in this area of work. Many aspects of health reform, such as secondary and tertiary reform are yet to be comprehensively tackled and work started in other areas, such as the development of health information systems, continues to need further support.

It is a sign of hope that several donors have indicated their ongoing support to either the policy level or the community level and some donors are engaging in new, longer-term programming. Nevertheless, few donors identify the Health sector as a main area of priority. This provides a potential opportunity for donors to increase their engagement in the sector and to have a strategic influence on its further development.

¹⁴ This document is being prepared by a BiH Working Group with representation from BiH MoCA, entity ministries of health, Brčko District Department of Health and the BiH Veterinary Office. The Working Group is assisted by WHO, the World Bank and UNDP.

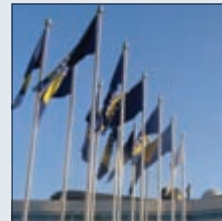
¹⁵ Supported by the Finish Government.

Chapter 3

Good Governance and Institution Building

DCF donors active in the sector in 2008–2009	Austria/ADC, Canada/CIDA, France, Germany, Hungary, Italy/IC, The Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, UK/DFID, USA/USAID, EC, UNDP, UNICEF, World Bank
Other key international organizations (IOs)	The Organization for Security and Cooperation in Europe (OSCE), the Office of the High Representative and EU Special Representative (OHR), Council of Europe (CoE)
Key government partners	For LJR: BiH Ministry of Justice, RS Ministry of Justice, FBiH Ministry of Justice, BiH Prosecutor's Office, High Judicial and Prosecutorial Council (HJPC), the BiH Court; For PAR: BiH Public Administration Reform Coordination Office (PARCO) and BiH Council of Ministers (CoM) For CS: Civil Society Board; For HR: BiH Ministry of Human Rights and Refugees, FBiH Ministry of Refugees and Displaced Persons, RS Ministry of Refugees and Displaced Persons, and Ombudsman Institutions.
Total allocation to the sector in 2008 and 2009 by DCF donors	2008: €42.05 million - €0.68 million in loans 2009: €59.75 ¹⁶ million - €3.33 million in loans
Sector strategies	<i>BiH Justice Sector Reform Strategy; Strategy against Juvenile Offending for BiH; Public Administration Reform Strategy and Action Plan; National War Crimes Prosecution Strategy; draft Revised Strategy of Bosnia and Herzegovina for the Implementation of Annex VII of the Dayton Peace Agreement (developed)</i>
Donor coordination	PAR: PARCO-led quarterly coordination meetings LJR: MoJ SSPACEI-led quarterly coordination meetings Civil society: Civil Society Coordination Group Human Rights: ad hoc, project-based, bilateral meetings

¹⁶ Including €27.49 million EC pipeline projects to commence in 2009



Overview

Good Governance and Institution Building incorporates Public Administration, Legal and Judicial Reform, Civil Society and Human Rights. In 2008 and 2009 all of these sub-sectors have received significant assistance by donors. Indeed, during recent years international agencies have been gradually withdrawing their support from the Human Rights and Civil Society sub-sectors. It has to be pointed out, however, that donors are increasingly incorporating civil society and human rights-related issues into other projects. Within the Good Governance and Institution Building sector it is Public Administration and Judicial Sector reform that attract the bulk of donors' attention. Their continued support to these sectors contributed to sustained progress in these areas.

For example, in Public Administration Reform (PAR) area the PAR Fund, which was established in 2007 by several donors, became fully operational in early 2008. Projects under the PAR Fund have been prepared and managed by the Public Administration Reform Coordination Office (PARCO), which is indicative of the local ownership of the PAR-related processes. Donors generally commend PARCO's capacity to implement the PAR Action Plan. Nonetheless, although 11 projects to the value of 8 million BAM have been adopted so far, significant additional financial resources will be needed for the implementation of all components of the Action Plan.

The years 2008 and 2009 have also witnessed progress in the Legal and Judicial Reform (LJR) sub-sector. Examples of positive developments have been the adoption in June 2008 of the *Justice Sector Reform Strategy* (JSRS) and the adoption in December 2008 of the *National War Crimes Prosecution Strategy* to tackle the large backlog of war crimes' cases in Bosnia and Herzegovina (BiH). However, a planned multi-donor basket fund to implement the JSRS is yet to be created. This fund is expected to become operational early 2010.

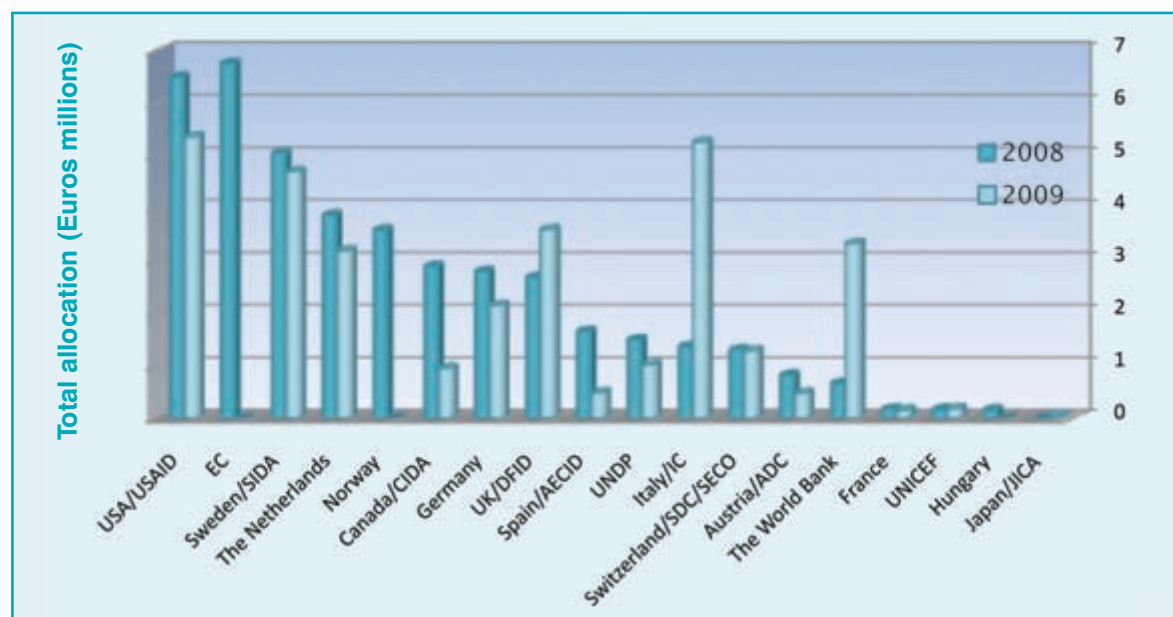
Following the signing of the Memorandum of Understanding between the BiH Council of Ministers (CoM) and representatives of civil society organizations two years ago, relations between civil society and the public sector have entered a new era. The establishment of a Sector for Civil Society within the BiH Ministry of Justice (MoJ) which is in charge of coordination with NGOs and the adoption of the Republika Srpska *Law on Voluntarism* are two of the success stories related to civil society development in BiH in this period. On 31 March 2009 the Civil Society Board, Centre for Civil Society Promotion, NGO council, and other NGO Coalitions, NGOs, MoJ Sector for Civil Society and other government and donor representatives hosted a USAID-supported conference *Strengthening the Culture of Dialogue and Partnership between the Government and Civil Society* held under the auspices of the Chairman of the CoM, Mr. Nikola Špirić. The organization of this conference indicates the Government's will to involve civil society further in the decision-making processes in the country.

This sector received 5.49% of total Official Development Assistance (ODA) allocations in 2008 and, so far, 8.86% of total ODA in 2009 (excluding EC pipeline projects for 2009).

Donor activities in 2008 and 2009

The Donor Coordination Forum (DCF) donors active in Good Governance and Institution Building during 2008 were Austria/ADC, Canada/CIDA, France, Germany, Hungary, Italy/IC, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, UK/DFID, USA/USAID, the EC, UNDP, UNICEF and the World Bank. In 2009 Italy/IC, Japan/JICA, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, UK/DFID and USA/USAID launched new projects in this area.

Figure 3.1. Donors Active in the Good Governance and Institution Building sector 2008-2009



Total allocation to Good Governance and Institution Building by DCF members was €42.05 in 2008. So far in 2009 donors have earmarked €59.75 million, including EC pipeline projects for 2009 to the value of €27.5 million. The World Bank contribution for 2008 and 2009 is a loan. EC pipeline projects for 2009 have not been included in Figures 3.1, 3.2 and 3.3. When EC pipeline projects are taken into account it becomes evident that this is one of the few sectors which is attracting increasing support from the international community.

Figure 3.2. Change in Donors Allocation to the Good Governance and Institution Building sector 2006-2009

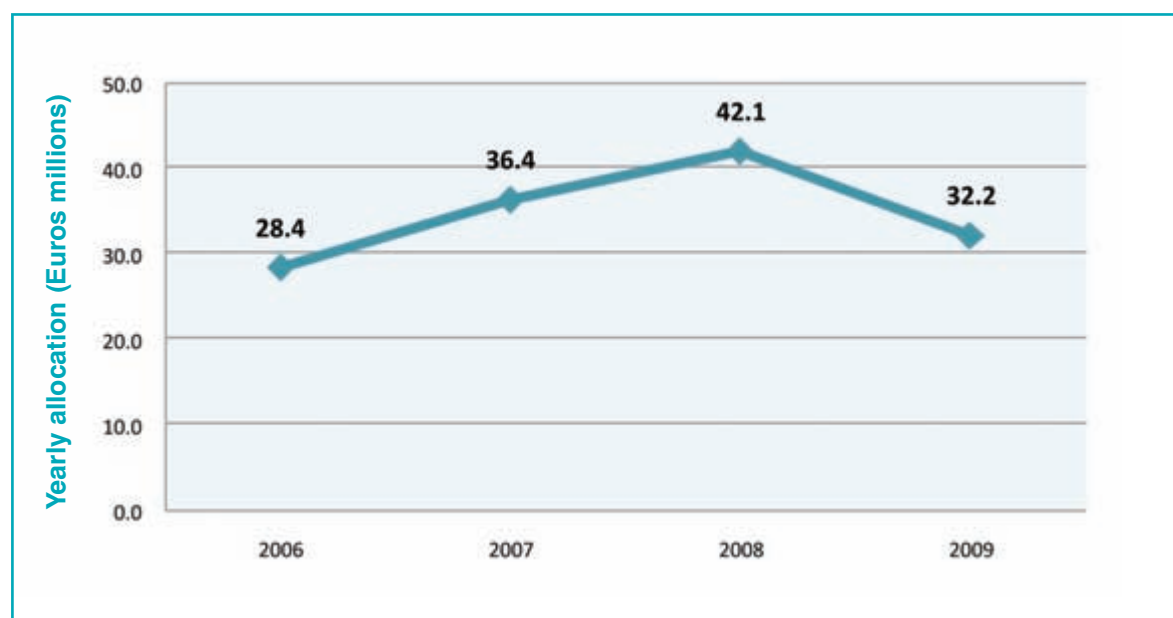
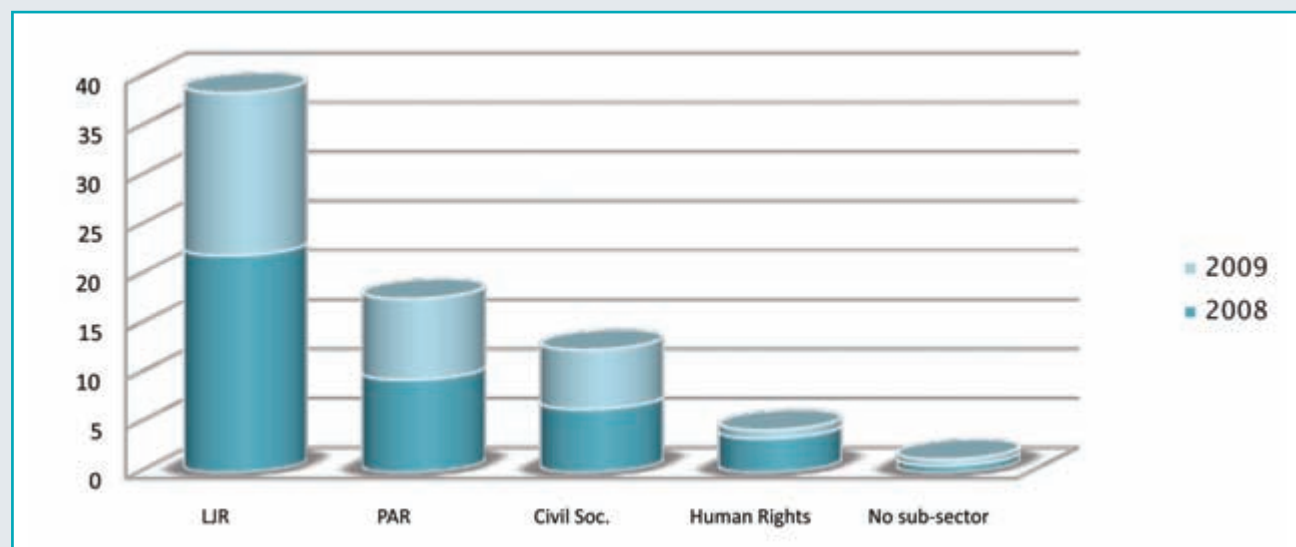


Figure 3.3 indicates that LJR and PAR receive the bulk of donor funding. Nevertheless, these sub-sectors will need additional contributions in the near future in order to be able to implement the PARS and JSRS respectively. It should be borne in mind that although the cross-cutting sub-sectors of Civil Society and Human Rights appear to be under-financed (when compared to the other sub-sectors in the area of Good Governance), they are often supported as a side-effect of donor involvement in other fields. For example, donor-funded projects in the Education, Youth or Gender areas are often implemented by local NGOs, thus strengthening civil society and sometimes enhancing human-rights issues as well.

Figure 3.3. Donors' Allocation to the Good Governance and Institution Building sub-sectors 2008-2009 (Euros millions)



Legal and Judicial Reform

More than half of donor support for 2008 and 2009 went to the Legal and Judicial Reform (LJR) sub-sector. This fact is indicative of international agencies' commitment to this area of reform. For the sake of brevity, specific projects supported by donor agencies in 2008 and 2009 in all sub-sectors will not be listed in detail.

In 2008 **Austria/ADC** provided support to the State Court, with a particular focus on the establishment and functioning of the War Crimes Chamber as well as the financing of international judges.

During the same year **UNDP** also completed a project supporting the War Crimes Chamber in BiH and designed a follow up phase in support of local judiciary. UNDP trained legal professionals to enhance their independency and professionalism. The projects were a part of the overall efforts of the local authorities and the international community to support the establishment of specialized Sections for War Crimes of the Court of BiH and Prosecutor's Office of BiH.

In 2008 and 2009 **USA/USAID** worked in the same area by providing funding for secondees to help investigate, prosecute and sentence war criminals and individuals engaged in organized crime and corruption. USA/USAID's resident legal advisor provided training and educational opportunities to judges, prosecutors, and other legal staff throughout the country. USA/USAID continued to implement their Justice Sector Development project, which aims to strengthen the High Judicial and Prosecutorial Council (HJPC), support the state MoJ as well as institute uniform policies and practices in court administration to ensure that legal questions are heard and resolved efficiently and equitably. The *Legislative Strengthening* project, which ended in 2008, aimed at enhancing the institutional capacity of the BiH Parliamentary Assembly while increasing public participation in the legislative process. In 2009, USA/USAID also provided an intermittent legal advisor to the BiH State Prosecutor to improve prosecution capacity for human trafficking, war crimes and economic crimes cases.

Norway also contributed funding to the Registry Section I for War Crimes and Section II for Organized Crime, Economic Crime and Corruption of the Court of BiH and the Special Departments for War Crimes and Organized Crime of the Prosecutor's Office of BiH. In 2008 Norway assisted the drafting of the Commentary on BiH Constitution via the Konrad Adenauer Stiftung Foundation. Norway also financially supported the Office of the High Representative and the European Union Special Representative (OHR) and the European Union Police Mission (EUPM). The **Netherlands** similarly supported the Office of the State Court Registry as well as financing one international judge for the War Crimes Chamber of the Court of BiH.

In a similar vein **Spain/AECID** assisted selected domestic institutions such as the above-mentioned Registry and the Public Prosecutors Association in BiH. In a joint effort **Switzerland/SDC/SECO**, UNDP and Spain/AECID sought to support national capacities for Transitional Justice (TJ) in BiH by fostering population awareness of TJ's importance, deepening government and civil society understanding of TJ, building government and civil society partnership and informing the *National War Crimes Prosecution Strategy*.

In 2008 **Canada/CIDA** continued working towards involving civil society in public policy dialogues and programme implementation through the development of service delivery and advocacy capacities in the rule of law, health and education sectors. This donor also deployed Canadian experts to government ministries. The *Canada-Balkans Judicial Reform* project supported the establishment of a monitoring and assessment methodology within the BiH MoJ and the development of legislative initiatives in specific areas of law. Under this project Canada/CIDA provided capacity development support for judicial training and also worked towards strengthening the effectiveness of the administration of justice through targeted courts. Canada/CIDA also supported prison system reform, an area local institutions had identified as under-financed. The *Balkan Local Initiative* programme, which started in 2004, continued in 2008 and 2009, aiming to contribute towards establishing more responsive, accountable, and competent national government institutions in BiH, Serbia and Montenegro.

In 2008 the **EC** started implementing four new projects in the LJR sub-sector focusing on particular institutions. For example, the *Case Management System* project sought to strengthen the capacity of judges, prosecutors and legal associates to manage cases more effectively. The **Netherlands** also continued to provide support to the *Information and Communication Technology/Case Management System* project for courts and prosecutors' offices.

In line with its previous involvement in the LJR in 2008 **France** assisted the Coordination Group in charge of juvenile justice strategy implementation by providing expertise and training in order to help members to implement the *Strategy against Juvenile Offending for BiH*. The training component aimed to educate judges and prosecutors.

In 2008 **Germany** provided advice on legislation activities in the field of private law and related procedural laws. Through the *Open Regional Fund for South-East Europe (SEE) Legal Reform* Germany sought to strengthen the LJR by organizing EU conferences and training of the judiciary, support the harmonization of commercial legislation and cross border recognition and enforcement, enhance consumer protection as well as undertake other activities facilitating BiH's regional integration within the SEE.

Similarly **Italy/IC** focused on incorporating their support for the LJR sector in BiH within a broader framework of strengthening the legal sector in the region as a whole.

In 2008 **Sweden/SIDA** provided war crimes chamber secondments and supported the BiH Statistics Agencies in general capacity building and survey methodology. Together with Austria and GTZ Sweden/SIDA continued to support the modernisation of the land registry system in BiH. The intention is to support the introduction of a fully operational and modern land administration system in the country, including both land registration and cadastre. In order to enhance the efficiency and transparency of the judicial system, Sweden/SIDA sought to develop and implement an ICT-based Court Management System to all courts and prosecutors offices in BiH. Last but not least, Sweden/SIDA earmarked funding for the State Court Basket Funding.

Sweden/SIDA also joined the fight against corruption by providing continuous support to the Centre for Investigative Reporting. Via the Swedish Helsinki Committee for Human Rights Sweden/SIDA has also been assisting other NGOs in BiH.

The Netherlands made contributions to local civil society organizations with the aim of providing free legal aid to vulnerable groups, to strengthen civic activism in BiH in election and post election processes, as well as to cater for alternative dispute resolutions. **UK/DFID** responded to a topical issue by financing a project which aims to reduce the incidence of juvenile delinquency in the country. **UNICEF** also identified this problem as a pressing one and in 2008 started implementing a project to support juvenile justice system reform as well as to develop gender-based violence and child abuse referral mechanisms in BiH.

A new DCF member, Hungary, started supporting the constitutional reform process in 2008.

Public Administration Reform

In 2008 and 2009 the **Netherlands**, **Sweden/SIDA** and **UK/DFID** continued to provide finance to the PAR Fund.

Switzerland/SDC/SECO's *Governance Project in Municipal Water and Environmental Development* supports local authorities and civil society's capacities to better manage water and environmental sanitation problems in 17 municipalities in north-west Bosnia. This project is an example of a cross-sectoral approach as it involves public administration, local government and civil society institutions in solving environmental problems.

In 2008 the **EC** provided technical assistance and the supply of equipment for e-government and the BiH Civil Service Agency for the establishment of a common statistical IT system in BiH as well as the supply of vehicles for the Office of Legislation of the BiH CoM, Procurement Review Body and the Public Procurement Agency of BiH.

The EC, together with **UNDP**, the **Netherlands** and **Norway** are supporting the strengthening of planning, analytical work and public resource management by defining, providing and institutionalizing organizational and human resource capacities for strategic planning and policy development as well as improving linkages between planning and budgeting in line ministries at the state and entity levels.

In 2008 **UK/DFID** implemented the second phase of their government administration improvement project, which aims at enhancing BiH's system of administration via a broad range of activities, including strengthening human resources planning systems and procedures, introducing new performance audit procedures, and providing liaison between state and entity-level administrations.

UK/DFID and **Sweden/SIDA** have recognized the fact that PARCO itself cannot apply for capacity building support through the PAR Fund. These donors have therefore provided additional financial support to cater for PARCO and entity level capacity development needs.

In 2008 **USA/USAID** ended their five-year project to provide training to municipal branches of political parties. This project also enhanced the cooperation between civil society organizations and political parties.

Several other donors also supported the PAR sub-sector with smaller projects. **Spain/AECID** strengthened the BiH Food Security Agency to adopt European standards and has also promoted the use of e-government via the BiH Civil Service Agency. Spain/AECID is also supporting the Directorate of European Integration to improve the management of European funds. **Austria/ADC**, **France**, **Germany** and **Italy/IC** have also implemented projects in this sub-sector by focusing on know-how transfer and financing study visits for officials employed in local institutions.

In 2008 **UNDP** supported PAR by continuing to work on e-government by developing a comprehensive e-Government system in the BiH CoM as well as the implementation of a Grant Resources Management System in the State, RS and FBiH Ministries of Finance. UNDP also supported the *e-South Eastern Europe Initiative*. UNDP continues to assist the National PAR Coordinator in the implementation of the Action Plan – Human Resources Management chapter on Civil Service Training. Together with the EC UNDP has prepared a joint position paper on the census on behalf of the international community. UNDP and UNFPA jointly supported efforts to strengthen the capacity of BiH statistical institutions in readiness to carry out the census in 2011. In 2009 Sweden/SIDA also earmarked resources for the preparation of the 2011 census.

In an attempt to ensure the sustainability of two of the key aspects of the PAR process in BiH, in 2009–2011 **UK/DFID** provided technical assistance to the state, entity and cantonal governments to further institutionalize and deepen the budget planning process. Through its *Aid Coordination and Effectiveness* project UK/DFID also supports the creation and adoption of functional aid coordination architecture to facilitate the development and improvement of process of planning, programming and management of external funds in line with BiH development priorities.

In 2009 USA/USAID started a new project which aims to facilitate coordination between the state and FBiH parliaments as well as enhancing constituency relations and citizens' trust in parliamentary assemblies in BiH.

Civil Society Development

Donors supporting the civil society sector in 2008-2009 were Canada/CIDA, Hungary, Italy/IC, the Netherlands, Norway, Spain/AECID, Switzerland/SDC/SECO and USA/USAID.

In 2008 **USA/USAID** finished their four-year *Civic Advocacy Partnership Program (CAPP) II*, which helped local civil society organizations to strengthen their advocacy, coalition building, and watch-dog capacities, and address citizens needs through education and the provision of services. Building on the successful results of this programme USA/USAID launched a second edition to respond to the main challenges of developing BiH society. This programme will provide direct sub-grants to local NGOs to conduct advocacy campaigns, research and watch-dog activities within key structural, political, social and economic reforms in BiH, essential to moving BiH closer to EU integration and to improving the quality of life of BiH citizens; provide training and technical assistance to local NGO partners; and continue to monitor and evaluate the government performance in BiH from the aspect of efficiency and effectiveness. In 2008 USA/USAID continued its effort to create an enabling framework for sustainable development of the non-governmental sector (NGO sector) through partnership with the government at all levels. The three-year *NGO Sector Sustainability* initiative implemented by the Centre for Civil Society Promotion (CCSP) aims at improving the legal and regulatory framework for NGOs, increasing the financial sustainability of NGOs; increasing public support for civil society and strengthening the capacity of CCSP as an intermediary service organization.

In 2008 the **Netherlands** maintained their support for the civil society sector in BiH through a range of activities, for example by establishing the Civil Society Fund to raise the profile of the civil society sector and increase the capacity of existing NGOs. In 2008 OSCE implemented the Netherlands-funded project *Voter Education and Mobilisation* which focused on the re-registration of the former inhabitants of Srebrenica, training of election officials and a general 'get-out-to vote' campaign. The Netherlands also assisted investigative journalism and sought to enhance the regional cooperation of civil society organizations in BiH and other Balkan countries.

In turn **Spain/AECID** focused on strengthening trade unions as well as on improving the social participation of Roma through the implementation of a pilot project to facilitate Roma labour market inclusion.

In 2008 **Hungary** chose to involve young people in social debate by providing them with the opportunity to openly discuss topical issues such as tolerance and EU-integration related problems.

In 2009 **Italy/IC** launched two new projects, the first of which focuses on further strengthening partnerships between BiH and other South Eastern European countries. A wide range of actions are to be undertaken, including institution-building and research, strengthening the role of associations of municipalities in the Balkans, cultural tourism and facilitating the role of trans-border entrepreneurial cooperation.

In 2009 **Switzerland/SDC/SECO** proposed an initiative to discuss the establishment of a Social Inclusion Foundation which would support civil society organizations in strengthening their role in addressing social inclusion and EU-accession related issues.

Human Rights and other sub-sectors

Many other donors contribute to the Human Rights sub-sector by involving local civil society organizations as the implementing agencies for their projects. For example, in 2008 and 2009 the EC addressed various human-rights related issues by supporting local NGOs dealing with these problems. Other donors, like Norway, opted to address human rights issued in BiH by financing projects implemented by Norwegian and international NGOs as well as other international organizations.

Sector strategies

The PAR Strategy was adopted three years ago. One year later the PAR Fund was established to support the implementation of this strategy. Monitoring and evaluation of the PAR Strategy implementation is executed solely by PARCO. Most donors positively assess progress in implementing the strategy.

The *BiH Justice Sector Reform Strategy*, adopted in June 2008, was the first strategy in BiH to go through a full public consultation process. The strategy, covering the period 2008–12 is expected to deal with the following issues: the judiciary, execution of criminal sanctions, access to justice, support to economic development, establishment of effective organizational structures and harmonization of legal regulations with the European Union. Donors have praised the *BiH Justice Sector Reform Strategy* as a powerful planning and monitoring tool. However, there is some concern with the pace of implementation of the strategy to date.

As mentioned above, 2008 also witnessed the adoption of the *National War Crimes Prosecution Strategy*. BiH MoJ and Ministry of Human Rights and Refugees (MHRR) work on developing a *Strategy of Transitional Justice*. UNDP has supported the development of both these strategies. Donors have commended the involvement of civil society organizations in the ongoing works on the Transitional Justice Strategy. In 2008 a coordination body was set up to monitor the implementation of the *Strategy against Juvenile Offending for BiH (2006-2010)*, which was adopted by the BiH CoM in 2006.

At the time of writing of this report human rights issues have been addressed in Annex VII of the Dayton Peace Agreement (DPA). In 2008 the MHRR developed a draft *Revised Strategy of Bosnia and Herzegovina for the Implementation of Annex VII of the DPA*, which is in the process of adoption by the BiH Parliament.

Donor coordination

Two years ago PARCO took over the chairmanship of donor coordination meetings in the area of PAR. Since then these meetings have taken place on a quarterly basis. They aim at allowing both domestic and international stakeholders to share information regarding their activities in this field. In addition to PARCO-chaired meetings, meetings are also organized by the PAR Fund Joint Management Board as well as other, project-steering committees. Due to close and effective coordination, the overlapping of activities has been avoided in the area of PAR.

There has also been significant progress in the coordination of donor activities in the LJR sector. The Sector for Strategic Planning, Aid Coordination and European Integration (SSPACEI) at the BiH MoJ has convened quarterly meetings of donors. Recently representatives

of entity and cantonal level MoJs have also attended these events. Donors interviewed praised the growing autonomy of SSPACEI in preparing for these meetings.

Coordination in the area of civil society is more difficult to address as many international agencies work closely with domestic NGOs by involving them as implementing partners of their projects. Nonetheless, as far as capacity building and other support to the development of civil society is concerned, the Embassy of the Kingdom of the Netherlands has established a Civil Society Coordination Group. This started off as an informal group but is now convened on a regular basis with a rotating chairmanship. Participants of the coordination group cite informality as one of the keys to its success.

The approach to donor coordination in the area of human rights has not changed in recent years. Coordination meetings are ad hoc, project-based, and mostly bilateral. Nonetheless, especially in the area of returnees' rights, the last two years have witnessed increasing activity between the MHRR and donors supporting this sub-sector. Similarly, the coordination of stakeholders working in the field of gender mainstreaming is increasingly effective.

Future activities

Good Governance and Institution Building can boast both relative progress in reform processes and unremitting attention on behalf of international agencies. However, there are still issues which need ongoing support. In the area of PAR, after the implementation of horizontal reforms (Action Plan I) the focus is now shifting to vertical issues (Action Plan II). In addition to recognizing the need to support the implementation of the *BiH Justice Sector Reform Strategy* further, donors also intend to contribute to the functioning of newly established institutions such as the entity Criminalistic Centres and the respective Criminalistic Laboratories.

Furthermore, donors are planning to support sensitive issues such as the census, anti-corruption initiatives as well as constitutional reform. International agencies have also recognized the need to strengthen the capacity of domestic institutions to conduct household surveys. Reliable statistical data would provide the Government and donors with an empirical basis for their further involvement in all sectors.

Conclusion

2008 and 2009 have seen continued commitment on behalf of donors engaged in the Good Governance and Institution Building reform processes in BiH. Although overall financial support for the sector has been diminishing in recent years, increased support through EC projects is compensating for the gradual withdrawal of some donors. BiH institutions have now assumed much greater ownership of the reform processes in this sector, a process which is expected to be strengthened further in the future.

Both donors and domestic institutions have gained sufficient experience as the basis upon which to plan their future activities in BiH. Best practices can be used to inform further reform processes in the area of Good Governance and Institutional Building.

The global economic crisis represents a challenge for both domestic and international stakeholders committed to strengthening administrative capacities. However, this challenge also serves to motivate stakeholders to focus on sensitive issues, which have not been addressed during the last decade. With signs that the end of the crisis may be in sight, reform efforts made now are expected to serve the country well in the years ahead.

Chapter 4

Conflict Prevention and Resolution Peace and Security

DCF donors active in the sector in 2008–2009	Austria/ADC, Canada/CIDA, France, Germany, Hungary, Italy/IC, Japan/JICA, The Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA, EC, UNDP, UNICEF
Other key international organizations (IOs)	Danish Emergency Management Agency (DEMA), European Union Police Mission (EUPM), International Trust Fund for Demining and Mine Victims (ITF), Office of the High Representative and EU Special Representative (OHR), European Union Forces (EUFOR), the North Atlantic Treaty Organization Headquarters Sarajevo (NHQSa), Organization for Security and Co-operation in Europe (OSCE)
Key government partners	BiH Ministry of Security, BiH Ministry of Civil Affairs, BiH Ministry of Defence, BiH Intelligence Security Agency (OSA), State Investigation and Protection Agency (SIPA), Federal Ministry of Interior, RS Ministry of Interior, International Commission on Missing Persons (ICMP)
Total allocation to the sector in 2008 and 2009 by DCF donors	2008: €32.7 million 2009: €21.88 ¹⁷ million
Sector strategies	<i>Defence White Paper of BiH; National Strategy for Community Policing; National Integrated Border Management Strategy; Strategy in the Field of Immigration and Asylum and Action Plan for the period 2008–2011; Strategy for Supervision of Narcotic Drugs, Prevention and Suppression of Abuse of Narcotic Drugs in BiH 2009–2013 and now is Prevention and Suppression of Abuse of Narcotic Drugs in BiH 2009–2013; Up-dated Strategy and Action Plan for SALW in BiH for the period of 2008–2012; Bosnia and Herzegovina Mine Action Strategy 2009–2019.</i>
Donor coordination	There are ad hoc donor coordination initiatives. However, donors are very satisfied with their cooperation with domestic stakeholders.

¹⁷including EC Pipeline for 2009 in the amount of €0.14 million



Overview

This chapter examines three sub-sectors within Conflict Prevention and Resolution, Peace and Security. The Security Sector Reform and Civilian Peace-Building Management sub-sector reviews defence and police reforms, civil protection and disaster response as well as civilian peace-building activities. The second sub-sector examines personnel management (i.e. reintegration of demobilized soldiers) and property issues (i.e. control of small arms and light weapons and ammunition). The third sub-sector provides overview of activities related to the effects of mine contamination in Bosnia and Herzegovina (BiH).

In the area of defence reform no major challenges were reported for 2008 and 2009. The focus continued to be on meeting NATO standards and moving towards ultimate NATO membership. Currently there are some 10,000 soldiers in the BiH Armed Forces. Police reform witnessed positive developments in 2008 and 2009, by reaching political consensus and adopting police reform legislation. The two cornerstone laws, namely the *Law on Independent and Supervisory Bodies of Police Structure* and the *Law on the Directorate for Coordination of Police Bodies and Agencies for Support to the BiH Police Structure* set out the legal framework for the establishment of state level police structures. Existing laws have been amended to ensure compatibility with police reform. The Agency for Forensic Testing and Expertise, the Agency for Education and Professional Development of Staff and the Agency for Police Support are now operational. The BiH Council of Ministers (CoM) adopted the *Decision on the Location of the New Police Agencies*, nominated a Director and Deputy Directors and secured funds from the state budget for implementation of this decision. The *National Strategy for Community Policing*, developed in 2007 with the support of UK/DFID and Switzerland/SDC/SECO, was endorsed in 2008. The *Law on Movement and Stay of Aliens and Asylum* was adopted in 2008.

The area of civil protection and disaster response also saw progress in 2008 and 2009, mostly in the development of the legal and institutional framework. In May 2008, the *Framework Law on Protection and Rescue of People and Material Goods in Case of Natural or Other Disasters in BiH* was adopted. This state level law gives a coordinating role of the matter to the BiH Ministry of Security (MoS) and stipulates that the system for the protection and rescue of people and material goods from natural and other disasters is defined by entity and Brčko District regulations. A provision for the establishment of the Coordination Board was endorsed by the BiH CoM in March 2009. However, because of the lack of modern equipment and insufficient training BiH institutions are not yet fully prepared to respond to natural and technological catastrophes. To address these issues a methodological framework for risk assessment at the state level has been adopted by the BiH CoM. The BiH authorities have started developing a national legal framework for disaster management, in line with the *Hyogo Framework for Action 2005–2015*¹⁸: *Building the Resilience of Nations and Communities to Disaster* to which BiH is a signatory. Also, the *XVIII Disaster Preparedness and Prevention Initiative for South-Eastern Europe Regional Meeting* took place in Sarajevo in April 2009.

One of the most enduring and threatening legacies of the 1992–1995 war in BiH is the wide presence of small arms and light weapons (SALW) and ammunition. UNDP's *Small Arms Survey for BiH* found out that an estimated 19% of the BiH population possesses SALW and 16% (or 495,000 households) possess these weapons illegally. Since the end of the war, more people in BiH have died as a result of SALW misuse than as a result of mines. In 2007 the BiH Ministry of Defence (MoD) conducted site inspections and estimated that there were a total of 100,661 SALW and between 25,000–30,000 tons of ammunition that are surplus to the future requirements of the Armed Forces of BiH. Furthermore, the population and the environment in the proximity to the current ammunition storage depots, including the Vitezit storages, are put at risk. Initially arms were destroyed by explosion, which is not environmentally friendly and has caused repercussions for the population, flora and fauna. However, during 2007 and 2008, under the multi-donor *Small-Arms Control and Reduction in BiH (SACBiH)* project, a significant quantity of ammunition was destroyed using alternative methods. In 2008 over 3600 tones of unstable ammunition was disassembled and over 95,000 SALW pieces were destroyed.

¹⁸ *Hyogo Framework for Action* commits states to creating sustainable mechanisms and capacities for disaster risk reduction as well as to working towards guaranteeing that disaster management planning and coordination is prioritized and institutional mechanisms for disaster risk reduction developed. Its goal is to substantially reduce disaster losses by 2015 in lives, and in the social, economic and environmental assets of communities and countries.

In the area of legal regulation, two important laws were adopted in June/July 2009 by the BiH Parliament. These are the *Law on Transportation of Dangerous Goods*, which is now in line with EU legislation, and the *Law on Control of Movement of Weapons and Military Equipment*. Apart from the establishment of a safe and secure environment, these laws are relevant to the fulfillment of criteria necessary for the liberalization of the visa regime. The latter law is of specific importance as it tackles the transfer of functions from the European Union Forces (EUFOR) to institutions in BiH. This law provides for full local ownership of the control of movement of weapons and military equipment in BiH. In June 2009 the BiH CoM endorsed the *Strategy and Action Plan for SALW in BiH for the period of 2008–2012*. The updated strategy for the period 2008–2012 is aimed at strengthening the capacities of BiH for the destruction of surpluses, implementing the judicial regulation of SALW control, raising awareness among citizens concerning the dangers related to SALW and the possible impact of SALW destruction on human health and the ecology.

The BiH CoM established a working group to develop a draft BiH *Law on Arms*. UNDP provided technical assistance to the working group and the draft law has been developed in March 2008. The law has been endorsed by the BiH CoM and is currently in Parliament. The draft *Law on Arms in BiH* is in line with EU Council Directive 91/477/EEC on acquisition and possession of weapons.

Surplus SALW and ammunition are not the only remnants of the war in the 1990s. Currently BiH is still one of the most mine-contaminated countries in South-Eastern Europe (SEE). The total suspect area covers more than 1,500 km² and the estimated number of mines and unexploded ordnance is 220,000 units. According to the Ottawa Convention¹⁹ the country should have been free of mines by 2009. However, BiH requested, and was granted, an extension of ten years.

Mine Action in BiH is under the competence of the state Ministry of Civil Affairs (MoCA). The BiH Mine Action Centre (BHMIC) is the technical body of the Demining Commission within the MoCA responsible for long-term conduct of mine action activities and removal of mine danger in BiH. The law on demining is currently under revision. The *Mine Action Strategy*, covering the period 2005–2007, was evaluated and a new strategic plan for the next 10 years (2009–2019) has been developed. The new *Bosnia and Herzegovina Mine Action Strategy 2009–2019* was adopted by BiH CoM in April 2008. This new strategy foresees BiH being free of mines by 2019, with no mine incidents and with mine victims integrated into society.

The Republika Srpska (RS) *Law on Professional Rehabilitation, Training and Employment of Persons with Disability* supports the employment of disabled persons including mine victims. This law supports not only disabled people but also companies that employ these individuals through the Fund for the Professional Rehabilitation and Employment of Disabled Persons. The Federation of BiH (FBiH) Government has produced a draft of a similar law but it has not been adopted yet.

This sector received 4.27% of total Official Development Assistance (ODA) allocations in 2008 and so far 5.98% of total ODA in 2009 (excluding EC pipeline projects for 2009).

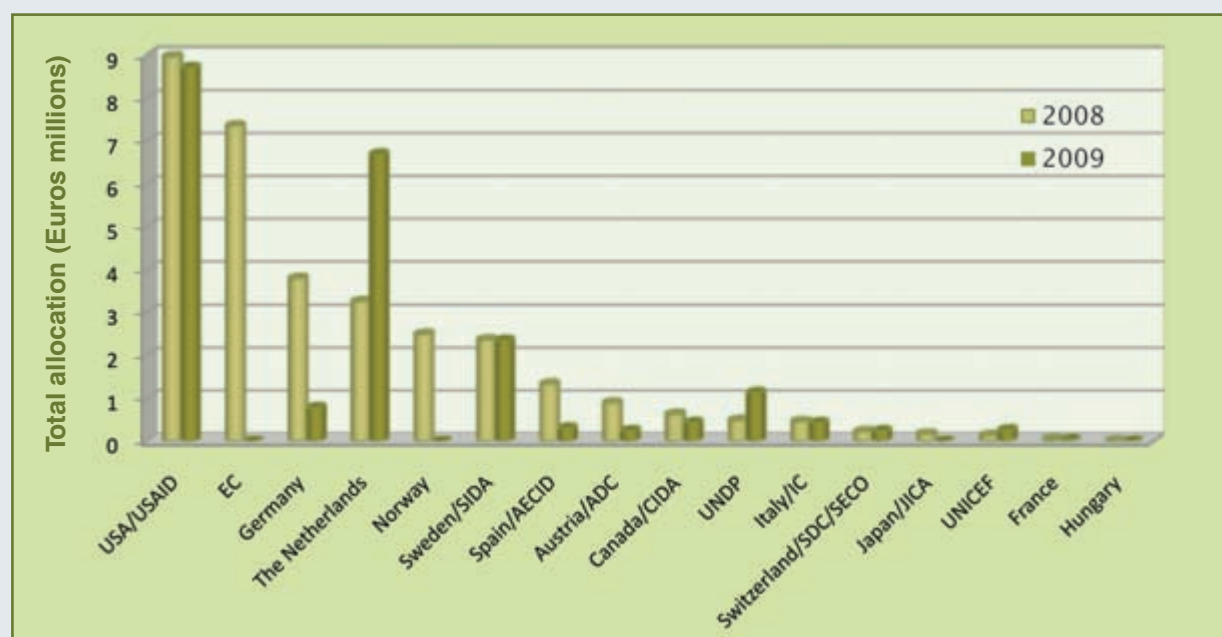
Donor activities in 2008 and 2009

Donor Coordination Forum (DCF) donors active in the Conflict Prevention and Resolution, Peace and Security sector during 2008 and 2009 have been Austria/ADC, Canada/CIDA, France, Germany, Hungary, Italy/IC, Japan/JICA, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA, the EC, UNDP, and UNICEF. Of these agencies, Norway and Japan/JICA have not yet allocated funds to Conflict Prevention and Resolution, Peace and Security projects for 2009.

The total allocation to the Conflict Prevention and Resolution, Peace and Security sector by DCF members was €32.7 million in 2008 and €21.88 million (including EC Pipeline projects for 2009 amount to €0.15 million) so far in 2009, all in the form of grants.

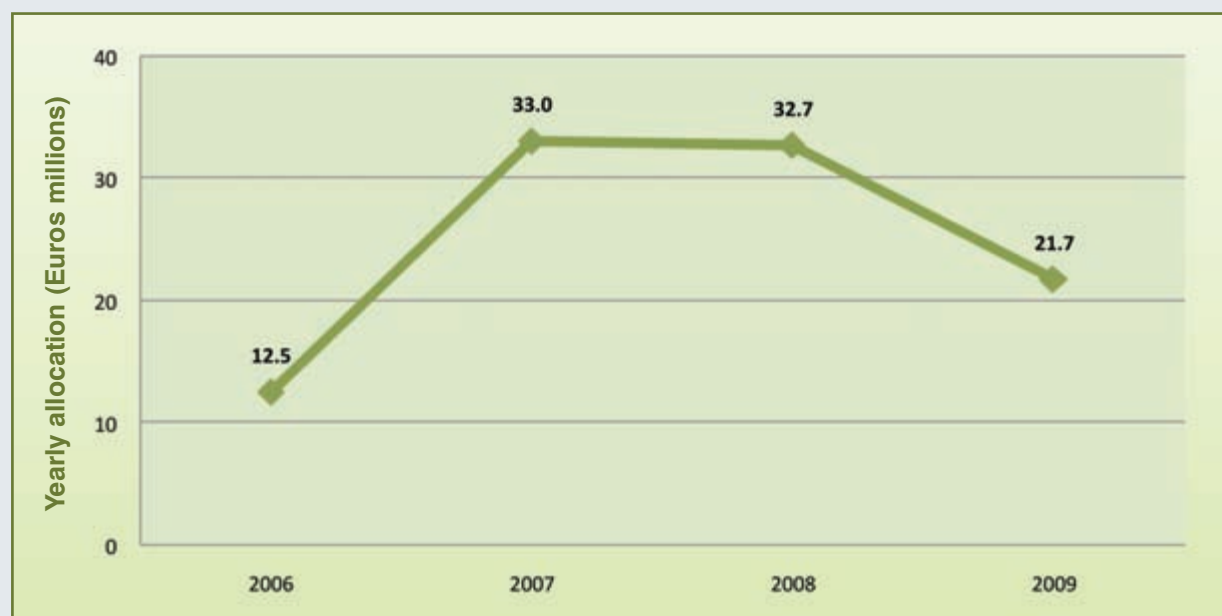
¹⁹ The Ottawa Treaty (also known as the *Convention On The Prohibition Of The Use, Stockpiling, Production And Transfer of Anti-Personnel Mines And On Their Destruction*) bans the use of anti-personnel mines around the world

Figure 4.1. Donors Active in the Conflict Prevention and Resolution, Peace and Security sector 2008-2009



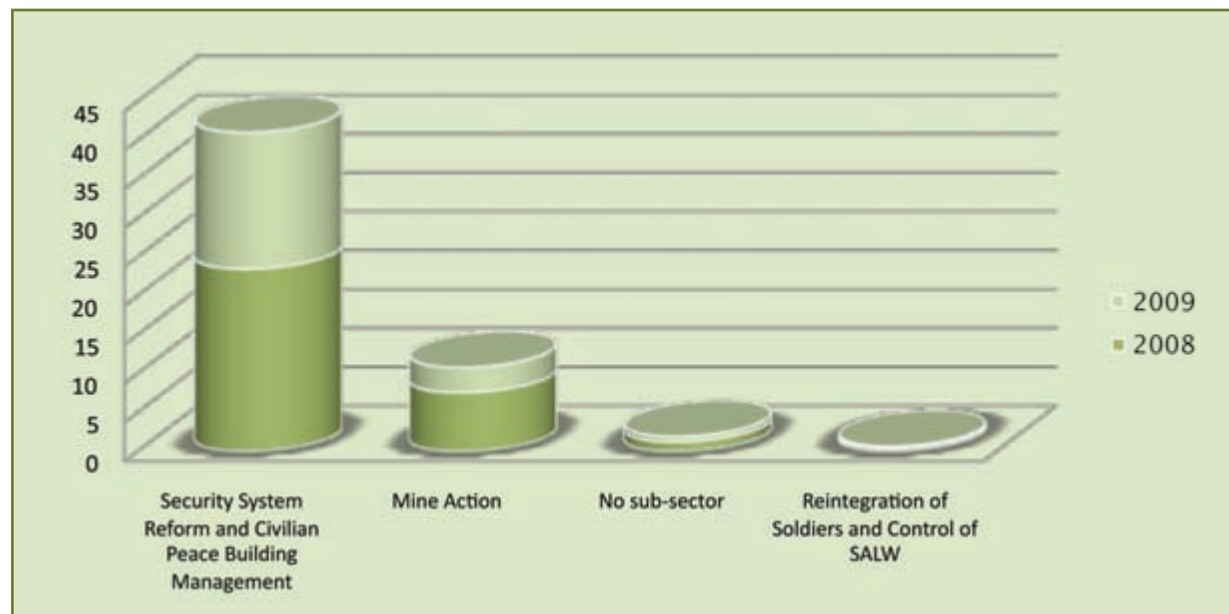
Funding to the sector has decreased from 2007 to 2009. Although 2009 figures indicate a fall in ODA, donors may allocate additional funds to the sector in the course of the year.

Figure 4.2. Change in Donors Allocation to the Conflict Prevention and Resolution, Peace and Security sector 2006-2009



As Figure 4.3 indicates, the Security Sector Reform and Civilian Peace-Building Management sub-sector receives the bulk of donors' support in the Conflict Prevention sector.

Figure 4.3. Donors Allocation to the Conflict Prevention and Resolution, Peace and Security sub-sectors 2008-2009 (Euros millions)



Security Sector Reform and Civilian Peace-Building Management

In 2008 and 2009 the DCF donors in the Security Sector Reform and Civilian Peace Building Management sub-sector have been: Austria/ADC, France, Germany, Hungary, Spain/AECID, Sweden/SIDA, the Netherlands, Norway, USA, the EC, UNICEF and UNDP. The Security Sector Reform and Civilian Peace Building Management sub-sector consists of four areas: Defence Reform, Police Reform, Civil Protection and Disaster Response and Civilian Peace-Building.

Defence Reform

NATO's *Partnership for Peace* (PfP) and *Individual Partnership Action Plan* (IPAP) programmes guide Defence Reform processes in BiH.

USA remains the DCF member most actively involved in Defence Reform in 2008 and 2009. The US Government funds advisors within the BiH Ministry of Defence (MoD) and offers assistance to train and equip BiH's Armed Forces. MoD advisors provide technical advice on the structuring of the Armed Forces of BiH. This donor also supplies military equipment to units capable of participating in Coalition Operations. Additional US Government funding is dedicated to advancing officer and civilian MoD staff development in support of meeting NATO's PfP requirements.

Police Reform

In 2008 and 2009, Police Reform was supported by Austria/ADC, France, Hungary, Norway, Spain/AECID, Switzerland/SDC/SECO, USA and the EC.

Since 2006 **Austria/ADC** has been organizing training for the BiH Border Police and State Investigation and Protection Agency (SIPA). By 2009, 19 modules of training had been implemented, including investigative techniques, prevention of human trafficking and trade and illegal immigration, human trade, international investigative groups, money laundering, witness protection, and so on. Members of the managerial staff of the BiH MoS and SIPA were trained by experts from the Austrian Ministry of Interior Affairs from the funds allocated from the budget of **Switzerland/SDC/SECO**. The topics covered a number of issues such as time management, conflict management, negotiation skills and conversation skills with employees, information technology, process and quality management, production of strategy in public administration and project management.

In 2008 and 2009 **France** organized study visits for policemen and provided know-how assistance to the BiH MoS. Similarly in 2008 **Hungary** assisted the police structures by providing a trained dog and additional training to both the dog and border police officers.

In 2008 **Norway** supported Police Reform through its annual contributions to the European Union Police Mission (EUPM) in BiH. Norway also assisted the project *Education towards Civil Courage* implemented by the civil society organization, *Gariwo per la Foresta Mondiale*.

In 2008 and 2009, Spain/AECID supported the Border police with training and equipment for its officials. It is also implementing the project of strengthening the Criminalistic Laboratories in BiH, with training and equipment for the Entities offices.

In 2008 and 2009 **Switzerland/SDC/SECO** continued with implementation of the three-year project *Community Policing in Bosnia and Herzegovina*. This project's objective is to foster citizens' confidence in state institutions as well as to improve their perception of police performance. The ultimate aim is to establish a model that can be rolled out and adopted in the whole country. Switzerland/SDC/SECO provides training for high- and middle-rank police officers in management of Community Policing.

The **USA** has been engaged in the Police Reform in 2008 and 2009 primarily through two projects. The *Export Control and Border Security* project encourages and assists the host government's development, adoption, modification and implementation of export control legislation in conformance with acceptable international standards. This initiative also provides training and equipment to the law enforcement institutions responsible for monitoring, detecting and interdicting the trafficking in weapons of mass destruction, military equipment, and dual-use goods. The second project is *Assistance to Law Enforcement Agencies*. Under this project **USA** provided training to law enforcement officials in the fields of Counterfeit Currency, Forensic Recovery of Evidence Devices, Advanced Fingerprinting, Advanced Surveillance, Witness Security, Narcotics Investigations, Post Bomb Blast Investigations, Child Pornography, Criminal Justice Coordination, Information Systems, Trial Advocacy and Courtroom Demeanor and Senior Leadership and Administration. US advisors continued to provide assistance to the SIPA, the BiH MoS, the RS Ministry of Interior and the State Border Police.

In 2008 the **EC** contributed to the Police Reform via various activities ranging from the supply of equipment to BiH Police Forces through capacity building of the Directorate for Citizen Identification Protection System to the construction of a reception facility for irregular migrants in BiH, and others.

Civil Protection and Disaster Response

Only a few donors conduct activities that relate directly to the area of Civil Protection and Disaster Response. In 2007 and 2008 **Austria/ADC** contributed to the project *Early Warning System in BiH*, which has been funded and implemented by **UNDP** since 2000. Specific indicators of crisis are monitored via this initiative with the purpose of assisting the forecasting of potential crisis and avoidance of conflict. The project draws on UNDP, Open Society Fund and Austria/ADC resources to fund public opinion and business opinion polls, as well as data analyses regarding political, institutional and economic stability, business environment, incomes and social welfare, social inclusion, ethnic relations as well as public and personal security.

UNDP also supports a number of initiatives under its *Capacity Building for National Disaster Risk Reduction* project. UNDP assists various efforts to strengthen BiH crisis prevention and disaster management systems. For example UNDP supported two workshops in the development of the draft *Framework Law on Protection and Rescue of People and Material Goods from Natural or Other Disasters in BiH*. UNDP is also involved in disaster preparedness through the *Global Risk Identification Programme* (GRIP)²⁰, located in Geneva.

In 2008 and 2009 the **EC** was involved in the preparation of the Disaster Preparedness and Prevention Initiative for SEE and in the work on the state *Framework Law on Protection and Rescue of People and Material Goods from Natural or Other Disasters*.

France works on disaster preparedness through the BiH MoS. In 2008 and 2009 **France** organized study visits for firemen and provided know-how assistance to the BiH MoS.

²⁰ GRIP directly aligns with the Hyogo Framework for Action's Priority Area 2: risk identification, assessment and monitoring. Although hosted by UNDP, GRIP's structure is inherently multi-stakeholder as it is a set of harmonized activities contributing to commonly agreed-upon objectives. The programme was officially launched in 2007 at the 1st session of the Global Platform for Disaster Risk Reduction and has been adopted by the ISDR system to support worldwide activities to identify and monitor disaster risk.

Civilian Peace-Building

Efforts in the area of Civilian Peace-Building focus on combating human trafficking and child pornography, peace building and conflict prevention through protection of the most vulnerable communities (especially disabled people), promotion of dialogue and participation of municipalities with returned population, the search and identification of missing persons, and support for the consolidation of the peace process through the fulfilment of *UN Security Council Resolution 1325* on women, peace and security.

Since this area is cross-cutting, there are a number of donors and projects reported elsewhere in the report which also cover civilian peace-building issues. Therefore, only some of the international agencies' activities related to peace-building are mentioned here.

In 2008 **Germany** provided funds for the *Centre for Cultural Dialogue – United World College, Mostar* to establish a reference library for young people in Mostar, with the support of IT facilities. A series of lecturers were invited to give presentations and lead seminars. Under this project, events such as Model United Nations Assemblies for BiH school pupils were organized and stage theatre and musical events that have cultural dialogue as their theme were prepared. Visits to Mostar and to the United World College for school pupils from other parts of BiH were also organized. The activities of the Centre are documented and made widely available.

In 2008 and 2009 the **Netherlands** supported the *Non-formal Education for Unemployed Youth in the Region of Srebrenica* project. This initiative stimulates youth involvement in their local communities. The Netherlands also funded the *United World Colleges and International Baccalaureate Initiative* to link young people from BiH with international structures. The *Social Housing in Bosnia and Herzegovina* project catered to some of the most pressing needs of returnees by including civil society organizations in the reform process.

In 2008 **Norway** supported several initiatives, which although included in the Good Governance and Institution Building sector, also contribute to the area of Civilian Peace-Building. The Norwegian Ministry of Foreign Affairs supported the Research and Documentation Centre since its establishment in 2004. The main aims of the Norwegian funded *Human Losses 1991–95* project have been to obtain a complete account of the numbers of war victims. The *Nansen School Reconciliation* project focuses on reconciliation and dialogue in local communities. In the area of civilian peace building Norway also funded the Tutti 2008 project, which fostered local reconciliation through music. The *Open Fun Football School* jointly financed by **Sweden/SIDA** and Norway, similarly aimed at facilitating reconciliation through entertainment and team sports.

In 2008 and 2009 **Spain/AECID** supported a number of initiatives contributing to civilian peace-building. For example within the *Peace Building and Conflict Prevention through Protection of the Most Vulnerable Communities, Focusing Specially on the Handicapped* project, two disability centres will be built. The idea is to help reintegrate disabled persons in therapeutic, social, family, work, school and other areas as well as to provide hope and dignity to their beneficiaries. The *Promotion of Dialogue and Participation of Municipalities with Returned Population* project encourages dialogue between representatives of civil associations thus counteracting conflicts, improving security and coexistence. Another Spain/AECID project furthers the peace process through the fulfilment of UNSC Resolution 1325 devoted to women, peace and security.

In 2008 **USA/USAID** started implementing the *Sustainable Interventions to Combat Trafficking in Persons in BiH*. The goal of this activity is to expand trafficking prevention education throughout the BiH secondary school system and to children who do not attend school; improve reintegration programmes for national victims by training social workers.

The multi-sectoral *Improving Cultural Understanding in BiH (MDG-F)* project funded by the MDG Spanish UNDP Fund, and implemented by **UNDP** and **UNICEF** aims to strengthen cross-cultural understanding to help development and implement cultural policies and legal frameworks, improve cross-cultural understanding at the community level, strengthen cultural industries and improve tolerance towards diversity. In 2009 UNICEF also started implementing the *Education in Emergency and Post-Crisis Transition* programme, which works towards the elaboration of peaceful conflict-resolution strategies.

In 2008 the **EC** launched the *Youth Peace Advocates in Eastern Bosnia and Herzegovina* project in the municipalities of Bratunac, Srebrenica and Vlasenica. The beneficiaries of this project are three youth NGOs active in peace building, and their combined total of 90 activists between the ages of 15 and 30.

Last but not least, in 2008 and 2009 the International Commission of Missing Persons (ICMP) received support from a number of donors, namely: Germany, Spain/AECID, Sweden/SIDA, the Netherlands, USA/USAID the EC.

Reintegration of Soldiers and Control of Small Arms and Light Weapons (SALW) and Ammunition

In 2008 and 2009 there was only one project, supported by the **Netherlands**, which catered to the needs of redundant military staff. The *BiH Reintegration of Army Personnel* project contributed to the NATO/PIF Trust Fund.

The **UNDP**-implemented *Small-Arms Control and Reduction in BiH (SACBiH)* project is jointly funded by **Spain/AECID**, the **Netherlands**, the **EC** and **UNDP**. The project started in 2005 and aims to provide a coordinated international effort to establish effective SALW control and a safe ammunition disposal system to mitigate the hazard and risks associated with the large quantities of SALW and ammunition in BiH. The project works towards enhancing the institutional capacity for SALW control by strengthening the expertise and know-how of governmental institutions in tackling SALW challenges; destroying the current surplus of SALW stock and ammunition; establishing demilitarization and destruction capacities in the country to assist BiH to destroy and demilitarize its surplus and unstable ammunition stock. SACBiH also supports awareness-raising initiatives through national media campaigns, round tables and in partnership with women NGOs. The SACBiH project is particularly valuable as it is both environmentally friendly and beneficial for the local economy.

In 2009 **UNICEF** launched the *Small Arms and Armed Violence Prevention* project, which will provide technical assistance, logistical and financial support to domestic and international stakeholders to develop model approaches and strengthen local capacities in small arms risk management. The project aims at ensuring an evidence-based and child's rights-based response to small-arms issues, assisting children and community members of selected municipalities to assess risks and develop community-based small-arms risk-reduction action plans, awareness raising amongst the general population, and other related activities.

USA is continuously involved in supporting domestic institutions in destroying SALW and ammunition and has recently contributed US\$390,000 to support the destruction of unstable ammunition by the Armed Forces of BiH. The **EC** is in the process of preparing a second phase of the SACBiH project. Approximately €2 million will be allocated to the further destruction of ammunition.

Mine Action programmes

Donors supporting demining activities in 2008 and 2009 in BiH are Austria/ADC, Canada/CIDA, Germany, Hungary, Italy/IC, Japan/JICA, Norway, Spain/AECID, Sweden/SIDA, USA, the EC, UNICEF and UNDP.

In 2008 and 2009 **Austria/ADC** supported several projects in the Mine Action sub-sector. Three of them aim to clear both agricultural and resettlement areas in several municipalities of BiH. All of the projects implemented by Austria/ADC in the area of mine action also aim to influence the return process and to contribute to the socio-economic development of these regions. The areas were chosen in cooperation with the BHMAL. This donor also provided equipment and vehicles to BHMAL in 2008.

Canada and **UNDP** have been implementing the *Integrated Mine Action Programme* since 2006. The project links mine-clearance priorities and domestic, long-term, economic development plans. The three project components are: institutional capacity building; mine clearance; and the provision of operational assistance to the mine-action elements of the BiH armed forces.

Germany also supported the *Mine Action Programme* in BiH in 2008 and 2009. **Hungary** focuses on mine survey and mine awareness-raising activities. **Italy/IC**'s *Direct Demining Projects* implemented in 2008 and 2009 aims to clear a number of areas affected by mines and unexploded ordnances as well as to conduct Mine Risk Education activities among the most risk-exposed social groups. In 2008 **Japan/JICA** implemented their *Demining Action Project in Bosnia and Herzegovina*. In 2008 **Spain/AECID** provided support to the BiH Armed Forces to eliminate mines. The assistance included the organization of advanced training in the International Centre of Humanitarian Demining and provision of equipment. In 2009 **Sweden/SIDA** will finish their *Demining* project, which has been implemented by UNDP.

UNICEF's *Mine Risk Education and Small Arms Risk Prevention Integrated Programme* aims to provide technical and financial assistance to the relevant ministries, the BHMAL, local and international NGOs, and communities, to ensure that children and communities in most affected areas are able to assess their risks and risky behaviour as well as to develop and implement appropriate responses.

UNDP has been traditionally involved in supporting the Mine Action sub-sector in BiH, both as donor and implementing agency. As of 2009, over two million square meters have been cleared of mines and 9,500 weapons and 5,000 tons ammunition have been destroyed. Also, the capacity building of the Mine Action Coordination Centre was completed. UNDP has been supporting the development of the *Mine Action Strategy* since 2004 and more recently the draft *Mine Action Law*. UNDP also assists the Armed Forces by enhancing their demining capacities. In 2008 UNDP helped to demine 700,000m² in local communities that possess the potential for the development of agriculture or tourism.

In 2008 and 2009 EC achievements in mine action include clearance of mine-contaminated areas; employment of 90 people who were mine victims; and awareness raising of mine danger. The projects are: *Community Participation to Action Related to Antipersonnel Mines*; *Economic and Social Reintegration of Landmine Survivors in BiH* and *Support to Socio-Economic Reintegration of Mine Victims through Job Creation in Communities with a Significant Degree of Minority Return*.

In addition to these activities four donors support the Mine Action sub-sector in BiH by directly funding the *International Trust Fund for Demining and Mine Victims Assistance* (ITF²¹), namely Austria/ADC, Germany, Norway and USA. The ITF is active in the areas of demining, mine victims assistance, training, and regional cooperation. In BiH ITF hires local companies accredited by BHMAL for demining.

Other

In addition to the above donor-supported activities in the conflict prevention sector there are a number of other projects which merit attention. For example **Norway** assisted the conflict prevention sector via the Norwegian Institute of International Affairs. In 2008 the **Netherlands** started implementing the RECOM project, which aims at fostering support for regional post conflict activities.

Sector strategies

The *Defence White Paper of BiH* is the guiding document regarding defence reform. This strategic document states that the key to achieving collective military security is for BiH to become a member of NATO.

The *National Strategy for Community Policing* developed in 2007 with the support of UK/DFID and Switzerland/SDC/SECO, was endorsed in 2008. Also, the *Strategy Integrated Border Control* (adopted in July 2008), the *Strategy in the Field of Immigration and Asylum and Action Plan for the period 2008–2011* (adopted in November 2008) and the *Strategy and Action Plan for Supervision of Narcotic Drugs, Prevention and Suppression of Abuse of Narcotic Drugs in BiH 2009–2013* (adopted in March 2009) have been endorsed. Furthermore, two new strategies are to be developed in the future: the *Strategy against Organized Crime* and the *Strategy against Terrorism*. There are also plans to develop a *Strategy against Corruption*.

In the domain of personal security, the *Law on Protection and Rescue of People and Material Goods in Case of Natural and Other Disasters* provides the legal framework. The development of a National Disaster Risk Reduction strategy is foreseen. BiH Ministry of Security has conducted the risk assessment regarding disaster risk reduction.

In November 2008 BiH CoM endorsed the *Strategy in the Field of Immigration and Asylum and Action Plan for the period 2008–2011*. The main objective of the Strategy is the development of a quality system for the management of borders, visa regime, combating trafficking in human beings, immigration and asylum in line with EU standards. In June 2009 the BiH CoM adopted the new *BiH Strategy and Action Plan for Control of SALW in BiH for the period 2008–2012*.

The *BiH Mine Action Strategy 2009–2019* was endorsed by BiH CoM in April 2008. This new mine action strategy requires c. 80 million BAM per year in order that BiH is free of mines by 2019. Donors have praised both these strategies for the realistic approach to problem solving they espouse as well as for their assessment of achieved results and future funding and technical needs.

In line with the UN *Programme of Action for Combating the Illicit Trade of Arms* and the EU *Small Arms and Light Weapon Strategy* (SALW Strategy) the Coordination Board consists of the Ministry of Foreign Affairs, MoS, MoD of BiH, Entity Ministries of Interior, State Border Service, the Office for Coordination with Interpol/EUROPOL, SIPA, State Border Service (SBS), Indirect Taxation Authority. The Ministry of Foreign Trade and Economic Relations developed the *National Strategy and Action Plan for SALW and Ammunition Control in BiH*. The National Strategy was endorsed by the Council of Ministers in 2006.

Donor coordination

The donor community in the area of conflict prevention includes a number of non-DCF members, namely the Office of the High Representative and EU Special Representative (OHR), EUFOR, the North Atlantic Treaty Organization Headquarters Sarajevo (NHQSa), EUPM, and the Organization for Security and Co-operation in Europe (OSCE).

Domestic governmental institutions consider the amount and quality of coordination in the area of conflict prevention adequate as all sub-sectors are well covered. There are a number of donor coordination mechanisms in the sector. These include military attaches' coordination works and the Coordination Board for SALW. The ITF is functioning as a coordinating body for some of the donors in Mine Action area.

Future activities

In its annual report the BiH MoS has identified a number of areas requiring support. The SIPA Operative Support Service identified the need to establish further cooperation with donors in the area of special investigations as well as capacity building and training for the team for computer analysis. SIPA also requires training in the area of disclosure of forgery documents and identity identification, compilation of investigation information data and knowledge from the area of trafficking and human trade and analysis of such data, establishment of efficient cooperation with other agencies in the area of combating human trade as well as efficient collection of data via inquiry and interview.

In the area of defence reform the information technology systems need to be improved to allow for better information flow and data management. In the area of civil protection and disaster response it is necessary to secure modern MTS equipment, to raise awareness regarding the protection and rescue system, conduct training as well as to establish a unified information system and unique European number 112 to link all responsible departments.

In the area of Mine Action, future challenges will include the reduction of the risk of accidents by executing respect for safety measures and procedures.

Conclusion

The Conflict Prevention and Resolution, Peace and Security sector has witnessed a number of important developments in 2009 including: the adoption of legal frameworks; strengthening the capacities of relevant domestic stakeholders; disposal of surplus SALW and ammunition; and mine-clearing activities. It is encouraging to notice progress in donor coordination to the remnants of war disposal and mine clearing as international agencies are increasingly adopting integrated approaches to these issues. By doing so, donors not only help BiH eliminate the remnants of war, which represent a significant threat to human security, but they also create conditions for economic and local development while protecting the environment. Media campaigns and awareness-raising initiatives also generate an atmosphere conducive to successful reform in the area of security.

These achievements notwithstanding, there is a need for a continued effort to support all the areas included in the Conflict Prevention and Resolution, Peace and Security sector. With increasing local ownership of the processes falling under this sector and donor commitment to enhance collective and personal security in BiH, there are considerable grounds for optimism.

Chapter 5

Infrastructure

DCF donors active in the sector in 2008–2009	Canada/CIDA, Germany, Italy/IC, Japan/JICA, The Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, EBRD, EC, EIB, World Bank
Other key international organizations (IOs) and International Financial Institutions (IFIs)	International Monetary Fund (IMF), Office of the High Representative and EU Special Representative (OHR), Energy Community, South-East Europe Transport Observatory (SEETO), Corridor V Permanent Secretariat.
Key government partners	BiH Ministry of Transport and Communication; FBiH Ministry of Transport and Communications; FBiH Directorate for Civil Aviation; FBiH Directorate for Building, Managing and Maintaining Motorways; Energy Department at the Ministry of Foreign Trade and Economic Relations (MoFTER); FBiH Ministry of Energy, Mining and Industry; FBiH Ministry of Agriculture, Water and Forestry; RS Ministry of Economy, Energy and Development; RS Ministry of Agriculture, Forestry and Water Management.
Total allocation to the sector in 2008 and 2009 by DCF donors	2008: €399.60 million - €15.19 million in grants 2009: €163.24 million - €11.82 million grants ²²
Sector strategies	MTDS (now expired) is used for guidance. New state-level development strategies are being produced. Sector strategies have been developed but not yet implemented. There is no state-wide sector strategy. Transport: state level <i>Transport Sector Strategy</i> has been developed. Communication: no state level strategy. Energy Generation Supply: no state level strategy Water Supply and Sanitation: <i>Strategy for Water Management is in preparation phase</i> in both Entities; BiH <i>Water Protection Plan, Strategic Plan for Implementation of EU UWWT Directive</i> ; PPU on the national level as coordination and management body initiated Water Law (FBiH 2006, RS 2006), and implementation started in 2007, in accordance with the Water Framework Directive; secondary legislation under provisions of <i>Water Laws</i> prepared. ²³
Donor coordination	There is no sector-wide donor coordination mechanism, although donors take part in irregular information-sharing meetings.

²² including €7.3 million EC 2009 pipeline projects

²³ Regional Meeting for Senior Officials from SEE and Donors' Community, Sarajevo 18-19th June 2009, BiH, MoFTER.



Overview

The Infrastructure Sector comprises of the sub-sectors Transport, Communication, Energy Generation and Supply and Water Supply and Sanitation. The Transportation and Storage sub-sector is further subdivided into Transport Policy and Management, Road, Rail, Water, Air and Storage.

During 2008 and 2009, the Infrastructure sector has been characterized by the growing interconnectedness of environmental and economic aspects and infrastructure developments. The signing of the Stabilization and Association Agreement (SAA) in June 2008²⁴, as the first step towards eventual EU accession, has also influenced the Infrastructure sector and the donors' approach to supporting it.

At the beginning of 2009 BiH faced the first consequences of the global economic and financial crisis, registering a significant reduction in economic growth rates. The indirect effects of the economic and financial crisis have also affected developments in the infrastructure sector.

The institutional structure of BiH also has implications for the development of this sector. Communication and transportation require close coordination among the entities and different levels of government. Differing speeds of the privatization process in the two entities also had consequences on the availability of domestic funding for the infrastructure sectors.

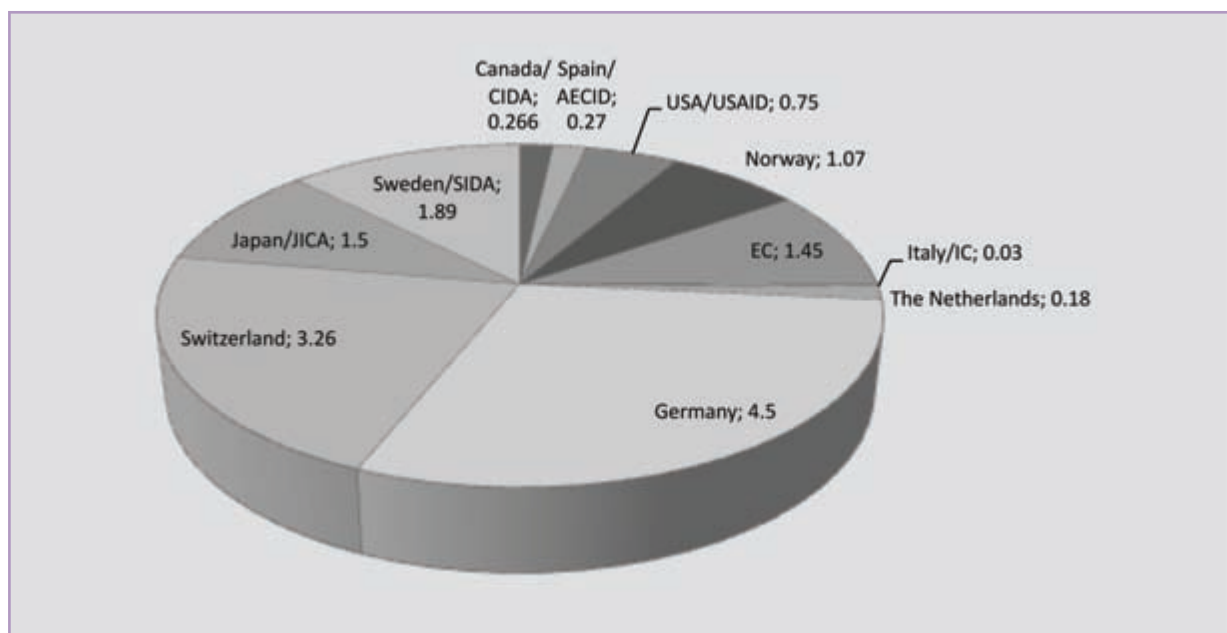
This sector received 52.18 % of total Official Development Assistance (ODA) allocations in 2008 and so far 42.88% of total ODA in 2009 (excluding EC pipeline projects for 2009).

Donor activities in 2008 and 2009

The Donor Coordination Forum (DCF) donors active in the Infrastructure sector during 2008 were Canada/CIDA, Germany, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, EBRD, EIB, the EC and the World Bank Group. Of these agencies, EBRD, Italy/IC, Japan/JICA, the Netherlands and Norway have not yet allocated funds to infrastructure projects for 2009. Non-DCF organizations, such as the International Monetary Fund (IMF) and the Energy Community have also had a significant impact on the Infrastructure sector.

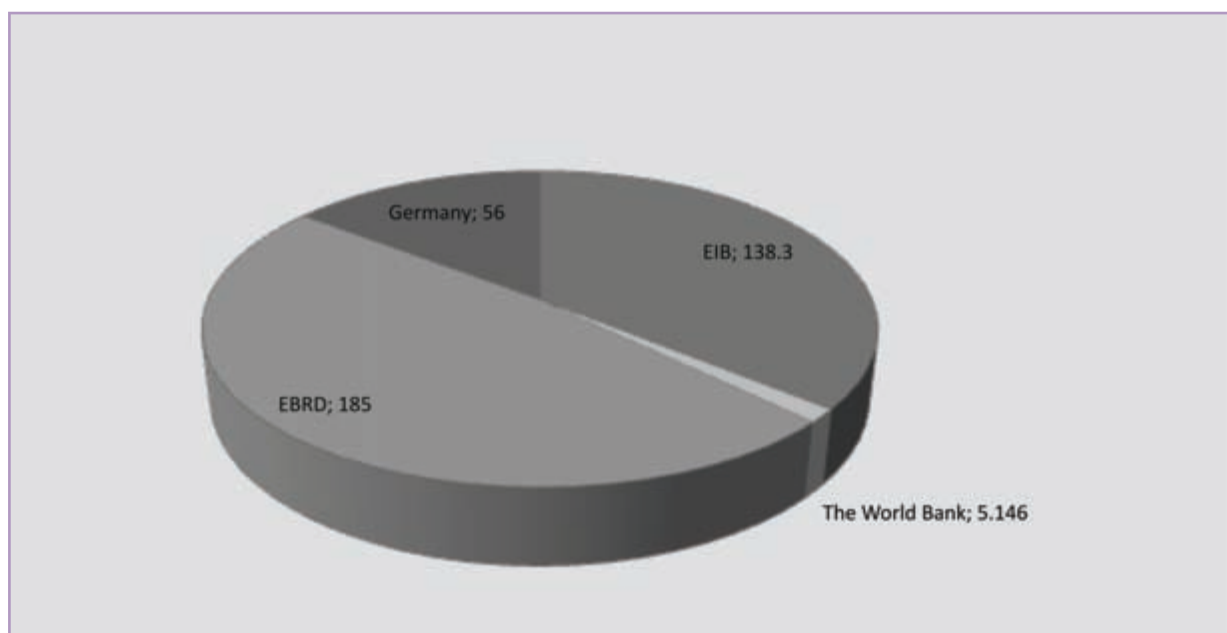
²⁴ Bosnia and Herzegovina 2008 Progress Report, Commission staff working document, Brussels, November 2008.

Figure 5.1. Donors Active in Infrastructure sector in 2008 Grants only (Euros millions)



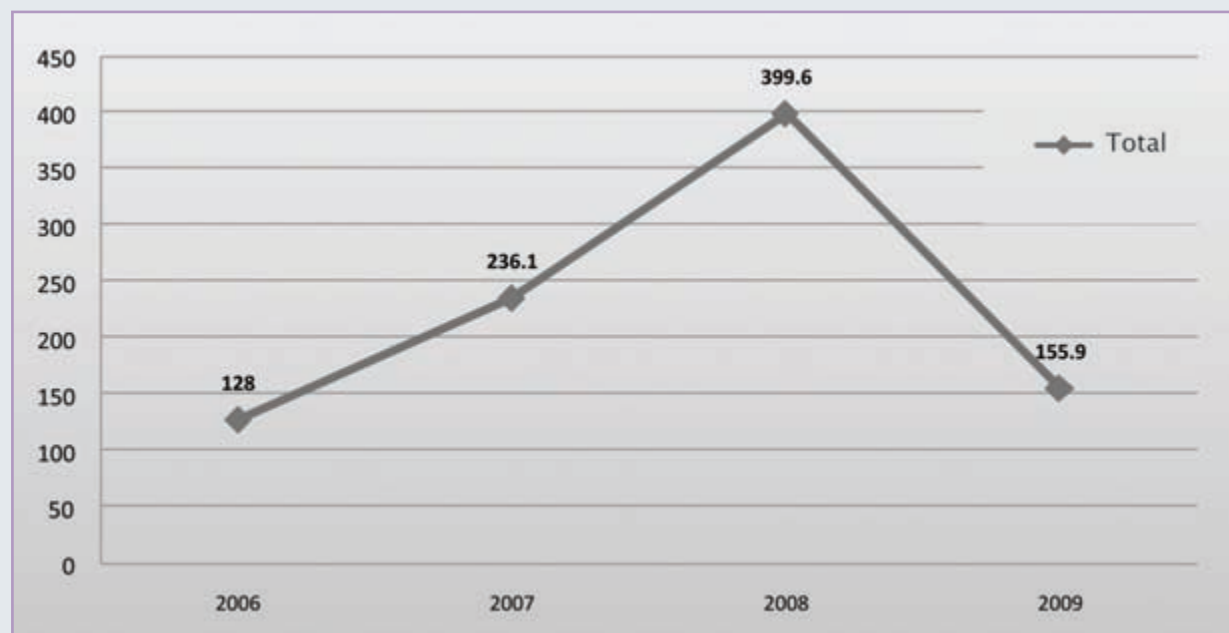
The total allocation to the Infrastructure sector by DCF members was €399.60 million in 2008, and €163.24 million so far in 2009 (including EC 2009 pipeline projects for the Infrastructure sector to the value of €7.3 million and *not* including Germany's planned €90 million contribution to the Energy sector that will be confirmed at the end of 2009). The 2008 figures include €328.4 million concessionary loans by the EBRD, the EIB and the World Bank and €56 million of commercial loan from Germany. (Figures 5.2)

Figure 5.2. Donors Active in Infrastructure sector in 2008 Loans only (Euros millions)



Funding to the sector has increased from 2007 to 2008 and although 2009 figures indicate a fall in ODA, donors may allocate additional funds to the sector in the course of the year.

Figure 5.3. Change in Donors Allocation to the Infrastructure sector 2006-2009 (Euros millions)



Summaries of donor activities by sub-sector are provided below:

Transport

The Transport sub-sector encompasses the following areas: Road, Rail, Water and Air Transport.

In 2008 and 2009 good progress has been made on development of the trans-European transport networks, continuing the implementation of the 2004 Memorandum of Understanding (MoU) for the development of the core regional transport network. BiH has also been active as regards the South-East Europe Transport Observatory (SEETO), in particular through the updating and implementation of the multi-annual plan 2008–2012²⁵. This active participation helps the country to prioritize investments. Transport networks need to be rehabilitated and extended, supported by a national transport strategy and backed by private financing²⁶.

Road Network

This sub-sector had been influenced by the entrance into force of the SAA interim Agreement, on 1 July 2008. With this agreement, BiH is granting unrestricted access through its territory to Community transit traffic. The state Law on Public Roads and the legislation on digital macrographs have been adopted.²⁷ However, the impact of the legal regulations on road and traffic safety is limited by the poor road infrastructure in which considerable investment is essential in order to achieve sufficient levels of safety and efficiency.

The EIB has supported construction of the Pan-European Corridor Vc as an important priority for BiH's future economic development. In 2008, a new 10-km section of the motorway from Sarajevo to the north was opened. Work has also started on the Sarajevo bypass and funding has been secured for another 30-km section of the motorway.

²⁵ *Five Year Multi-Annual Plan 2009 to 2013*; South-East Europe Core Regional Transport Network Development Plan; SEETO; December 2008 Volume 1.

²⁶ According to the World Bank Bosnia and Herzegovina Country Partnership Strategy for FY08–FY11, about 40% of the main and regional road network remains in poor condition and the current allocation for maintenance of the network remains inadequate.

²⁷ *Bosnia and Herzegovina 2008 Progress Report*, Commission staff working document, Brussels, November 2008.

Road traffic in and around the major urban areas is currently rising by 5% a year, increasing congestion and pollution and worsening road safety²⁸. For this reason, the rehabilitation of existing road networks and the introduction of new road maintenance methods remain high priorities²⁹.

In October 2008, **EBRD** signed the third road rehabilitation project, co-financed with the **World Bank** and the **EIB**. The activities focus on assisting the country in upgrading its core road network, including the most important transport artery in BiH, Pan-European Corridor Vc, upgrading existing sections and constructing new ones to motorway standard. Support will also be given towards the commercialization of this sector, through the implementation of measures aimed at improving efficiency and institutional strengthening.

The **EBRD**, **EIB**, and **World Bank Road Rehabilitation Project**, completed in 2008, was a major initiative aimed at supporting the improvement of the country's road infrastructure. In addition to the provision of loan capital for rehabilitation activities, the project introduced new road maintenance methods with local authority partners: BiH, Federation of BiH (FBiH) and Republika Srpska (RS) Ministries of Transport and Communication, and the Entity Directorates of Road Maintenance.

In order to improve the maintenance of roads in BiH **Japan/JICA** provided road maintenance equipment to CESTE (the body in charge of maintenance) through the *Project for Procurement of Road Construction Machinery*

The **EC's** activities focus mainly on institutional development and reform through support to the relevant authorities and administrative bodies, and through facilitating direct investments.

Rail Network

Whilst the volume of cargo transport has increased substantially (2 billion tkm in 2007, 1.2 billion tkm in first half of 2008)³⁰, rail transportation had registered limited progress in 2008 and 2009.

The Railway Regulatory Board (RBB) is not functioning at full capacity as the recruitment and training process has not yet been completed³¹. "There is a need to accelerate coordinated harmonization of legislation at the State level in order to achieve full interoperability"³².

A MoU between BiH and Montenegro has been signed for the preparation of railway construction between the two countries. The electrification of the Doboj-Tuzla Zvornik and Brčko-Banovići sections of the railway network has been undertaken, contributing to improved efficiency and environmental protection.

In the Railway and Aviation sub-sector, **EBRD** is focusing on the implementation of ongoing projects including implementation of institutional reforms in both sectors. The restructuring of the railway company in BiH is intended to separate infrastructure from operations.

In 2008 **EC** launched the *Design for Reconstruction of Railway Structures, Electrical Traction and Telecommunication Facilities on REBIS Railway Core Network* project.³³

Water Transportation Network

During 2008 and 2009, the major focus of development activities in the area of Water Transport dealt with the renewal of the Sava River as a fully functional water transportation option. A feasibility study for the rehabilitation and development of transport and navigation on the River Sava was presented by the Sava River Commission and a number of rules for water transport were adopted³⁴. A study was produced on demand for inland waterway transport services, paying particular attention to the Sava route.

²⁸ *Bosnia and Herzegovina Country Partnership Strategy for FY08–FY11*, World Bank, November 2007.

²⁹ The main problems are cracking, poor drainage, land and rock slides, inadequate lighting in tunnels, and transit issues through cities, DMR 2007.

³⁰ *Bosnia and Herzegovina 2008 Progress Report*, Commission staff working document, Brussels, November 2008.

³¹ In order for the RBB to function to its full capacity, the railway technical and safety regulations need to be aligned with the acquis, and the Railway Package II Directives remain to be implemented, (*Ibid.*)

³² In accordance with the "Addendum to the Memorandum of Understanding on the Development of the South-East Europe Core Regional Transport Network for a South-East European Railway Transport Area", (*Ibid.*)

³³ REBIS/SEETO railway core network in BiH comprise railway sections Samac-Doboj-Sarajevo-Mostar-Capljina on Pan-European Corridor Vc, and Banja Luka-Doboj on corridor parallel to Corridor X. The target groups for this project are BiH Railways Public Corporation, Railways of FBiH, and Railways of RS.

³⁴ These rules include navigation and transport/traffic safety and the marking of the navigation route on the Sava. International Sava River Basin Commission, Feasibility Study for the Rehabilitation and Development of the Sava River Waterway, 2008.

Italy/IC adopted a new operational approach that included soft loans and grant support for projects targeting sectors such as transport, water and sanitation³⁵.

Since 2007 EC is financing the *PORTUS Project* aiming to develop the integrated logistical system between Adriatic ports and their connections with the existing pan-European corridors and axis³⁶.

Air Transport

In the Air Transport sub-sector, the European Common Aviation Area (ECAA) Agreement was ratified. Although administrative complications and delays still limit the efficiency and effectiveness of the application of this Agreement, an action plan has been produced and the market for commercial air carriers has been opened. The privatization of BiH Airlines, owned by FBiH, is ongoing. In the meantime RS established "SkySrpska".

EBRD's second phase *Air Traffic Management System Project* entails the procurement and provision of air navigation, communication and meteorological equipment, software, and training to three regional airports (Banja Luka, Tuzla, Mostar) in order to improve safety and enable BiH airports to meet international standards.

Communication

The Communication sub-sector comprises: communications policy and administrative management, telecommunications, radio/television/print media, information and communication technology (ICT). The telecommunications is still described as being "in transition" as not all of the required market protection mechanisms are in place and competition is not yet adequately developed.

Since liberalization of electronic communications and information technologies, only a few new entrants have become operational and no new licenses for fixed telephony services have been granted³⁷. One of the reasons for this delay could be the slow tariff rebalancing (a key element for creating a competitive market) which is still at an early stage. The Communications Regulatory Authority (CRA) has improved its administrative efficiency but further human, financial and technical resources are needed to support the development of the sector, including on market regulation and creating a competitive market.

In the area of information society services, BiH has ratified the e-SEE Agenda Plus for the development of information society in South-East Europe 2007-2012³⁸, which is implemented under the umbrella of the Regional Cooperation Council (RCC).

Legislation to establish a state-level Information Agency in charge of implementing the information society strategy throughout the country has not yet been adopted.

In order to develop a modern information-based society the following steps are required: defining of 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 this field; achieving further liberalization of the communications sector; and the development of broadband infrastructure.

USA/USAID, the EC, the Netherlands and UNDP are the major donors to this sector. The non-DCF member OSCE is also involved in the sector.

The EC focuses on initiatives that both directly and indirectly support BiH compliance with EU accession requirements. For example, the EC provides technical assistance in the form of equipment and training for the CRA to enable the agency to adopt European standards in the regulatory framework. The Commission is also indirectly assisting 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 and Action Plan for Information Society, as well as coordinating related activities throughout the country. Additionally, with the financial support of UK/DFID, the EC is raising awareness about the European Union by establishing EU Information Centres in several BiH municipalities.

³⁵ It is expected that the exact figures will be finalized very soon and then discussed with BiH counterparts; DCF meeting, 12 May 2009.

³⁶ PORTUS - Perspectives on Inter-Regional Transport Unitary System: Development of Integrated Logistic System between the main central and northern Adriatic Ports and their connection with existing Pan-European Corridors and Axis.

³⁷ So far, 13 interconnection agreements have been concluded between new and incumbent operators. Four operators offer carrier selection services. *Bosnia and Herzegovina 2008 Progress Report*, Commission staff working document, Brussels, November 2008.

³⁸ Ibid.

UNDP supports this sub-sector through its *e-Governance Programme*³⁹, aiming to develop an efficient and responsive public administration, which ensures equitable access to public services. E-Governance, financially supported by the EC, ensures that ICT is utilized effectively for public administration reform. Spain/AECID is also supporting the State Agency for Civil Service in the implementation of e-Governance within the public administration.

Through the *Electrification of Kvarc* project and the *Electrification of Zepa*, the Netherlands contributes to the rehabilitation of the media infrastructure and support to sustainable returnees in the larger Srebrenica region⁴⁰.

The *Digital Cities* project from USA/USAID provides a platform for all types of e-government, with a robust network that reaches into rural areas around Srebrenica and Bratunac.

Energy Generation and Supply

The Energy Generation and Supply sub-sector comprises: energy policy and administrative management, power generation/(non)-renewable sources, electrical transmission/distribution, gas distribution, energy education/training, energy research. The categorization made in the Medium-Term Development Strategy (MTDS) 2004–2007 that divided the energy sector in BiH into five groups (Electricity, Coal, Natural Gas, Oil, and Central Heating) remains valid in 2008 and 2009.

Separate entity legislation has been put in place to establish operators and regulatory functions in the Entities. In RS, regulatory powers over the gas sector have been granted to the electricity regulator, whereas in FBiH these powers lie with the Ministry⁴¹.

Regarding the internal energy market⁴², although hydrological conditions could have been better during the period, the improved functioning of thermal power plants has resulted in improved production overall. The increased production by 12.1% of electric energy in thermal power plants has led to a jump in demand for coal⁴³.

In 2008 progress was made in relation to electricity development plans, but less in relation to the gas sector. A country-wide legal framework for gas has still to be developed and no national regulator has been established. However, the independent system operator (ISO) and the transmission company (Transco) for the electricity sector have been operating in compliance with the legal framework.

From January 2008 all consumers (except households) are eligible to change supplier, but technology and metering constraints have slowed down the benefits created by a more open market. The State Electricity Regulatory Commission and the two entity regulators have adopted new rulebooks for the development of an open market.

Canada/CIDA, Germany, the Netherlands, Norway, Spain/AECID, USA/USAID, EIB, EBRD, the EC, and the World Bank contribute to the Energy sector in BiH.

The EBRD assists BiH with the development of renewable power generation resources and facilitates private sector investment in the power generation sector. The project, which finished in 2008, is part of a larger investment programme for the BiH Power sector being financed in parallel by the World Bank, EIB and bilateral donors. The project has helped to increase the reliability and efficiency of electricity transmission and has reduced line losses and associated emissions from power generation. In this sub-sector EBRD has also promoted a regional investment fund, the *Joint Power Venture* completed in 2008.

In Bosnia and Herzegovina the EBRD and the EU launched a *Western Balkans Sustainable Energy Credit Line Facility* (WeBSECLF) that is expected to replicate the successes achieved with similar arrangements in other countries, such as Bulgaria, Romania, Ukraine and Slovakia⁴⁴. The EU/EBRD WeBSECLF is an investment facility to provide debt financing for energy efficiency projects and small renewable energy projects implemented by private entities (in industry or in buildings used for commercial services). The fund will act as a catalyst to unlock the potential in the region to reduce energy intensity and promote diverse sources of green energy.

³⁹ This project although referring to the Good Governance and Institution Building chapter clearly contributes to the Infrastructure area, too.

⁴⁰ Reconstruction of HV and LV network in Zepa where 50 families have returned but do not have electricity in their houses.

⁴¹ Bosnia and Herzegovina 2008 Progress Report, Commission staff working document, Brussels, November 2008.

⁴² It has to be considered that in 2007 a drastic production of electric power occurred and in 2008 the production increased by an average of the 15% y/y. *Bosnia and Herzegovina Economic Trends, 2008 report*, Directorate for Economic Planning (DEP), Sarajevo, March 2009.

⁴³ At BiH level, coal production typically records an 8% growth, (Ibid.)

⁴⁴ The EBRD sees significant potential for improvements in industrial energy efficiency in Bosnia and Herzegovina. The facility is complemented by €13.5 million of EU grant funding from the Instrument for Pre-Accession Assistance (IPA), which will be used for technical assistance to support energy efficiency projects and for incentives to kick-start investments. Further Technical Cooperation will be funded by the EBRD Western Balkans Multi-donor Fund in the amount of €2.5 million.

For the same purpose, in March 2009 EBRD opened the *EBRD Western Balkans Sustainable Energy Direct Financing Facility (WeBSEDF)* to provide debt financing for renewable energy and industrial energy efficiency projects to small and medium-sized enterprises in the Western Balkans.

The **EC** is also supporting the process of unbundling power generation, transmission, and distribution. Additionally, the Commission 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.

Since 2007 the **European Investment Bank (EIB)** is supporting the *Rehabilitation of Hydropower Plants and Distribution Facilities* project. This loan finances measures leading to a more rational usage of energy through the reduction of losses, improvement of energy efficiency, reducing of operating and maintenance costs as well as increasing the quality and reliability of power supply of the energy system across the country.

The **World Bank** is implementing its fourth programme cycle in the Energy sector, which is now being realized at the regional level in conjunction with a broad donor group, including the **EBRD**, **Germany**, **Canada/CIDA**, **Switzerland/SDC/SECO**, **USA/USAID**, and **EIB**. The goal of this initiative is to reform and restructure the Energy Sector.

Canada/CIDA supports the development of expertise in the electricity sector through improvement in management capabilities and education. With the *South-Eastern Europe Electrical System Technical Support* project, Canada/CIDA aims to enable countries in the region to better meet their electricity needs.

Germany/KfW Entwicklungsbank provides long-term capital for investments in the Energy sub-sector with programmes focusing on the rehabilitation of older hydropower plants such as Hydro Power Plant Rama and Hydro Power Plant Trebinje. This engagement is expanding towards financing new-generation facilities based on water and wind. The implementation of a new management system at the distribution level (SCADA) for the support of power quality and the optimization of the power management are currently under preparation. Germany is also initiating the *Open Regional Fund for South-East Europe-Energy* with the aim to strengthen regional cooperation in fields of the energy efficiency and renewable energy sources.

Germany has also been the first donor interested in diversifying the sources of power generation in BiH by using the wind. With the Windpark Mesihovina, Germany plans to provide financing for the first large-scale wind park in BiH from 2010, contributing to the sustainable and ecological use of the renewable energy sources of the country.

The **Netherlands** concentrates on electrification projects in the Zepa and Srebrenica regions, while **Norway** is financing the IMG, *International Management Group Electrical Power Supply* project for the reconstruction of the Electrical Power Supply System in Srebrenica Municipality.

Spain/AECID seeks to strengthen the capacities of the departments responsible for the development of renewable energies, in particular solar energy, within the Ministries of Energy of FBiH and RS. Spain/AECID finances another project in this sub-sector that aim to strengthen the ISO BiH in its management of electricity generated by renewable energy sources. This project also develops regulations and framework agreements for the use and commercialization of the electricity produced by renewable energies.

In this sector, **USA/USAID** is involved with the *Regulatory and Energy Assistance Project*. By merging the three existing Regulatory Commissions into a single regulator and creating a legal and regulatory framework for gas, this project aims to help BiH fully integrate its energy sector into the regional and European Union markets as well as to restructure and commercialize its energy companies.

Water Supply and Sanitation

The Water Supply and Sanitation sub-sector refers to: 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/disposal. The Water sub-sector and the long-term reliability of water service delivery have recorded the same main problem as in 2007, namely financial and physical un-sustainability. The causes also remain the same: an inability to satisfy total demand due to incomplete coverage; and insufficient fee collection levels largely due to evasion, limited enforcement options and flawed billing systems.

Although the water companies are funded by their respective municipalities⁴⁵, the subsidies are insufficient to cover losses and minimum maintenance capital expenditure requirements. The lack of efficiency stems from poor physical infrastructure, insufficient management

⁴⁵ Municipalities are the level at which jurisdiction over water supply and sewerage service distribution lies. There is no centralized regulation of this sub-sector in BiH.

and limited administrative capacities in both the water utility companies and their associated municipalities.

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.

The DCF donors in the Water Supply and Sanitation sector are Germany, Spain/AECID, Switzerland/SDC/SECO, EBRD, EIB and the World Bank.

In the framework of its water and wastewater activities **Germany/KfW** is currently supporting four municipalities and the cooperation with a fifth municipality is being prepared. KfW is focusing on rehabilitation of water supply systems for improving water quality and for reducing losses. Germany supports the definition of works, procurement and supervision of construction activities to be performed by the local water utilities with the support of internationally tendered consultants. Extension of the sewage systems has been financed for protecting drinking water sources in the City of Banja Luka. Each programme is supplemented by activities for improving the management and financial aspects of water utilities, too. It aims at providing a reliable water supply for the population at cost-covering and socially affordable tariffs.

With the project *Integrated Management of Neretva River* initiated in 2007, **Spain/AECID** contributes to the protection and improvement of the control of the quality of water of Neretva. In this sector Spain/AECID works on supporting the elaboration of a *Hydrologic Plan for the River Bosna Basin*. With a third project initiated in March 2009 entitled *Creation of a Water Management Sustainable Plan of the Neretva River*, Spain/AECID has supported the development of an Action Plan in collaboration with the Agency for Waters to the Adriatic sea and the Agency for Waters of Trebisnjica. This project aims to strengthen the capacities of both Agencies and to develop a framework to coordinate the water law with the aim of fulfilling European requirements in this area.

Switzerland/SDC/SECO also supports municipal administrations and civil society in practising good governance related to water and environmental management. The new *Prijedor Water Supply Project* aims to ensure the provision of a regular water supply for the Prijedor Municipality through infrastructure investment and institutional building of its Water Company. The number of citizens who will have continual and reliable access to water because of this project are estimated to be around 74,000. Besides investments in water sources and physical network reconstruction, the municipal water company will improve its institutional and managerial capacities covering operational costs and debt service based on financial sustainability.

EBRD provided a loan towards the cost of construction of the priority wastewater collection network in the town of Bijeljina in order to prevent further pollution of underground water which is used as a source of potable water, thereby reducing the health hazard to the town's population.

EIB has granted a loan to FBiH for rehabilitation and construction of water and sanitation facilities. The EIB loan will finance an investment programme for the water and wastewater sector in 15 towns that will result in improvement and expansion of the water supply and sewerage systems and the construction of wastewater treatment plants.

The **EC** involvement in this sub-sector is through the provision of a feasibility study for a wastewater treatment plant in the municipality of Bihac.

The **World Bank's** *Urban Infrastructure and Service Delivery* project is assisting with the improvement of the quality and reliability of the delivery of basic infrastructure services, particularly water and sanitation, in urban areas. In 2008 the **World Bank** also initiated the *Second Solid Waste Management project* that intends to improve the availability, quality, environmental soundness, and financial viability of solid waste management services in the country.

Other infrastructure developments

There are several others projects relevant to the infrastructure sector, which are outside the boundary of the sub-sectors identified above. Examples of such projects include **Norway's** contribution to the *Reconstruction of the Facade of the Parliament of Bosnia and Herzegovina* and **Sweden/SIDA's** *Roma action plan on housing* project aiming to improve the living conditions of minority Roma families and to test the possibilities of implementation of a housing action plan, in close cooperation with local authorities.

Sector strategies

The *Country Development Strategy* and the *Social Inclusion Strategy* are yet to replace the MTDS, which technically expired on 1 January 2008. The Directorate for Economic Planning is in charge of preparing the *Country Development Strategy* and the *Social Inclusion Strategy* in cooperation with representatives in Entities, cantonal, regional and municipal government.⁴⁶ A separate country strategy for infrastructure has not been developed.

⁴⁶ Most probably the strategy will cover the period 2010–2015, as in 2009 the whole process of consultation will be finished and the implementation will start in 2010.

Although a state-level *Transport Sector Strategy* was developed through a coordinated effort between the BiH Ministry of Transport and Communication and a donor, it has not yet been formally endorsed.

The Ministry of Transportation and Communication is in charge of developing a country-wide strategy for the communication sector. The document has not yet been prepared.

BiH has not developed a comprehensive energy strategy. A study on the energy sector in BiH, which should provide a basis for the strategy, was finalized in May 2008. In the absence of such a strategy, guidance is provided by the Athens Energy Community of the SEE treaty and the Kyoto Protocol. Additionally, a number of action plans exist, focusing on encouraging large investments, improving distribution networks, building hydro power plants, and environmental upgrading.

Environmental assessments had been incorporated into new BiH legislation, but not yet enforced. As there are several ministries involved in the process, coordination is difficult and time-consuming.

The National Environment Action Plan provides a basic framework for environmental protection and has been adopted along with a number of important environmental laws.

Donor coordination

In the Infrastructure agencies tend to coordinate their activities through bilateral meetings, as multilateral cooperation has proved to be more difficult in this sector. International Financial Institutions (IFIs) work together on an ad hoc basis responding to private sector requests.

Coordination between donors is currently hindered pending the development of the Country Development Strategy. At present, bilateral meetings take place between donors and the Government. Many projects are combined with EU-programmes (Instrument for Pre-Accession Assistance - IPA and Municipal Window of the Infrastructure Project Facility - IPF MW) in the context of alignment with EU regulations.

Developments during 2008–2009 in the Transport sub-sector for the coordination of roads, rails, water and air transportation have improved among international agencies. The complex organization of this sector remains one of the most significant challenges in synchronizing donors' activities. Coordination between the few donors in the Communication sector is sound, but largely informal. Coordination between donors and Government in the Energy sector has been facilitated by periodical meetings organized by the Energy Department of MoFTER. It is generally agreed among donors that their activities do not overlap. The Energy Department is responsible for coordination and the fulfillment of obligations under the Athens treaty.

Future activities

Key reform goals for this sector include encouraging private investment (domestic and foreign) and achieving a stable supply of energy for citizens at reasonable prices and in accordance with accepted quality standards. Sustained economic growth, human development, and environmental integrity depend on the existence of a well-functioning water system. Insufficient wastewater treatment remains a key environmental challenge and donors intend to engage in projects addressing municipal infrastructure deficiencies, with the main focus being on water and wastewater projects.

In term of grants, IPA Funds are the main channel for the EU's financial and technical cooperation that BiH will use for developing the infrastructural sector. Because of the complex institutional and political environment, the launching of the implementation of IPA has been delayed, but is now underway.

Conclusion

Infrastructure improvements in BiH continue to be urgently needed: transport and energy have been recognized as key priorities for BiH by governmental authorities and donors alike⁴⁷. A specific focus on regional cooperation facilitating the transportation of goods and people in the country and internationally is essential for the country's long-term development. Whilst support for this sector from international institutions is most commonly in the form of credit – whether on concessionary or full commercial terms – it is clear that this assistance is essential to enable BiH to sustain long-term investments in this sector. Moreover, previous under-investment and the unique geography of the country mean that improvements in this sector are necessary to enhance regional competitiveness.

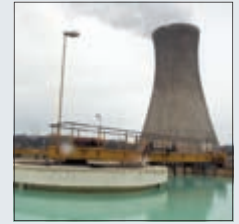
⁴⁷ In its strategy paper for the period 2008-2011, the World Bank dedicated a special attention to two keys subsectors in particular: Transport and Energy. Bosnia and Herzegovina Country Partnership Strategy for FY08-FY11, World Bank, November 2007.

Chapter 6

Economic Development and Social Protection

DCF donors active in the sector in 2008–2009	Austria/ADC, Germany, Italy/IC, Japan/JICA, The Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, UK/DFID, USA/USAID, EBRD, EC, EIB, UNICEF, UNDP
Other key international organizations (IOs) and International Financial Institutions (IFIs)	International Labour Organization (ILO), International Monetary Fund (IMF), Office of the High Representative and EU Special Representative (OHR).
Key government partners	Directorate of Economic Planning (DEP); BiH Ministry of Finance and Treasury (MoFT); BiH Ministry of Foreign Trade and Economic Relations (MoFTER); BiH Ministry of Civil Affairs; FBiH Ministry of Labour and Social Protection; RS Ministry of Health and Social Protection; RS Ministry of Labour and Veteran's Affairs; BiH Export Promotion Agency.
Total allocation to the sector in 2008 and 2009 by DCF donors	2008: €222.18 million - €28.93 million in grants 2009 ⁴⁸ : €110.66 million - €30.66 million in grants (including the 2009 EC pipeline projects)
Sector strategies	MTDS (now expired) is used for guidance. New state-level development strategies are being produced. Some sub-sector strategies have been developed. There is no state-wide sector strategy.
Donor coordination	There is no sector-wide donor coordination mechanism, although donors take part in irregular information-sharing meetings. SMEs: there are no regular donor coordination meetings; there is just ad hoc coordination, often organized bilaterally. Direct Capital Support: the Financial sector is characterized by close coordination that takes place in bilateral or trilateral meetings. Social protection: there is no formal mechanism for coordinating donors.

⁴⁸ including EC 2009 pipeline project in the amount of €13.23 million



Overview

During 2008 and 2009, the Economic Development and Social Protection sector was characterized by the development of trade integration with the European Union (EU), with the signing of the Stabilization and Association Agreement (SAA) in June 2008, together with the Interim Agreement, which focuses on trade and trade-related areas, entering into force on 1 July 2008⁴⁹.

For the implementation of the SAA, Bosnia and Herzegovina (BiH) developed an Action Plan and established joint bodies between the state-level and entity-level institutions. As far as pre-accession financial assistance is concerned, the 2008–2010 Multi-Annual Indicative Planning Document (MIPD) for BiH was adopted in September 2008. The signing of the SAA and the entry into force of the Interim Agreement are likely to expand trade integration with the EU.

During 2008–2009 the Economic Development and Social Protection sector was also directly and indirectly affected by the economic and financial crisis, resulting in a decrease of import and exports, a decrease of remittances incomes (sent by labour migrants and the diaspora) and the credit-refinancing squeeze⁵⁰.

At the beginning of 2009 BiH began facing the first consequences of this crisis, registering a sharp reduction in economic growth. Economic imports and exports have decreased substantially, and commodity prices and demand from EU markets and from the region have dropped. Additionally, the international financial crisis has contributed to declining Foreign Direct Investments inflows and decreasing external loans⁵¹. Luckily, monetary stability has been ensured by the currency board, which anchors the Convertible Mark to the Euro with a fixed exchange rate (1 euro = 1.95583 KM). The interest rate on credit is still on the rise⁵², increasing the difficulties for investors and small and medium-sized enterprises (SMEs) in accessing credit. There is evidence of growing unemployment: the State Statistical Agency has reported that over 21,000 people have lost their jobs since November 2008.

The institutional set-up of BiH has evident implications for the economic sector. The continuing influence of the public sector in the economy is generally considered to be an impediment for the efficient allocation of resources by market mechanisms⁵³. Entities have different processes of privatization, different social security systems and, even although partially harmonized, different fiscal systems. The recent financial crisis highlighted the urgent need to harmonize economic development and social protection policies through tight and efficient cooperation between all the different levels.

This sector received 29.01 % of total Official Development Assistance (ODA) allocations in 2008 and, so far, 26.79% of total ODA in 2009 (excluding EC pipeline projects for 2009).

⁴⁹ *Bosnia and Herzegovina 2008 Progress Report*, Commission staff working document, Brussels, November 2008.

⁵⁰ "The Regional Impact of the Global Economic Crisis", Development in Transition, concept paper (number 13), March 2009.

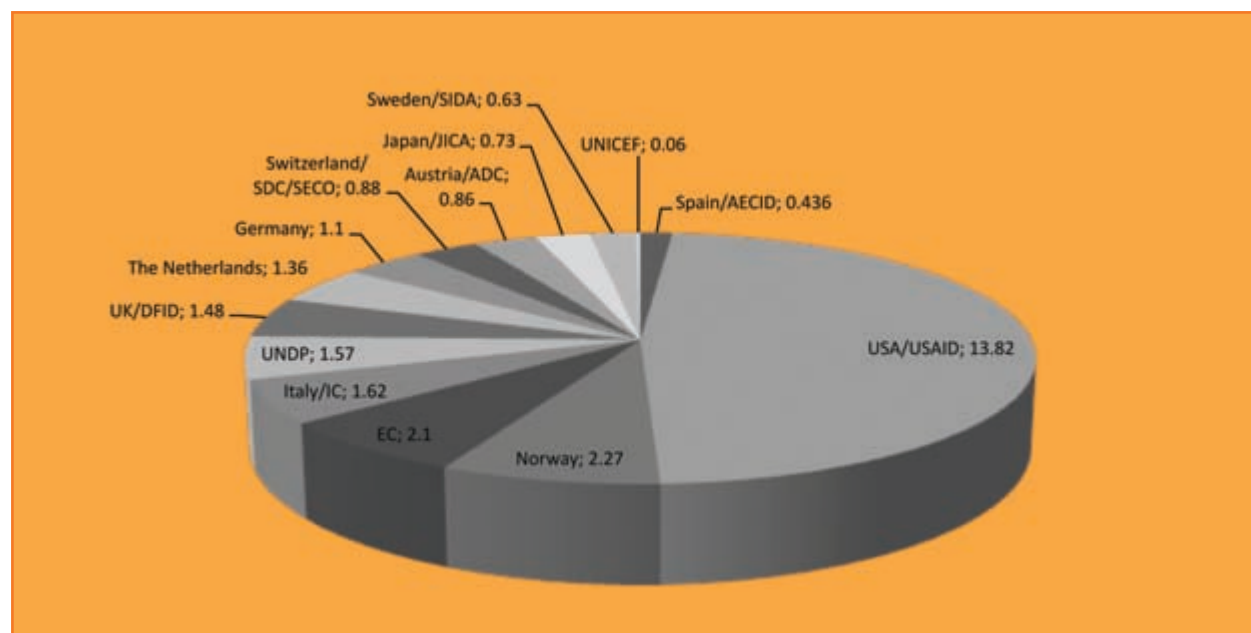
⁵¹ Ibid..

⁵² BiH Economic Trends, Annual Report 2008, Economic Policy Research Unit, March 2009.

⁵³ *Bosnia and Herzegovina 2008 Progress Report*, Commission staff working document, Brussels, November 2008.

Donor activities in 2008 and 2009

Figure 6.1. Donors Active in the Economic Development and Social Protection sector in 2008
Grants only (Euros millions)



Donor Coordination Forum (DCF) donors active in the Economic Development and Social Protection sector during 2008 were Austria/ADC, Germany, Italy/IC, Japan/JICA, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, UK/DFID, USA/USAID, EBRD, the EC, EIB, UNICEF and UNDP. From the listed agencies, UK/DFID and EBRD have not yet allocated funds to Economic Development and Social Protection projects for 2009. Non-DCF organizations, such as the International Monetary Fund and the International Labour Organization (ILO) have also had significant impact on the Economic Development and Social Protection sector.

Figure 6.2. Donors Active in the Economic Development and Social Protection sector in 2008
Loans only (Euros millions)

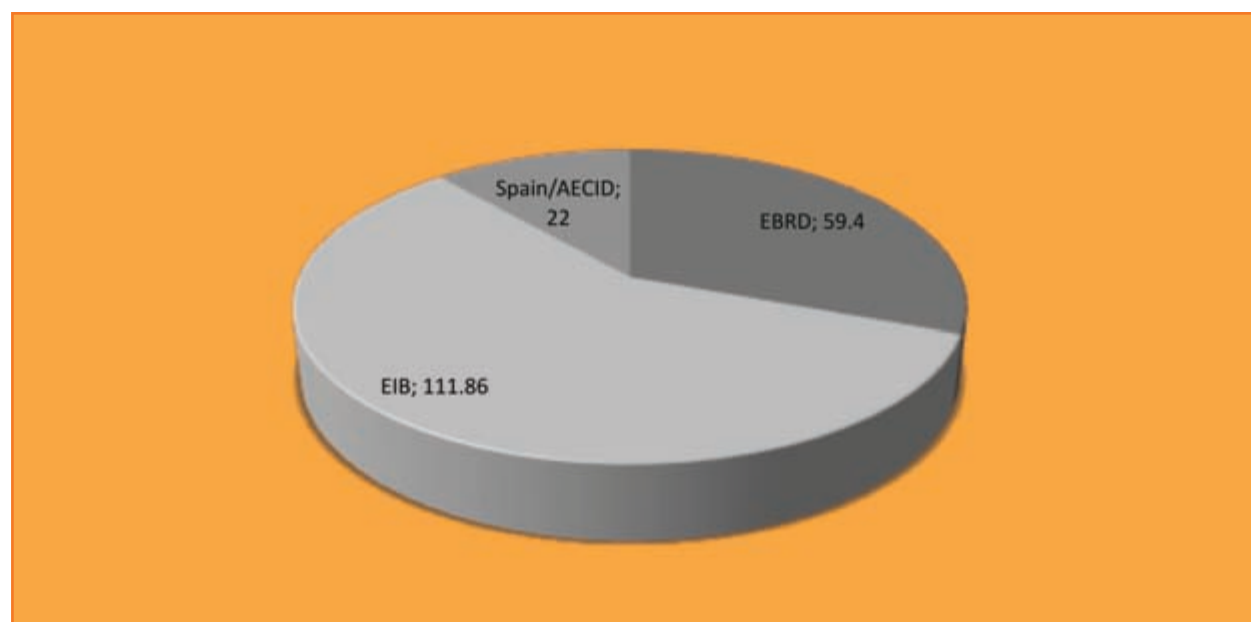
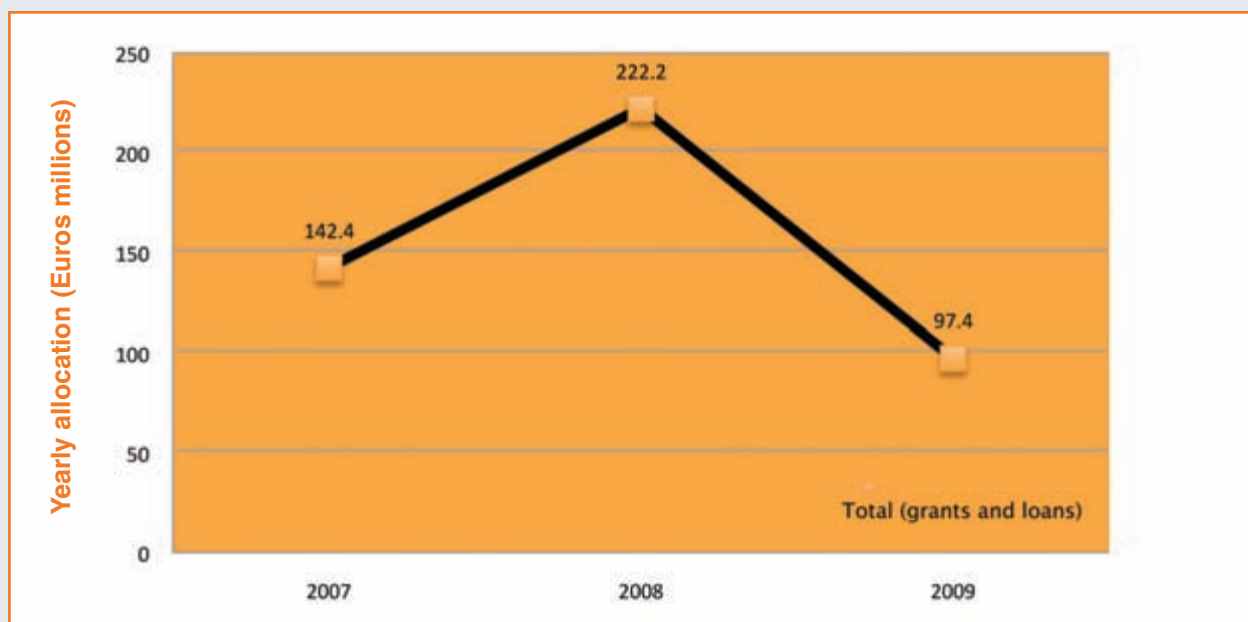
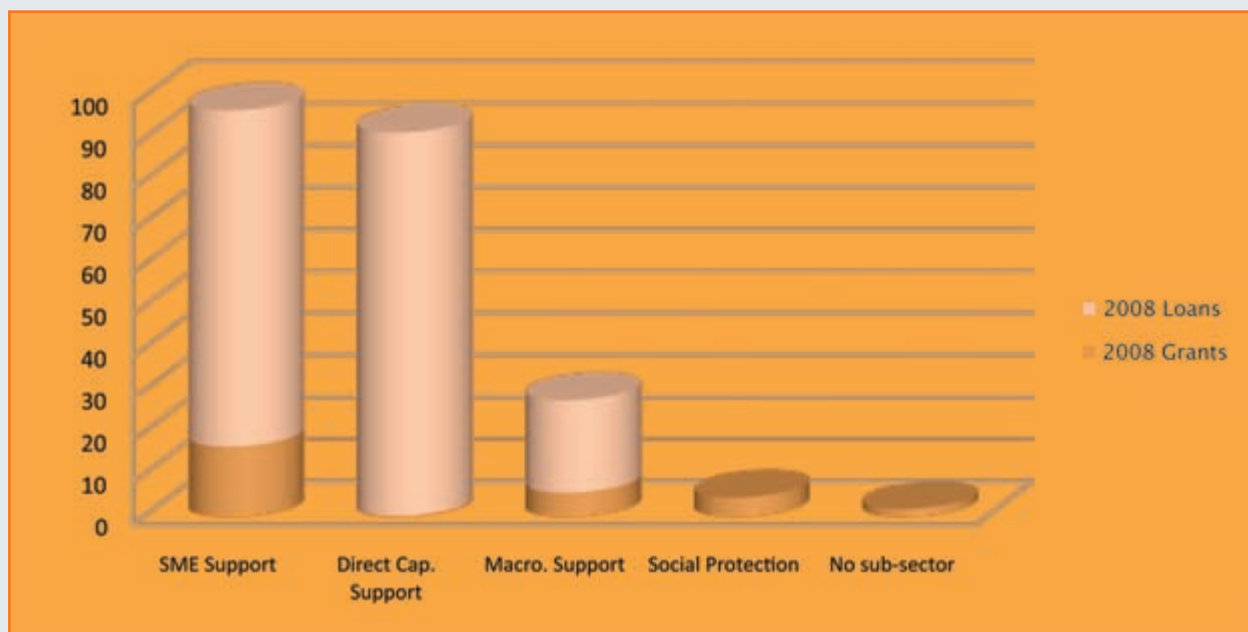


Figure 6.3. Change in Donors Allocation to the Economic Development and Social Protection sector 2007-2009



The total allocation to the Economic Development and Social Protection sector by DCF members was €222.18 million in 2008 and €110.66 million in 2009 including EC pipeline projects for 2009 to the value of €13.23 million. The 2008 figures include €171.25 million in concessional loans by the EBRD and the EIB. Funding to the sector has increased from 2007 to 2008 and although 2009 figures indicate a fall in ODA, donors may allocate additional funds to the sector during the course of the year.

Figure 6.4. Donors Allocation to the Economic Development and Social Protection sub-sectors 2008 (Euros millions)



Macroeconomic Support

The Macroeconomic Policy Support sub-sector comprises activities aimed to assist macroeconomic, fiscal and monetary policy and planning, as well as economic and social analysis and forecasting. Un-earmarked contributions to the government budget for the implementation of macroeconomic reforms and general programme assistance also fall within this category.

Since 2000, real Gross Domestic Product (GDP) growth of BiH has remained relatively stable at around 6%⁵⁴. Even though this is an encouraging rate, it had been estimated to be below the potential rate and is not sufficient to achieve significant decreases in unemployment. The GDP forecast for 2009 is expected to be considerably lower, with possibly negative growth figures, due to the effects of the economic and financial crisis. Consequently, the persistently high levels of unemployment, which registered a positive decrease in 2008, (42.1 % in 2008, 43.3% in 2007)⁵⁵ will be affected by this downturn.

During 2008 and 2009 progress has been made by reaching a consensus on the fundamentals of economic policy and inter-entity cooperation in a number of important areas. In particular, a commitment was made to improve fiscal coordination by means of the adoption of the *Law on the National Fiscal Council* and, in September 2008, the inauguration of the Council, a permanent body in charge of overall fiscal policy coordination in the country⁵⁶.

Some progress can be reported regarding taxation. In January 2008 the Indirect Taxation Authority established the Single Indirect Taxpayers' Register. This covers Value-Added Tax (VAT) taxpayers, excise duty products, registration for foreign trade exchange and international forwarding registration. In 2008 VAT collection showed an improvement as a result of increasing economic activity and the growing number of registered VAT taxpayers⁵⁷. The reform of direct taxation continued with the simplification of the personal income tax system (10% tax overall)⁵⁸. This process has been continuously supported by USA/USAID.

In 2008 Japan/JICA started implementing the project for *Strengthening Country-Wide Small and Medium-Sized Enterprise Support Structure in Bosnia and Herzegovina*, with the aim of clarifying and defining the roles and coordination systems of the relevant institutions engaged in SME support in BiH as well as improving the policy implementation capacity of SME support institutions. Japan/JICA's project for *Sustainable Regional Development through Eco-tourism in Bosnia and Herzegovina* aims at human and institutional development in private and public sectors for a sustainable development through eco-tourism.

USA/USAID has been offering technical assistance to the Federation of BiH (FBiH) and BiH Governments to support progress with tax reform legislation, in order to create and implement a transparent tax administration system and achieve the European standard for fiscal integration. In addition, USA/USAID's *Commercial Law Development Program* is currently focusing on ensuring that BiH complies with the World Trade Organization's Trade-Related Aspects of Intellectual Property Rights' requirements, including enforcement of intellectual property rights (IPR). Funding in 2008 and 2009 will go towards building judicial capacity on IPR cases.

UNDP designed, developed and implemented the *Grants Resource Management System*⁵⁹ (GRMS) within the Ministries of Finance. It aims to enhance the capacity of BiH governments to manage grant resources in line with defined national priorities. The institutions have now taken ownership of the system and use it as an internal public finance management tool.

In May 2009, UK/DFID commenced the implementation of a new phase of the *Strengthening Public Expenditure Management* project⁶⁰. DFID is focusing on cooperation in providing technical assistance to the state, entity and cantonal governments to institutionalize and deepen the budget planning process. The project goal is to ensure that public finances are increasingly effective at delivering the national priorities of the governments in BiH. In this phase, the project will also aim to enhance the role of the BiH parliaments and civil society organizations (CSOs) in the budget process by strengthening their capacity to analyze budget policies and spending plans.

⁵⁴ Source: Central Bank of Bosnia and Herzegovina.

⁵⁵ 2008 Economic and Fiscal Programme, Council of Ministers, Sarajevo December 2008. Source: Labour Force Survey 2008. The unemployment rate is calculated as a ratio between the number of unemployed and the total workforce consisting of the total number of employed and unemployed individuals (ILO).

⁵⁶ *Bosnia and Herzegovina 2008 Progress Report*, Commission staff working document, Brussels, November 2008.

⁵⁷ 2008 Economic and Fiscal Programme, Council of Ministers BiH, Sarajevo, December 2008.

⁵⁸ The Federation followed up on the changes initiated last year by the RS and reduced the corporate income tax rate from 30% to 10%, aligning it with the rates in the RS and Brcko District. 2008 Economic and Fiscal Programme, Council of Ministers BiH, Sarajevo, December 2008.

⁵⁹ Although this project refers to the Good Governance and Institution Building sector, it is relevant to the issues discussed here, too.

⁶⁰ This project is also related to the Good Governance and Institution Building Sector

In 2008, **UNICEF** started implementing the *Transforming the Public Child-Care System in Bosnia and Herzegovina* project that aims to provide support to relevant entity ministries for the implementation of the Policy for children without parental care and families at risk of separation.

In the Business Environment and Trade Promotion sub-sector, **Switzerland/SDC/SECO** is continuing its cooperation with the Organisation for Economic Co-operation and Development (OECD) through the Investment Compact and with the International Finance Corporation (IFC) in the *Sub-national Competitiveness* project for the improvement of the business climate. IFC is helping FBiH on regulatory reform in the field of inspections. The municipalities of Novo Sarajevo, Banja Luka and Mostar were supported in performing the review and identifying the necessary improvements to their regulations affecting the business environment and the costs of doing business. The OECD started to work on the Investment Reform Index 2009. The Swiss Import Promotion Programme/Osec prepared for future support to the wood-processing industry and Agricultural sector in approaching foreign markets.

Unfortunately, the Enterprise Sector Recovery Fund (ESRF)⁶¹ created in 2007 by UK/DFID, the Netherlands and Sweden/SIDA did not deliver the expected results. Because of these difficulties, donors involved in this fund decided to concentrate their efforts using other methods of support to reach the same policy objectives.

The area of tourism, albeit a cross-cutting one, has also been extensively supported by donors. One of the areas of intervention, under the socio-economic requirements in Component 1 of the Instrument for Pre-Accession Assistance (IPA)⁶², is economic development including the Tourism sub-sector. In this respect, the **EC** will continue to support the economic development process under IPA 2008. Assistance to the Tourism sub-sector foresees the establishment of a grant scheme to fund SME and tourism development and the provision of technical assistance to the tourism industry in BiH.

Support to Small and Medium-Sized Enterprises (SMEs) and Improvement of the Business Environment

The Support to SMEs and Improvement of the Business Environment sub-sector comprises direct donor support to the development of SMEs in the Industrial sector, including accounting, auditing and advisory services. The development of the SME sector in BiH is of vital importance for the future prosperity of the country, especially in view of the high unemployment rate and the consequences of the financial crisis. Donors have expressed an increased awareness about the role of SMEs and the private sector; this is evidenced in the new projects that have begun in the period 2008–2009.

The legal framework of the private sector in general, and the SME sub-sector in particular, has been made stronger and barriers constraining the start-up and operation of businesses have been removed. Businesses are enjoying better support thanks to an improved organizational structure. Sector strategies have finally been put in place to guide donors at the regional, entity and state levels.

Donors have responded positively to the work of the BiH Export Promotion Agency, a national agency operating within the BiH Foreign Trade Chamber, whose primary role is to assist all BiH companies to develop and expand export markets by promoting the products and capabilities of the country internationally⁶³.

In 2008 **Germany** commenced implementing the following projects: *Local and Regional Economy Support*, *Poverty Reduction Phase II*, *“House of Trust” in Srebrenica* and *Job Creation through Support to Small Start-up Businesses in Central and Western BiH*.

In addition, in 2008, Germany continued implementing the projects: *Part Measure 1 of the Open Regional Fund Foreign Trade for South-East Europe (ORFFTSEE)* “Export support in the Car Supporting Industry through inter linkage of the car clusters in the Western Balkans” and *Part Measure 3 of ORFFTSEE*: “Export support of own collections in the textile industry by qualifying and linking the fashion designers”. The aim of the first of these projects is to improve the market positioning of car-parts companies in the Western Balkans on the West European and global market; the latter project aims to increase the market positioning of fashion designers in the Western Balkans on the West European and global markets.

⁶¹ In 2007, UK/DFID, the Netherlands, and Sweden/SIDA each committed €5 million to the ESRF over three years. The ESRF’s objective was to finance technical assistance to support the achievement of MTDS in the following sectors: transparency and control of public expenditure; improvements to the business environment; increased flexibility and mobility of labour; strengthening the health care financing system; strengthening the pension system; acceleration of privatization; resolution of the outstanding debts of the sector.

⁶² Council Regulation (EC) No. 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA).

⁶³ The European Union provided over €840,000 for the establishment of this Agency.

During this same year **Italy/IC** launched the *Cooperation and Development Support to Local Initiatives for Reconstruction and Development* project. The project aims at increasing opportunities for young people, disabled people and women through microcredit, youth information-points (work-orientation centres), and creating small women's enterprises in the field of fashion and supporting the strengthening/creation of agro-business SMEs. The project also intends to improve the educational and sanitary system by strengthening water-stabilization control, promoting waste recycling and creating a city park together with schools with scientific-didactical aims.

In 2008, **Norway** started and completed the *Education Development Centre INC* project – aimed at excellence in innovation – the establishment of a Machine Tool e-BIZ Centre and the establishment of an Agricultural Information Centre.

In cooperation with **Sweden/SIDA**, **USA/USAID** financed the *Fostering Interventions for Rapid Market Advancement* project that focuses on industry development. This project aims to enhance and improve the competitiveness of industries (especially in the Wood and Tourism sub-sectors) with targeted assistance to clusters, strengthening trade associations and loan guarantees for these competitive sectors.

In 2008 **USA/USAID** launched two other projects dealing with the issue of SME Support. The aim of the *Linking Agriculture Market and Producers II* project is to have the financial element of loans to farmers and their repayments de-coupled from the fruit production and marketing element of the Rural Employment Generation Activity. The purpose of the *Partnership for Advancing Reform in the Economy* project is to strengthen the regulatory system for the Financial Services sector, improve the financial administration of public resources, and enhance the environment for private-sector investment and growth through the provision of targeted, demand-driven assistance.

The **EC** prioritizes this sub-sector and focuses its efforts on making SMEs more competitive. Activities dealing with obstacles in value-chains (addressed by local stakeholders), market integrators that offer services to SMEs, identification and development of business zones and government institutions for policy development, are to be supported to attain EU standards.

The **EBRD** has provided dedicated credit lines targeted at different sectors, such as loans, trade facilitation and lending money to SMEs. The EBRD has recently expanded the scope of its partners to include microcredit institutions.

The **EIB** provided two loans in 2008 to support SME and the improvement of the business environment to the Nova Banjaluka Banka and the UPI Banka GL.

After reorganization in 2008, **Japan/JICA** continues supporting private-sector development with projects in capacity-building of economic institutions, promotion of SMEs, and promotion of cooperation in the private sector with loan assistance.

Commitments of the **Netherlands** to improve the business environment have increased with new projects in Srebrenica, implemented by **UNDP**, improving the social and economic situation of people in the region through local entrepreneurial initiatives. The Netherlands is also involved in capacity building for SMEs in Central BiH to enhance their ability to access export markets (removal of regulatory and administrative barriers and improvement of the knowledge and skills of local businesses). As well as through the *Support to Export and Trade* project in cooperation with the Regional Development Agency for the Central BiH Region (for competitiveness and improvement of the regional business environment), the Netherlands is promoting SMEs exports. The Netherlands is also funding a project that is offering alternatives to dispute resolution for businesses.

Spain/AECID continues to promote projects aiming to increase the economic and institutional capacities of micro and small enterprises through supporting decentralized enterprise-support agencies. Spain/AECID continues collaboration with the Sarajevo Economic Region Development Agency and the Regional Economic Development Agency of Herzegovina (REDAH). Spain/AECID also finances other projects, including *Support of the Economic Development of Herzegovina through Boosting the SME Sector* (executed by REDAH) and *Support for the Economic Development of Mostar by Means of the Improvement of the Tourism Sector* (implemented by the City of Mostar).

Also **Switzerland/SDC/SECO** is currently working in private sector development and SME promotion with the *SMEs Capacity Building and Access to Finance* project. In 2008 SECO continued to work with the IFC through the *Corporate Governance Programme* and with EBRD through the *Trade Facilitation Programme*. In late 2008 Switzerland assisted the launch of the first initial public offer of a private company in BiH. EBRD continued to issue guarantees to cover the financing of the foreign trade of local SMEs. The Swiss Investment Fund for Emerging Markets continued to give support to the regional capital market with investments in regional equity funds and microfinance institutions.

Italy/IC has also devoted particular attention to SME development as it considers the promotion and development of an entrepreneurial culture to be a key instrument in fighting poverty and creating sustainable economic development. The project funded by the General

Directorate for Development Cooperation within the Ministry of Foreign Affairs pledged a €15-million credit line for BiH enterprises.

Italy/IC is making a continual effort to improve relations between economic operators, Italian entrepreneurs and their counterparts in the Balkans, encouraging the internationalization of BiH enterprises. In 2009 this donor started implementing a three-year project, *Support to the Creation and Promotion of Environmental and Sustainable Touristic Itineraries in Bosnia and Herzegovina*. The aim of this project is to improve the living conditions of the population in rural areas through an integrated strategy of fighting against poverty and depopulation, protecting the environment and supporting community dialogue. The specific goal is to sustain the creation and the promotion of environmental and sustainable tourism in BiH through the development of valleys of rivers Neretva, Drina, Una and Sana.

In 2008 **Austria/ADC** completed its project *ECO-Net IV* which aimed at establishing an enterprise network in economic schools, in order to support trade and exchange between schools in SEE. As a result, this project should contribute not only to the economic competitive abilities of the SEE Countries, but also to good neighbourliness in order to support the integration of SEE Countries into the EU. In addition, in 2008 Austria/ADC continued to implement the project with the *Investment Compact Office for BiH and Croatia* with the aim of improving its business environment and framework conditions for investment. A three-year project *Tour Reg*, which started in 2007, has continued to provide support to the development of teaching material and curricula, involving counselling and training measures as well as some minor infrastructure investments.

Direct Capital Support – Financial Sector

The Direct Capital Support – Financial sub-sector comprises the following elements: finance 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; microcredit, savings and credit cooperatives. The global economic and financial crisis has influenced activities in this area in BiH during the last year. The Direct Capital Support sub-sector, once considered a donor-support success story, requires modification to counteract the impact of the economic and financial crisis. The independence of the banks in BiH has to be reassessed. Today more than ever, microfinance institutions have to be helped by International Financial Institutions (IFIs), in order to continue providing loans and credit to entrepreneurs.

Many donors are involved in this sector and are trying to face the consequences of the new financial landscape by modifying components in their programmes.

As a multilateral regional project, **Austria/ADC** is engaged in strengthening the social discussion at state level with a project in collaboration with ILO. The aim is to encourage investments through the promotion of international standards (OECD Investment Compact) and accounting and financial reforms (World Bank – *The Road to Europe: Programme of Accounting Reform and institutional Strengthening* REPARIS).

The **KfW** Entwicklungsbank (the German Development Bank), part of the KfW Bankengruppe promoting economies in transition, provides long-term capital for investments in infrastructure and financial systems on behalf of the German Government. KfW, which has been involved in this sector since 1998, focuses on further consolidation of the microfinance sector and the provision of re-financing lines for SMEs via the banking sector. Since 2003 **GTZ** has supported projects in economic reform with *Local and Regional Economy Support* (jointly funded with **Sweden** and **Austria/ADC**) and *Vocational Education Training/Land Administration*.

Spain/AECID agreed credit of 22 million euro to microcredit organizations in 2008.

IFIs such as EIB, EBRD and the World Bank work together in co-financing projects in BiH with loans and associated grants. IFIs assist BiH's regional integration and its progress in the development of the private sector towards EU membership through direct and indirect financing of private SMEs as well as with remaining large-scale privatizations.

EBRD finances professional development through support programmes; it provides loans, equity finance, guarantees, leasing facilities and trade finance. Solutions are tailored to client and project needs. Smaller projects are usually catered for through financial intermediaries, such as commercial banks, micro-business banks, equity funds and leasing facilities, thus giving entrepreneurs and small firms greater access to finance⁶⁴. The trade facilitation programmes provide credit facilities in the form of EBRD guarantees issued in favour of international commercial banks. **EBRD** continues a policy dialogue with BiH authorities at all levels (state, entity, cantonal, municipal) and assists with key structural and institutional reforms in the Financial sub-sector (banking supervision, insurance and leasing legislation and pension reform) and in the Corporate sub-sector (privatization of remaining state-owned enterprises, post-privatization financing and restructuring, property and tourism sector, agribusiness sector). EBRD continues its support for private-sector development through direct and indirect financing of SMEs.

⁶⁴ The EBRD has also launched a new Local Enterprise Facility for the Western Balkans under which it is considering direct investments in the range of €1 million to 4 million.

EIB continues its close cooperation with the EC and the European Agency for Reconstruction in preparing and co-financing projects with EU budgetary contributions provided by the new EU IPA.

In accordance with the priorities outlined in its *Country Partnership Strategy for Bosnia and Herzegovina 2008–2011*, and in response to the global economic crisis, the **World Bank** will consider approving additional lending of around US\$220 million. This financing will be used in supporting and fostering existing projects in municipal development and SME competitiveness. If the repercussions of the financial and economic crisis worsen, a budget-support instrument may also be considered to fill the gap of social needs.

Social Protection

The Social Protection sub-sector comprises the following components: social legislation and administration; institution capacity-building and advice; social security and other social schemes; special programmes for the elderly, orphans, disabled, street children; social dimensions of structural adjustment; other social infrastructure and services, including consumer protection. BiH has not yet formulated a state-level system in the field of employment and social policy. So far employment strategies and projects for active employment measures have been developed by the two Entities and Brčko District.

A social protection system at the state level has not been formulated. Policy is set at the entity level and financing and responsibilities are delegated to cantonal and municipal level. The social protection system in BiH has an insurance-based component (health care and pensions) and a component funded from the state budget (social assistance).

Donors have generally approached these issues with a combination of analytical research, advocacy, and direct support to reform processes.

As the high rate of youth unemployment is one of the most serious problems affecting the future economic development of the country, **Austria/ADC** and **Switzerland/SDC/SECO** have been aiding efforts to reduce youth unemployment in BiH by improving the employability of new entrants into the labour market and unemployed youth (through the *Youth Employment* project, mentioned in the cross-cutting Youth sub-sector). They also collaborate with private and public sector labour market service providers and initiated dialogue about policy concerning the youth. In addition, in 2009 Austria/ADC will complete support to a project devoted to disabled persons *Workshops for Handicapped Persons in BiH*. The project focused on the Mostar rehabilitation centre Holly Family with the aim of developing systematic and qualified work for family members of handicapped persons; employment of a psychotherapist to support adults and elderly people and the provision of a social fund for the purchase of necessary medical requirements.

In 2008 **Spain/AECID** continued with the implementation of its project *Increasing Social and Economic Capacities and Strengthening of the Productive Sector and Labour Market, Focusing on Vulnerable Communities* aiming to increase social and economic capacities improving the productive sector and access to labour market through the strengthening of professional capacities, labour nets and good management and production in agricultural cooperatives in Herzegovina and to facilitate access to economic, social and cultural rights, providing useful information and free legal assistance.

During 2008 and 2009 **Germany** provided funds for winter support distributing firewood, beds, food, etc. to the poorest groups of the population.

During the last two years many small-scale initiatives have been carried out by the **EC** in BiH through both macro and micro projects financed by the European Initiative for Democracy and Human Rights, which were aimed at the social integration of vulnerable groups.

UNICEF is implementing the *Enhancing the Social Protection and Inclusion System for Children in Bosnia and Herzegovina* project. This project, jointly supported by the **EC**, **UK/DFID** and the Government of **Norway**, aims to enhance the effectiveness and relevance of the social protection and inclusion system for children and families in BiH; to reduce discrimination and inequalities; and to increase the potential for development of their human and social capital.

The principles of non-discrimination and social inclusion are promoted in all **UNICEF** programmes, advocacy and assistance to policy formulation, in order to strengthen the capacities of the Government and to address social exclusion affecting children, young people and women. During these years a number of reports, analyses and working documents were developed in cooperation with relevant ministries, highlighting a number of systemic gaps leading to the exclusion of children and families in the country.

UNDP's *Social Housing* project piloted a procedure to implement social housing initiatives by engaging the local community as one of the key stakeholders in the process. As the process of return of refugees and displaced persons is nearing its completion, the

question of providing safe homes for social groups and other disadvantaged groups omitted by the return provisions has become a priority. Among the key national partners to explore this subject is the BiH Ministry for Human Rights and Refugees. The project is funded by UNDP, the Al-Zayed Foundation, Gorazde Municipality, Gorazde Canton Ministry of Displaced Persons and the FBiH Ministry of Displaced Persons.

In support of poverty reduction, UNDP promotes social inclusion in line with the pre-accession framework and agenda of the EU. UNDP also works with the Government on a social inclusion strategy drawing on lessons from area-based development programs and returnee reintegration projects.

UNDP has initiated a new cycle of National Human Development Research (NHDR) under which, in the years 2008 to 2011, two NHDRs will be produced. Taking its impetus from the 2007 NHDR on Social Inclusion, the subject of the first NHDR in this cycle, which is to be published in 2009, will be Social Capital. The final publication will be expected to make a significant contribution to guiding evidence-based policy making in BiH, through the launch and follow-up activities.

In 2009 Italy/IC launched the project *Alternative Measures for the Institutionalization of Minors without Parental Protection* with the general objective of contributing to the development of the process of dealing with minors without parental protection in BiH and of supporting young people in a particular state of poverty and abandonment. This project is also related to the Justice and Legal Reform sub-sector.

In 2009 UK/DFID launched the project *Updated Sample Framework*, which will support the BiH Agency for Statistics in designing and implementing an updated sample framework needed for socio-economic data surveys. This project is also related to the Public Administration Reform sub-sector.

Sector strategies

The *Country Development Strategy* and the *Social Inclusion Strategy* have not yet replaced the *Medium Term Development Strategy* (MTDS) that technically expired on 1 January 2008. Many donors (such as UK/DFID, Switzerland/SDC, Austria/ADC, the EC, UNICEF and UNDP) are currently involved in providing technical advisory support to the Directorate for Economic Planning (DEP), in charge of producing the *Country Development Strategy*. In order to prepare a comprehensive strategy, DEP put in place a process of accountable and transparent consultation. This methodology has been established in consultation with representatives in the Entities at cantonal, regional and municipal level, and was finalised in March 2009⁶⁵.

On the sub-sector level, progress has been reached with the adoption of the first *Small and Medium-Sized Enterprise Development Strategy in BiH 2009-2011*. Although the effects of the strategy have not yet been felt, the commitment from both Entities to the reforms is considered to be a key step towards improving the business environment. Until now, BiH has continued to implement the European Charter for Small Enterprises.

Regarding the Financial sub-sector the market-based approach has been the guiding principle, but there are still areas in which state-level coordination mechanisms could be improved.

As far as the Social Protection sub-sector is concerned, an overall country-level strategy has not yet been formulated. Entities continue to have separate social protection systems⁶⁶.

Donor coordination

There is no sector-level donor coordination mechanism. IFIs such as EBRD and EIB work on an ad hoc basis with beneficiaries according to need. The absence of the *Country Development Strategy* and the *Social Inclusion Strategy* make coordination between donors more difficult. Currently, bilateral meetings take place with donors present in BiH, in order to increase the effectiveness of interventions by coordinating activities and sharing information.

⁶⁵ Most probably the strategy will cover the period 2010–2015, as in 2009 the whole process of consultation will be finished and the implementation will start in 2010.

⁶⁶ *Bosnia and Herzegovina 2008 Progress Report*, Commission staff working document, Brussels, November 2008.

Future activities

Thanks to the SAA agreement, signed in 2009, more IPA Funds are now accessible to BiH. These include support for institution building, democratization, economic and social development, and for regional and cross-border cooperation, in order to make progress towards the ultimate goal of EU membership. The EC allocated a total of €74.8 million to Bosnia and Herzegovina under the 2008 IPA programme. One of the main areas of intervention has been economic and social development. The other areas were strengthening the rule of law and public administration structures and support for civil society.⁶⁷ Because of the complex institutional and political environment, including delays in ratifying the IPA framework agreement, the start of the implementation of IPA was delayed.

All donors have expressed their intention to focus on fostering existing Economic Development and Social Protection projects and programmes in order to mitigate the effects of the global and financial crisis. In order to sustain the effects, EBRD, WB and the EIB have agreed to provide more than €45 million in supporting BiH financial institutions to help them counter the effects of the global economic and financial crisis. These loans aim to support the real economy in BiH by providing a continued flow of finance to SMEs and to provide extra budgetary support to cover Social sector needs.

Whilst IFIs allocate additional funds to fill the gaps arising from the lack of capital from abroad, UNDP put its efforts into providing a better understanding of the main direct and indirect consequences of the economic and financial crisis⁶⁸.

Conclusion

During 2008 and 2009, the Economic Development and Social Protection sector showed an increase in donor funding. This trend is supported by the belief that economic growth accompanied by solid institutions and operational social nets are essential prerequisites to increase wealth and reduce poverty in the country.

In the longer term, BiH has to become better able to cope with the competitive pressure and market forces within the European area. In this respect the current economic and financial crisis has emphasized the need to continue to tackle the structural weaknesses of the BiH economy. This said, it can be argued that the country has suffered less from the crisis than many other countries in the region. Reforms of recent years, a relatively robust banking system and a prudent approach to borrowing have all played their part in this regard.

Achieving a harmonized, stable and accommodating macroeconomic environment, based on well-defined and comprehensive policies, is an essential condition for facing the crisis and taking a step forward towards sustained economic growth, generating employment and reducing poverty. The relatively high economic growth rates in BiH prior to the global economic crisis are evidence of the progress being made in this regard. Donors have played, and will continue to play, a vital role in this process as the country continues the long-term path towards EU membership.

⁶⁷ Source: Bosnia and Herzegovina 2008 Progress Report, Commission staff working document, Brussels, November 2008.

⁶⁸ UNDP conducted a survey in 11 municipalities of BiH. The findings have been shared between the donors participating at the DCF; follow-up research is planned.

Chapter 7

Local Government sector

DCF donors active in the sector in 2008–2009	Austria/ADC, France, the Netherlands, Norway, Spain-AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, EC, UNICEF, UNDP, World Bank
Other key international organizations (IOs)	Organization for Security and Cooperation in Europe (OSCE) and Council of Europe (CoE)
Key government partners	FBiH Ministry of Justice, RS Ministry for Public Administration and Local Self-Government, BiH Ministry of Human Rights and Refugees
Total allocation to the sector in 2008 and 2009 by DCF donors	2008: €19.53 million - €1.93 million loan 2009: €11.31 million
Sector strategies	There is a draft <i>Local Self-Governance Development Strategy</i> , which was developed as a civil society initiative in 2006. RS <i>Development Strategy of Local Self-governance</i> was adopted in 2009
Donor coordination	Ad hoc informal donor coordination only.

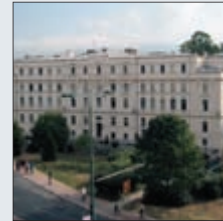
Overview

The Local Government sector in Bosnia and Herzegovina (BiH) is characterized by a number of factors. On the one hand, it exhibits a huge potential to address some of BiH's most pressing problems, such as corruption and social exclusion. On the other hand, reforms in local self-government are hampered by the absence of a uniform, central, legal and institutional framework. There is no state-level body responsible for coordinating this sector. In addition, in the Federation of BiH (FBiH) the existence of cantons as an intermediary administrative unit means that there is an imbalance between the functioning of the sector in each Entity.

Both Entities have their own local government-related laws. In 2004, the Republika Srpska (RS) adopted its *Law on Local Self-Government*, while FBiH passed its new *Law on Principles of Local Self-Government in FBiH* in 2006. All ten cantons in FBiH have their own laws on local self-government. According to the FBiH *Law on Principles of Local Self-Government* the Association of Cities and Municipalities became the legal representative of these administrative units. Respectively, RS municipalities and cities have their own Association to represent them. These two Associations have adopted the *BiH Law on Local Self-Government*. However, this Law has not become operational due to the absence of a relevant state-level body. Towards the end of 2007, in an attempt to remedy this situation, the RS and FBiH Associations of Cities and Municipalities established a Coordination Body to address the issues at the state level.

On an entity level, the relevant institution in RS is the Ministry for Public Administration and Local Self-Government. In general, stakeholders assess its work positively on the implementation of the RS *Law on Local Self-Government*. The *Governance Accountability Project* has conducted a survey regarding laws that should be harmonized in order to facilitate the implementation of the FBiH *Law on Principles of Local Self-Government* and has presented these to the Coordination Body at the Federal Ministry of Justice.

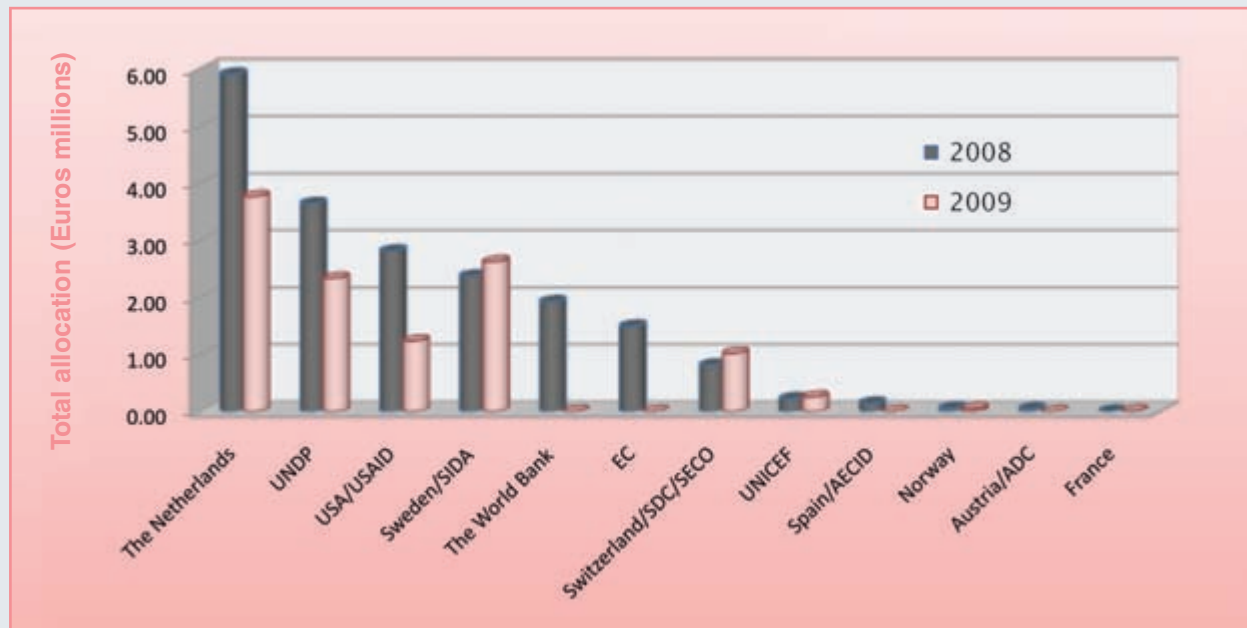
This sector received 2.55 % of total Official Development Assistance (ODA) allocations in 2008 and so far 3.11% of total ODA in 2009.



Donor activities in 2008 and 2009

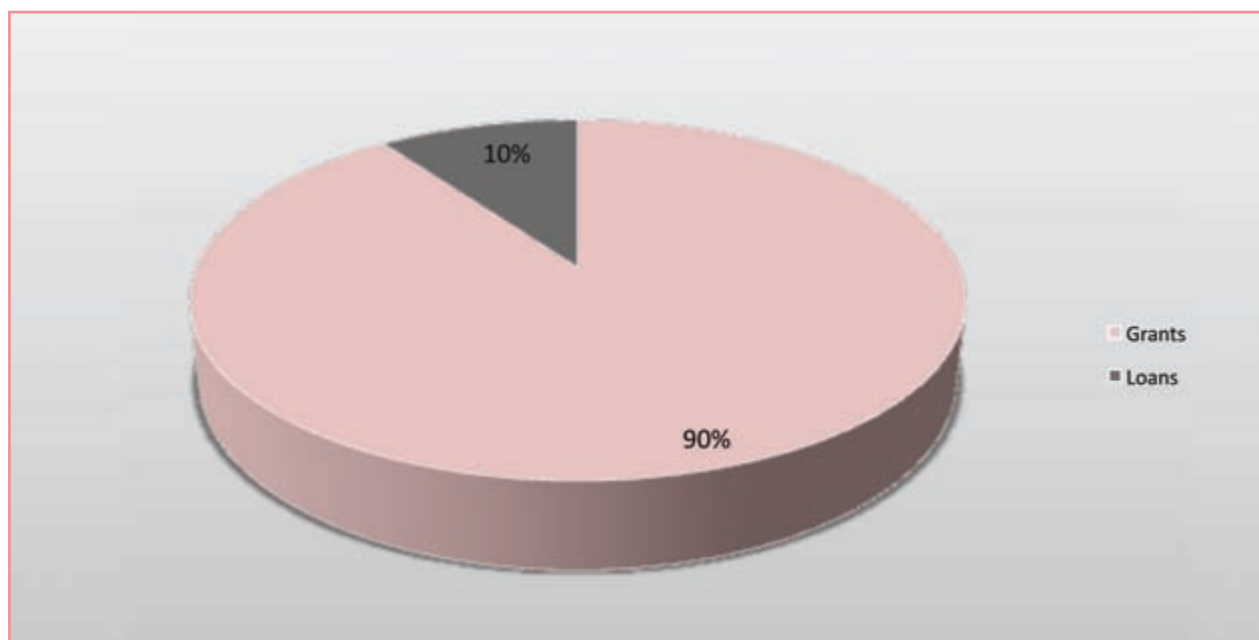
Donor Coordination Forum (DCF) donors active in the Local Government sector during 2008 were Austria/ADC, France, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, the EC, UNICEF, UNDP and the World Bank. Of these agencies, Austria/ADC, Spain/AECID and the World Bank have not yet allocated funds to local governance projects for 2009. Non-DKF organizations, such as Organization for Security and Cooperation in Europe (OSCE) and the Council of Europe (CoE) have also had a significant impact on the Local Government sector in BiH.

Figure 7.1. Donors Allocation to the Local Government sector 2008-2009



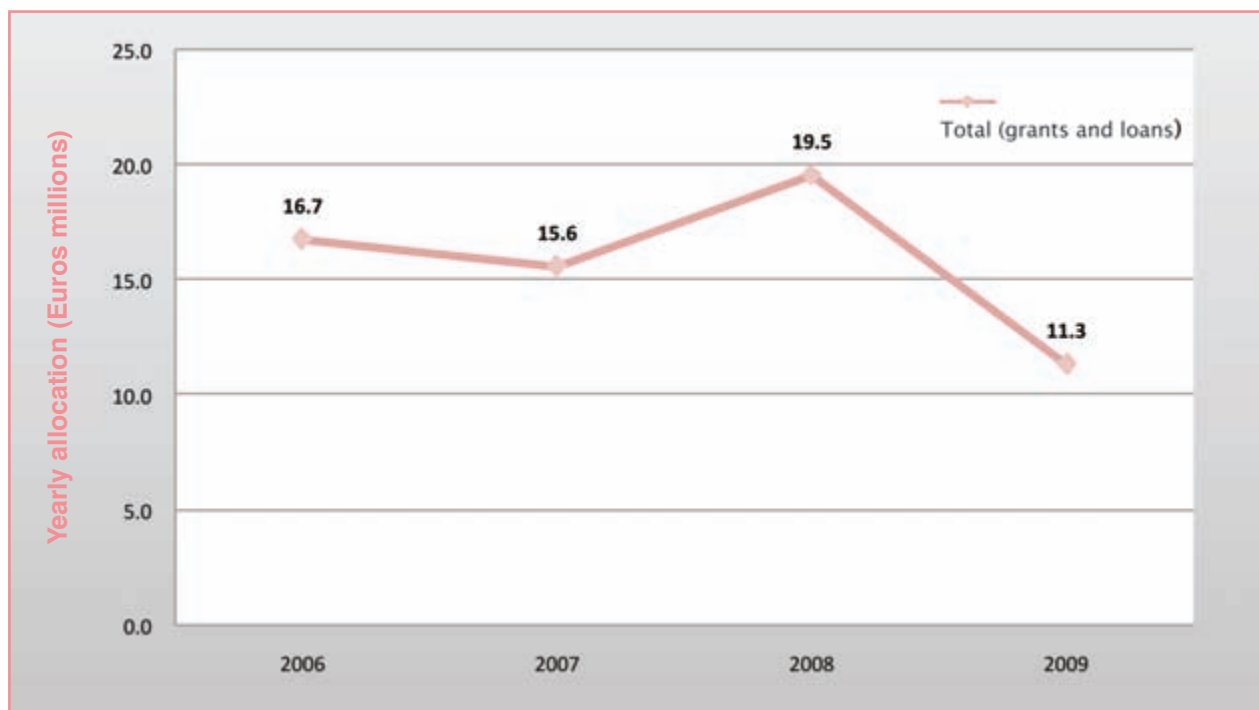
The total allocation to the Local Government sector by DCF members was €19.53 million in 2008, and €11.31 million so far in 2009. The 2008 figures contain a tranche of €1.93 million concessional loan by the World Bank.

Figure 7.2. Donor Allocation to the Local Government sector in 2008
(Grants and Loans, Percentage of Total)



Funding to the sector has increased from 2007 to 2008 and although 2009 figures indicate a fall in ODA, donors may allocate additional funds to the sector in the course of the year.

Figure 7.3. Change in Donors Allocation to the Local Government sector 2006-2009



In 2008 **Austria/ADC** finished a three-year regional project, which is an example of a cross-sectoral approach to rural development. The *Eco-Villages Network in BiH, Serbia and Montenegro* project aimed at strengthening the economic development of local communities in rural areas while promoting biodiversity in the region.

One third of all projects in the area of local self-government in 2008 were jointly implemented by donors. The **Netherlands** contributed to four projects related to local self-government, with three of them co-financed by other donors. In 2008 and 2009 the Netherlands and **UNDP** contributed to the *Upper Drina Regional Development Programme*. These two donors, together with **Norway**, completed the implementation of the *Srebrenica Regional Recovery Programme* in 2008.

In 2008 and 2009 **UNDP** and **Sweden/SIDA** continued the *Municipal Training System* project, which aims at developing a competent and professional local administration through the establishment of a sustainable municipal training system. In 2008 Sweden/SIDA supported the *People's Empowerment in Rural Areas* project to strengthen the administration and local participation in 100 villages in BiH.

Both **Switzerland/SDC/SECO** and **UNDP** are applying rights-based approaches to local government development. The *Integrated Local Development* project, jointly financed by these two donors, promotes socially integrated and inclusive local development through the building of more accountable and fit-for-purpose municipal government. The project builds on the experiences of other initiatives implemented by Switzerland/SDC/SECO and UNDP. It utilizes the twinning system through which better-managed municipalities are helping out their less successful partners. An underlying objective is the achievement of compliance with European standards of public sector service delivery, as well as building key capacities associated with the management of pre-accession funds.

In 2008 Switzerland/SDC/SECO launched the third phase of its *Municipal Development Project*. This initiative encourages partner municipalities to upgrade their capacities continuously and to contribute actively to the improvement of local economic development, utilization of EU funds and inter-municipal cooperation, in accordance with the principles of good governance and human rights. Switzerland/SDC/SECO has supported a third project related to local self-government in the Bihac area. This is a good example of a cross-sectoral approach to complex problems as it promotes good governance in water and environmental sanitation while increasing the capacities of local authorities and civil society.

USA/USAID is another major donor to the local government sector. In 2008 USA/USAID finished implementing their *Political Party and Parliamentary Development Program* through which they helped party municipal branches improve their connections with local communities by identifying and promoting issue-based politics. The project enhanced liaison between civil society organizations (CSOs) and political parties and parliaments especially in the area of gender equality and youth-related issues.

In 2008 the **EC** and **UNDP** started support to the *Reinforcement of Local Democracy* project, which facilitates the involvement of various stakeholders in local self-governance. In addition to strengthening the relationship between local authorities and civil society, the project aims to ensure that civil society organizations in the selected municipalities will have increased chances to deliver services. In 2008 **Spain/AECID** launched a two-year project that also aims to enhance the participation of civil society in the decision-making processes in local self-government. Under this umbrella, a pilot project implementing the Leader methodology in local development will be carried out in several municipalities.

In 2008 and 2009 **UNICEF** contributed to four projects related to local government. All these projects utilize the cross-sectoral approach to solving complex problems. UNICEF works towards developing a gender-based violence and child-abuse referral mechanism; strengthening the coordination of 13 educational authorities to improve the quality of, and access to, education; building child-friendly schools and communities as well as improving cross-cultural understanding and promoting the country's unique multicultural identity. UNICEF tackles women's and children's rights-related issues by applying a multi-sectoral perspective. UNICEF's projects exert influence on a number of areas, like education, good governance, health, economic development, conflict prevention, civil society and local governance.

The largest share of **UNDP's** allocation in 2008 was to the Local Government sector, in which UNDP both finances and implements several activities. In all these projects emphasis is placed on the inclusion of civil society in local planning. Through its programmes UNDP aims to strengthen municipal absorptive capacities in the light of EU integration and work towards the harmonization of planning methodologies in BiH.

In 2009 UNDP and **Norway** finished supporting the *Rights-based Municipal Development Programme*. The objective of this initiative was to institutionalize the rights-based approach as a model for local development planning in BiH.

In addition to the six projects noted above which are jointly financed by UNDP and other donors, two more local government projects are supported entirely by UNDP. In 2008 UNDP finished the third phase of the *Support to the Results-based Approach – Partnership for Local Development* (SUTRA PLOD) initiative, which focused on return and reintegration and local development issues. SUTRA PLOD assisted local communities in BiH in their efforts to implement return and reintegration projects where government, civil society and business organizations worked jointly to achieve this aim. This UNDP project also provided support to relevant state-level bodies in creating a coherent policy and administrative framework that would facilitate the involvement of potential stakeholders in helping returning refugees and displaced persons reintegrate in the local communities.

In 2010 UNDP will finish its work on the *Community Reconciliation through Poverty Reduction* project. This initiative is another case of the multi-sectoral approach to solving complex issues such as poverty reduction and community reconciliation as it includes mine clearance, waste management, income generation activities in the high-potential tourism industry, restoration of cultural heritages and strong PR activities.

UNDP also supports the establishment of a sustainable municipal training system and the development of a comprehensive municipal training needs assessment⁶⁹ in both Entities. UNDP assisted the development of the *RS Development Strategy of Local Self-Government*. The strategy was adopted in June 2009. UNDP is planning to continue activities in RS through the project for enhancement of human resource development.

In 2008 and 2009 the **World Bank** also contributed to the local government agenda. The *Community Development Project* helps to improve basic services in less developed local communities by building the capacities of local government to deliver these services. This initiative has also promoted partnerships between citizens and local governments in the areas of investment identification and financing. The project has financed over 400 investments in local infrastructure and services in less developed parts of the country.

Almost one-third of international agencies' allocations to the local government sector for 2008 and 2009 was channeled through the *Governance Accountability Project* (GAP). GAP is co-financed by USA/USAID, the Netherlands and Sweden/SIDA. It is designed to build the capacity of a critical mass of municipalities to serve their citizens better within a policy and fiscal framework of good governance. The project will cover up to 71 municipalities in 2009. GAP aims to improve the ability of municipalities to manage their human and capital resources effectively, and to support a policy and fiscal framework, which is conducive to accountable, democratic governance through targeted policy interventions in conjunction with mayors, municipal associations and ministries. The local interventions component of GAP focuses on the development of citizens' service centres; provides municipalities with an integrated accounting and budgeting software system or upgrades the system where one previously existed; assists in the municipal review of internal procedures and introduces new solutions such as zoning and modern software, thus helping reduce the time and simplifying procedures for urban, construction and land use permits. In 2008, many GAP-covered municipalities received targeted assistance in a variety of areas such as: process re-engineering and customer service, local economic development, management strengthening, preparation and implementation of Local Environmental Action Plans, capital budgeting and project development utility management, urbanism and zoning, cadastral improvements.

The policy interventions component of GAP aims to improve the legal and fiscal framework in which local governments work. GAP assists the FBiH and RS Association of Municipalities and Cities to prepare advocacy strategies and identify legislative improvements and priorities. GAP also led the effort to develop a method of allocation of revenues from the new Value Added Tax among governments. The priority is now to harmonize other laws and regulations on local self-government to further improve the position of municipalities. GAP also focuses on local self-government strategy development. GAP drafted a Code on Inter-governmental Coordination to facilitate the work of municipalities and cantons in FBiH.

Two non-DCF member organizations are also very active in the area of local governance. The OSCE has been implementing the *Local First* initiative, whose goal is to facilitate citizens' involvement in local self-government, thus guaranteeing an equitable and accountable allocation of public goods and services. *Local First* will be implemented until 2012. The CoE has also been involved in supporting the local governance sector in BiH. In 2008 and 2009 the CoE has been working with relevant entity institutions to harmonize the legal framework for local self-government in FBiH and RS.

In 2005 the OSCE mission to BiH and the CoE jointly launched the BiH Beacon Scheme, funded by Switzerland/SDC/SECO and **UK/DFID**. The Beacon Scheme is a best practice competition intended to raise the standards of municipal governance. In the beginning of 2009 ownership of the Beacon Scheme was handed over to RS and FBiH relevant Ministries and the Associations of Municipalities and Cities. France and Italy/IC have sponsored similar schemes thus creating partnerships between BiH and French and Italian municipalities.

⁶⁹ The UNDP Municipal Training System project, primarily funded by Sweden/SIDA, has under its activities performed a comprehensive training needs assessment (TNA) that represents a departure point towards more needs-based and demand-driven quality training for local governments in BiH. The TNA has covered a sample of 40 local self-government units in both BiH entities, with some 1,400 respondents participating in various stages of the process.

Sector strategies

So far there have been two unrelated attempts to develop a strategy on local self-government in BiH. In 2006 a civil society initiative supported by the Open Society Fund BiH developed a *Local Self-Governance Development Strategy*⁷⁰, which was endorsed by both RS and FBiH Associations of Municipalities and Cities. In March 2008 there was another grass-roots initiative, this time by the Forum of Tuzla Citizens, which developed a *Bill on the Principles of Local Self-Government* and also offered amendments to BiH Constitution. Meanwhile early this year RS adopted a draft of the *RS Development Strategy of Local Self-Government*. This document has been developed as a result of public consultation with municipalities and is linked to the RS *Law on Local Self-Government*. There is no FBiH strategy on local self-government. However, both FBiH and RS governments have adopted a policy agenda in March 2009.

The pragmatic approach embodied by municipalities makes up for the current gaps in the legislative and institutional framework related to local self-government in the country. Donors express positive opinions regarding cross-entity cooperation between municipalities.

Donor coordination

In the area of local self-government there is still significant donor support and good cooperation among international agencies. Most donors comment on the high level of coordination among stakeholders working in the Local Government sector. Most international stakeholders suggest that there is no need for formalized coordination meetings due to the high level of informal co-operation. As GAP is the single largest project in the sector it has evolved naturally as the focal point for other donors when considering support to this sector. Nonetheless, there are several areas where coordination could be enhanced, such as on the issue of methodology and approaches advocated.

Future activities

As a result of the financial economic crisis, some donors have had to reconsider some of the previously defined priorities in the Local Government sector. Despite this, both domestic and international stakeholders agree that the technical support provided by donors in the form of training and institutional development needs to be complemented by investment in the physical infrastructure, to the extent that is possible. There is also a need for strengthening the capacity of the RS and FBiH Association of Municipalities and Cities.

Bearing in mind that local self-government is a cross-cutting area whose development is closely related to other factors, such as infrastructure, environment, administrative divisions, historical legacies and so on, it is of vital importance to access various related resources when implementing reforms in these interlinked fields.

Conclusion

In order to achieve success in the area of Local Government reform, stakeholders need to take into account a wide range of variables that influence this important sector. The overview of donor activities in local self-government is indicative of their commitment to this approach. The successes achieved so far notwithstanding, stakeholders highlight some critical issues affecting future reforms in local self-government. Firstly, the spill-over effect of the global economic crisis has started to leave its imprint on local government projects. Secondly, a constraining factor in the area of local government remains the absence of a state-level domestic institution to adopt a unified BiH strategy to guide domestic and donor activities.

Donors express positive sentiments regarding the results of their work with municipalities. However, it is noted that the desire for results can sometimes drive them to work with more affluent, better performing municipalities, thereby leaving the weakest municipalities with disproportionately lower levels of support.

There is unquestionable progress in the area of local self-government. However, the pattern of this development has been uneven, both within and between entities. Further efforts of BiH institutions and donors are likely to focus more strongly in reducing these development disparities by focusing more support on under-performing municipalities.

⁷⁰ Retrievable from http://www.soros.org.ba/docs_lokalna_uprava/lsg_eng.pdf

Chapter 8

Agriculture and Forestry sector

DCF donors active in the sector in 2008–2009	Italy/IC, Japan/JICA, The Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, EC, EBRD, World Bank
Other key international organizations (IOs)	The Food and Agriculture Organization (FAO)
Key government partners	Sector for Agriculture, Food, Forestry and Rural Development at the Ministry of Foreign Trade and Economic Relations (MoFTER); RS Ministry of Agriculture, Forestry and Water Management; FBiH Ministry of Agriculture, Water Management and Forestry; State Veterinary Office, BiH Food Safety Agency
Total allocation to the sector in 2008 and 2009 by DCF donors	2008: €16.92 million - €8.13 million in loans 2009: €19,37 million - €14.04 million in grants ⁷¹
Sector strategies	BiH <i>Harmonization Strategy and Operational Programme for Agriculture</i> ; FBiH <i>Strategy for Agriculture and Rural Development</i> and RS <i>Strategy for Agricultural Development</i>
Donor coordination	MoFTER-chaired coordination meetings re Agriculture. There are no regular coordination meetings re Forestry.

Overview

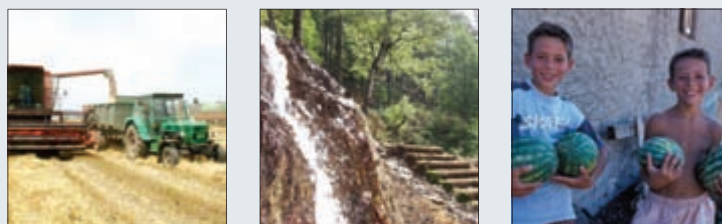
Because of its significant size and structural deficiencies Agriculture has been one of the most complex, sensitive and critical sectors for the development of the country.⁷² The same can be said of the Forestry sub-sector as forest land covers more than half of Bosnia and Herzegovina (BiH). Both agriculture and forestry were severely affected by the 1992–1995 war. The degradation of soil and the contamination of a quarter of BiH territory with mines are two of the most lasting consequences of the war.

International agencies have recognized the need for assistance and the potential for overall economic development of the Agriculture and Forestry sectors. Agriculture and forestry-related issues are primarily solved on an entity level. The recent donor-assisted establishment of a Sector for Agriculture, Food, Forestry and Rural Development (SAFFRD) at the Ministry of Foreign Trade and Economic Relations (MoFTER) is considered one of the most significant achievements in 2008. SAFFRD is responsible for the coordination of international matters (Stabilization and Association Agreement, Central European Free Trade Agreement (CEFTA) and the World Trade Organization) and for the harmonization of issues that fall under the responsibility of the Entities.

Donors praise the work of SAFFRD and use the Sector's reports for their own programming, for example for the development of the *Fostering Agricultural Market Activity* (FARMA) project (co-financed by USA/USAID and Sweden/SIDA). International agencies nonetheless suggest that there is a need for further institutional strengthening.

⁷¹ including EC Pipeline for 2009 to the amount of €3.49 million

⁷² The BiH Agriculture Sector and Italian Development Cooperation Assistance, Sarajevo 2008, p.25



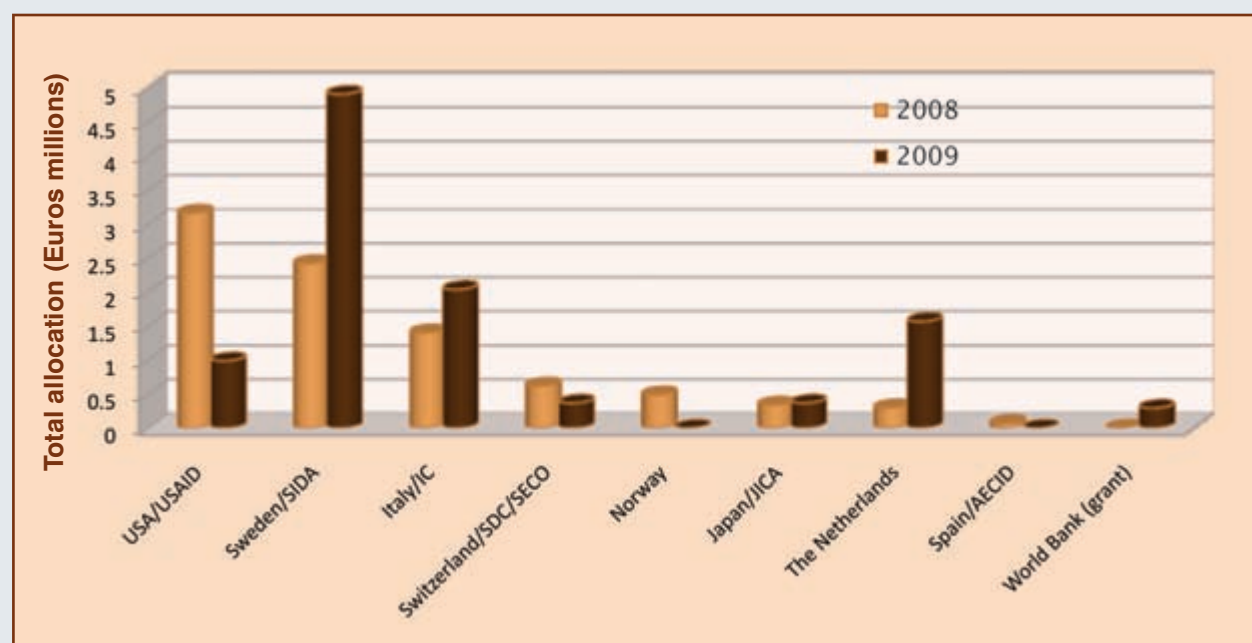
Years 2008 and 2009 also witnessed positive developments in the Forestry sector. Both Entities have started developing forest management strategies and using data forest inventory. Donors also welcomed the separation of ownership of forests from their management. The Forestry sector faces declining orders for wood/timber, which in turn negatively affects businesses in general.

This sector received 2.21 % of total Official Development Assistance (ODA) allocations in 2008 and so far 4.36% of total ODA in 2009 (excluding EC pipeline projects for 2009).

Donor activities in 2008 and 2009

Donor Coordination Forum (DCF) donors active in the Agriculture and Forestry sector during 2008 were Italy/IC, Japan/JICA, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, the EC, EBRD and the World Bank. Of these agencies, Norway, Spain/AECID and EBRD have not allocated new funding to Agriculture and Forestry projects for 2009.

Figure 8.1. Donors Active in the Agriculture and Forestry sector 2008-2009 (Grants only)



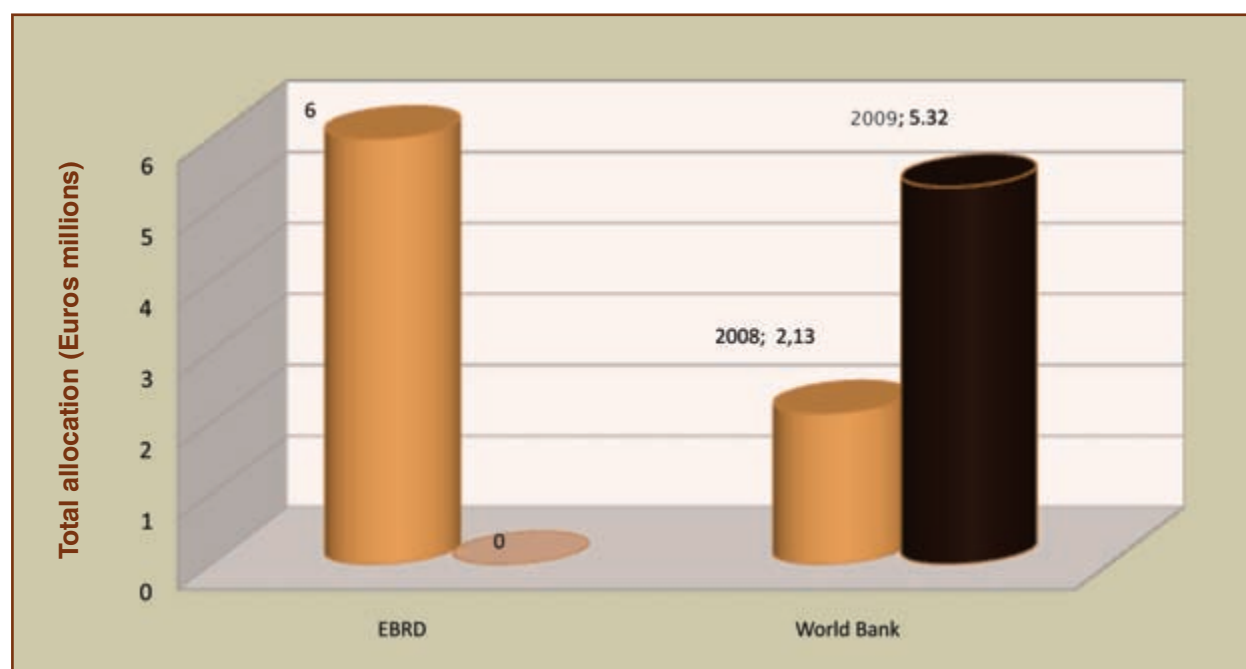
The total allocation to the Agriculture and Forestry sector by DCF members was €16.92 million in 2008, which includes a €6 million loan by EBRD. For 2009, so far, donors have contributed €19.37 million, including EC pipeline projects for 2009 to the value of €3.49 million. As in all other chapters, EC pipeline figures have not been included in the charts.

² Non-DCF organizations, such as the Council of Europe (CoE), the Organisation for Security and Cooperation in Europe (OSCE), the Office of the High Representative and EU Special Representative (OHR), the United Nations Educational, Cultural and Scientific Organization (UNESCO), the European Training Foundation (ETF), Kulturkontakt and World University Service (WUS) Austria, are also active in the Education sector.

³ Development of Education in Bosnia and Herzegovina – State Report, Ministry of Civil Affairs of BiH, October 2008. pp. 4 and 7. Hereafter: Education – State Report, MoCA, 2008.

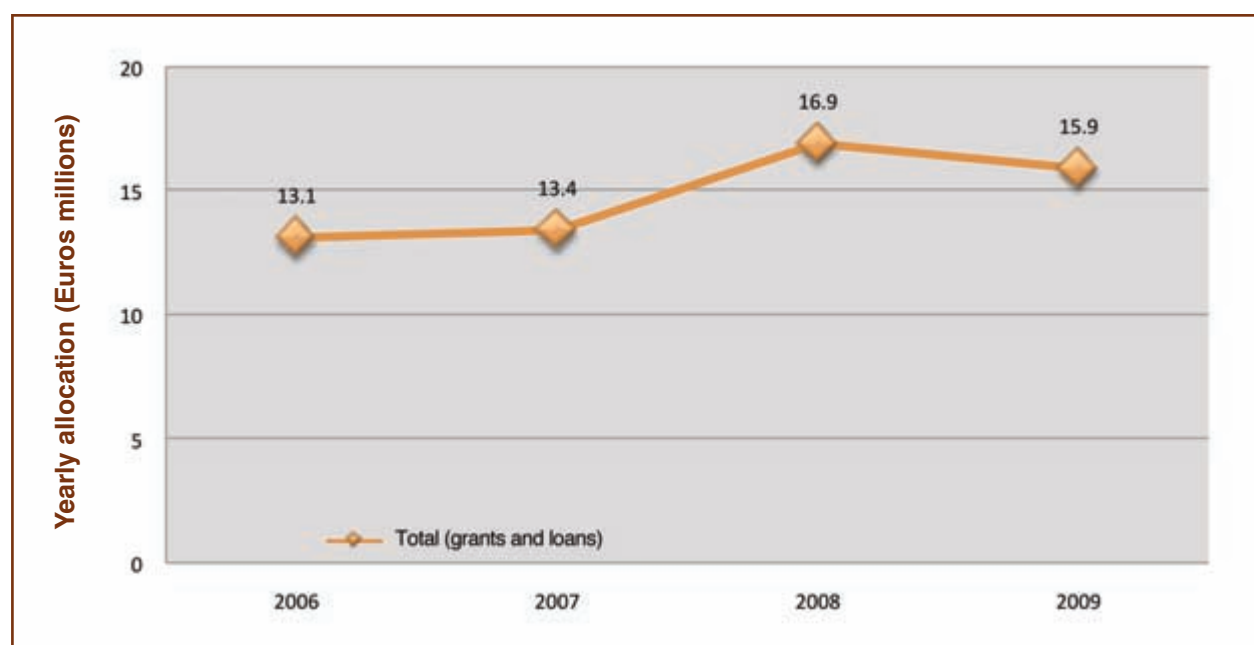
⁴ Ibid, p. 9.

Figure 8.2. Donors Active in the Agriculture and Forestry sector 2008-2009 (Loans only)



When compared to 2006 and 2007, it becomes clear that the Agriculture and Forestry sector continues to attract donors' attention.

Figure 8.3. Change in Donors Allocation to the Agriculture and Forestry sector 2006-2009



Donor support to the Agriculture and Forestry sector consists of a wide variety of activities and areas, including environmental policy development, legal and administrative management, research and capacity building. It must, however, be noted that there is a strong overlap between the Agriculture and Forestry and the Economic Development sectors, therefore some related activities may be found in the Economic Development and Social Protection chapter of this report.

Agriculture

Donors' support to Agriculture primarily focuses on improving production technologies in a variety of sectors and assisting producers to establish links to domestic and foreign markets. To this end, most donors also provide assistance in improving marketing techniques as well as in accessing finance. Some donors have focused their support to the sector in specific parts of the country.

Sweden/SIDA and **USA/USAID** have jointly designed and co-financed a large-scale, four-year agriculture project, FARMA. The overall objective of FARMA is to reduce poverty through an increase in sustainable economic growth and improved efficiency and competitiveness of BiH agricultural producers and agribusiness enterprises. Through improved links of producers and processors with markets, secured access to financing, and improved policy mechanisms and quality and control systems, the project aims to achieve a better trade balance and an improved ability to withstand pressures emanating from the EU accession process. In addition, it will enable agribusinesses to capture opportunities in domestic, regional and EU markets arising from the activation of CEFTA and the EU accession process.

In addition to FARMA, **USA/USAID** finances two other activities. Firstly, its *Linking Agricultural Markets to Producers* (LAMP) project has been extended until 2009 and runs under the title LAMP II. LAMP II covers the berry sector in a smaller, targeted geographic area and aims to increase the agricultural production and quality of soft fruits and berries and improve access to financial services for farmers. LAMP II works with the microcredit organization PARTNER. The USA/USAID-supported *Rural Employment Generation Activity* is closely linked to LAMP II. REGA assists forms of private-public partnership for promoting the development and expansion of the soft fruit sector (cherry and berry), and expects to engage approximately 230 farmers in sustainable soft fruit production, marketing their production through domestic fruit processors.

Sweden/SIDA also has a number of other smaller initiatives in the sector. Primarily, Sweden/SIDA is linking investments in agriculture with rural poverty reduction measures and employment creation. Moreover, Sweden/SIDA has cooperation arrangements with non-governmental organizations (NGOs), such as Econ BiH and Cow-How. Sweden/SIDA also supports domestic institutions in obtaining all the necessary approvals for licensed organic food-certification for the international market.

The **Netherlands** provides assistance to beekeepers in the northwest of the country.

In 2008, **EBRD** has allocated a €6 million working capital support to Bimal, the only vegetable oil producer in BiH that has grown rapidly both in BiH and the region.

The **World Bank's** *Small Scale Commercial Agriculture Development Project* focuses its activities in the southeastern part of the country. The area has a Mediterranean climate, which is favourable to the early production of fruit and vegetables, has potential for on-farm irrigation resources and continues to have traditional trade with neighbouring countries. The project encourages farmers to adopt more productive and profitable production systems and increase the marketability of their surplus production. The project also aims to establish market links and to facilitate the export of agricultural products, through information and technical assistance and support measures and investment to strengthen the physical and institutional infrastructure of rural communities.

Italy/IC operates through a large number of programmes led by Italian NGOs, international organizations and Italian local entities. The development projects mainly target the promotion of a sustainable agricultural system, such as integrated and biological agriculture, in order to reduce the environmental impact of agricultural production in BiH and strengthen the potential of small agricultural enterprises. This approach aims to reduce poverty and encourage interethnic integration, through the improvement of BiH's natural resources. In 2008, Italy/IC published a strategic document, entitled *The BiH Agriculture Sector and Italian Development Cooperation Assistance*, which provides a thorough summary of the state of the Agriculture sector in BiH as well as Italy/IC's approach to this field of work.

In 2008, **Norway** implemented several short-term projects aiming to provide agricultural education and development in seven municipalities in BiH.

Food safety

One of the important elements of **Sweden/SIDA**'s support to the Agriculture and Forestry sectors is the direct technical assistance provided to laboratories and ministries at all levels on importing European standards of food safety. The aim is to help producers improve food safety standards and establish market linkages. The **EC** also provided support to the State Veterinary Office and finances a project for the improvement of food quality.

Since the 2008 outbreak of brucellosis, Sweden/SIDA has also been providing financial support to the State Veterinary Office for the testing, treatment and vaccination of sheep against the disease, which affects cattle as well as humans.

Finally, in 2008 **Spain /AECID** supported the BiH Agency of Food Safety so it can adjust its procedures to EU standards.

Rural development

Since 2007, **Spain/AECID** has been working with the Regional Economic Development Agency of Herzegovina on the establishment of a Centre for Agricultural and Rural Development for Herzegovina. This Centre will be a reference point for farmers, retailers, processing companies and other agencies of the Agriculture sector. Spain/AECID is providing financial support for both the staffing of the Centre and the development of different services offered by the Centre.

In 2009 the **World Bank** started to implement the *Agriculture and Rural Development Project*. The project aims to improve the institutional structure, information system and capacity of the sector, and provide finance for rural development projects. It will also help accelerate the country's eligibility to access support under the European Union's Instrument for Pre-Accession Assistance for Rural Development.

Japan/JICA's agricultural and rural development activity is focused on the Srebrenica region and aims to enhance economic self-reliance and confidence building among the local residents. Through agricultural production, Japan/JICA promotes ethnic reconciliation. The underlining objective of this project is to provide opportunities for Bosniak and Serb residents to work together and nurture trust and confidence between them.

Forestry

Only a few donors are active in the Forestry sector. The **World Bank** works on forest conservation and development, assisting the implementation of legislated reforms in forest organization and management and enhancing biodiversity conservation through participatory approaches in forest land-use planning. The project will facilitate the implementation of economically, environmentally, sound forest management, and will set up technical instruments, critical to ensure monitoring and sustainable uses of forest endowment, forest management and forest certification. These include forest management-information systems and the national forest inventory.

The *Fostering Interventions for Rapid Market Advancements* (FIRMA) project⁷³, co-financed by **Sweden/SIDA** and **USA/USAID**, aims to provide support to SMEs and increase sustainable economic growth and employment in the wood processing industry. FIRMA follows a similar structure of activities as FARMA.

Land management

The clarification of land resources has been a major donor preoccupation over the last years, with three different projects providing support to domestic institutions to improve land administration and registration. As a follow up to these activities, some of which are still ongoing, **Sweden/SIDA** is supporting the development of a new system for land parcel identification, which will give landowners the ability to obtain ownership certificates for their land.

Sector strategies

The Entities have their own agriculture strategies (the FBiH *Strategy for Agriculture and Rural Development* for 2006–2010 and the RS *Strategy for Agricultural Development* by 2015), which are only partially harmonized. The EC-assisted state-level *BiH Harmonization Strategy and Operational Programme for Agriculture* was adopted in January 2009. The strategy compiles the existing entity-level strategies and requirement measures for future IPARD financing. It also provides an operational programme for three years.

⁷³ This project is included in the Economic Development and Social Protection sector.

The EC assisted the development of state-level *Law on Agriculture, Food and Rural Development of BiH*, which was adopted in October 2008. The first steps towards the preparation of a *National Rural Development Strategy* have been taken.

There is no state-level forest management strategy, but entity-level strategies are currently being developed.

Donor coordination

The last two years have seen progress in donor coordination in the Agriculture sector. Currently, donor coordination meetings, previously chaired by the EC, are organized by MoFTER. These meetings serve as a forum for information exchange between donors and relevant domestic institutions. Donors praise MoFTER for its pro-active approach to coordination. MoFTER ensures that gaps in support are brought to the attention of donors. The Technical Working Group, which develops state-level laws, can also contribute to donor coordination by bringing practical issues to attention as well as help solve ambiguities arising from the interpretation of some laws.

There are no formal co-ordination mechanisms in the Forestry sector at the state level.

Future activities

Given BiH's wealth of natural resources and the development potential of the Agriculture and Forestry sectors, further investments in these areas are likely to continue. Priority areas identified by stakeholders include: strengthening institutions and legislation, capacity-building of relevant domestic institutions, increased focus on rural development including environmental protection, diversification measures, improving commercialization and market access and certification, plot size, as well as consolidation for serious production.

The BiH Government and donors are increasingly aware of the need to adopt an integrated approach when dealing with issues related to agriculture, rural development, small and medium-sized enterprises (SMEs), economic development and infrastructure. Within this context, forestry-related issues require further support.

Conclusion

2008 and 2009 have witnessed several positive developments in the Agriculture and Forestry sectors. In addition to the development and implementation of legal frameworks to facilitate reform processes in these areas, the establishment of a state-level body to harmonize the work of relevant entity institutions is an important achievement. The newly endorsed *BiH Harmonization Strategy and Operational Programme for Agriculture* for 2008–2011 should also be viewed as a key tool for improving the matching of donor assistance with BiH priorities. This approach should lead to enhanced project sustainability.

Over the last few years, donors have increasingly moved towards more integrated approaches in the Agriculture and Forestry sectors. Alongside this, donors are supporting government initiatives to introduce specialized coordination meetings to address cross-cutting issues such as environment and agriculture, rural development and tourism, forestry and education. The Agriculture and Forestry sectors account for particularly high percentages of employment in BiH and financial support within the EU. As such, these sectors are certain to remain a major focus of donor support as the EU accession process continues.

Chapter 9

Environmental Protection sector

DCF donors active in the sector in 2008–2009	Italy/IC, The Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, EC, UNDP, World Bank
Other key international organizations (IOs)	World Wildlife Fund (WWF, no office in BiH), United Nations Environmental Programme (UNEP - no office in BiH, but one ongoing project), Food and Agriculture Organization (FAO)
Key government partners	BiH Ministry of Foreign Trade and Economic Relations (MoFTER), FBiH Ministry of Tourism and Environment, FBiH Ministry of Physical Planning, FBiH Ministry of Agriculture, Water Management and Forestry, RS Ministry of Urban Planning, Civil Engineering and Ecology, RS Ministry of Agriculture, Forestry and Water Management
Total allocation to the sector in 2008 and 2009 by DCF donors	2008: €3.35 million - all in the form of grants 2009: €14.72 ⁷ million - all in the form of grants
Sector strategies	No comprehensive, state-level Environmental Protection strategy exists. Entity-level environment strategies have been developed, but not yet adopted.
Donor coordination	There is no formalized donor coordination or information sharing in the Environmental Protection sector. A Water sector sub-group exists, which involves the water agencies from both Entities. In addition, in the context of UNDP's planned MDG-F project, donor agencies have started informal coordination meetings and hope that the Government will take over this initiative.

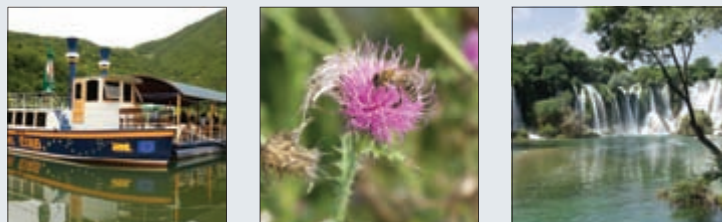
Overview

Environmental Protection is an important sector for Bosnia and Herzegovina's (BiH) development, not just in terms of protecting its natural beauty and biodiversity, but also in terms of making use of its abundant ecological resources for economic benefit. In addition, management of the environment has links to several other sectors, such as Infrastructure and Tourism, and therefore requires integrated approaches.

Despite the recognized significance of this area of work, the pace of reform in terms of legislative harmonization and institutional strengthening has been slow during 2008. BiH will have to transpose approximately 200 vertical and horizontal directives in order to meet the requirements for EU Accession⁷⁵. According to 2007–2008 progress monitoring; only 28 such directives have been harmonized so far.

⁷⁴ including EC pipeline to the amount of €8.25 million

⁷⁵ According to the EU acquis, environmental protection consists of water, air, nature protection, waste management and environmental infrastructure.



Coordination and harmonization of the activities in environment sector are performed through the Inter-entity Body for the Environment. There are no laws or other regulations on Environmental Protection at the state level. Most donor agencies identify the shortage of state-level capacity in the sector as a reason for relatively slow progress in this regard. In recognition of this, the EC Delegation has been providing support to BiH authorities in the preparation of a state-level environmental law. The draft law is now in its final stage of preparation.

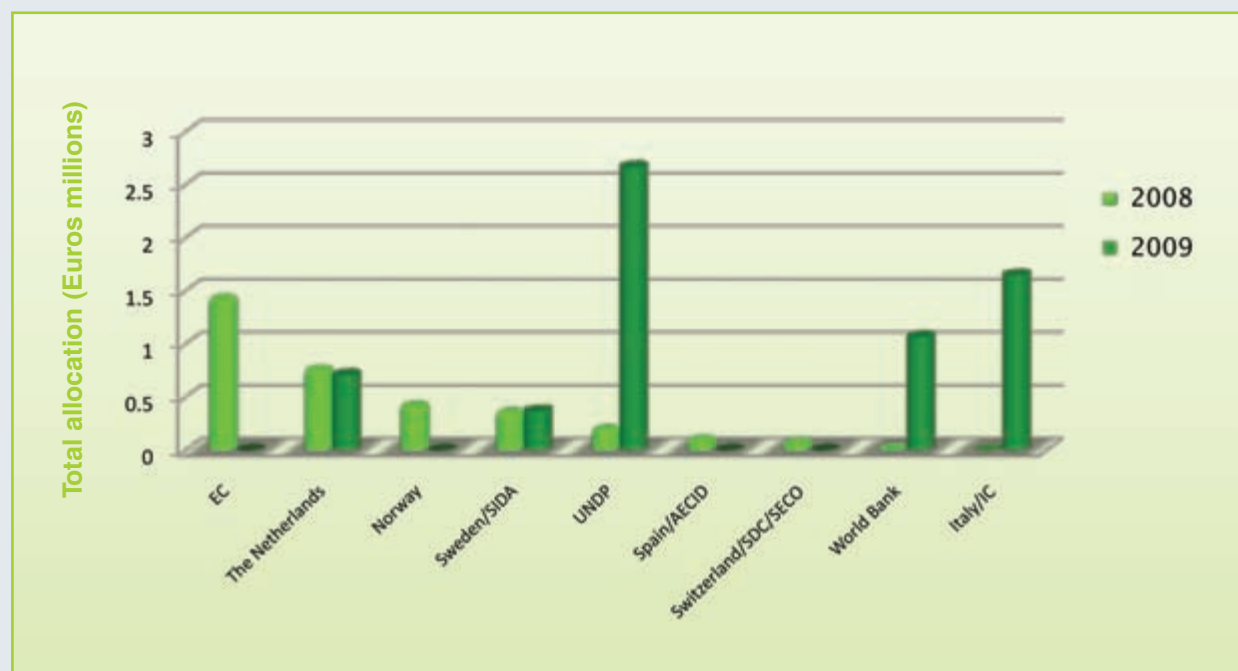
Several agencies have noted satisfaction with the implementation and enforcement of the technical requirements for Environmental Protection, such as environmental permits for the installation of production capacities or environmental impact assessments for certain levels of polluting.

This sector received 0.44 % of total Official Development Assistance (ODA) allocations in 2008 and so far 1.78% of total ODA in 2009 (excluding EC pipeline projects for 2009). These figures indicate that Environmental Protection is one of the least donor-funded sectors.

Donor activities in 2008 and 2009

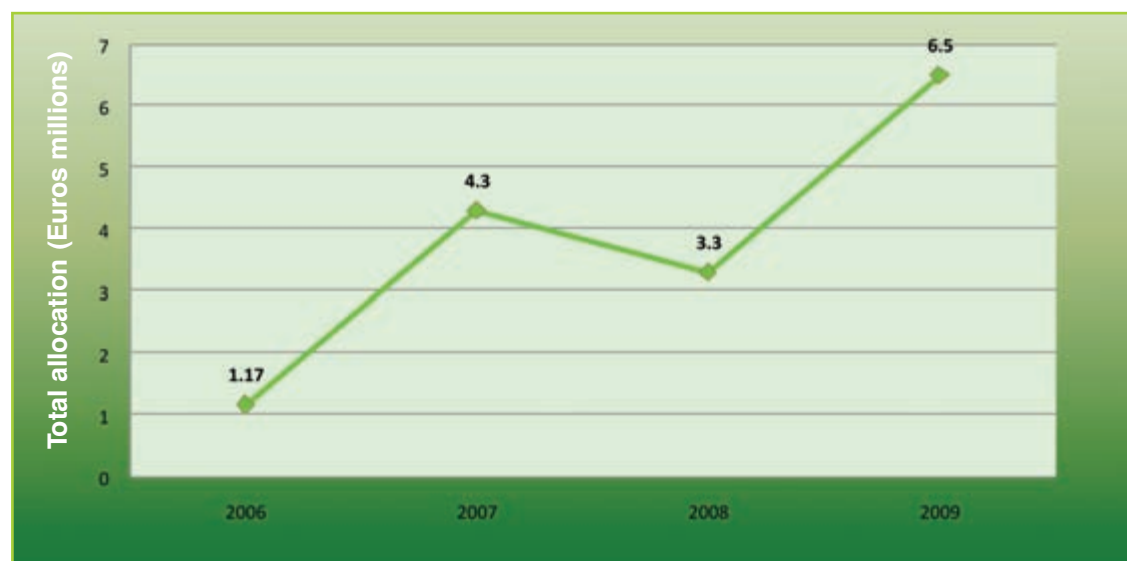
Donor Coordination Forum (DCF) donors active in the Environmental Protection sector during 2008 were Italy/IC, the Netherlands, Spain/AECID, Switzerland/SDC/SECO, the EC, UNDP, Norway, Sweden/SIDA and the World Bank. Of these agencies, Spain/AECID and Switzerland/SDC/SECO have not allocated new funding to Environmental Protection projects for 2009 and no other donors have indicated that they plan to enter the sector in the course of this year.

Figure 9.1. Donors' Allocation to the Environmental Protection sector 2008-2009



The total allocation to the Environmental Protection sector by DCF members was €3.35 million in 2008. For 2009, so far, donors have allocated €14.72 million including EC Pipeline projects for 2009 to the value of €8.3 million. EC pipeline figures have not been included in the charts.

Figure 9.2. Change in Donors Allocation to the Environmental Protection sector 2006-2009



The growth in donor contributions to the Environmental Protection sector reflects an increased awareness among international agencies that environmental projects are important, not only for the protection of the flora and fauna of BiH, but also for poverty reduction and natural resources management. Donor support to the Environmental Protection sector consists of a wide variety of activities and areas, including environmental policy development, legal and administrative management, research and capacity building.

The total value of Environmental Protection sector projects in 2008 and 2009 will be €18.05 million, all in the form of grants. However, it has to be noted that there is a strong overlap between the Environmental Protection and the Infrastructure, Agriculture and Forestry, and Local Governance sectors. Therefore the actual amount of donor-supported projects relevant to the Environmental Protection sector is higher than the above-mentioned figure.

Water Supply and Sanitation

In 2008 and 2009 two **World Bank** projects were financed through the Global Environmental Facility (GEF). The *Water Quality Protection Project* (GEF) aims to strengthen the capacity of local utilities and reduce pollution from municipal sources into the Neretva and Bosna Rivers. In the context of this project, a Wastewater Improvement Plan will be developed for the country and several facilities will be constructed or rehabilitated to enable municipalities to cope with their waste better. In addition, the project will prepare a feasibility study on low-cost natural treatment of wastewater. The project will provide support for non-governmental organizations (NGOs) and involve local communities in its implementation.

In a similar vein, the goal of the *Neretva and Trebisnjica Management Project* (GEF) is to encourage and provide support to BiH and Croatia to develop and adopt a river-basin management plan and thereby reduce water nutrients and other pollution from municipal and industrial sources in selected locations. To this end, it is planned to recommission several wastewater treatment plants. The aim is to ensure that environmental flows are maintained, the ecosystem health and biodiversity in the basin are improved and saltwater intrusion in the Neretva Delta is reduced.

In addition to the World Bank's GEF-funded activities, the Bank is also engaged in the *Solid Waste Management Projects* described in the Infrastructure sector. Building on the success of the first such initiative, in which six regional landfills will be constructed by the end of 2009 benefitting 1.7 million people in BiH, a *Second Solid Waste Management Project* will continue to improve the availability, quality, environmental soundness and financial viability of solid waste management services in BiH.

In 2009, **UNDP** hopes to start a project funded from the Millennium Development Goals Spanish UNDP Fund (MDG-F), which will deal with securing access to water through institutional development and infrastructure rehabilitation. It is expected that project will help to enhance inclusion of citizens in the participative municipal governance of water access and to improve economic governance in water utility companies for better services to citizens.

The **EC** continues to be active in the Environmental Protection sector, both in terms of project funding and substantive advice to BiH authorities on harmonizing legislation and strategic planning. In 2008, the EC's funding to this sector was primarily dedicated to waste management, namely the rehabilitation of the existing Obodina and Barisica Strana landfills, the construction of Obodina sanitary landfill in Trebinje Municipality, and additional services to support waste-quality management in BiH. The EC also supports scientific cooperation between research institutes. This agency has allocated €8.3 million to a variety of pipeline projects, indicating that this donor plans to invest significantly more in the sector in the future.

Management of natural resources

Since 2007 Environmental Protection has been UNDP's fastest growing portfolio. UNDP's work in this area includes tackling local environmental 'hot spots', working to preserve unique biospheres, and integrating environmental mitigation measures into local development projects. UNDP has also made progress in supporting the authorities responsible for compliance with climate change and biodiversity conventions.

In 2009, **UNDP** hopes to start a project funded from the Millennium Development Goals Spanish UNDP Fund (MDG-F), which will deal with both, local and national level. It is expected that in the context of this project, UNDP will support developing of 30 Local Environmental Action Plans (LEAPs) and enhance management of environmental resources and delivery of environmental services. In addition, the *Mainstreaming karst peat lands conservation concerns into key economic sectors (GEF) project* aims to remove existing barriers by developing a model for imbedding karst biodiversity conservation concerns into policies and regulations governing spatial planning at the cantonal level, as well as into the said sectors.

As of 2009, **Italy/IC** will fund a four-year project supporting the creation and promotion of environmental and sustainable tourist itineraries in the Neretva, Drina, Una and Sana valleys. The overall aim of the project will be to sensitize inhabitants and institutions living and working in the rivers' valleys about environmental protection and sustainable tourism and to empower them to manage their own natural resources.

In 2008 **Norway** supported two projects related to Environmental Protection: with *ENSI-Energy Saving International* and *WWF-World Wildlife Fund*.

Switzerland/SDC/SECO supports a regional project in the Environmental Protection sector, implemented by the Regional Environmental Centre. It is expected that this project will create the conditions for trans-boundary cooperation on the integrated and sustainable management of shared natural resources and cultural heritage of the Neretva Delta region. The initiative involves Bulgaria, Serbia, Albania Montenegro, BiH and Croatia.

Renewable energy

The **UNDP Bosnia and Herzegovina Biomass Energy for Employment and Energy Security Project** aims to remove market barriers to the adoption of sustainable biomass energy services in rural areas of BiH through market transformation, enhancing job creation, community poverty reduction and local energy security. Focusing on the Srebrenica region covering the Municipalities of Srebrenica, Bratunac and Milici, the project addresses barriers in policy and legislation, finance, business and management skills, awareness, and technology through a comprehensive barrier removal strategy that addresses biomass supply, including forest management and demand-side biomass technology deployment.

Spain/AECID's environmental action is focused on renewable energy, specifically on supporting entity ministries and electricity companies to gain knowledge about renewable energy and to promote its use to generate electricity. In line with this, Spain/AECID aims to support BiH institutions in the implementation of the EU Directive on the Promotion of Green Electricity.

Local support and environmental education

In BiH recently introduced Masters Degree programmes on Environment Protection will start to address the shortage of local experts in environmental protection. Some donors also contribute to this area of reform. The **Netherlands** primarily supports educational initiatives to raise awareness about the links between development and environment at all levels, including secondary school, university level and professionals working in government institutions, NGOs and the private sector. In addition, the Netherlands has financed several workshops on the implementation of the Convention on Long-Range Transboundary Air Pollution and its Protocols. The Netherlands is also the main donor for UNDP's project, which aims to strengthen capacities in BiH to address environmental problems through remediation of high-priority hot spots.

The *Mainstreaming Environmental Governance Project - Linking Local and National Action in BiH* is to be jointly implemented by the Food and Agriculture Organization, UNDP, the United Nations Environmental Programme, the United Nations Educational, Scientific and Cultural Organization, the United Nations Volunteers and domestic institutions. The project aims to overcome barriers to delivering environmental services and management at the local level in BiH. It will support the local management of environmental resources and service delivery through improving local level environmental governance and developing replicable models for local level environmental planning.

Similarly, **Sweden/SIDA** works at the local level focusing on re-educating municipal staff about environmental issues and creating ownership for environmental protection activities. Sweden/SIDA is currently financing a project that aims to assist five municipalities in identifying their environmental problems, making priority lists, and ultimately developing LEAPs. In addition, Sweden/SIDA provides small grant funding to 30 civil society organizations (CSOs) dealing with environmental issues.

Sector strategies

There is currently no comprehensive, state-level Environmental Protection strategy. The only draft state-level strategy that has been developed deals with biodiversity, but is awaiting adoption by the Republika Srpska (RS) Government. State-level environmental law has been prepared since 2002 and it is hoped that a revised and shortened form of the law will be completed and adopted in the course of 2009.

Entity-level environmental strategies have been developed, but as yet neither Entity has endorsed their respective strategies. The RS has prepared two strategies, one dealing with air protection and the other with nature protection. The priorities in the action plans of both strategies are support for developing legislation, solid waste management, preparation of a strategy for the management of dangerous waste, biodiversity conservation, data collection, enlargement of protected areas, and strengthening the institutions that manage these areas.

The EC has assisted both Entities in the development of laws on nature, water, and air. To a large extent, EU directives have been integrated into these laws, but the Entities have still to harmonise their legal frameworks.

In addition to laws and strategies, BiH has ratified several international conventions for the protection of the Environment. However, further progress is required on the implementation of the obligations carried by these conventions.

Donor coordination

There is no formalized donor coordination or information sharing in the Environmental Protection sector. Donors note that there have been instances of overlapping activities due to insufficient coordination. Donors reported they would be keen to assist MoFTER in establishing appropriate mechanisms in this regard.

A Water sub-sector group exists, which involves the water agencies from both Entities.

Future activities

Environmental Protection sector stakeholders identify institutional strengthening as one of the key areas that has not received adequate donor support to date. Priority needs are for the development and enforcement of legislation, coordination within the sectors and managing cross-cutting issues with other sectors of relevance (e.g. Infrastructure) and the simplification of environmental regulations.

It is intended that the EC will finance a technical assistance project (from *Instrument for Pre-accession Assistance (IPA) 2008*) for the transposition of the *acquis* into the BiH legislative framework. Particular focus will be on the integrated pollution prevention and control directive, and on incorporating environmental assessment standards into all laws. In addition, the EC plans to support the development of a BiH Water Policy, and continue its activities in waste management. Since the majority of IPA funds for Environmental Protection activities are in Component III, the EC will also work to strengthen the BiH environmental institutions and prepare them for pre-accession funds.

Conclusion

Institutional and legislative progress in the Environmental Protection sector has been slower than expected during 2008–2009, although the intended direction of reform is clear. Moreover, the absence of a state-level strategy acts as a constraint to the coordination of efforts by local institutions and donors to support reform.

However, there has been a steady increase in donor support over recent years with major donors recently entering the sector, which is expected to have a significant impact on the pace of reform. Improved coordination mechanisms, both within BiH and amongst donors, are expected to be put in place to enable the effectiveness of increased levels of support. BiH will be required to make sustained improvements in this sector during the run-up to EC accession and it is expected that donors will play a major role in supporting this process.

Chapter 10

Cross-cutting sector

DCF donors active in the sector in 2008–2009	Canada/CIDA, France, Germany, Hungary, Italy/IC, Norway, Sweden/SIDA, Switzerland/SDC/SECO, The Netherlands, UK/DFID, USA/USAID, EC, UNICEF, UNDP, World Bank
Other key international organizations (IOs)	UNIFEM CEE (United Nations Development Fund for Women Office for Central and Eastern Europe); United Nations Population Fund (UNFPA); UNV (United Nations Volunteers)
Key government partners	Ministry of Human Rights and Refugees (MHRR); Gender Equality Agency and FBiH and RS Gender Centers; Commission for the Coordination of Youth Issues (CCYI) at BiH Ministry of Civil Affairs
Total allocation to the sector in 2008 and 2009 by DCF donors	2008: €13.63 million 2009: €10.14 million ⁷⁶
Sector strategies	<i>Gender Action Plan (2006); Strategy for Prevention and Combat against Domestic Violence in BiH (2009-2011); State Strategy to Combat Violence against Children (2007-2010); State-level Youth Policy is under development; RS adopted a Youth Policy in 2006. In the area of return, the draft Revised Strategy for the Implementation of Annex VII of DPA is in the process of adoption.</i>
Donor coordination	Sporadic donor coordination in the area of gender and youth. The MHRR has evolved as coordinator of donor activities in the area of return and reintegration.

Overview

The Cross-cutting sectors of Gender, Youth, and Return and Reintegration, represent three of the most sensitive and crucial issues for the further development of Bosnia and Herzegovina (BiH). Over the last decade these issues have received consistent donor attention, which has resulted in the development of legal and institutional frameworks. In addition to providing this type of support, international agencies have contributed to the improvement of life-chances for individuals from these groups.

In the area of gender the years 2008–2009 have witnessed several positive developments. The adoption of the *Strategy for Prevention and Combat against Domestic Violence in BiH* at both entity and state level and the establishment of the *Funding Mechanism for the Implementation of Gender Action Plan* (FIGAP) represent the most important achievements for this period of time. In 2008 and 2009 the Republika Srpska Gender Centre has also worked on the entity *Strategy for Family Development in the RS (2009-2014)* and the *Rural Development Strategy*.

The *Law on Gender Equality*, which was adopted in 2003, is currently being revised by the state Gender Equality Agency, the Federation of BiH (FBiH) and RS Gender Centres and the Gender Commission at the National Assembly. Civil society organizations (CSOs) have demonstrated a proactive attitude in all areas related to women's rights including provision of social services, awareness-raising, campaigning, lobbying, etc.

⁷⁶ Including €1.55 million EC pipeline projects, planned to commence in 2009.



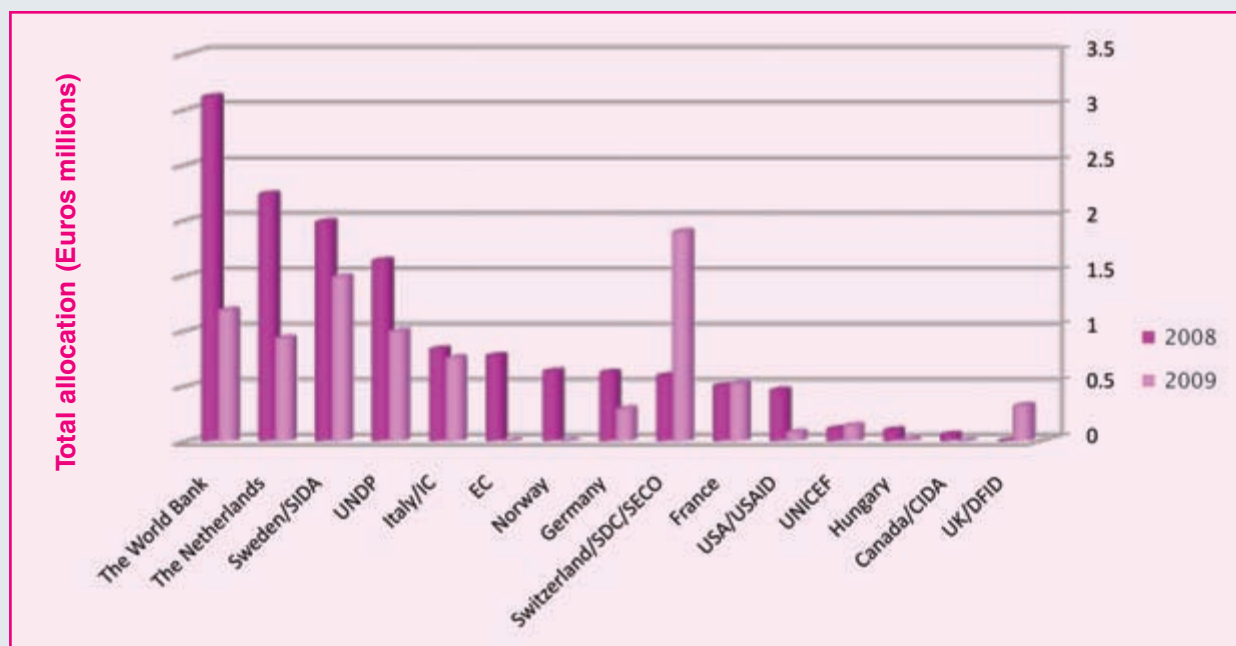
Some international agencies have also started to introduce gender and youth mainstreaming in their projects. United Nations Agencies and the EC, for example, are in the process of engendering their projects, whereas Germany plans to streamline youth issues into its future initiatives. The Netherlands employ an integrated approach when addressing return and reintegration issues.

The Commission for the Coordination of Youth Issues (CCYI) was recently moved to the BiH Ministry of Civil Affairs. The mandate of the previous CCYI has expired and the new CCYI has not been appointed yet. For the last two years a number of municipalities have developed their own local youth policies.

In the area of return and reintegration, the responsible institution at the state level is the Ministry for Human Rights and Refugees (MHRR), whereas the main coordinating body on return at the central level is the State Commission for Refugees and Displaced Persons (SCRDP). The SCRDP is disposing of the Return Fund, which was established in 2004 to provide for policy coherence and coordination. A positive development that merits attention is the preparation of the draft *Revised Strategy of BiH for the Implementation of Annex VII of the Dayton Peace Agreement*. This was finalized in 2008 and is currently in the process of adoption. Another recent development has been the transfer of responsibility for the selection of beneficiaries to the local level. At present 70 municipalities are considered priority areas.

This sector received 1.78 % of Official Development Assistance (ODA) allocations in 2008 and so far 2.36% of total ODA in 2009 (excluding EC pipeline projects for 2009). These figures indicate that cross-cutting issues are relatively unsupported in comparison with specific sectors.

Figure 10.1. Donors Active in the Cross-cutting sector 2008-2009



Donor activities in 2008 and 2009

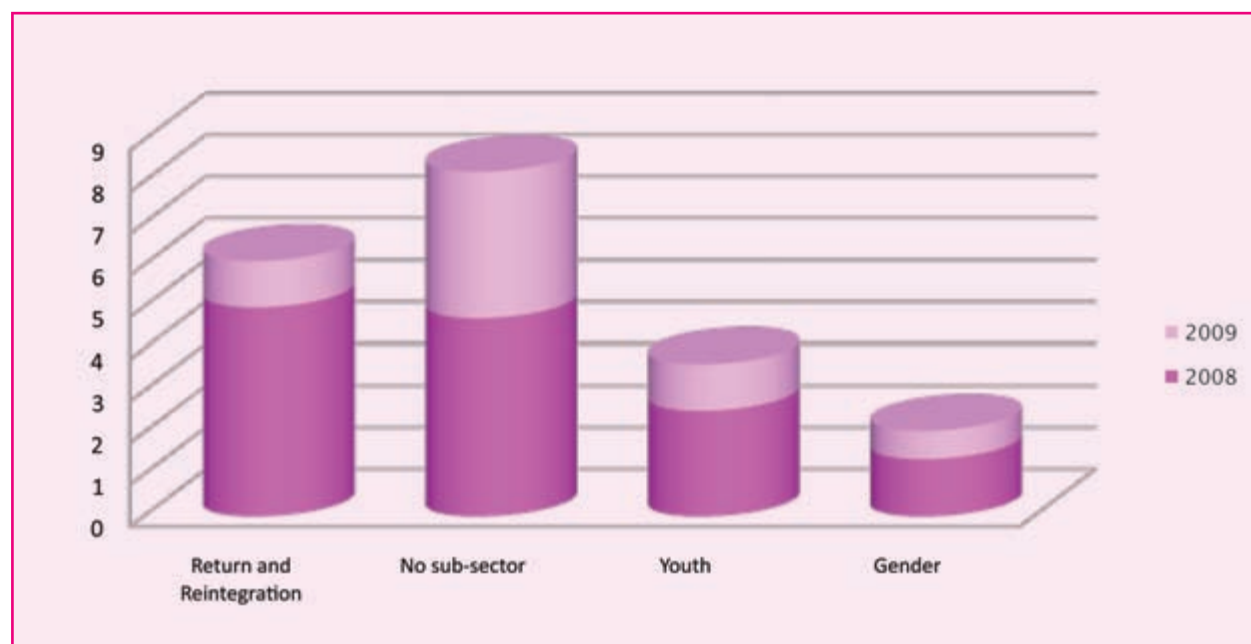
Donor Coordination Forum (DCF) donors active in the Cross-cutting sector during 2008 and 2009 were Austria/ADC, Canada/CIDA, France, Germany, Hungary, Italy/IC, Norway, Sweden/SIDA, Switzerland/SDC/SECO, the Netherlands, UK/DFID, USA/USAID, EC, UNICEF, UNDP and the World Bank. Non-DCF organizations, such as the United Nations Development Fund for Women Office for

Figure 10.2. Change in Donors Allocation to the Cross-cutting sector 2006-2009 (Euros millions)



Central and Eastern Europe (UNIFEM CEE), the United Nations Population Fund (UNFPA) and the United Nations Volunteers (UNV) have also had a significant impact on the Cross-cutting sector.

Figure 10.3. Donors Allocation to the Cross-cutting sub-sectors 2008-2009 (Euros millions)



Total allocation to the Cross-cutting sectors by DCF members was €13.63 million in 2008, and €10.14 million including EC pipeline projects for 2009 to the value of €1.55 million so far in 2009. Funding to these issues has decreased from 2007 to 2008 and 2009, donors may allocate additional funds in the course of the year.

Gender

Donors active in 2008 and 2009 in the Gender sub-sector are Canada/CIDA, Norway, Sweden/SIDA, UNDP, the United Nations Children's Fund (UNICEF), UNIFEM and UNFPA. The *Protection of Women's Rights* project implemented by **Canada/CIDA** aims at strengthening partnership and cooperation between Government and CSOs to help advance the implementation of gender equality and women's human rights. This initiative should also enhance the capacity of gender equality advocates to use global frameworks, mechanisms and tools to promote a human rights agenda in BiH.

Through their *Human Trafficking* project **Norway** sought to contribute to the development of a sustainable and efficient system for financing assistance to victims of trafficking with human beings in BiH.

In 2008 and 2009 the MA programme in Gender Studies, which is currently jointly financed by Norway and **Sweden/SIDA**, continued to attract students from the whole region.

Through the Swedish *Kvinna till Kvinna* Foundation Sweden/SIDA supports civil society development by focusing on gender issues. These include: women's participation in society, violence against women, women in education and labour, and women's health. *Kvinna till Kvinna* also provides capacity building and funding to local NGOs and projects.

The **EC** is committed to engendering all relevant projects. Thus, for example, for Instrument for Pre-Accession Assistance (IPA) 2009 pipeline projects a gender component was included in half of all project fiches. The **EC** also contributed to the socio-economic reintegration of mine victims through job creation in communities with a significant degree of minority return. The EC has financed training for gender access to IPA Funds and has also consulted with the aim to introduce gender mainstreaming in IPA Funds for 2009.

In 2008 and 2009 **UNICEF** sought to introduce gender mainstreaming in the basic Education sector in BiH by reducing gender-related disparities that negatively affect the access to education.

Since 2006 **UNDP** has been assisting the relevant governmental institutions and CSOs in the implementation of the Gender Action Plan. UNDP's support to the BiH GAP has been modified since that time. Currently UNDP is focusing on engendering all its programmes and projects. In 2008 UNDP started to introduce gender mainstreaming successfully in the following areas: culture and development, mine action, small arms and light weapons, and employment. In 2009 UNDP will start implementing the project *Preventing and Combating Gender Based Violence in BiH*. This project will provide women victims of violence, including women with special needs, access to services and protection. The initiative will enable improvements in legislation through increased incorporation of recommendations aimed at satisfying obligations under international human rights mechanisms. Finally, by improving reporting mechanisms and raising public awareness through media campaigns, the project also aims to empower more female victims to seek assistance from better qualified service providers. UNDP is currently in the process of preparing a pipeline of regional project dealing with women and governance issues.

During the last few years **UNIFEM** has been active in the areas of gender-responsive budgeting, women, peace and security (known as UN Security Council Resolution SCR 1325) as well as in providing support to engendering the legal framework in BiH. In 2009 UNIFEM will further enhance the capacity of the entity Gender Centres and other key domestic stakeholders in implementing gender responsive budgeting at entity levels of government. As far as SCR 1325 is concerned, UNIFEM focuses on gender-sensitive Security sector reform and women's engagement in peace processes at all levels of the public domain.

UNFPA is another non-DCF member that has been active in the area of gender. UNFPA works with entity Gender Centres to combat domestic violence.

Youth

Donors active in 2008 and 2009 in the Youth sub-sector are France, Germany, Hungary, Italy/IC, Sweden/SIDA, Switzerland/SDC/SECO, the Netherlands, USA/USAID, and UNDP.

In 2008 **France** supported the opening of youth centres in municipalities where these structures could help enhance peace building.

For the last few years **Germany** has been focusing on supporting relevant institutions at all levels of government in the area of youth-

related policy development. Germany also supported the Youth sub-sector by publishing the report *Young People Need a Youth Policy*. This analysis of the position of young people and the Youth sector in BiH is based on empirical research carried out in 2008 that aims to inform the development of BiH Youth Policy.

Italy/IC approaches youth issues by introducing local interventions at the cantonal or municipal level. Italy/IC seeks to contribute to inter-ethnic integration and to the peaceful coexistence of BiH youth and adolescents. One of this donor's projects offers the opportunity for integration, social aggregation and training to all young residents in the canton of Zenica-Doboj through the opening of a Youth Centre and informal courses and educational activities. Another Italy/IC project aims to promote local level youth policy in northeast BiH.

In 2008 and 2009 **Sweden/SIDA** continued the implementation of its *Forum Syd Balkans Youth Programme* that aims at ethnic reconciliation among young people. This project promotes university education in youth work and the running of youth clubs, and also provides small grant funds for youth projects. The **Netherlands** assisted a similar initiative, which supported the establishment and daily operation of a Youth Information Center in the municipality of Srebrenica.

In 2008 **Switzerland/SDC/SECO** started implementing the *Youth Employment* project. This initiative seeks to make a substantial contribution to the reduction of youth unemployment in BiH by improving the employability of new entrants into the labour market as well as unemployed youth. The project also collaborates with private-sector labour-market service providers and employs policy dialogue and networking.

In 2008 **UNDP** finished two of its long-term projects related to youth issues. The *Regional Integration through Volunteer Exchanges for Reconciliation of South Eastern Europe (SEE) Programme*, jointly implemented by UNV and UNDP, aimed to establish a Volunteer Exchange scheme for the Balkan Region to develop the capacity of civil society organizations, community groups and individuals to be proactively involved in civil initiatives that reinforce development efforts and the achievement of the Millennium Development Goals (MDGs) while contributing to a process of regional confidence-building and reconciliation. The other long-term project: *Youth Confidence* promoted youth volunteerism by closely collaborating with various stakeholders in supporting the formulation of youth policies and establishing a volunteer friendly environment.

In 2009 UNDP started implementing its *Youth Employability and Retention* project, which addresses the causes and consequences of high youth unemployment in BiH. This initiative seeks to increase the capacities of the education system and local communities to improve youth employability. It foresees maximizing the positive impact of youth migration whilst minimizing the impact of irregular migrations. The study, *Mainstreaming Youth into United Nations Programmes in Bosnia and Herzegovina*, conducted in 2008, is a step towards introducing a youth component in all relevant UN Agency initiatives.

In 2008 **USA/USAID** started implementing two new projects in the area of youth development. With the first of these projects USA/USAID seeks to prevent violence involving children and promote respect for differences in BiH through the education system. The second project helps the youth of Srebrenica to gain practical work experience through an internship with employers in the region. The internship will provide young people with invaluable work experience and should enable them to make connections with potential employers.

In 2009 **Hungary** started supporting the local NGO *European Cultural Centre*, which promotes the European idea among key segments of population. The project targets youth in different municipalities of BiH.

In 2009 **Italy/IC** is implementing two youth-related projects. The *Pilot Project in Support of Communication for Social and Cultural Development* taps indigenous resources to raise awareness regarding youth-related issues. It also mobilizes teachers to organize cultural events. The *Social Development Initiative for SEE countries* is a regional programme financed by Italy/IC, which facilitates the exchange of know-how between different countries regarding best practices which can be used for the development of youth strategies. In BiH the project supports the CCYI in its work on the national youth strategy.

Return and Reintegration

This is one of the sub-sectors where the withdrawal of donors' support is most noticeable. Whereas after the end of the war in 1995 donors' contribution to the return process amounted to 100%, currently only a quarter of return funds are allocated by international agencies.

Donors active in 2008 and 2009 in the Return and Reintegration sub-sector are Germany, Switzerland/SDC/SECO, the Netherlands, the EC and UNDP.

In 2008 **Germany** ran three projects all of which focus on the reconstruction of homes for returnees. In addition, two of these projects

also have sustainability components, i.e. income-generation supporting measures.

In 2008 and 2009 **Switzerland/SDC/SECO** continued its support to the Consultative Working Group for Return Related Issues at the MHRR. The project set the ground for an efficient and accelerated implementation of the *Strategy of BiH for the Implementation of the Annex VII of the GFAP*, including the revision of the strategy, development and improvement of relevant procedures, and the provision of recommendations for concrete activities to be taken by the relevant institutions. In 2008 Switzerland/SDC/SECO launched another project complementing the activities of that described above. Namely, with this donor's support, teams consisting of returnees and internally displaced persons (IDPs) were established to independently monitor and verify the return process as well as to provide regularly and directly feedback to the relevant government bodies. This project also aims at improving the coordination between the SCRDP and the municipal commissions for return.

The **Netherlands'** approach to return and reintegration focuses on sustainability measures. The Netherlands' projects provide durable return solutions as they equip returnees with both social inclusion and income-generation strategies. In addition to the two projects currently running, which will end in 2009, the Netherlands has a newly approved project for residents of Collective Centres. This initiative will provide shelter and infrastructure repairs that will enable the return of minority families currently living in collective centres to their pre-war communities. As with the other projects implemented by this donor in the Return sector, this new initiative will seek to guarantee successful social integration in pre-war communities and the active participation of returnees in local economic life. In order to achieve these aims the Netherlands will focus on access to infrastructure, health, education and pension systems, and the creation of economic opportunities in agriculture and small business development.

In addition to several on-going **EC**-supported projects in the area of return and reintegration, the EC is making an additional effort to integrate return-related issues into other projects, for example those dealing with social inclusion or mine action. Thus the EC is also at the forefront of championing sustainable return.

In 2008 **UNDP** finished the third phase of the *Support to the Results-based Approach* initiative, which aimed at providing local communities in BiH with the tools to articulate and implement return and reintegration projects in a joint effort between governmental, civil society and business organizations. The project supported municipal governments in improving the delivery of vital services to those who need them most, above all returning refugees and displaced persons.

No sub-sector

There are a number of donors who contributed to cross-cutting issues in 2008 and 2009 outside of the three sub-sectors presented above. The international agencies that implemented such initiatives are Germany, Hungary, Italy/IC, Norway, Switzerland/SDC/SECO, UK/DFID, USA/USAID, UNICEF, UNDP, and the World Bank. For example, **Norway** provided psychosocial support, counselling, residential accommodation and therapeutic treatment to victims of domestic and other forms of gender-based violence, war trauma victims and refugees, IDPs, returnees, minorities and Roma population. **Germany** sought to strengthen civil society through media self-regulation in BiH by educating young journalists and students. **Hungary** supported the reconstruction of the City Hall (*Vijecnica*) in Sarajevo as well as the activities of the local NGO *European Movement*. Through their *Participatory Mine Action and Development in Mine Affected Municipalities of Stolac and Berkovici* project **Switzerland/SDC/SECO** sought to provide mine affected population in these municipalities with better opportunities and access to resources necessary to participate in social, economic and cultural life. The **World Bank** assisted the creation of opportunities for long-term unemployed people. In 2009 **USA/USAID** organized interfaith and diversity workshops in order to educate, train, and equip BiH citizens with tools to understand, overcome, and reconcile ethno-religious differences. **UK/DFID** provides a flexible mechanism for funding strategic initiatives of significant impact across BiH. The project is aimed at supporting modest collaborative initiatives involving domestic stakeholders, UK Government departments and the EC Delegation to take forward activities to support BiH's journey towards EU integration.

Culture is also a cross-cutting issue, and as such, culture-related activities have been included under several chapters in this report. The **EC** has supported culture-related projects in BiH since 2003. In 2007 the European Parliament prompted the EC to formulate and implement a Pilot Scheme for preserving cultural heritage in post-conflict areas in the Western Balkans. Under this initiative the EC will support activities enhancing economic development through culture and cultural heritage and the promotion of intercultural dialogue in BiH. Restoration activities would serve as a model for continuing dynamic regeneration of the cultural and historical heritage of BiH.

Sector Strategies

The Gender Action Plan adopted in 2006 is the guiding document for addressing gender-related issues in BiH. With the establishment of the FIGAP the implementation of this comprehensive document is expected to gain momentum.

The CCYI is working on the development of a state-level *Youth Policy*. An *RS Youth Policy* was adopted in 2006, however it has only been partially implemented. The RS passed a *Law on Volunteering* in 2008. UNV is working with the Committee on Youth Issues in the FBiH Parliament on the development of a law on volunteering in FBiH. The CCYI developed a proposal for FBiH law on youth-related issues and submitted it to the Centre for Youth within the FBiH Ministry of Culture and Sports. At the municipal level there are more than twenty local youth policies developed with the support of GTZ.

The draft *Revised Strategy of BiH for the Implementation of Annex VII of the Dayton Peace Agreement* is in the process of adoption by Parliament. The document is considered comprehensive as it takes into account all segments of life related to the return process. This revised strategy foresees to implement Annex VII by the end of 2014.

Donor coordination

Division of labour among international stakeholders is satisfactory, while domestic institutions, which are still not that involved in gender, are in the process of mainstreaming their activities. However, donor coordination in this area should be improved, especially exchange of information on ongoing and planned activities, in order to avoid overlapping of activities and ineffective financial allocations.

Currently there is neither formal nor informal coordination of donors working on gender issues. There are some project-related coordination initiatives like FIGAP and the United Nations' Gender Group (UNGG). FIGAP is an example of effective donor coordination. In early 2007 the Gender Equality Agency submitted an Implementation Plan for GAP to Sweden/SIDA, UK/DFID and Norway. Since that time the resulting *FIGAP Programme Proposal* has been approved by Sweden/SIDA in April 2009. The BiH MHRR through the Gender Equality Agency and the entity Gender Centres will be responsible for the implementation of the programme.

The UNGG meets on a quarterly basis. It maps gender issues, ensures a focus on gender equality in all UN training programmes, supports gender mainstreaming in projects implemented by all UN agencies, coordinates these agencies' activities in the area of gender but also provides a wide area of support to relevant governmental and non-governmental institutions dealing with gender issues. After the global launch of the Spanish-funded MDGs Achievement Fund (MDG-F), agencies have improved chances for joint programming, including in the area of gender.

In the area of youth there is only sporadic coordination of activities among donors. Lack of coordination leads to parallel activities supported by donors. Indeed, youth issues are often addressed during special conferences involving various stakeholders. However, these conferences are more successful in mapping youth-related issues than providing for a forum for improving coordination of domestic and international stakeholders.

In the area of return, the revision of Annex VII is a good example of coordination, involving about seventy international and domestic stakeholders. Donors still supporting the Return and Reintegration sector have recognized the leading role of the MHRR, which has evolved as natural coordinator of stakeholder activities.

Future activities

It is a positive sign that international stakeholders are increasingly becoming aware that in order to further gender-related issues in BiH, donors should start engendering all their projects. International agencies tend to focus more on economic development and government issues, whereas the development of the social sector is expected to happen as a side-effect of reform processes in other areas. Whilst there is general agreement among politicians and the citizenry that social groups like youth, disabled people or Roma are vulnerable, there is lack of awareness that women are also marginalized as a group. Identified priority areas regarding women are as follows: enhanced political participation in parliaments; combating domestic violence and harassment in the work place; counteracting human trafficking; guaranteeing equal access to employment, education, health and social services.

In the Youth sub-sector, several priority areas are identified by donors. International agencies are of the opinion that continued support to the development of Youth Policies at state, FBiH and DB level is needed. Furthermore, youth issues should be streamlined in all relevant areas, like: employment, education, health and social services. Some donors are planning to implement youth mainstreamed projects in BiH, for example linking youth, health and local development issues in one initiative. Donors are of the opinion youth NGOs need to be consulted by the relevant governmental institutions when developing regulatory framework in areas like employment or education that are critical for young people.

As far as return and reintegration is concerned, three Action Plans are to be developed and implemented by domestic stakeholders. The revised Annex VII foresees providing returnees and internally displaced persons with either the right to be returned, or to be

reintegrated or to be compensated. The Action Plan for Return is awaiting adoption by the Parliament. Action Plans for Reintegration and Recompensation are to be developed.

Both domestic and international stakeholders are aware that the successful completion of the process of return is contingent upon the inclusion of reforms in other areas. Thus, support to small and medium-sized enterprises and employment in general as well as the provision of education and social services should be taken into account to guarantee the sustainability of return, reintegration and recompensation. The fact that the current needs of returnees and IDPs are in many cases different than they were after the end of the war in the 1990s should also be taken into account when planning and implementing reforms in this sector.

Conclusion

There are many positive developments evident in the Gender, Youth and Return sub-sectors. The last few years have witnessed increased effort on behalf of donors and beneficiaries to mainstream these issues into other projects. In addition to putting additional effort into employing an integrated approach, local institutions are increasingly considering the possibility of incorporating positive discriminatory measures regarding youth and gender. In line with developments in the wider Europe, these issues are increasingly being mainstreamed into BiH society.

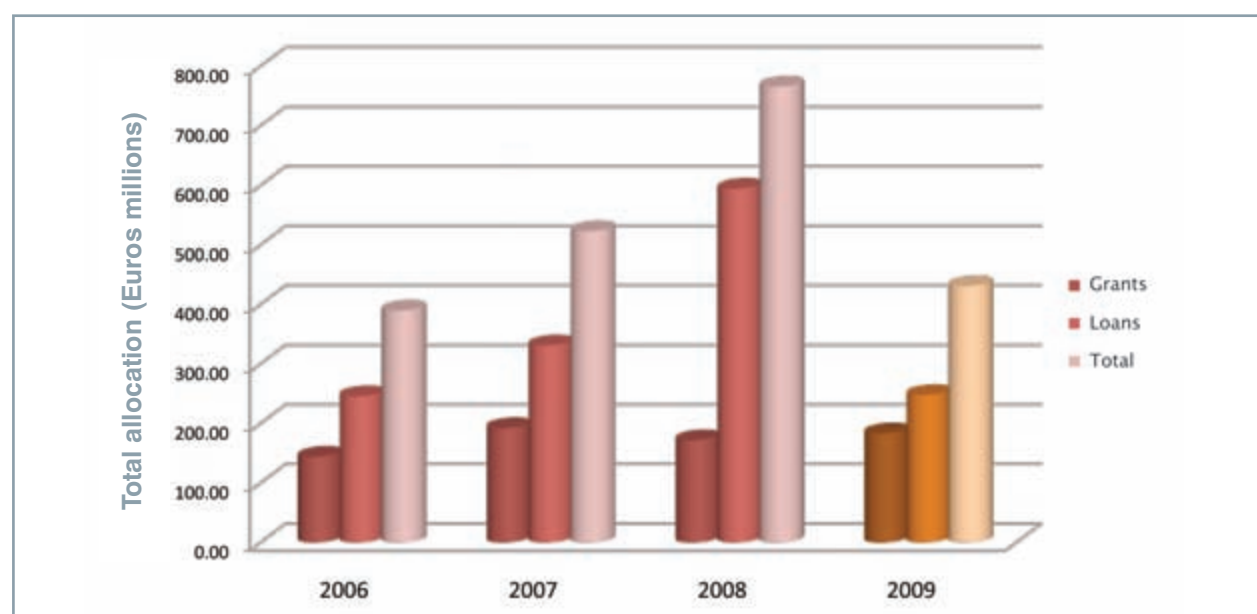
As several international agencies are in the process of gradually withdrawing their financial contributions from BiH to civil society development it is important to concentrate on the sustainability of the initiatives currently supported by them. As this process continues, there are many new opportunities for donors to play a strategic role in supporting developments in niche areas related to cross-cutting issues described in this section.

Donor Profiles

Overview of ODA allocations to BiH

In 2008, Donor Coordination Forum (DCF) donor agencies allocated **€765.77 million** to a variety of activities. Of this figure, **€594.16 million** was in the form of loans and **€171.61 million** was in the form of grants. Compared to 2007, this represents an overall increase of **€243.12 million** in the total Official Development Assistance (ODA) allocation, with a **€20.32 million** decrease in grants and a **€263.44 million** increase in loans. In fact, this trend can be observed since 2006, which can be partially explained by the gradual withdrawal of four grant-giving agencies from Bosnia and Herzegovina (BiH) – Canada/CIDA, the Netherlands, Spain/AECID and UK/DFID – and the increasing scale of concessional loans given by the major International Financial Institutions (IFIs), such as EIB and EBRD.

Multi-year Comparison of Grants vs. Concessional Loans



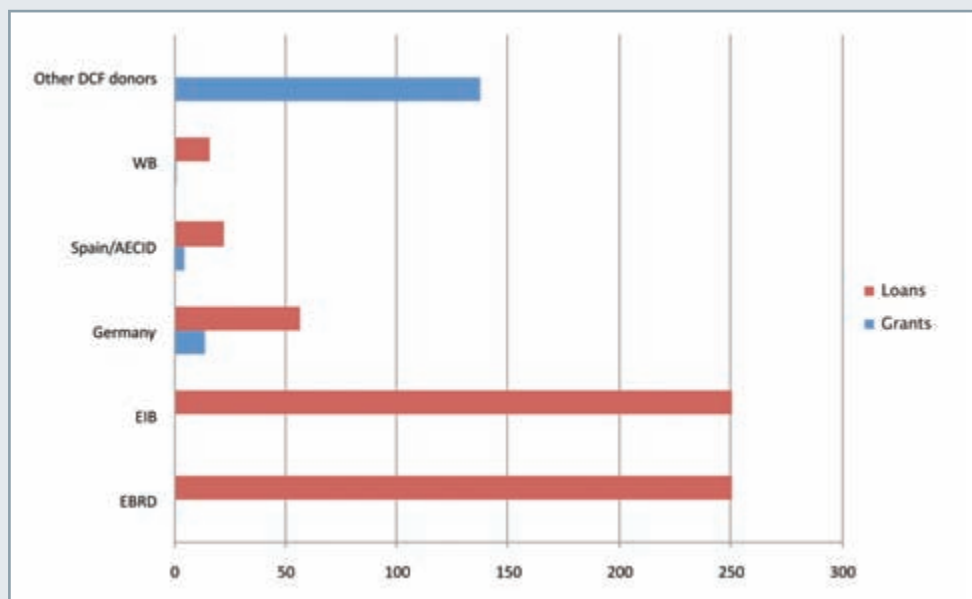
	2006	2007	2008	2009 ⁷⁷
Grants	143,89	191,93	171,61	183.06 ⁷⁸
Loans	245,50	330,72	594,16	247,31
Total	389,39	522,65	765,77	430,37

The chart below provides a ranking of donor agencies according to the volume of their total allocation in 2008, indicating the proportion of loans versus grants. As in 2007, the three large IFIs, which primarily provide concessional loans to BiH – the EBRD, EIB and the World Bank – feature high in this ranking. In 2008 Germany has also allocated a €56-million loan to the Infrastructure sector.

⁷⁷ The data for **2009** is **not final** as some donors have not been able to provide their overall allocations for 2009.

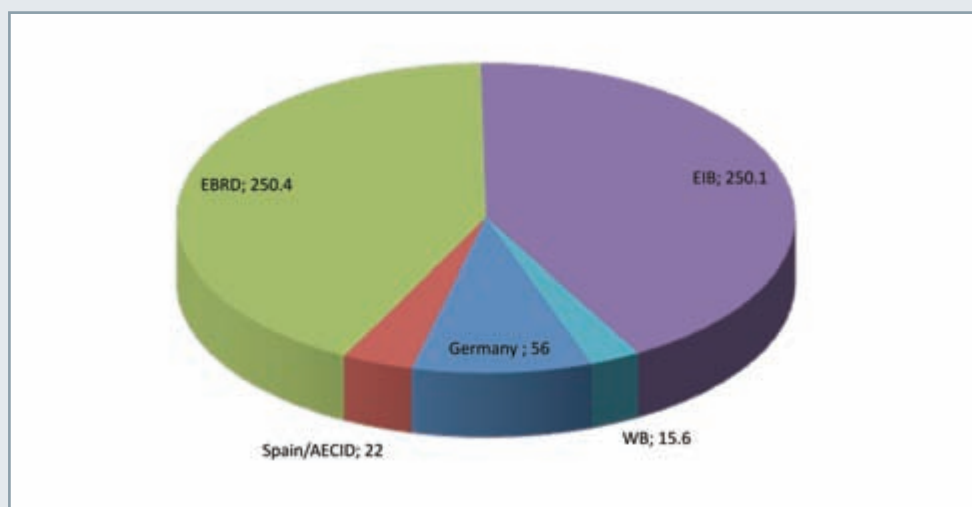
⁷⁸ Including €66.65 million EC pipeline projects

Ranking of DCF Agencies in 2008 Loans vs. Grants (Euros millions)



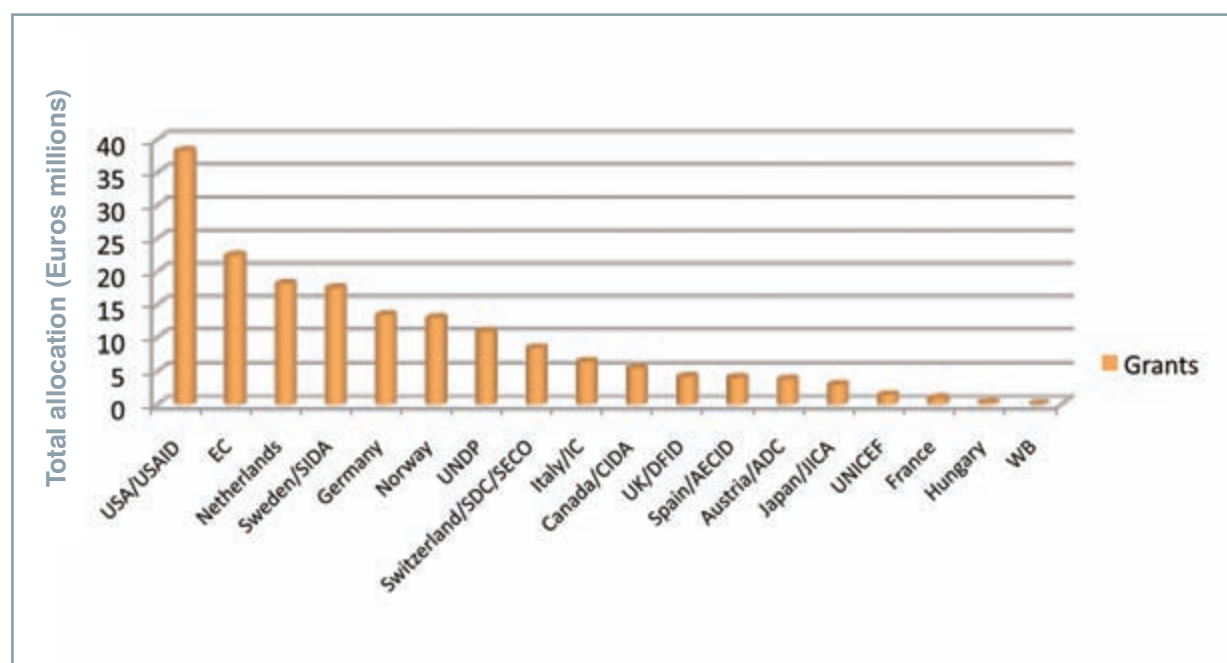
In 2008, EIB and EBRD provided more than 80% of all concessional loans, primarily to Infrastructure and Economic Development, as well as a €6-million credit to the Agriculture and Forestry sector. Germany and Spain/AECID are also contributing loans to Infrastructure and Economic Development, whereas the World Bank's allocations were for the Agriculture and Forestry, Good Governance and Institution Building, Infrastructure, Local Governance, Cross-cutting and Health sectors.

DCF donors' Agencies Loan Allocation in 2008 (Euros millions)



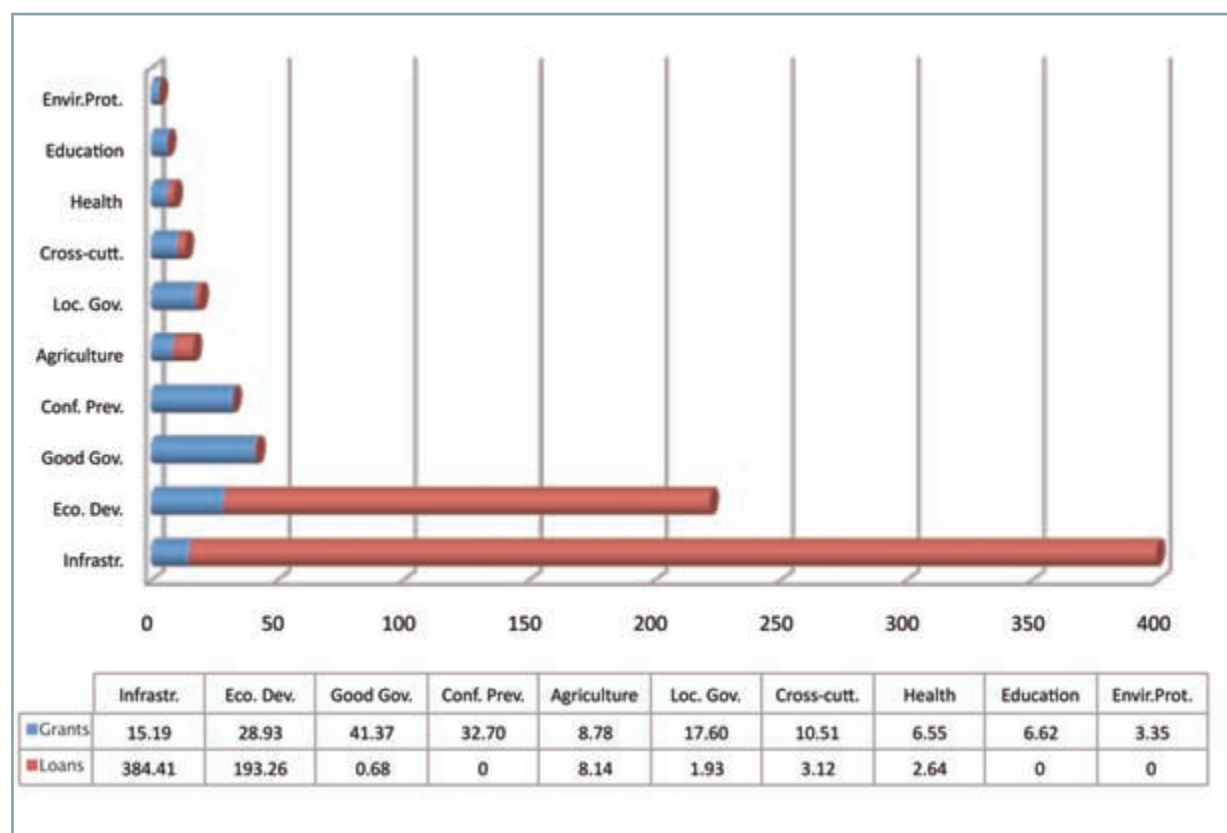
As far as grants are concerned, of the bilateral agencies, the Netherlands, Sweden/SIDA and USA/USAID provided the largest amount of grant aid in 2008, closely followed by Germany and Norway. The EC and UNDP grant contributions rank highest among the multilateral agencies.

Ranking of DCF Agencies in 2008 Grants only



Comparable to 2006 and 2007, in 2008 the sectors that received the most significant financial support are Infrastructure and Economic Development. However, these are also the areas to which donors primarily earmark loans. Good Governance and Conflict Prevention are the sectors that received highest support in terms of grants in 2008.

DCF Sectoral Allocation in 2008 Loans and Grants (Euros millions)



Austria/Austrian Development Cooperation (ADC)

Policy approach

The Austrian Development Cooperation (ADC) is Austria's international cooperation agency, within the Federal Ministry of Foreign Affairs, responsible for coordination of development activities and cooperation with Eastern Europe, as well as humanitarian aid. The aim of development cooperation is to promote sustainable development through reducing poverty, safeguarding peace and preserving the environment.

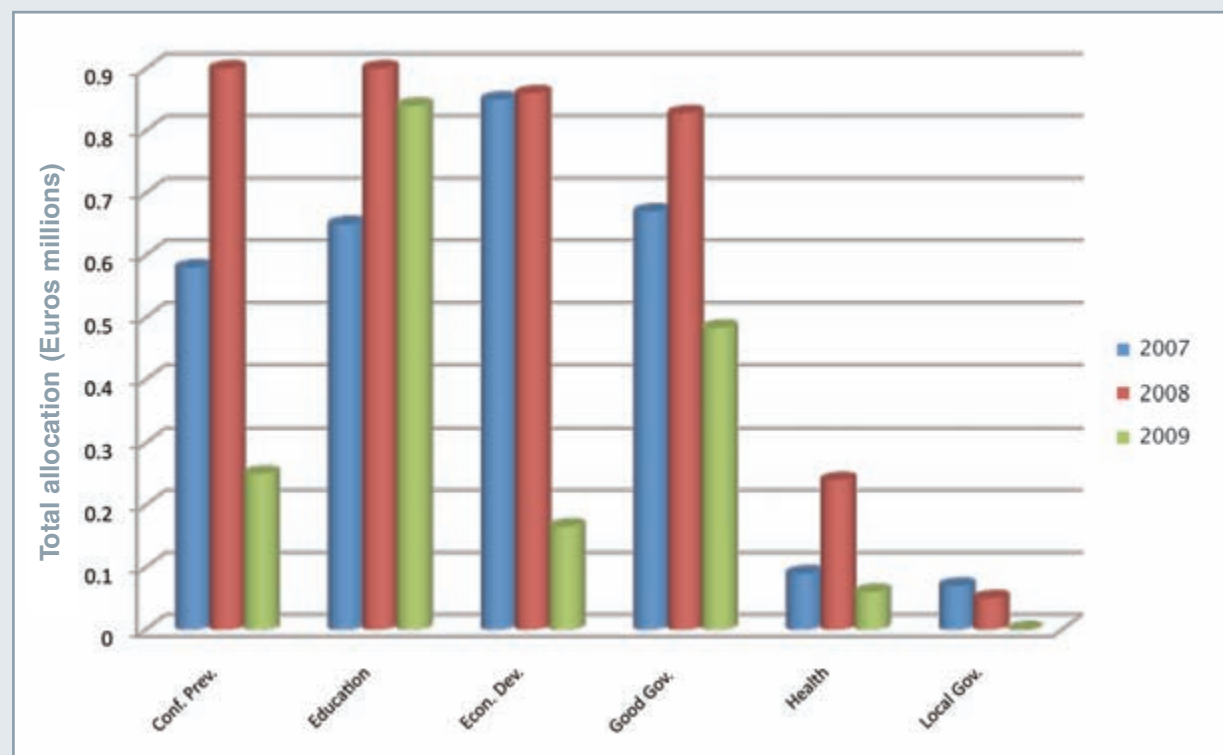
The Austrian Development Agency (ADA) is the operative arm of ADC and manages the corresponding budget. Austria/ADC programmes are implemented by ADA in close cooperation with other international development organizations and are based on the principles of ownership, integration into the socio-cultural context, consideration for the needs of children and people with disabilities, and gender equality. Austria/ADC is also strongly committed to helping Bosnia and Herzegovina (BiH) harmonize and align itself to European Union (EU) institutions.

In 2009 Austria/ADC defined its mid-term programme for BiH for the period 2009–2014. The main goal of this programme is to aid the individual and social development of people in BiH through the creation of harmonized socioeconomic development of the country, with established balance between economic growth, poverty reduction and EU-integration. The Austria/ADC Programme for the period 2009–2014 will focus on the following sectors: **Education:** Higher Education and Vocational Educational Training, **Economic Development:** Employment and improvement of economic framework conditions, **Governance:** Strengthening of the common identity and state-level institutions. The Cross-cutting issue of 'gender' is of particular importance to Austria/ADC in general and to the BiH strategy in particular.

Key activities in 2008

The annual budget of Austria/ADC country line for 2009 is currently €1.80 million and will be complemented by the additional *NGO Co-financing Line*, the *Regional Cross-Border Programme* and the *Mine Action Programme* in the amounts of €1.00 million, all three in the form of grants. Thus the total allocation for 2009 would be ca. €3 million. Austria/ADC's contribution in 2008 has been €3.78 million.

Austria/ADC 2007-2009 Sectoral Allocation



1. The main goal within the **Education** sector is contribution to improved employability, through a reformed and modernized education system according to the needs of the labour market, in line with European standards. Some expected results would be an increased number of pupils/students successfully completing diversified, reformed and practice-oriented education programmes to be absorbed by the present and future labour market in a sustainable way. In its support of the Education sector Austria/ADC concentrates on Higher Education (including research) and vocational training.

The long-standing cooperation with universities in BiH will be continued for the period 2009–2014. One of the projects is the *Course Development Programme*, which supports course development at BiH universities, with regard to integration in the European Education Area.

The *Brain Gain Programme* is aimed at opening up the Higher Education sector in South Eastern Europe (SEE), by inviting émigré academics from the region to teach courses not available at universities in BiH.

At the institutional level, Austria/ADC is supporting the Ministry of Civil Affairs to implement structural reforms at the Higher Education level through the *Quality Assurance and Capacity Building* project. Furthermore Austria/ADC is assisting the *BiH National Contact Point System* to enable the access of universities in BiH to the European research funding as part of the 7th EU Framework Programme.

2. Promotion of economic development and an increase of investment activity and employment are the main goals of the **Economic Development** sector.

The main focus within Economic Development will be the enhancement of the employability of young people. The very high rate of youth unemployment is one of the most serious problems affecting the future development of the country since it de-motivates a whole generation and also exacerbates youth emigration. Austria/ADC 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/ADC also collaborates with private and public sector labour-market service providers and initiates dialogues about policy concerning youth.

A basic prerequisite for business activity is the existence of a functioning land register system. Austria/ADC, together with Germany and SIDA, will further promote the modernization of the BiH Land Register and Cadastre System, which was developed more than 100 years ago on the Austrian model. Austria/ADC is also supporting the Directorate for Economic Planning of BiH in the process of preparation of a *BiH Country Development Strategy 2008–2013* and *Social Inclusion Strategy 2008–2013*.

Within the scope of multilateral regional projects, Austria/ADC is engaged in policy dialogue to strengthen the social dialogue at state level (project in collaboration with the International Labour Organization (ILO), to promote international standards of foreign investment and investment promotion (OECD Investment Compact) and accounting and financial reforming (World Bank – The Road to Europe: *Program of Accounting Reform and Institutional Strengthening* (REPARIS)).

3. To strengthen the common identity and state-level institutions is the aim of Austria/ADC within the **Governance** sector. Strengthening of the State is an indispensable prerequisite for long-term economic development and hence for political stability in the country. The full integration into EU structures, desired by both the Government and the people, can be achieved only if the State of BiH is strong.

Some of expected medium-term results within the Governance sector are strengthened capacities of state institutions for efficiency, transparency and accountability as well as adopted EU standards within a strengthened and transparent legal system. Austria/ADC is supporting the Registry of the State Court of BiH. The Registry provides administrative support services to Section I for War Crimes and Section II for Organised Crime, Economic Crime and Corruption of the Court of BiH and the Prosecutor's Office of BiH. The purpose of the support is to build the capacity required for delivery of fair trials within the competences of war crimes and organized crime, economic crime and corruption cases under the BiH Criminal Code.

4. Austria/ADC is explicitly supporting **Gender Equality**, identified as a Cross-cutting Issue within its mid-term programme. Austria/ADC, jointly with other donors, supports the establishment of the *Gender Studies Master's Degree Programme* at the Centre for Interdisciplinary Postgraduate Studies at the University of Sarajevo. From the beginning of 2009 Austria/ADC together with donor reference group is supporting the capacity building of the BiH Gender Equality Agency and will aid the Fund for the Implementation of the *BiH Gender Action Plan 2009–2014*.

5. In addition to the ADC Country Programme, Austria/ADC finances a regional budget line for SEE. Within this budget line numerous cooperation projects between Austrian and local non-governmental organizations have been financed. These projects are connected to the **Health** sector supporting integration of disabled people into communities of BiH, improvement in the education of blind and sight-impaired children and youth, as well as implementation of best practice of pain management on a clinical and community-based level.

6. Austria/ADC will continue supporting **Mine Action** (de-mining activities) and Mine Victim Assistance in BiH in alignment and harmonization with the *BiH Mine Action Strategy 2009–2019*, channelled through the International Trust Fund in Slovenia.

Promotion of Paris Declaration in BiH

Austria has endorsed the Paris Declaration and is fully committed to its implementation. The ADC programme is based on the principle of ownership and partnership with the country. Austria/ADC uses BiH development plans and its Stabilization and Association Process of the European Union as a framework. Austria/ADC implements its programmes in close collaboration with the operations of different multilateral and bilateral donor agencies.

Donor coordination efforts

Austria/ADC coordinates all its activities with other donors in BiH and in line with the Paris Declaration. The project on *Modernization of the Land Registry System* in BiH has been co-financed and implemented in close collaboration with Sweden/SIDA and Germany. The *Youth Employment Project* is jointly implemented with Switzerland/SDC/SECO. The project *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. Together with Sweden/SIDA, UK/DFID, the Netherlands and Switzerland/SDC/SECO, Austria/ADC will support the capacity building of the BiH Gender Equality Agency and implementation of the *BiH Gender Action Plan 2009–2014*. Furthermore, Austria/ADC is actively involved in various donor coordination forums.

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Canada/Canadian International Development Agency (CIDA)

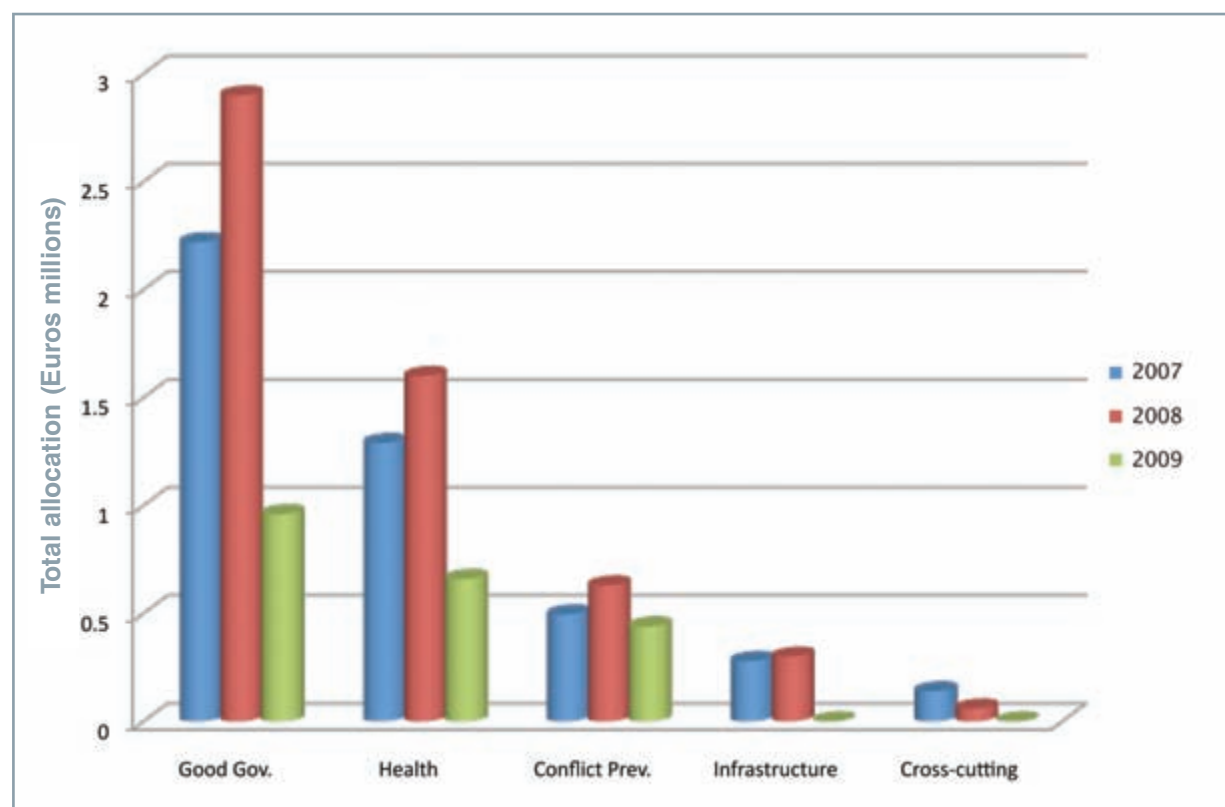
Policy approach

Canada has provided assistance to Bosnia and Herzegovina (BiH) since 1993. Early programming by Canada/CIDA focused mainly on multilateral peace support operations, reconstruction, and humanitarian assistance. As peace was restored, Canada/CIDA's support evolved to focus on social and economic development.

Canada/CIDA continues to provide assistance to support BiH's efforts to maintain peace and security, and build a democratic and stable society. Canada/CIDA's goal is to contribute to developing responsive, accountable, and competent national government institutions that guarantee citizens' safety and create an enabling environment for social, political, and economic stability. Canada/CIDA's programming focuses on two sectors that are key to the transition process: Health and Good Governance, with Gender equality, Youth, and Environment as cross-cutting themes.

Through its programming, Canada/CIDA supports the work of partners, both Canadian organizations that specialize in delivering assistance in Health and Judicial Reform, and international organizations including the Organization for Security and Cooperation in Europe, the Council of Europe, the World Health Organization, United Nations agencies, and the European Bank for Reconstruction and Development. Canada/CIDA allocated **€5.50 million in 2008** and **€2.10 million in 2009** to the following sectors: Good Governance and Institution Building, Health, Conflict Prevention, Infrastructure and Cross-cutting.

Canada/CIDA 2007-2009 Sectoral Allocation



Key activities in 2008

In the **Health** sector, the primary objective of Canada/CIDA's programming in BiH has been to support healthcare policy reform by ensuring that the partner countries/entities have the capacity to develop and implement health policies that support efficient and effective primary healthcare. Canada/CIDA's health programming is based on an integrated approach centred on three pillars: 1) primary healthcare policy; 2) youth and health; and 3) civil society advocacy for public health. These three pillars are implemented through and encompassed by the following three projects in BiH: *Primary Health Care Policy*, *Youth and Health*, and *Strengthening*

Balkans Civil Society's Voice for Public Health through Public Health Associations. A grant to the World Health Organization is complementing the larger health projects by helping to strengthen public health systems.

In terms of programming in the area of **Good Governance**, Canada/CIDA is supporting three projects, working in the areas of improving and strengthening judicial institutions and systems in BiH through support to policy and strategic development, capacity-building of judicial training facilities and improved administration of justice at the local level and within particular courts. In addition, Canada/CIDA has provided support to reform of the prison system in BiH, through training and advisory services aimed at modernization of the prison system's management.

Canada/CIDA is also committed to equality between men and women, and all projects and programmes that Canada/CIDA undertakes are required to produce a gender strategy to ensure that these considerations are mainstreamed into programming activities.

Exit strategy

The *CIDA Balkans* programme is currently focusing on the efficient implementation of its final phase of programming to ensure maximum impact as well as to strengthen linkages with other donors, domestic partners and Canadian organizations to continue work in BiH after 2010. The *CIDA Balkans* programme will be phased out by 2010 and no bilateral activities will continue after this date. In order to ensure sustainability after CIDA's exit from the region, each of the remaining operational projects have developed exit strategies to outline future activities that will contribute to the long-term sustainability of project results. Furthermore, the *CIDA Balkans* programme is conducting a sectoral evaluation of its last cycle of health programming in BiH to assess its contribution to the primary healthcare sector since 1996; identify lessons learned; and assess the sustainability of these outcomes after conclusion of CIDA funding.

Promotion of Paris Declaration in BiH

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. As an example, CIDA has been a supporter of the UNDP's integrated *Mine Action Program*, to contribute to the Government's efforts to rid the country of landmines.

Donor coordination efforts

CIDA is an active proponent of the Paris Declaration on aid effectiveness. The Agency has worked to ensure that its programming is in line with BiH's development plans and strategies and that it responds to local priorities and has strong local ownership. As a result, CIDA's programming is implemented in an iterative fashion, with annual work plans produced jointly between Canadian and local partners, and endorsed by mixed Canadian-BiH steering committees.

In addition, this year, CIDA, together with the World Bank, has embarked on a joint evaluation of programming in family medicine and primary healthcare.

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⁷⁹ As of August 1, 2009 CIDA does not have regional office in Sarajevo

France

Policy approach

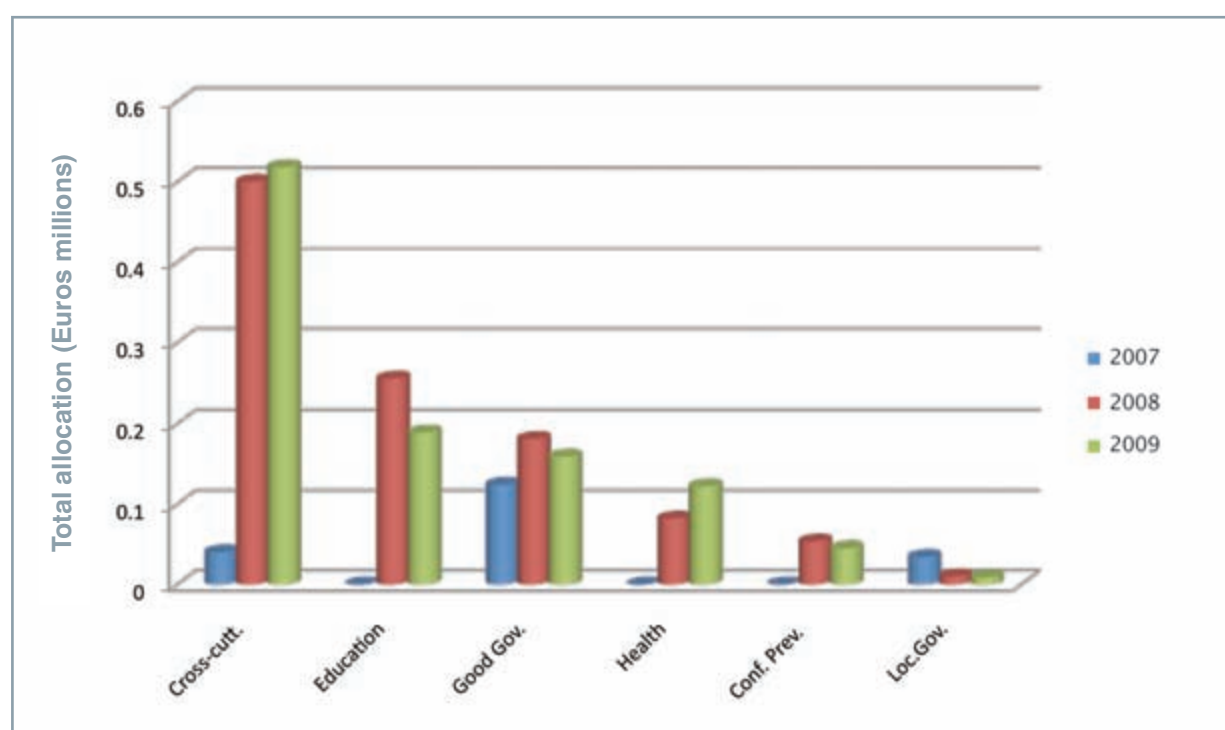
The French Embassy deals both with classical cooperation assistance (police, justice, administration, non-governmental organizations, exchanges between regions and cities in France and Bosnia and Herzegovina (BiH) and traditional cultural activities (universities, French language teaching, cinema, theatre, dance, visual arts, and literature). The goals of the latter are to promote the French language and cultural diversity. Support to civil society focuses especially on empowering youth and women, by financing education initiatives and creating spaces where young people and women can meet and raise their voices (e.g. youth centres).

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 2008

In **2008** the French Embassy was active in several sectors. France's total direct allocation was **€0.92 million** and in **2009 €0.93 million**. The support was given to the following sectors: Cross-cutting, Good Governance and Institution Building, Education, Health, Conflict Prevention and Local Governance.

France 2007-2009 Sectoral Allocation



In the **Health** sector in 2008/2009 France organized regular exchanges between French and BiH specialists (doctors) and students, as well as training and partnerships between French and BiH hospitals. An expert (doctor at Saint-Louis Hospital Paris) in reanimation is based in Koševo Hospital to enhance the development of the discipline in BiH (through the support of a scientific society, training, opening of a reanimation department in the Hospital of Banja Luka in December 2008 and preparation for the same opening in Koševo Hospital in Sarajevo in 2009). The partner is the association Medecine France Bosnie-Herzegovine.

In the **Good Governance and Institution Building** sector France focused on juvenile justice. The Embassy 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 to implement the *Strategy against Juvenile Offending for BiH*. The training component aimed to educate judges and prosecutors, and to encourage the creation of a real specialization in the field of juvenile crime.

Support was also provided for the training of judges through seminars organized with the entity's judicial training centres and training in France. The scholarships for a 3-month stage in the appellate court in France were ensured in order to improve judges' education and increase exchanges between courts in BiH and in France.

In 2008 the Embassy also allocated funds for the training of court secretaries, however, the first training session was organized in June 2009. The project support envisaged the establishment of a real training course programme tailored for the post of the court secretaries. Two positions for seconded judge and judicial assistant are also part of the cooperation: one as a senior prosecutor at the office of the prosecutor of BiH (organized crime) and one as a junior expert at the department of war crime at the Court of BiH. The senior judge was involved in training sessions as a trainer.

In an effort to promote peace building, youth participation and social inclusion, the Embassy supported capacity building of youth centres in municipalities where these structures do not exist. A strong cooperation in training of policemen and firemen represents a regular activity organised by the Office of Attaché for Interior security in the Embassy.

In the **local governance sector**, the Embassy enhances decentralized cooperation in order to link French and BiH municipalities together around common topics such as: youth policies, agriculture, rural tourism, civil security. Round tables and seminars are organized in France and in BiH to gather energies and expertise. As a means at local level to participate in European integration, this sector is a priority in 2008 and 2009.

Medium- and long-term approach

The service of cooperation and cultural action of the French Embassy will go on with its priorities (focusing on youth) in a context of regular reduction of funds due to the global economic crisis.

Promotion of Paris Declaration in BiH

France participates in regular meetings with other donors (embassies and cooperation agencies e.g. the EC delegation and USA/USAID) to keep informed about their activities and to try to find joint projects. France also actively participates in sector-specific donor coordination meetings, including in the Good Governance and Institution Building, Cross-cutting sectors, as well as EC meetings as they relate to the IPA instrument.

Donor coordination efforts

France is planning to participate in donor coordination meetings dedicated to health and juvenile justice.

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Germany

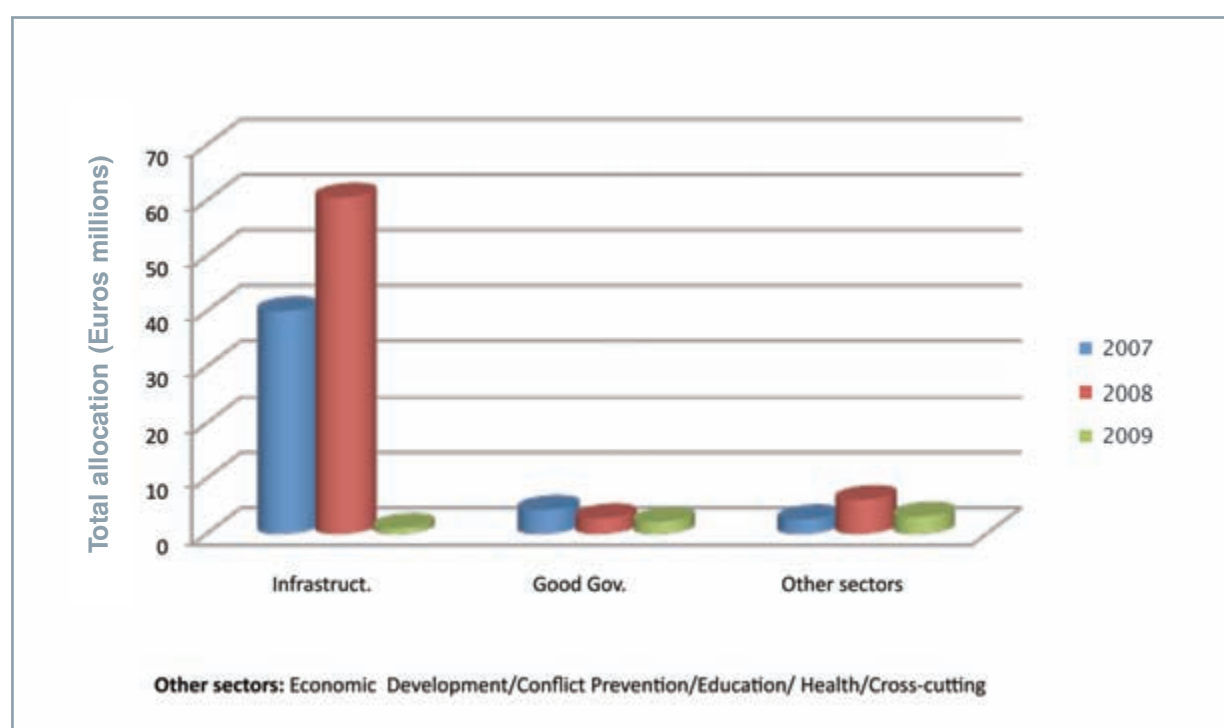
Policy approach

Germany is committed to assisting Bosnia and Herzegovina (BiH) in developing into a functioning market economy, in aligning its legal system with the European Union acquis and in overcoming the consequences of the war. To this end, the German Government has mandated several implementing agencies to conduct its development assistance in BiH, out of which the most prominent are KfW Entwicklungsbank (Development Bank) and Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ). Projects are also implemented through integrated experts, twinning projects, political foundations and other German institutions represented in BiH. The Embassy coordinates these efforts and implements directly the funds from the Stability Pact for South Eastern Europe.

Key activities in 2008

Germany allocated **€69.40 million in 2008** to the following sectors: Infrastructure, Good Governance and Institution Building, Conflict Prevention, Economic Development and Social Protection, Education, Cross-cutting and Health. In 2009 Germany intends to allocate a planned loan in the amount of €90.00 million to the Energy Sector.⁸⁰

Germany's 2007-2009 Sectoral Allocation

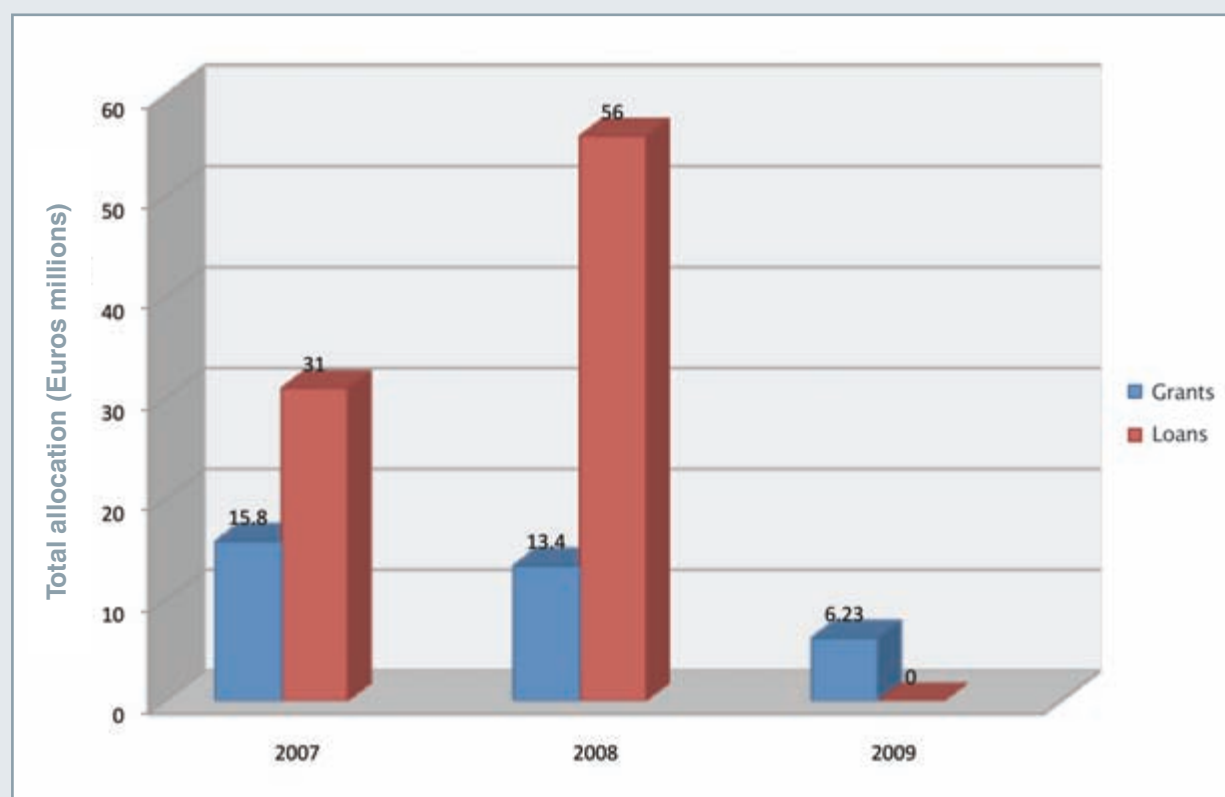


Out of the €69.40 million contributed in 2008, €13.40 million was in the form of grants and €56.00 million in the form of concessional loans. The loan allocations went to the Infrastructure sector.

Compared to 2007, Germany's grant allocation has decreased, but its loan allocation has significantly increased in 2008.

⁸⁰ 2009 figures are 'planned' and they will only be confirmed at the end of the year in bilateral negotiations.

Germany's Grant and Loan Allocation



KfW Entwicklungsbank is part of the KfW Bankengruppe and promotes the economy in transition and developing countries. On behalf of the German Government KfW provides long-term capital for investments in infrastructure, financial systems and environmental protection.

KfW's financial cooperation activities are based on agreements between the German Government and the Council of Ministers as well as on the stipulations of the Federal Ministry for Economic Cooperation and Development. On that basis KfW is focusing its activities in BiH on municipal water and waste-water programmes, on activities for better use of renewable energy sources and improvement of energy efficiency and the further strengthening of the financial sector.

In the framework of its water and waste-water activities KfW is currently supporting four municipalities. Cooperation with a fifth municipality is being prepared. KfW is focusing on rehabilitation of water supply systems for improving water quality and for reducing losses. Extension of sewage systems is financed for protecting drinking-water sources. Each programme is supplemented by activities for improving the management and financial aspects of water utilities, too. It aims at providing reliable water supply for the population at cost-covering and socially affordable tariffs.

In the energy sector the very first programmes were focused on the rehabilitation of older hydropower plants. This engagement is expanding towards financing new-generation facilities based on water and wind. Furthermore, the implementation of a new management system of the distribution level for the support of power quality and the optimization of the power management is currently under preparation.

KfW has assisted the consolidation of the financial sector since 1998 with refinancing lines and credit guarantees. Support to the establishment of the Deposit Insurance Agency as well as the promotion of the European Fund for Southeast Europe constitute other core activities. KfW will continue with the German support of the sector and will especially focus on further consolidation of the microfinance sector, and provision of refinancing lines for small and medium-sized enterprises (SMEs) and energy efficiency via the banking sector.

As an international cooperation enterprise for sustainable development with worldwide operations, the federally owned Deutsche GTZ GmbH supports the German Government in achieving its development-policy objectives. It provides viable, forward-looking solutions for political, economic, ecological and social development in a globalized world. GTZ promotes complex reforms and change processes. Its corporate objective is to improve people's living conditions on a sustainable basis.

Since 1992 GTZ has been supporting countries in south-eastern Europe in developing a competitive market economy on behalf of the Federal Ministry for Economic Cooperation and Development. These countries receive targeted assistance in implementing reforms that serve European integration.

German Development Cooperation serves to rebuild the country's economy, focusing on the following areas: **Economic reform:** Local and Regional Economy Support, Vocational Education and Training, Land Administration, **Democracy/civil society:** Development and Support of Structures in the Youth Sector, Support of Sexual and Reproductive Health and HIV Prevention among Youth, Development of Youth Tourism, **Open Regional Fund for South-East Europe:** Legal Reform, Foreign Trade, Energy Efficiency.

In these fields GTZ manages programmes and projects across the geographical and ethnic divide, thereby making a significant development contribution to stability in the region. GTZ thoroughly assesses the overall impact of the programme and project measures on development.

Medium- and long-term approach

The long-term goal of German assistance is BiH's European integration and its independence of further development cooperation funds. To support BiH on that track Germany will continue its successful support in the outlined focal areas. Further growth of cooperation is expected, especially in activities concerning energy efficiency improvements and use of renewable sources of energy, economic reform, foreign trade, legal reform, education and youth.

Promotion of Paris Declaration in BiH

Based on some minimal requirements regarding procurement, KfW takes into consideration the national/local procurement procedures as a basis for realization of financial cooperation projects. With regard to further realization of the principles of the Paris Declaration, Germany is watching closely BiH's progress in enabling those instruments. GTZ accepts the Paris Declaration as a basis and a work programme of all their activities. All activities of GTZ in BiH are based on ownership, integration, harmonization, management directed towards results and mutual responsibility.

Donor coordination efforts

Germany is actively participating in the Donor Coordination Forum. Bilateral activities are connected with activities of other donors.

KfW is combining bilateral projects with various EU-programmes (e.g. *Instrument for Pre-accession Assistance* and *Infrastructure Project Facility Municipality Window*). In the financial sector KfW has initiated the European Fund for Southeast Europe as a joint donor vehicle for the overall region. This fund allows pooling of funds and provides an additional platform for donor coordination in the sector.

Since 2003, GTZ implements the *Land Administration* project in combined funding from Germany, Sweden and Austria, and supporting actively the coordination with other donors like the World Bank and European Union. With the Open Regional Fund GTZ supports regional cooperation in southeast Europe toward their EU approach. With the regional support of legal reform, foreign trade and energy efficiency GTZ helps to connect the countries of southeast Europe in their common search for the best solutions.

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Hungary

Policy approach

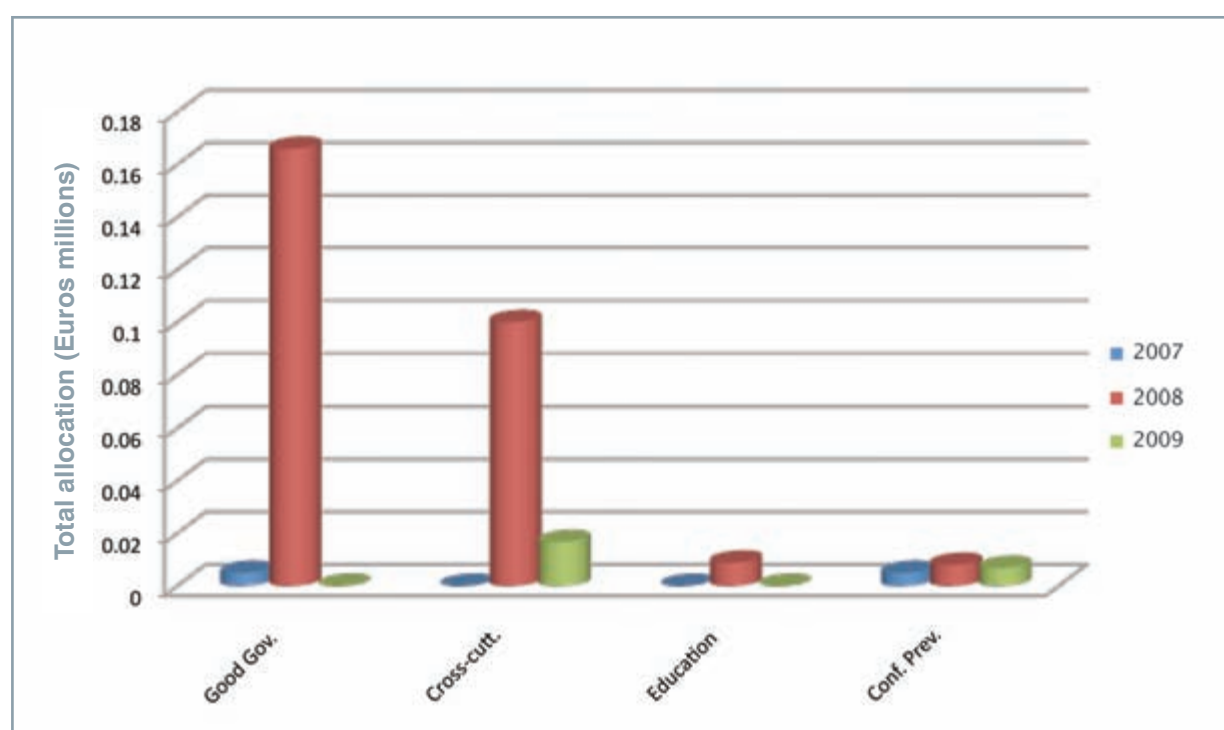
Bosnia and Herzegovina (BiH) is among the priority countries for the Hungarian National Development activities. The Government of Hungary has adopted a country development strategy for BiH, which covers the period 2008–2010. The aims of the strategy are: to strengthen the institutional background of the BiH state in order to help the creation of a functioning, sustainable, democratic state and thus strengthen the rule of law; to help the development of the market economy in BiH; to help the development of a civil society based on the principles of (ethnic and religious) non-discrimination, equality and human rights; to eradicate poverty in BiH; to help sustainable development that is key for the political-economic stability of BiH; to help BiH's Euro-Atlantic integration process.

The key element of Hungary's approach is to use the specific experience gained during Hungary's democratic transition (i.e. to market economy, to democratic functioning state) and Euro-Atlantic integration (i.e. EU-integration, NATO-integration, regional cooperation) processes.

Key activities in 2008

Hungary allocated **€0.32 million** in 2007–2009 to the following sectors: Good Governance and Institution Building, Cross-Cutting, Education and Conflict Prevention.

Hungary 2007-2009 Sectoral Allocation



Good Governance: Hungary has two main development objectives in this sector: 1) to transfer know-how from Hungary to BiH in order to develop the democratic functioning of the state and the rule of law; and 2) to strengthen civil society to promote EU-integration, disseminate information about the EU, to promote cultural and ethnic tolerance, and to involve youth in working towards a better future for BiH. In line with these aims, Hungary supported projects that involve the training of civil servants, that discuss the future constitutional setup of the country and, on the other hand, that helped some key civil society organizations in the country (Centre for Security Studies, European Movement) to promote the EU country-wide.

Cross-cutting: Hungary supports the reconstruction of Vijećnica in Sarajevo, which is a major symbol and cultural heritage of the city of Sarajevo and BiH itself. Its restoration would send a message that the country is back on its feet. In this respect there is a good cooperation of the city of Sarajevo and the Government of the Republic of Hungary as well as the city of Budapest that offered further support for the reconstruction.

In addition, the aim of Hungary in the Cross-cutting **Youth** subsector is to involve youth in the work for a better future of BiH. Hungary supports civil organizations that promote EU-integration among young people. Hungary believes that an educated young generation is the key segment in BiH that will be able to bring change to the future of the country. Hungary's approach is to educate and encourage them to stay in BiH and work for its better future. Hungary positively assesses projects of civil organizations that support this approach. Hungary also assists activities that create debate among youth on important questions for BiH such as ethnicity, religion, tolerance, equality, etc.

Conflict Prevention: In the sector of Conflict Prevention Hungary focuses on the mine survey and mine awareness-raising activities. The domestic non-governmental organization *Posavina bez mina*, is Hungary's partner in these activities. Hungary considers the aim of this project (to save lives) of crucial importance for BiH. Mine clearance is hard work that needs a lot of investment, but every small step can lower the risk of mine casualties in this country.

Medium- and long-term approach

Being an EU member state, Hungary expects its role in the medium term as one of the 'friends' of BiH that helps the country to a successful Euro-Atlantic integration. As a country from the 'geographic vicinity' of BiH, Hungary's very interest is the stabilization and the democratic functioning of BiH (and the Western Balkan region). Hungary believes that Euro-Atlantic integration is key in this respect; therefore Hungary would like to devote the focus of its development policy to this issue. Hungary would like to support bilateral projects where Hungarian experts transfer their know-how to BiH politicians, civil servants, civil society, university students, being key players for the future of the country. Hungary aims to strengthen the capacities of state institutions for a successful Euro-Atlantic integration; to strengthen the civil society itself and its activities of encouraging people (especially young and educated people) to work for the future of BiH; to include the transfer of the experience of Hungary gained during democratic transition and Euro-Atlantic integration; to contribute to the education of youth; to guarantee sufficient visibility of Hungary as bilateral donor.

Hungary will further support activities that reduce mine risk in BiH, since Hungary regards it as a very serious problem, which affects directly human lives.

Promotion of Paris Declaration in BiH

Hungary works towards the implementation of the Paris Declaration by the following means: (i) Participate and share real and up-to-date information with donor partners in the Donor Coordination Forum (DCF); (ii) Aim to support the national development planning sector in BiH; (iii) Promote in all forums the principle of ownership, which has started in the DCF recently; (iv) Strengthen the capacities of the state institutions for a functioning ownership, which is one of Hungary's development policy objectives; (v) Ensure that the Hungarian Development policy is transparent and based on our triennial development country strategy on BiH (2008–2010).

Donor coordination efforts

Hungary participates in the sector working group that functions as a sub-group of DCF. It is the sector of planning of country development and social inclusion.

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Italy/Italian Cooperation (IC)

Policy approach

Italy has been active in Bosnia and Herzegovina (BiH) since 1992 via its first emergency programmes which catered to the most urgent social and healthcare problems caused by the war. Since then, the Italian Cooperation (IC)'s action has been developing to include both bilateral initiatives and multilateral programmes implemented by international organizations.

Italy/IC in BiH commits a great deal of its resources to support the entire country's socio-economic progress and – in perspective – its integration into the European Union, paying particular attention to the potential of bilateral economic relations.

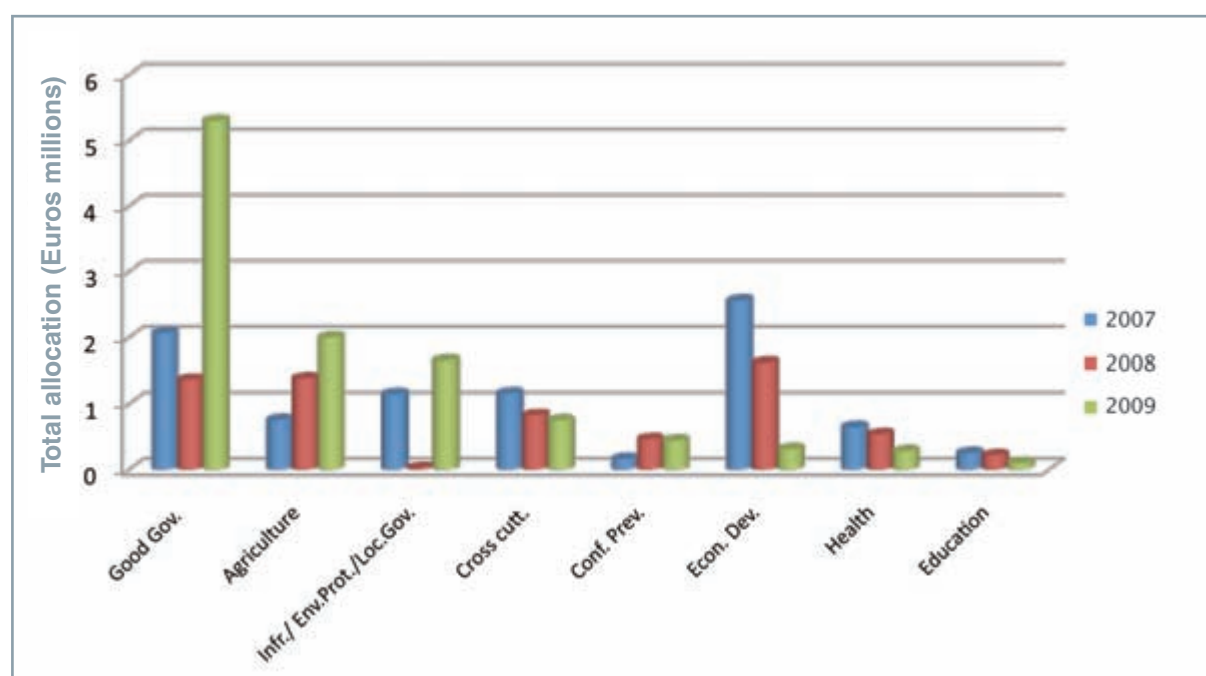
Consequently, the Italian contribution aims to meet the following important needs: (i) supporting sustainable development, especially through the promotion of private economy and the improvement of facilities; (ii) institutional strengthening aimed at taking responsibility by local institutions in management, planning and development; (iii) protecting the most vulnerable population targets through many grass-roots initiatives.

In BiH, Italy/IC has been entrusting funds to regional initiatives which are being implemented through the adoption of a participatory approach, such as the *Direct Assistance to Victims of Trafficking*, implemented by IOM, the *e-Leadership Programme in the Western Balkans*, implemented by UNDP, and the *Social Development Initiative for South East Europe*, implemented by the World Bank, and funding the Youth Commission within the Ministry of Civil Affairs of BiH.

Key activities in 2008

Italy/IC allocated €6.40 million in 2008 and €10.83 million in 2009 to the following sectors: Economic Development and Social Protection, Agriculture and Forestry, Good Governance and Institution Building, Cross-cutting, Health, Conflict Prevention, Education, Infrastructure, Environmental Protection and Local Governance. All of Italy/IC's allocations are in the form of grants.

Italy/IC's 2007-2009 Sectoral Allocation



In 2008/2009, in the **Health sector**, the main project is *Support to Protection and Promotion of Mental Health in Republika Srpska*, which seeks to support the reform process at the primary mental health level, aiming to promote mental health through effective and efficient services for mentally ill people and their families.

In the **Agricultural sector**, Italy/IC operates through many programmes led by Italian non-governmental organizations (NGOs), International Organizations and Italian local entities. The development projects mainly target the promotion of a sustainable agricultural system, such as integrated and biological agriculture, in order to reduce the environmental impact of agricultural production in BiH and strengthen small agricultural enterprises' potential. This approach aims at reducing poverty and encouraging interethnic integration, through increasing the value of BiH's natural resources.

It is worth highlighting that Italy/IC funds programmes and actions for developing sustainable policies in the social, agriculture and justice sectors. A very good example of this commitment is the formulation of a strategy document '*The BiH Agriculture Sector and Italian Development Cooperation Assistance*', in collaboration and with the support of local governmental and non-governmental institutions.

Italy/IC is still financing **demining activities** in many areas which are important for the recovery of economic and social life in BiH. As the culture of security has grown, Italy/IC has always been at the forefront through the skilled Italian NGO *Intersos*, preventing accidents connected to the presence of mines and unexploded ordnances in the entire territory of BiH, also through mine risk education campaigns among the civil society with programmes involving local administrators, associations of the groups most exposed to mine risk (workers in the agricultural, forestry and building sectors) and the local communities.

Within the strengthening of the **rule of law**, Italy/IC supports initiatives aimed at promoting good governance actions, in order to help BiH relevant institutions in fighting corruption and crime, especially organized crime. Many actions taken by the Italian Government were conceived to support the efforts made in order to create an Independent Judicial Committee. Now they aim at the creation of courts to judge minor offences instead (Minor Offence Courts), judicial structures which are essential to improve the efficiency of the judicial system. Besides, Italy/IC decided to donate €1.00 million to the State Court of BiH to support the War Crimes Chamber, competent to deal with war crimes and provided with a detention centre in line with European standards.

Italy/IC is very committed to the protection of the most vulnerable people's rights, especially **children and women**. In this respect, there are many initiatives setting out to retrieve and promote the social value and the psychophysical recovery of children and women affected by the war. Some of these projects are implemented by NGOs, Italian Regions and International Organizations which have been gaining great experience in the field of assistance, protection and defence of the most vulnerable population targets.

Medium- and long-term approach

Italy/IC intends to continue focusing on the **Cross-cutting sectors** (particularly on Youth), on rural development and the Agricultural sector. Italy/IC will work on the basis of concrete projects with clearly defined 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.

Italy/IC will particularly focus its attention on small and medium-sized enterprises – **SME development**. In fact, Italy/IC considers the promotion and spread of an entrepreneurial mentality as a key instrument to fight poverty and create sustainable economic development, looking forward to the integration of the country in the EU.

The General Directorate for the Development Cooperation within the Italian Ministry of Foreign Affairs provided pledged €15.00 million funding (credit line) to BiH enterprises. The project will be accompanied by a technical assistance programme financed by a grant. Therefore, Italy/IC is making a constant effort to improve relations between economic operators, Italian entrepreneurs and their counterparts in the Balkans, encouraging the internationalization of BiH enterprises.

Moreover, one best practice of supporting capacities is the **SEENET II**, a network of cooperation among local governments for the development and dialogue in south-eastern Europe (SEE). The general objective aims at strengthening the territorial partnerships between Italy and SEE countries, by creating thematic networks in the sectors of rural development, SMEs, tourism, urban waste and water services.

BiH is a country with an impressive potential and a cultural heritage rich in history and traditions. The Italian Government has promptly responded to the country's appeal for the rebuilding and rehabilitation of cultural centres and monuments destroyed during the war. Among the most valuable interventions of the Italian Government, it is worth noting the important project entrusted to UNESCO for the protection, promotion and development of the Ars Aevi Collection representing a reference point and renaissance of the art and the culture of Sarajevo – a cosmopolitan and multicultural symbol for BiH and for the whole Balkan area. In the future, the project will continue with the great intention of establishing the **Museum of Contemporary Art** to which the Italian Government has committed €0.90 million.

Promotion of Paris Declaration in BiH

In order to improve efficiency of Italy's contribution to BiH, Italy/IC has created a wide network of fruitful 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 the Agriculture and Education sectors. Moreover, in order to promote the principles of the Paris Declaration in BiH, the support is delivered according to national priorities and with a constant attention to training and strengthening capacities, in a partnership framework. 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 efforts

Italy/IC takes part in the coordination activities led by the Delegation of the European Commission in BiH, in order to meet the obligations connected to aid harmonization asserted in the Declaration of Rome of February 2003. Currently, bilateral meetings are taking place with the other donors present in BiH, in order to increase the effectiveness of all the interventions, by coordinating the activities and sharing all significant information. The Italian Cooperation Office in BiH has an important role in the coordination of the Italian aid in BiH and the connection between domestic institutions and the donor community.

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Japan/Japan International Cooperation Agency (JICA)

Policy approach

Japan/JICA started its emergency and reconstruction assistance to Bosnia and Herzegovina (BiH) in 1996, just after the end of the conflict. Since then, Japan/JICA has played an important role in the reconstruction of BiH as one of the largest bilateral donors of the country. Initial Japanese assistance addressed the basic human needs of the BiH population mainly in the sectors of health, infrastructure, and education, etc. where Japan/JICA assisted in the rehabilitation of public transportation in Sarajevo, Banja Luka and Mostar, provided medical equipment to the primary healthcare institutions nationwide; and reconstructed a number of primary schools.

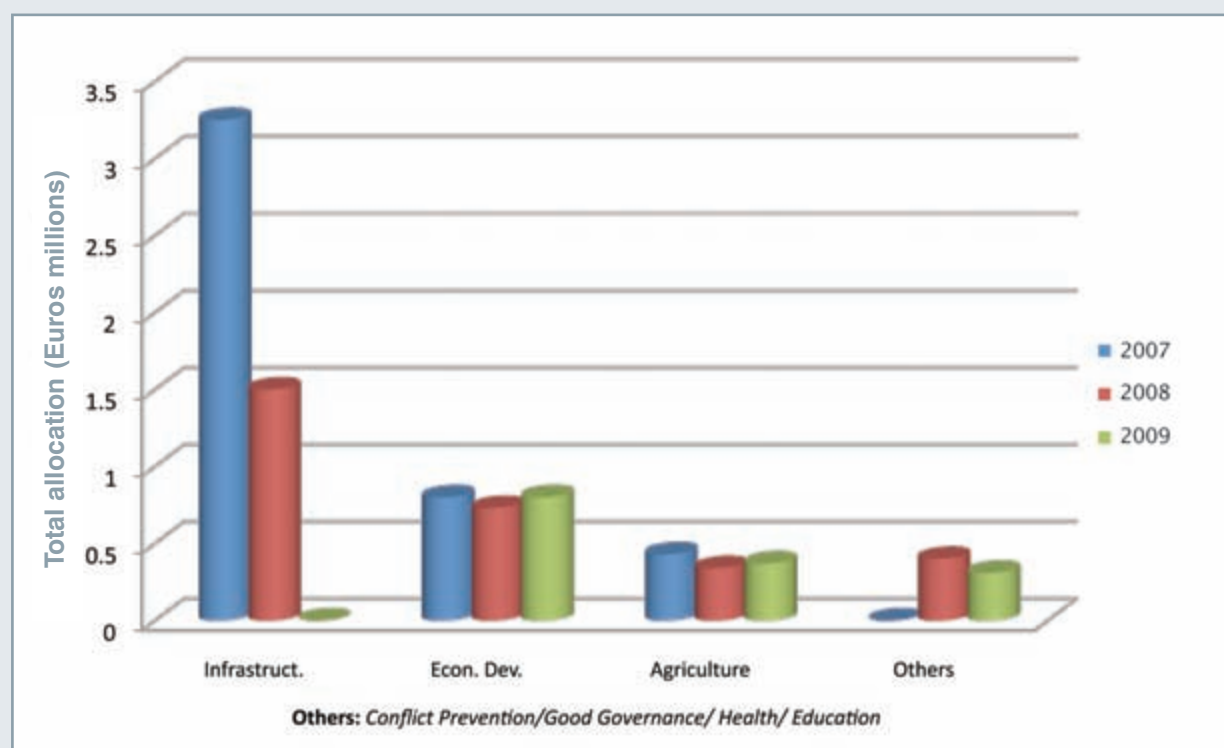
Recognizing the steady progress and the current economic situation in BiH, and considering its transitional period from post-conflict reconstruction to a self-sustainable developed country as a future member of EU, Japan/JICA has reoriented its assistance from hardware cooperation towards a software type of cooperation, including human resources development.

The Japanese Official Development Assistance (ODA) previously consisted of four types of modalities implemented by different agencies: 1) Yen loans by the former Japanese Bank for International Cooperation (JBIC); 2) grant aid by the Ministry of Foreign Affairs; 3) technical cooperation by JICA; and 4) multilateral ODA by other multilateral organizations. However, in October 2008 JICA was merged with JBIC and reorganized as an aid donor agency providing the three modalities of technical cooperation, concessionary loans (ODA loans), and grant aid, in a more integrated fashion. This organizational reform by the Government of Japan was aimed at improving the quality of ODA operations, enabling it to conduct ODA policy in a more strategic manner and strengthening its implementation regime.

Key activities in 2008

Japan/JICA allocated **€2.97 million** in 2008 and **€1.48 million** in 2009 to the following sectors: Infrastructure, Economic Development and Social Protection, Agriculture and Forestry, Conflict Prevention, Education, Health, and Good Governance and Institution Building.

Japan/JICA 2007-2009 Sectoral Allocation



Japan/JICA has drawn up the following as priority areas of cooperation in BiH and will continue to implement effective programs that are firmly rooted in local conditions: **Consolidation of peace:** based on the principle of human security, help strengthen local communities, including returnees and internally displaced persons, war and mine victims, support ethnic reconciliation and community integration, and facilitate sustainable economic development; **Private sector development:** capacity-building of economic institutions, promotion of small and medium-sized enterprises (SMEs), promotion of cooperation in the private sector, etc.; **Environment:** making use of the high level of technical capabilities in environmental protection that Japan/JICA possesses.

As for the direct support to local people and communities, the Government of Japan has been realizing various projects through *Grant Assistance for Grassroots Human Security Projects*. Under this assistance, many local non-governmental organizations and associations have been supported with small amounts of grant funding.

Some of the main activities that JICA has been implementing in the form of technical cooperation projects are as follows: the *Project for Confidence-Building in Srebrenica through Agricultural and Rural Enterprise Development* aims at ethnic reconciliation, while promoting agricultural production and raising economic self-reliance of the local population. The underlining objective of this project is to provide opportunities for Bosniak and Serb residents to work together and nurture the trust and confidence between them. The *Project for Sustainable Regional Development through Eco-tourism in Bosnia and Herzegovina* focuses on promotion of eco-tourism for the purpose of regional development. It is implemented in two areas of the Pliva and Velez regions, with the view to strengthen the capacity of human resources, relevant institutions and organizations.

Medium- and long-term approach

Japan/JICA will continue to focus on three targeted issues: consolidation of peace, private sector development, and environmental protection. In the medium term, the ongoing projects will be continued for another two to three years. In the longer term, we regard the EU accession of BiH as being the goal of our developmental assistance towards this region and we will withdraw gradually after the achievement of this aim. Loan assistance may be continued, though.

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 *Confidence-Building in Srebrenica on Agricultural and Rural Enterprise Development* attempts to maximize the involvement of the municipal and local governments in order to ensure the sustainability of the project.

Donor coordination efforts

So far, Japan/JICA has participated in the donor coordination meetings a few times in the Education and Agriculture sectors. We intend to participate in any other sector working groups which are relevant to the field of our operation in BiH.

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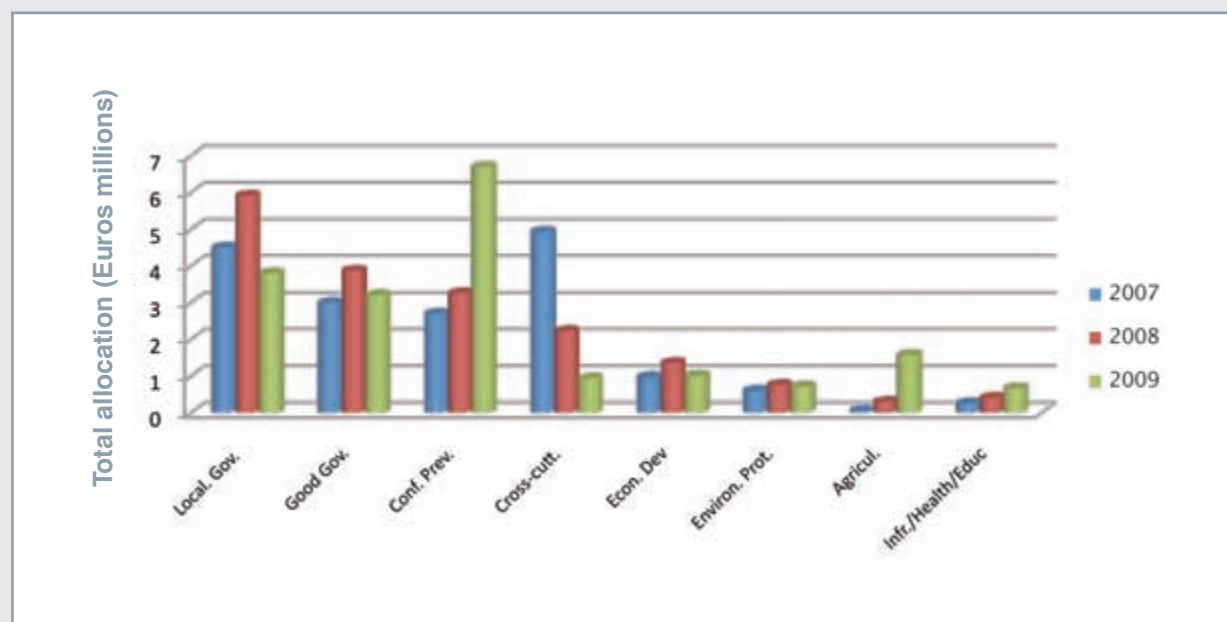
The Embassy of the Kingdom of the Netherlands

Policy approach and key activities in 2008

The Netherlands' strategic plan has the following development cooperation objectives in Bosnia and Herzegovina (BiH): **Objective A – more efficient functioning of government:** Implementation in BiH of the Stabilization and Association Agreement and fulfillment of the political Copenhagen criteria; Increasing the impact of civil society and municipalities on the reform process; A well-functioning Justice sector, which commands increased public trust in domains such as the prosecution of war crimes, the fight against corruption and the fight against organized crime. **Objective B – a better business enabling environment:** Removal of regulatory and administrative barriers that hinder starting and doing business; Improving the knowledge and skills for local BiH businesses to strengthen their position. **Objective C – better living conditions in Srebrenica and a sustainable solution for remaining refugees and internally displaced persons (IDPs) in the region:** Improving the social and economic situation in Srebrenica. A national strategy aiming at a durable solution for the remaining IDPs and refugees will be implemented (conflict prevention and return).

To this end, the Netherlands has allocated **€18.10 million in 2008 and €18.58 million in 2009** (out of which €12.5 million was in a form of bilateral expenditure) to the following sectors: Local Governance, Good Governance and Institution Building, Conflict Prevention, Cross-cutting, Economic Development and Social Protection, Environment Protection, Agriculture and Forestry, Infrastructure, Health and Education. All of the Netherlands' allocations were in the form of grants.

The Netherlands' 2007-2009 Sectoral Allocation



Exit strategy

The Netherlands' exit with respect to objectives A and B will take place gradually until 2011. After 2011 a budget of €5.00 million annually will remain available for objective C (Srebrenica). In addition, a small budget will remain available for small Embassy grants. Other instruments that are not part of our bilateral development cooperation programme will also continue.

For objectives A and B the Netherlands' exit strategy has three pillars: (i) for EU-related objectives the Instrument for Pre-Accession Assistance budget is increasing; in some programmes, like the *Public Administration Reform Fund (PARF)* and the *Governance Accountability Project (GAP)* in the Good Governance and Local Governance sectors, the Netherlands is participating together with other donors. The target is to finalize projects and to ensure a smooth handover of responsibilities to BiH authorities. We communicate with our counterparts in an open and transparent way about phasing out and transferring of responsibilities.

In order to phase out in an optimal way, good planning is crucial. Unfortunately, there are more delays in the implementation of projects, than the dates of our programme for phasing out. Therefore we have to look at it on a case-by-case basis and see where we stand in terms of available funding and cut-off dates for our support.

Promotion of Paris Declaration in BiH

The Netherlands is a strong supporter of the Paris Declaration on Aid Effectiveness, however, in BiH, overall ownership is still not achieved. Therefore, budget support and sector-wide approaches have not been possible so far. The Netherlands participated in pooled funding on a programme level. Through the donor coordination forum and the donor mapping exercise international stakeholders' coordination (though yet harmonization) has been improved. The Netherlands has little implementing capacity itself and therefore uses procurement practices of implementing partners. The renewed role of the Ministry for Finance and Treasury of BiH (BiH MoFT) in this respect is welcomed by the Netherlands. The Netherlands works closely with BiH MoFT in shaping the cooperation under the World Bank / International Monetary Fund (WB/IMF) constituency.

Donor coordination efforts

Within multi-donor projects (like *PARF*, *GAP* and our support to the Justice sector) coordination is ensured. Some projects which are being implemented by UNDP are part of the wider, coordinated approach of UNDP. In addition, the Netherlands works with the Ministry of Human Rights and Refugees of BiH and the relevant international organizations in developing a sector-wide approach on the issue of remaining IDPs and refugees.

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The Royal Norwegian Embassy in Sarajevo

Policy approach

Much of Norwegian development cooperation internationally involves long-term assistance in the form of grants. Norwegian long-term development cooperation in general emphasizes both bilateral assistance, channelled directly to the governments of partner countries, and multilateral assistance, which is channelled through the UN system and development banks. Norway also provides significant assistance through international, local and Norwegian non-governmental organizations (NGOs).

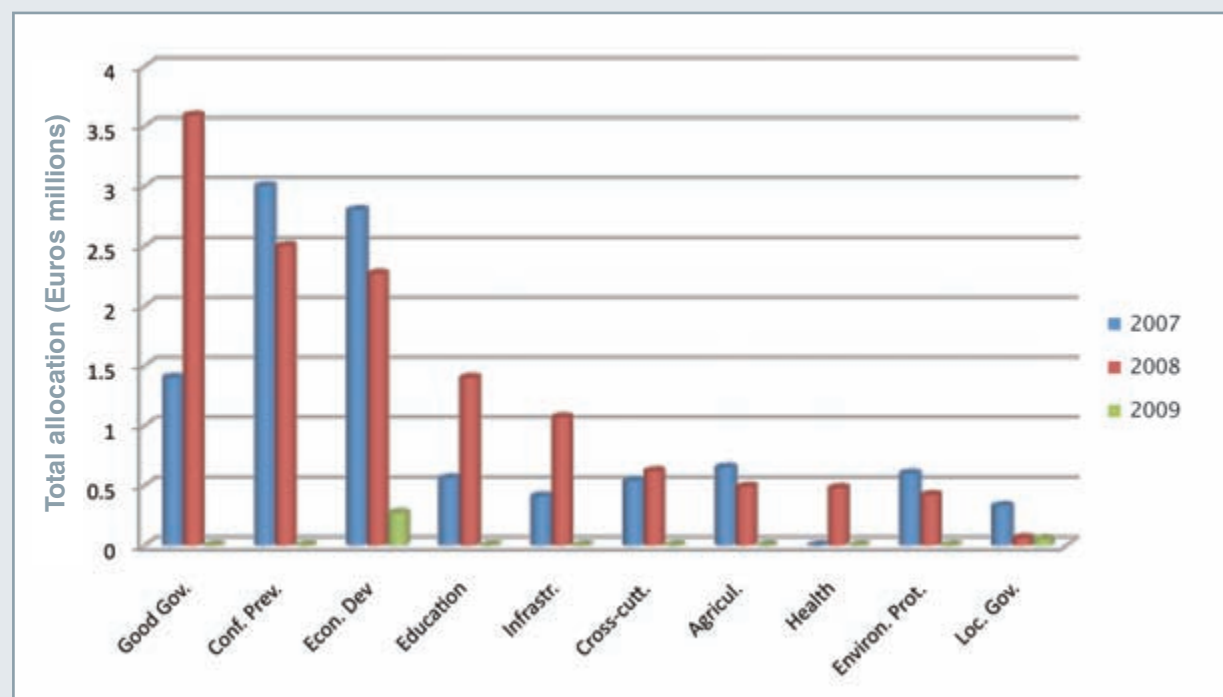
Norwegian development cooperation with BiH has evolved throughout the years in accordance with the changing needs in the country from a focus on humanitarian assistance, reconstruction and development of infrastructure to the current concentration on supporting reforms and processes to promote stability and bring BiH closer to the Euro-Atlantic structures. This involves support to institution building (state parliament, judicial institutions, security sector, police, and local government) and judicial reform.

When it comes to institutional development, Norway's largest contribution in recent years 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 parts of the justice and security sector (police, intelligence and defence) 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, peace and reconciliation – including efforts to deal with the past and to promote interethnic dialogue and cooperation – and to the social sector and the environment. Furthermore, substantial assistance is given to de-mining.

Key activities in 2008

Norway contributed **€12.90 million in 2008** to BiH development. Norway placed special emphasis on the Good Governance and Institution Building (€3.59 million), Conflict Prevention, Resolution, Peace and Security (€2.50 million) and Economic Development and Social Protection (€2.30 million), Education (€1.40 million) and Infrastructure (€1.07 million) sectors. Smaller contributions also went to Cross-cutting, Agriculture and Forestry, Health, Environmental Protection and Local Governance.

Norway's 2007-2009 Sectoral Allocation



In 2008, Norway supported several projects in the above-mentioned sectors in BiH. In the **Justice** subsector, Norway supported the work of the High Judicial and Prosecutorial Council of Bosnia and Herzegovina and the Registry Office. The funding has assisted the Registry Section I for War Crimes and Section II for Organized Crime, Economic Crime and Corruption of the Court of Bosnia Herzegovina and the Special Departments for War Crimes and Organized Crime of the Prosecutor's Office of Bosnia Herzegovina. The purpose of the project is to introduce international professional support to the management and litigation functions of the Court and Prosecutor's Office of BiH, gradually phasing out the international component and continuously building domestic judicial capacity. The ultimate absorption of the War Crime and Organized Crime Chamber's capacity into the justice system of BiH and its national funding system is essential to the mandate of the project.

Norway supports a range of civil society organizations in key sectors, including the Research and Documentation Centre (RDC) and the International Commission for 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. The Nansen Dialogue Network is a central organization that receives Norwegian funding for projects related to reconciliation.

In the field of women, children and education, Norway supports a number of activities, implemented by both local and international stakeholders. Within the Education sector Norway supports various activities that aim at contributing to high-quality teaching both in primary/secondary schools and at the university level; activities that strengthen parent-teacher councils and student councils, as well as activities that help foster cooperation between students of different education curricula and integration of education. United World College in Mostar, Centre for Interdisciplinary Postgraduate Studies at the University of Sarajevo, University of Sarajevo and several non-governmental organizations (NGOs) are Norway's partners in these endeavours. The establishment of the Master level Gender Studies (2008–2010) at Sarajevo University should contribute to the development of human capacities for implementation of the *BiH Gender Equality Action Plan* and support the ongoing Bologna Process.

In support of private sector development, Norway has focused particularly on support for the development of competitive small and medium-sized enterprises in information and communication technology; support for the development and strengthening of agricultural businesses and cooperatives and vocational education in agriculture; as well as on youth entrepreneurship. Norwegian support comes in the form of grants and transfer of technical expertise. For example, in 2008 Norway provided financial support and knowledge transfer for the establishment and development of the SIVA Innovation Center in Banja Luka to support the creation of innovative companies and new jobs, and through this contributed to the economic recovery and development of the Banja Luka region.

Norway supported the implementation of a range of agricultural development projects in Bosnia and Herzegovina through the Norwegian organization, Foundation Sandnes-Dubrovnik. This organization has an extensive experience with agricultural development, agricultural education and cooperative solutions for small farms in Norway. Municipal Association of Republika Srpska was also provided with a grant to conduct agricultural education and development in seven municipalities in BiH (Vukosavlje, Modrica, Dobo, Teslic, Prnjavor, Laktasi and Gradiska) in 2008. **Education Development Centre** which provides excellence in innovation helped the establishment of a machine tool e-BIZ centre and preparation of an agricultural information centre or alternatively an agribusiness export promotion centre.

In the field of environment protection Norway assisted the project *World Wildlife Fund* to preserve bio-diversity and water resources in BiH.

In *Srebrenica Regional Recovery Programme* the Netherlands, Norway, and UNDP seek to revitalize the human and physical capital of the region and comprise three interrelated components: Economic Development, Local Governance and Infrastructure. As such, this programme is designed to achieve conceptual and operational synergy between local governance and urban/rural development.

With the objective of helping to prepare the BiH public administration for EU accession negotiations, Norway assisted in the opening of the Brussels office. The Norwegian Ministry of Foreign Affairs supports a specific part of the project, namely lobby training (one seminar) and negotiation training (one seminar). The target groups for the seminar are the members of the BiH central negotiation team. The project should be implemented in close cooperation with the Training Department of the Civil Service Agency of BiH.

Medium- and long-term approach

The Norwegian Government transitional assistance to BiH has shifted over time in accordance with the changing needs in the country. In the medium term and long term Norway is expecting stability and supporting reforms and processes which will bring BiH closer to the Euro-Atlantic integration. The main sectors to support are expected to be: Education, Judicial Reform and Economic Development (incl. Agriculture).

Promotion of Paris Declaration in BiH

Norway works toward the implementation of the Paris Declaration through the use of a national procurement system, harmonization, bilateral and multilateral coordination assistance.

Donor coordination efforts

Norway is participating in several donor coordination meetings such as anti-trafficking, Research and Documentation Centr, Excellence in Innovation, as well as in Justice Reform.

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Spain/Spanish Agency for International Development Cooperation (AECID)

Policy approach and key activities in 2008

The global strategic objective of the Spanish Cooperation in Bosnia and Herzegovina (BiH) is to support and accompany the country in its advance towards the European Union with political, economic and social transformations, as well as in the consolidation of peace in the country. In this context the activities of the Spanish Cooperation correspond to the following sectoral strategic goals:

1. Enhancement of Social and Institutional Capacities (Democratic Governance), through the necessary strengthening of civil society organizations, the support to the reforms of judicial and police structures which guarantee the Rule of Law, as well as the necessary reform of Public Administration, including the strengthening of local bodies and all central institutions with direct or indirect responsibility in the process of European integration.

Regarding Spain/AECID's first strategic goal, and in the area of civil society, it is important to highlight the activities currently undertaken in order to promote participation and employment of the Roma population, and the work being carried out by the Spanish non-governmental organization (NGO) ISCOD - Instituto *Sindical de Cooperación al Desarrollo* - which is implementing a program to support institutions of social dialogue focusing on trade unions.

Regarding the rule of law, it is important to highlight the cooperation with the state justice institutions, and the continuous support given to the Registry for the Section I for War Crimes and Section II for Organized Crime, Economic Crime and Corruption of the Court of BiH and the Special Departments for War Crimes and Organized Crime of the Prosecutor's Office of BiH. As planned, the Centre for Judicial Documentation at the High Judicial and Prosecutorial Council was inaugurated in mid 2008 and became fully operational. Also, in the field of legal aid, Spain/AECID is continuing its support to a programme implemented by the Spanish NGO MPDL (Movement for Peace) that facilitates legal aid and training to a vulnerable population, with special focus on those affected by the privatization process. Finally, strong support has been given to the Special Department of Organized Crime, Economic Crime and Corruption in order to increase its capacities to fight this type of crime. In addition, Spain/AECID has contributed equipment and training to both forensic centres at entity level (FBiH and RS) and is committed to increase the capacities of border police.

Spain/AECID also supports initiatives in the sector of Public Administration Reform, concretely, with a project aimed to support the Civil Service Agency of BiH in the promotion of e-Government in the public institutions. Another area of penetrating work has been undertaken in 2008 in order to support local administrations and strengthen their capacities for implementing European funds in the future. Following the European integration process, Spain is currently giving direct support to the Directorate of European Integration in order to enhance its capacities for managing European funds and aid. Moreover, Spain/AECID funds projects that assist different ministries or public institutions, in the fields of renewable energies and water management (with projects on the Bosna and Neretva rivers).

2. Increase of Economic Capacities, through support to micro and small enterprises, strengthening of institutional capacities, and support to decentralized public service which helps create businesses.

Spain/AECID continues collaborating with the Sarajevo Economic Region Development Agency (SERDA) and the Regional Economic Development Agency of Herzegovina (REDAH). In 2008, REDAH continued the implementation of the project which aims to consolidate the *Centre for Agricultural and Rural Development of Herzegovina*. Spain/AECID also finances projects in order to boost the sector for small and medium-sized enterprise (SME) in Herzegovina, as well as improve the capacities of the tourist sector in the Mostar area.

In this sector it is also worth highlighting the support given to microcredit organizations, through the concession of €22.00 million in the form of loans in 2008.

3. Conflict Prevention and Peace-building, by focusing the attention and available resources on development and human safety, support to transitional justice actions, support to war crime victims and witnesses, and to peace-making civil actions.

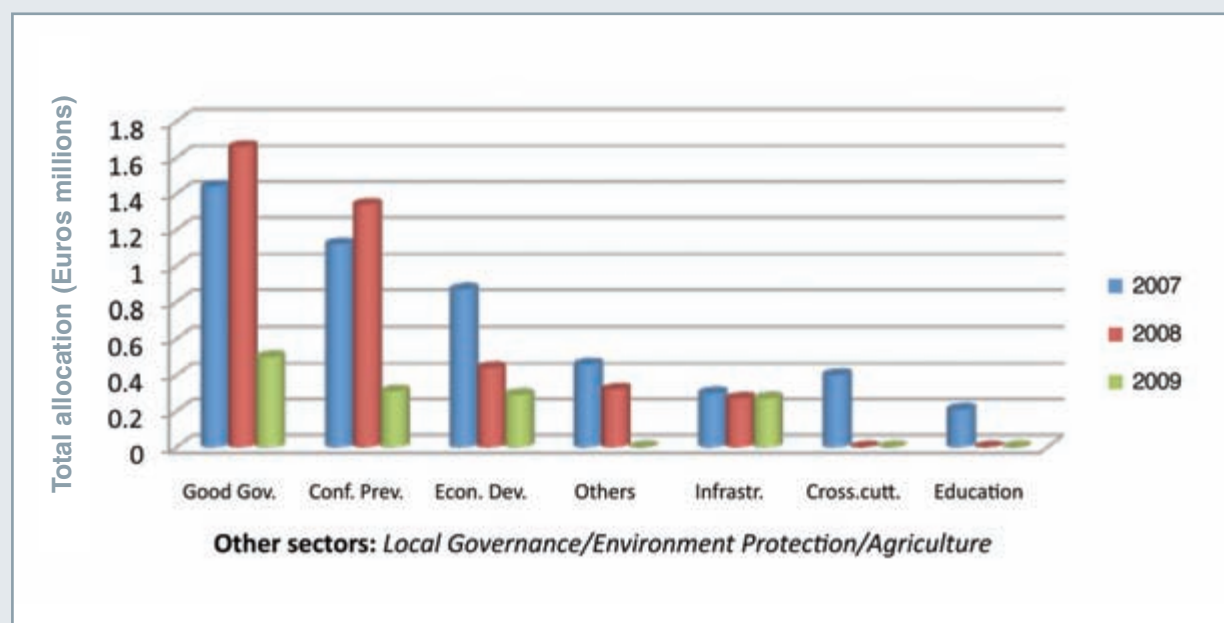
Spain/AECID has substantially increased its activities in its third priority sector. Collaboration with local NGOS has deepened, through initiatives aimed at supporting the victims and witnesses of war crimes who testify at the State Court of BiH, implemented by the *Centre for Victims of Torture*, Sarajevo, or the promotion of dialogue and participation of civil society as a tool for conflict prevention and reconciliation in BiH, enacted by *Žene Ženama*. The past and current support given to the International Commission for Missing Persons should also be mentioned here.

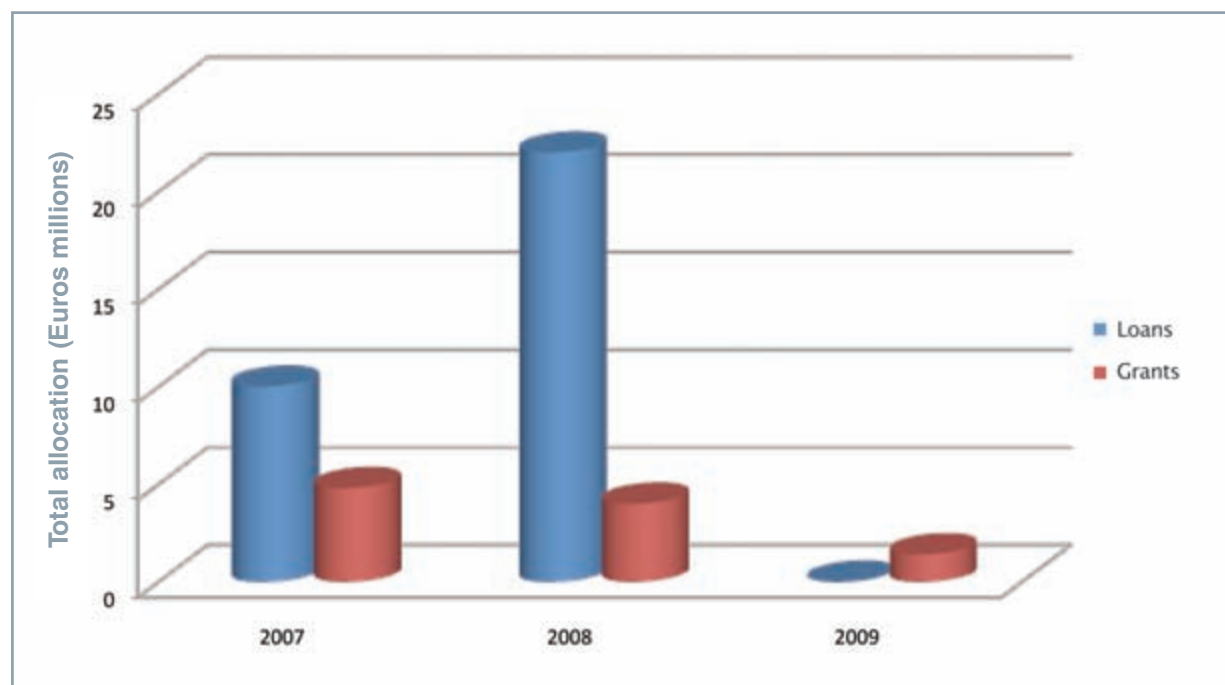
Spain/AECID is also involved in sustained action for processing of war crimes cases in local courts of BiH and in support of transitional justice initiatives, as well as for reduction of small arms and light weapons. These projects are implemented by UNDP. It is also worth mentioning the continuous support given to the de-mining activities through the training and equipment to the Ministry of Defence on these matters.

Finally, there are three Spanish NGOs running projects that fall under this priority sector. The NGO MZC is implementing a project aimed to promote the Implementation of 1325 UN Resolution in the Balkans. The *Spanish Red Cross* is currently executing a project of peace building through actions with children and youth. Last but not least, the NGO *RESCATE* implements a project of conflict prevention through the protection of vulnerable groups, with special focus on the disabled.

Spain/AECID allocated **€26.00 million in 2008** and so far, **€1.40 million in 2009** to the following sectors: Good Governance, Conflict Prevention, Economic Development and Social Protection, Infrastructure, Local Governance, Environment Protection, Agriculture and Forestry, Cross-cutting and Education. Of the total allocation, in 2008, **€4.00 million** was in the form of grants and **€22.00 million** in the form of concessional loans, whereas in 2009, **€1.40 million** is in the form of grants and no loans have been agreed as yet.

Spain/AECID 2007-2009 Sectoral Allocation Grants only





Medium- and long-term approach

In the recently published Master Plan for the Spanish Cooperation 2009–2012, BiH is not included as a priority country. This fact implies a progressive and planned reduction of the funds during the upcoming years.

Promotion of Paris Declaration in BiH

Spain, as a signatory of the Paris Declaration on Aid Effectiveness, is strongly committed to its implementation. In 2008, this compromise has materialized in several projects where the funds are directly managed by the following local institutions: Directorate of European Integration, Civil Servant Agency of BiH and the City of Mostar. Also, there is a remarkable level of ownership of the local agencies for regional development that have actually assumed the leadership of the projects they get involved in.

Also, Spain/AECID welcomes the donor coordination role assumed by BiH authorities. Finally, in each of its activities, Spain/AECID takes particular care that domestic stakeholders take the leading role in its sponsored initiatives.

Donor coordination efforts

AECID has been actively participating in all existing coordination initiatives in Justice and Police reform sectors: Regular coordination meetings convened by the Registry; Regular donor update meetings convened by the Sector for Strategy Planning, Aid Coordination and European Integration in the Ministry of Justice of BiH; Donor coordination meetings convened by EUPM regarding police issues. Also, it participates actively in the Donor Coordination Forum, as well as in the EU Member countries aid meetings. In other fields such as agriculture or water management, Spain/AECID takes part in any initiative of coordination that takes place.

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Sweden/Swedish International Development Cooperation Agency (SIDA)

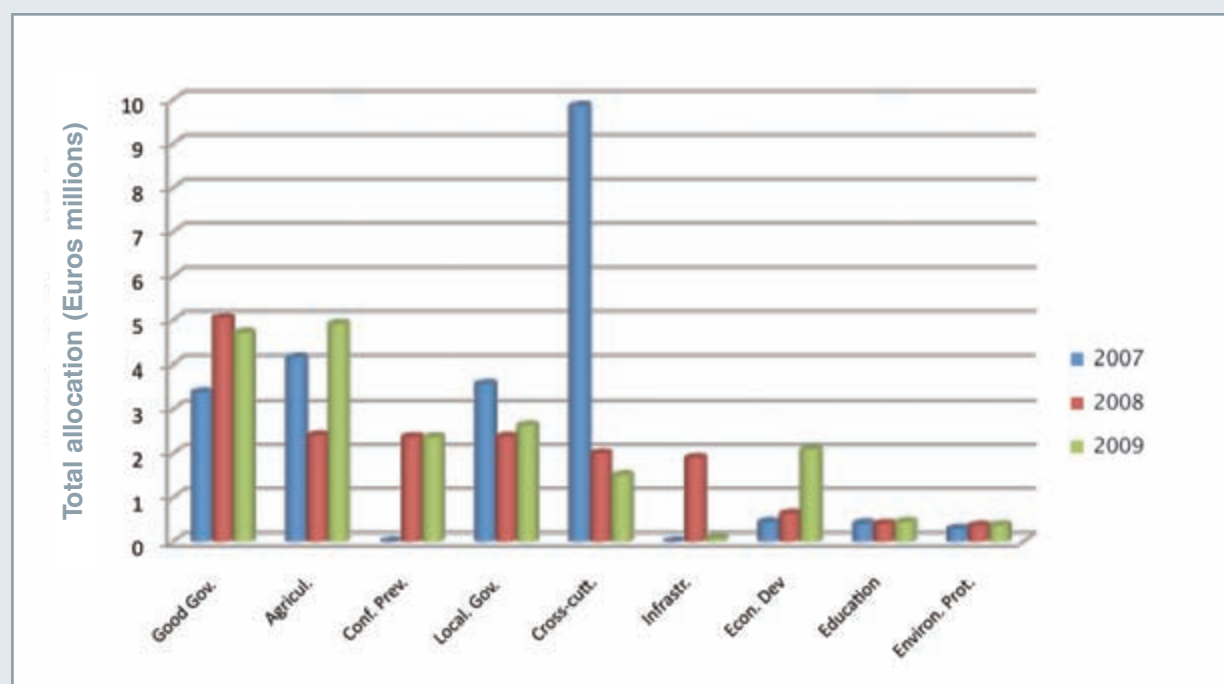
Policy approach

The Cooperation Strategy 2006–2010 has two priority themes: Good Governance (including Local Governance) and Economic Development (including agriculture). In addition, support is given to the Civil Society, Gender, and Minorities (Cross-cutting issues). During the strategy period, Sweden has phased out the reconstruction and returnee support in favour of efforts and reforms aimed towards the building of a sustainable state, EU integration and improved aid effectiveness. The Sweden/SIDA strategy was upon adoption closely aligned with the BiH medium-term development strategy, which expired at the end of 2007. In the absence of a comprehensive national development strategy in 2008–09, the Sweden/SIDA spending priorities are primarily guided by the Stabilization and Association Agreement and the European Partnership documents. An essential criterion in selecting contributions eligible for Sweden/SIDA funding is the extent to which proposed projects/programmes create conditions that enable poor people to improve their living conditions.

Key activities in 2008

Total Sweden/SIDA allocation in 2008 was €17.50 million and €19.00 million in 2009 to the following sectors: Good Governance and Institution Building, Agriculture and Forestry, Conflict Prevention, Local Governance, Cross-cutting, Infrastructure, Economic Development and Social Protection, Education and Environment Protection.

Sweden/SIDA 2007-2009 Sectoral Allocation



Good Governance and Local Governance: The Sweden/SIDA 2006–10 strategy sharpened the focus on support to BiH in the establishment and development of an efficient, transparent and democratic public administration and judicial system. These sectors amount to approximately a quarter of the total Sweden/SIDA spending.

On the basis of joint financing arrangements, Sweden/SIDA provides assistance to the transition *Strategy of the Registry of the Court of BiH* and the Prosecutor's Office of BiH as well as to the High Judicial and Prosecutorial Council (HJPC). The results include a 70% increase to 2006 plans in the number of war crimes and organized crime cases brought before the court and the introduction of a HJPC electronic case-management system in all courts in the country by 2009. The difference within the sector allocation between the three years, as shown in the chart above, largely reflects response to requests from state institutions to advance Sweden/SIDA disbursements

to fill funding gaps due to the delay of Instrument for Pre-accession Assistance effectiveness. In 2009 Sweden/SIDA initiated support to the establishment of a Justice Sector Strategy Fund, which builds on experiences of the Public Administration Reform (PAR) Fund, where Sweden/SIDA is pooling funds with e.g. the Netherlands and UK/DFID to allow the PAR Coordinator Office to deploy projects for implementation of the PAR strategy.

Local Democratic Governance remains in prime focus, where the *Governance Accountability Project (GAP)*, now in its second phase, is assisting almost half of the municipalities in BiH to improve services and legal, regulatory and financial conditions. In addition to this, Sweden/SIDA finances three projects complementary to the GAP. *The Municipal Training System*, implemented by UNDP, aims at developing and instituting a sustainable model for training of local government employees in order to bring about improvements in the quality of service provided to citizens. *People's Empowerment in Rural Areas* strengthens administration and local participation in 100 villages in order to integrate these in the overall development of BiH. Finally Sweden/SIDA provides support to municipalities to create their local environmental action plans and to implement some of their environmental priorities.

Economic Development and Agriculture: Economic development comprises several projects in specific areas as follows: microfinance, small and medium-sized enterprise (SME) development, statistics capacity, de-mining, and business infrastructure. Support to the microcredit sector is channelled through a project with Germany. Support to SME development is channelled through a project with the Northeast Development Association. A project in the statistics sector is made through the Swedish Statistics Agency. Sweden/SIDA finances a UNDP-implemented project for de-mining of areas with potential tourism development significance. Business infrastructure support is given to the reform of the land administration sector through the offices of Deutsche Gesellschaft für Technische Zusammenarbeit.

Two new projects will become effective in 2009 where the support is channelled through USA/USAID which has procured an implementing partner in an international tender. The project named *FIRMA* will promote SME development in fields of tourism and wood processing, while *FARMA* will support development of agribusinesses. Sweden/SIDA contributes to the project handled by the World Bank on agriculture development, aiming at strengthening institutional structure within the sector. Food safety issues are monitored by the Swedish Board for Accreditation and Conformity Assessment, which aims at helping BiH institutions adapt to EU standards in the field of food safety and quality control. In defence of rural employment, support is provided to organic production and certification and to the BiH State Veterinary Office for the fight against brucellosis. This first important step is a total vaccination of BiH's 1.1 million sheep during 2009.

Cross-cutting issues (including civil society): Support to the promotion, protection and fulfilment of human rights is a key feature of Sweden/SIDA cooperation with BiH. Sweden/SIDA finances the civil society sector through four Swedish non-governmental organizations (NGOs): The *Swedish Helsinki Committee*, The *Olof Palme International Center*, *Kvinna till Kvinna* and *Forum Syd*. These organizations worked in partnership with 32 local NGOs dealing with issues of rule of law, anti-corruption, nondiscrimination, freedom of expression, gender equality, civil rights and youth participation. Support to the environmental civil society is provided through the Regional Environmental Centre, and currently around 30 small NGOs implement environmental projects in their local settings.

The Swedish human rights portfolio also consists of assistance with local and regional contributions to support housing and education rights of the Roma population. This support is based on the National Roma Strategy and Action Plans, and limited support is also provided to the Ministry of Human Rights and Refugees to boost their implementation. Related to Transitional Justice, Sweden/SIDA provides core support to the International Commission for Missing Persons and the Research and Documentation Centre to service families and society with identification of missing persons and the right to credible and impartial information about the war and its consequences.

Support is provided to Centre for Interdisciplinary Postgraduate Studies for education of postgraduate students from BiH on various aspects of gender, in order to enable them to apply this knowledge in practice. In addition, Sweden/SIDA is preparing support to the BiH Gender Agency through a recently established Fund for the Implementation of the BiH Gender Action Plan.

Medium- and long-term approach

Sweden/SIDA will continue to be a major donor in BiH during the coming years. A new strategy will be worked out during 2010 and become valid from 2011 and onwards. The focus will continue to be support to BiH's road towards EU candidate status and EU membership. Also worth mentioning is a major programme in support of sustainable Solid Waste Management which is planned to be implemented during 2010–2013.

Promotion of Paris Declaration in BiH

Sweden/SIDA is shifting the portfolio from projects to a programme-based approach and is encouraging the Government to adopt the Paris Declaration on Aid Effectiveness. Sweden/SIDA strives to abide by these principles. Examples include the PAR Fund, which is handled by BiH. A similar structure has been established for the implementation of the Gender Action Plan and is in the process of being established for the Justice Sector Reform Strategy. Sweden/SIDA's aim is to use the Government's structures and systems when applicable. For a number of contributions joint financing arrangements are used to ensure harmonized procedures and reduced transaction costs.

Donor coordination efforts

Sweden/SIDA participates in sector coordination activities regarding all sectors mentioned, with special emphasis on the Justice Sector, PAR, Agriculture and Gender Issues.

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Switzerland/Swiss Agency for Development Cooperation (SDC)/State Secretariat for Economic Affairs (SECO)

Policy approach

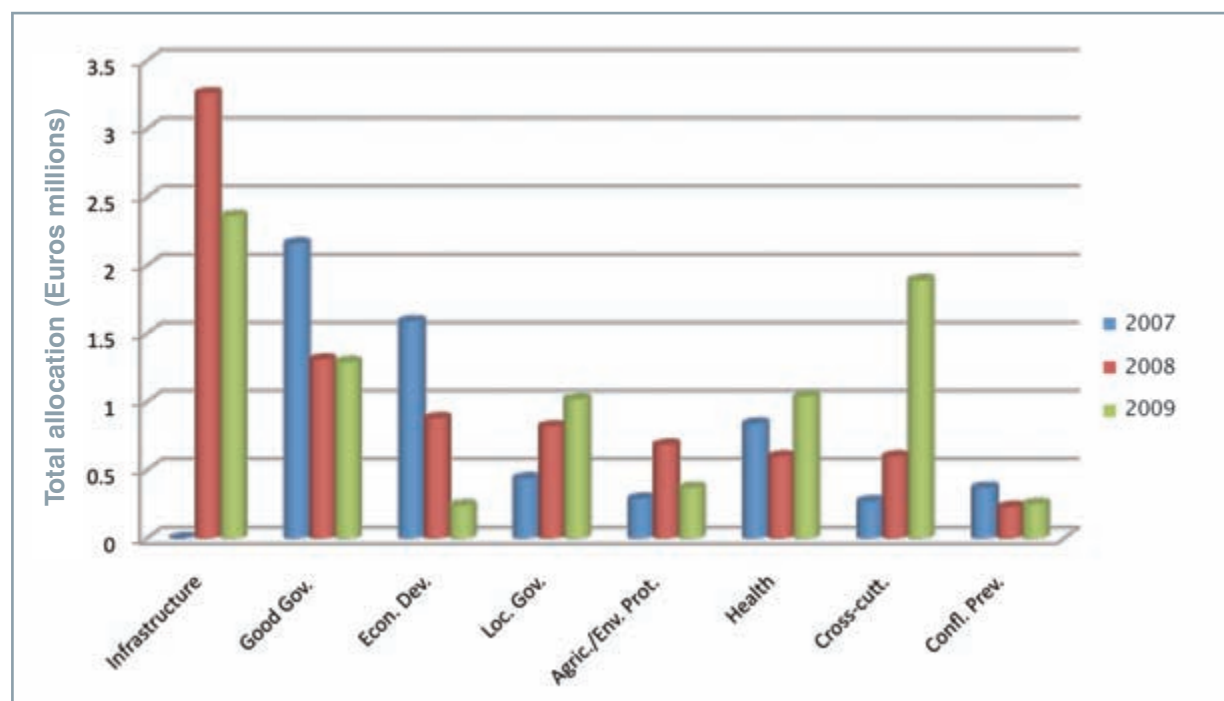
Our Medium Term Programme (MTP) 2004–2008 goal was to foster conditions for self-determined reforms related to sustainable economic, institutional and social development. The programme mainstay consisted of three domains, (1) Social Domain; (2) Private Sector Development and Small and Medium Enterprise Promotion; (3) Governance and Basic Services. Cross-cutting MTP themes are Youth and Gender.

Switzerland also provides finance for addressing cross-border issues with a regional approach and design. Three **Thematic Regional Programmes** are currently supported in the fields of security/police, research and culture. Switzerland/SDC/SECO supports the Stability Pact successor organization Regional Cooperation Council with a core contribution. Due to Bosnia and Herzegovina's (BiH) strategic importance for regional development and stability in the Western Balkans, other federal agencies are also active in BiH. Coordinated programmes are implemented by the Political Affairs Divisions IV and I, the Federal Office for Migration, as well as the Federal Department of Defence, Civil Protection and Sport.

Key activities in 2008

In 2008, Switzerland/SDC/SECO/FOM's total allocation was **€8.40 million** and **€8.46 million in 2009** to the following sectors: Infrastructure, Good Governance and Institution Building, Economic Development and Social Protection, Local Governance, Agriculture and Forestry, Health, Cross-cutting, Conflict Prevention and Environment Protection. The largest share of Switzerland/SDC/SECO's funding is allocated to the Local Governance sector, primarily the *Integrated Local Development Project (ILDP)*, a joint SDC-UNDP project, the *Governance Project in Municipal Water and Environmental Development (GOV-WADE)*, and the third phase of the *Municipality Development Project in BiH*. Another high priority sector was Economic Development and Social Protection, closely followed by Health activities and the promotion of Good Governance and Institution Building.

Switzerland/SDC/SECO 2007-2009 Sectoral Allocation



Local Governance: ILDP started with its full implementation. Half of the municipalities of BiH have applied for ILDP support. The transfer of practical inputs on best practices and policy recommendations of the *Municipality Development Project (MDP)*, *Governance Project in Municipal Water and Environmental Development (GOV-WADE)*, *Rights Based Municipal Development Programme*, and the *Sustainable Transfer to Return-Related Authorities (SUTRA)* project has been assured.

In April, the MDP entered the third and final phase of its implementation. The local MDP project team became registered as a local non-governmental organization (NGO) and received the mandate for implementation. Major activities were linked to strengthening of municipal capacities particularly with regard to economic development and inter-municipal cooperation, institutionalization of mechanisms and processes of public and community-based participation, capitalization, dissemination and vertical integration of good practices and positioning of MDP-I as a service provider. Specific activities in terms of policy dialogue issues have been agreed with the entity and cantonal ministries and entity Associations of Towns and Municipalities.

Security Sector Reform: The project on *Integration of Mine Action and Development* has been successfully launched, aiming to support the development of efficient and socially inclusive mechanisms of addressing specific development needs of mine-affected population groups in Stolac and Berkovici. The project will also tackle major concerns, from both local institutions and donors, to more efficiently allocate resources for mine clearance and mine action in general.

A migration dialogue with the relevant national authorities (Ministry of Security and Ministry of Human Rights and Refugees) has been continued, and preparations started for signing a Switzerland-BiH Memorandum of Understanding on migration partnership. Financing of the project for *Roma Registration with the UN High Commission for Refugees* has been approved, as well as of the International Organization for Migration project *Supporting Voluntary Return of Irregular Migrants Stranded in BiH*.

Parallel to the end of the roll-out activities of the Community Policing (CP) method of police work in the Zenica-Doboj Canton, the majority of activities were shifted to the Republika Srpska by early 2008 and to the preparation and implementation of CP in the nine remaining cantons of FBiH. As a result of the project activities the transactional analysis has been included in the curricula of the basic training of the police academies in Banja Luka and Sarajevo.

Good Governance and Institution Building: The third phase of the *Contribution to Constitutional Reform in BiH* project has been started after an intensive policy dialogue with all relevant stakeholders including state/political parties. This phase includes some new features: 1) support and facilitation of demand-driven activities, and contribution to institutional capacities, 2) collaboration with upper level of government and institutions and 3) at regional/inter-municipal level using the potential of the entity Associations of Towns and Municipalities. Close to 392 broadcasts on social, governance and EU integration issues by 13 independent radio-television stations were produced, ten in-house trainings in the fields of programme production, business planning and marketing were designed and implemented. 2008 was the last year of the implementation of the NGO Support Programme. In the last, fourth, round of the Programme, 13 local NGOs have been supported in implementing their activities in the social sector, promoting social inclusion.

Health sector: Phase 5 of the *Family Medicine Project (FaMI)* has started successfully, implemented by the newly established local foundation 'fami'. The new project concept is focusing at the development and strengthening of the network of social-health services at the community level for enhancing its accessibility to the marginalized population groups. *Curriculum for Community Nurses* has been developed in partnership with entity Ministries of Health, and first training sessions organized in Doboj and Sarajevo. In the Mental Health sector, discussions had been held with the Ministries and stakeholders for the preparation of future Swiss support. A situation analysis and assessment of *Community Mental Health Services in BiH* had been financed in order to prepare the new project to start in 2009.

Economic Development and Social Protection: *Youth Employment Project* financed by Switzerland/SDC/SECO and Austria/ADC and implemented by GOPA Consultants started in October 2008 with the overall aim to substantially contribute to the reduction of youth unemployment in BiH. *Prijedor Water Supply Project* – SECO and Prijedor Municipality started the Inception Phase in early 2008, which served to mobilize all project participants and to finalize the project concept. Prijedor and Banjaluka municipalities established a good cooperation for a joint investment in a new regional water source and distribution network. Some diagnostic works and physical improvements started in late 2008.

Business Environment and Trade Promotion – Switzerland/SDC/SECO continued in 2008 in cooperation with the Organisation for Economic Co-operation and Development (OECD) through the Investment Compact and with International Finance Corporation (IFC) through the *Sub-national Competitiveness* project in improvement of business climate. IFC started the cooperation with FBiH on regulatory reform in the field of inspections. Novo Sarajevo, Banja Luka and Mostar municipalities were supported in performing the review and identifying needed improvements of their regulations affecting a business enabling environment and costs of doing business. OECD started to work on Investment Reform Index 2009. Swiss Import Promotion Programme (SIPPO)/Osec made preparatory works for future support to the wood processing industry and agricultural sector in approaching foreign markets.

SMEs Capacity Building and Access to Finance – Switzerland/SDC/SECO continued in 2008 the cooperation with IFC through the *Corporate Governance Programme* and with EBRD through the *Trade Facilitation Programme*. In late 2008 we supported the successful launch of the first initial public offer of a private company in BiH. EBRD continued to issue quarantines to cover the financing of the foreign trade of local small and medium-sized enterprises (SMEs). The Swiss Investment Fund for Emerging Markets (SIFEM) continued support to regional capital market with the investments in regional equity funds and microfinance institutions.

Medium- and long-term approach

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 has been established, concentrating on mainly four thematic domains: **Rule of Law and Democracy:** Decentralization and Local Governance, State and Nation Building Processes; **Economy and Employment:** Investment Promotion, Access to Markets, Youth Employability; **Health:** Family Medicine, Mental Health; **Basic Infrastructure:** Municipal Infrastructure; **Cross-cutting Themes:** Gender, Good Governance; **Specific Target Group:** Youth

In addition, the Swiss Cooperation Office has engaged in a partnership with the state authorities, focusing on issues of migration. Furthermore, increased emphasis will be placed on Regional Cooperation Programme and Activities in order to improve regional integration, create synergies and foster knowledge management.

Promotion of Paris Declaration in BiH

Switzerland considers capacity development of all participants and stakeholders as a key component of an empowerment process that ensures entire and meaningful participation. Switzerland/SDC/SECO defines capacity development as one key precondition to democratic country ownership. Switzerland/SDC/SECO consistently integrates aid effectiveness in the design of its strategies and the programmes it supports. It integrates the Paris Declaration and Accra Agenda for Action commitments into its planning, monitoring and evaluation processes and cycles. It will seek to establish an appropriate and contextually adapted balance of programmatic instruments and approaches (from specific field-based endeavours to financial aid and sector-wide approaches). Switzerland will continue to align its overall support with partner countries' development strategies (Country Development Strategy, Social Inclusion Strategy – Switzerland also provided budget support) in dialogue with different national stakeholders.

Donor coordination efforts

Donor coordination has significantly increased through the setup of Donor Coordination Forum and Sector for Coordination of International Economic Aid. Donor harmonization is to be continued and further strengthened. Synchronization remains easier with bilateral agencies than with multilaterals. Good results are achievable if like-minded partnership can be established. Switzerland/SDC/SECO is engaged in a number of initiatives and promotes jointly-funded projects (Austria/ADC, Sweden/SIDA/UK/DFID, UNDP).

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United Kingdom/Department for International Development (UK/DFID)

Policy approach

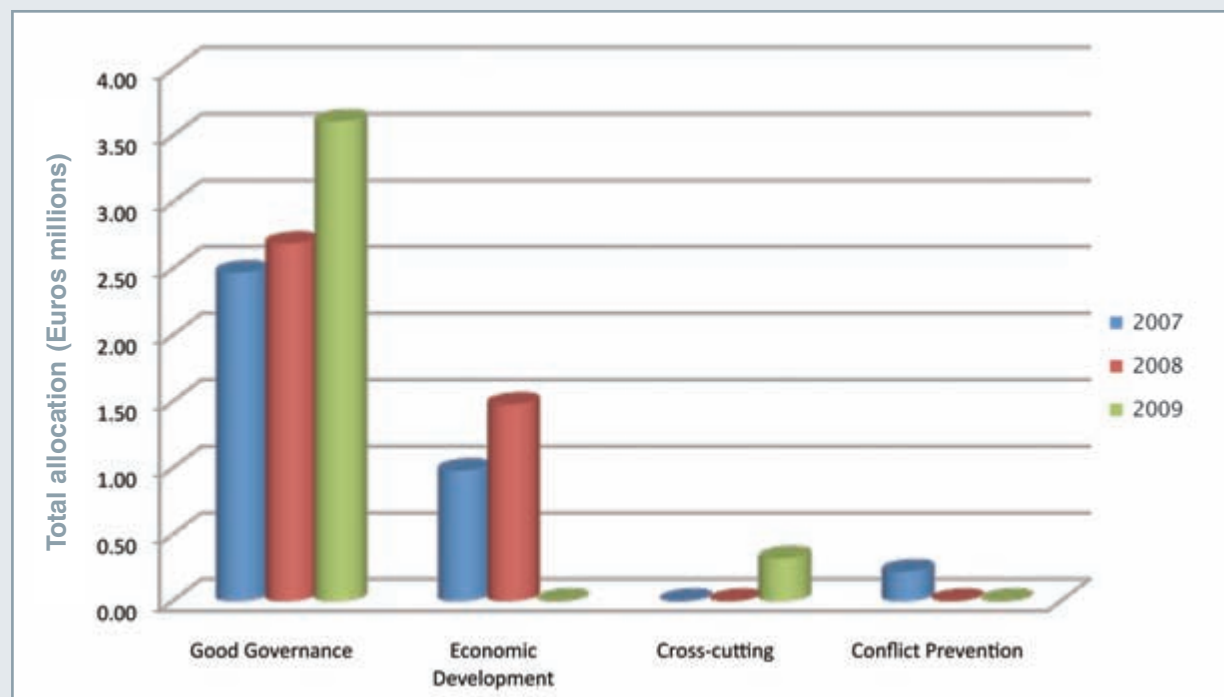
Assistance provided by UK/DFID is governed by Her Majesty's Government priorities and objectives for Bosnia and Herzegovina (BiH) set out in a comprehensive Country Business Plan. Our aim for the 2008–11 period is to help make BiH transform into a country more fit for eventual membership of the European Union (EU) and North Atlantic Treaty Organization (NATO). UK/DFID is further governed by the development priorities, both overall and sector, as set out in country strategies adopted by governments in BiH, such as the Country Development Strategy (former Medium-Term Development Strategy), the Social Inclusion Strategy (currently in preparation), the EU integration and public administration reform strategic documents.

One of DFID's main objectives in BiH is to help improve the overall effectiveness of the international community's engagement and to strengthen the capacity of Governments to plan and manage its own development. This approach is central to the DFID graduation strategy for BiH and planned cessation of bilateral assistance in February 2011.

Key activities in 2008

UK/DFID allocated **€4.20 million in 2008** and **€4.00 million in 2009** to the following sectors: Good Governance and Institution Building, Economic Development and Social Protection, Conflict Prevention and Cross-cutting.

UK/DFID 2007-2009 Sectoral Allocation



DFID current main areas of support during the period 2009–2011 are: Public Administration, Economic Development and Social Development.

In public administration DFID funded the *Public Administration Reform (PAR)* project which is supporting government-managed activities managed by the PARCO office. The goal of this project is to assist in the development of an effective, professional and accountable public administration system in BiH that meets EU integration standards.

The goal of the *Strengthening Public Expenditure Management 3* 2008–2011 project is to help build a comprehensive, medium-term budget planning process linked to government policy priorities at all levels of governments and to encourage the involvement of civil society organizations (CSOs) and parliamentarians in the process.

The *Strategic Impact Fund* project aims at supporting modest collaborative initiatives involving BiH institutions, CSOs, EC and other relevant stakeholders.

Aid coordination and effectiveness project is aiming to improve the effectiveness of international development assistance by application of the Paris Declaration principles.

Sub-national competitiveness project is designed to reduce the cost and risk of doing business, increase investment, and thereby create new jobs for the large number of unemployed in BiH.

Enhancing Social Protection of Children in BiH contribution focus is on mapping the policy, normative and strategic documents developed by the Ministry of Civil Affairs' three sectors (health, education and social protection) using the JIM format and structure and the EU Social Charter.

DFID is providing targeted technical assistance to support the Directorate for Economic Planning until December 2010 in production of the Country Development and Social Inclusion Strategies.

Up-dated sample framework support is aimed to obtain a listing of household data in selected areas for the upcoming four year period (2009–2013).

Medium- and long-term approach

DFID is currently preparing a graduation strategy for its programme in BiH. The draft strategy will be shared with the government representatives and other interested donors to ensure clarity about DFID's exit arrangements, achievements to date and plans for sustainability of its programme. It is planned that all projects will have been completed by the time UK/DFID exits from BiH. On the rare occasion where some activities are necessary beyond the exit date, UK/DFID will make arrangements with the British Embassy to manage any activity until completion.

All current UK/DFID projects have an exit strategy built in to ensure that skills and technical expertise have been adequately transferred to the project beneficiary. All current projects have clear and achievable targets for the remaining period to ensure timely delivery, as clear arrangements to 'scale down' during the last 6–9 months. UK's support will continue through multilaterals and other UK Government departments represented in the British Embassy.

Promotion of Paris Declaration in BiH

UK/DFID promotes the Paris Declaration implementation in BiH in the following ways: promoting pooled funding arrangements; encouraging use of national procurement systems; promoting a government lead; increasing aid predictability; being transparent, communicative and accessible.

Donor coordination efforts

UK/DFID is an active member of the Joint Donor Group working with the Ministry of Justice to help implement the Justice Sector Reform Strategy. UK/DFID is also a member of the PAR Fund Management Board and joint donor forums dealing with gender and national planning.

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United States of America/United States Agency for International Development (USA/USAID)

Policy approach

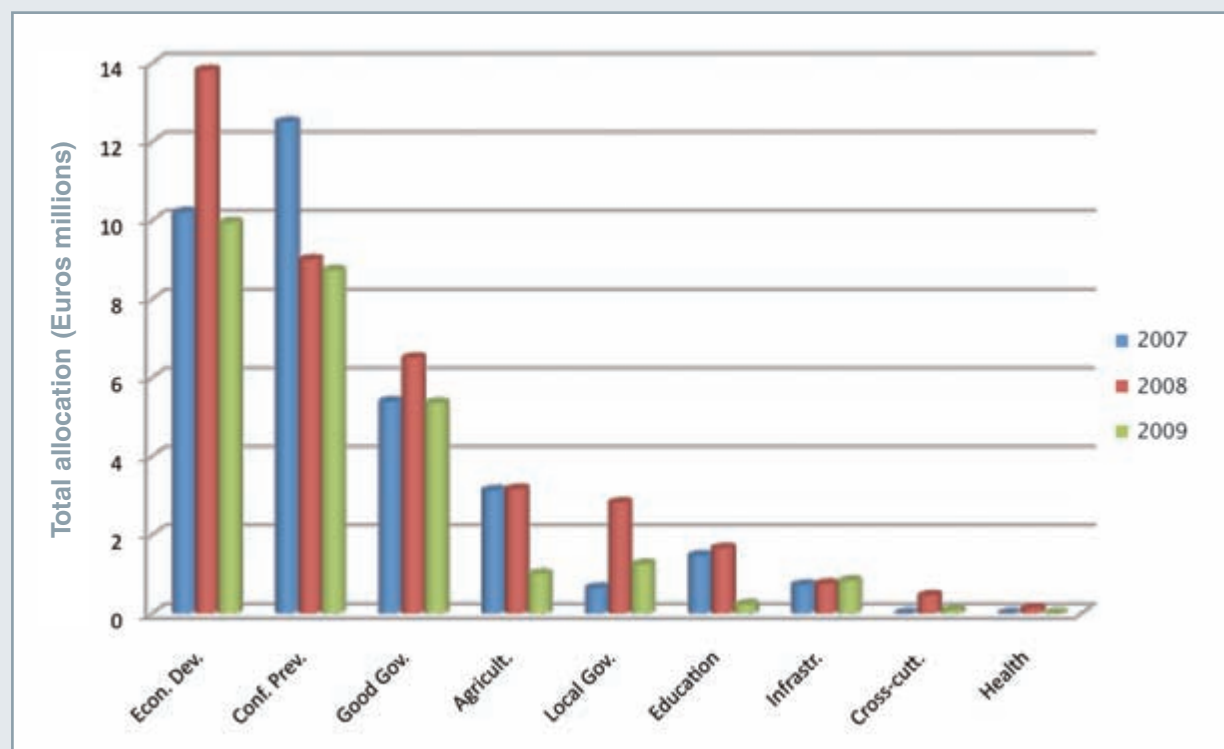
The overriding U.S. interest in BiH remains its transformation from a source of regional instability to a peaceful, democratic state on the road to Euro-Atlantic integration. The U.S. Government (USG) works to promote a BiH that is secure within its own borders, at peace with its neighbours, capable of combating crime and corruption, democratically governed, pluralistic and tolerant and growing economically.

Key activities in 2008

USA/USAID allocated **€38.33 million in 2008** and **€27.35 million in 2009** to the following sectors: Economic Development and Social Protection, Conflict Prevention, Good Governance and Institution Building, Agriculture and Forestry, Local Governance, Education, Infrastructure, Cross-cutting and Health.

The (USG) fiscal year runs from October to September, and we record our assistance data accordingly. As with other donors, disbursement does not necessarily take place in the year funds are allocated. Therefore, the data presented in this database do not present a full picture of USG assistance for calendar years 2007, 2008 and 2009. In actuality, USG assistance in Bosnia and Herzegovina increased between fiscal years 2008 (\$41.49 million) and 2009 (\$47.59 million). Some of our fiscal year 2009 funding has not yet been programmed, which is why the database shows a considerably smaller figure.

USA/USAID 2007-2009 Sectoral Allocation



Education: USA/OPA civic education programme promotes inter-ethnic cooperation and effective citizenship through the development and implementation of quality education programs, teaching materials, and teacher training efforts at the pre-school, primary, secondary and university levels throughout BiH.

Good Governance: USA/USAID provides technical assistance to make the BiH State and Federation entity legislatures more effective and representative. Assistance addresses selected capacity constraints in parliamentary representation, policy development, legislation formulation and oversight functions.

Conflict Prevention: USA/USAID works to address conflict prevention and social cohesion by accentuating its efforts to build equal opportunities for all citizens of BiH regardless of ethnic background. For example, all training opportunities include, and will continue to include, individuals from different ethnic groups and support the exchange of ideas and strengthened collaborative relationships.

Local Governance: USA/USAID in cooperation with the Netherlands and Sweden/SIDA, is promoting efficient, transparent local governance throughout BiH by working directly with municipal governments to improve customer service, rationalize and control revenues and expenditures, and secure financing from commercial institutions. A USA/USAID special initiative in the Srebrenica area endeavours to connect municipal institutions with citizens and relevant organizations with an internet-based communications network.

Economic Development: USA/USAID works to create and implement a transparent tax administration system that simplifies compliance with tax laws and regulations, and eliminates unproductive (nuisance) taxes. The aim is to develop a coherent framework for direct taxation that incorporates personal and corporate income taxes and market value-based real estate tax. USG strives to enhance and improve the competitiveness of the wood and tourism industries with targeted assistance to clusters, strengthening trade associations, as well as loan guarantees for these competitive sectors. USG supports local partners' efforts to reform and streamline permit and inspection procedures required to start and operate businesses. USA/USAID also works with local counterparts to reduce barriers to labour mobility in BiH and ease the fiscal burden on small and medium-sized enterprises (SMEs) by promoting flexible and diverse forms of labour relations and agreements. Partnerships with public and private stakeholders are promoting broad-based economic reforms that will assist BiH on the path towards joining the European Union (EU). USA/USAID's efforts to help reform the energy sector are reducing possibilities for corruption and also bringing BiH in line with EU accession requirements.

Agriculture: USA/USAID seeks to increase productivity and competitiveness of SMEs in agriculture and agribusiness in order to generate employment and profitability. USA/USAID efforts will be used to provide targeted demand-driven assistance to agricultural associations, cooperatives, market integrators, and SMEs in targeted agriculture sub-sectors to take advantage of domestic, regional and international market opportunities. Specifically, USA/USAID will work in the following areas to improve competitiveness: facilitate creation of sustainable market linkages, help improve productivity and quality of agriculture producers and food processors, assist firms to become more competitive, improve sub-sector-related policies, and increase access to finance.

Youth: The USG program includes cross-sectoral efforts targeting social cohesion/tolerance and youth issues. The Internship Program for Youth in the Municipality of Srebrenica provides the youth of Srebrenica with an opportunity to gain practical work experience through an internship with employers in the region. USA/USAID works to prevent violence against children in primary education in BiH through training teachers, social workers, health workers, police officers and activists from local non-governmental organizations and through the implementation of a curriculum on the prevention of violence involving children in schools.

Medium- and long-term approach

To promote a more stable and secure BiH, the USG seeks to promote Bosnia's full integration in Euro-Atlantic institutions – namely the North Atlantic Treaty Organization (NATO) and the EU. Specifically, the USG seeks to consolidate BiH's progress in defence reform to advance BiH along the path towards NATO membership and to support political and economic reforms that will help BiH meet its EU accession requirements. It is imperative that the USG continues work to build the capacity of state-level justice and law enforcement bodies to strengthen rule of law and security in the country. The USG supports the development of BiH's democratic institutions and civil society to enshrine democratic values and practices; supports building a stronger economy less reliant on foreign assistance; and supports the creation and strengthening of a tolerant society in which all BiH citizens can live in peace and security. The USG focus is on subsuming ethnic differences by primarily (although not exclusively) building effective state-level institutions to achieve many of these objectives. Programmes to improve municipal governance – the level of administration that has the most direct effect on the day-to-day lives of BiH citizens – also add an important grassroots complement to national-level State building efforts.

Promotion of Paris Declaration in BiH

USA/USAID adheres to the guiding principles described by the Paris Declaration. For instance, we synchronize when possible with the host country's strategic goals, coordinate with other donors and host country institutions in an effort to harmonize our development efforts and establish measurable results to achieve our strategic goals.

Donor coordination efforts

USA/USAID participates in general donor coordination meetings as well as in sector-specific coordination meetings including Civil Society, Rule of Law, and Energy donor groups.

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European Bank for Reconstruction and Development (EBRD)

Policy approach

The European Bank for Reconstruction and Development 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 totalling more than €20.00 billion.

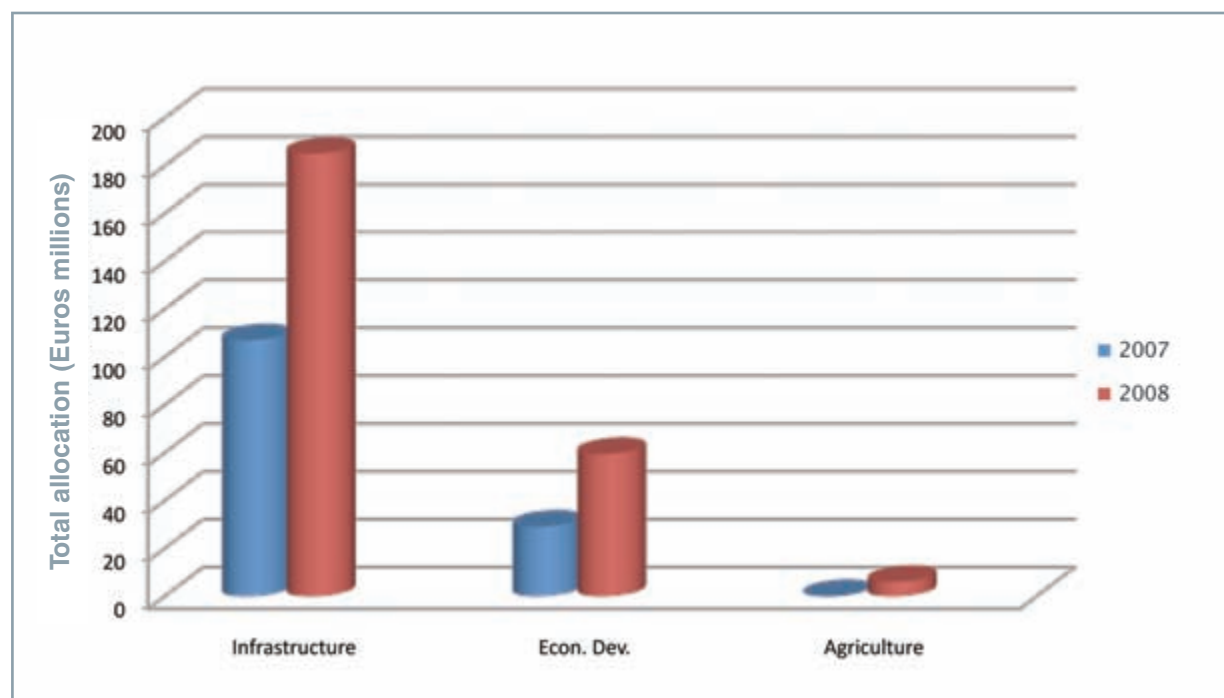
The EBRD's approach in addressing the complex transition challenges is based on strategies, policies and procedures. Regional diversity between the countries of operation is wide and EBRD adapts its products and sector focus so as to meet the specific market need of any particular country. Distinct country strategies are developed and followed for each of its 27 countries of operation. Furthermore, the EBRD has its sectoral policies, which formally set out the strategy in the following sectors: agribusiness, energy, municipal and environmental infrastructure, natural resources, property, shipping, transport, telecom, informatics and media.

Project finance is the EBRD's core business. The EBRD provides loan and equity finance, guarantees, leasing facilities, trade finance and it finances professional development through support programmes. The solutions are tailored to client and project needs and to the specific situation of the country, region and sector. So far, EBRD has committed more than €30.30 billion to both private and state-sector projects.

Key activities in 2008

EBRD allocated **€136.00 million in 2007** and **€250.00 million in 2008** to the following sectors: Economic Development, Infrastructure, and Agriculture and Forestry. EBRD works on a project-by-project basis and does not have annual allocation budget figures for 2009. The amount of commitments for 2009 will be announced when EBRD knows how many projects have actually been signed.

EBRD 2007-2008 Sectoral Allocation Loans only



The EBRD large projects range from €5.00 million to €250.00 million (more than €20.00 billion is committed to more than 800 large projects). These projects have to fulfil the basic requirements, such as: to be profitable and significant to the local economy, to satisfy environmental standards and to be additional to funding by sponsors and other co-financiers. Smaller projects are usually financed through financial intermediaries, such as commercial banks, micro-business banks, equity funds and leasing facilities, thus giving entrepreneurs and small firms greater access to finance. The EBRD has also launched a new Local Enterprise Facility for the Western Balkans under which it is considering direct investments in the range of €1.00 million to €4.00 million.

The trade facilitation programme provides credit facilities in the form of EBRD guarantees issued in favour of international commercial banks. The EBRD also provides direct financing to banks in the region for on-lending to local companies for trade-related activities.

The EBRD is active in the following business development support programmes: the Turn-around Management Programme (TAM, which shares management know-how and develops business skills), the Business Advisory Services Programme (BAS, which develops the professional capacity of local consultants that will supply small and medium-sized enterprises (SMEs) with expert advice on business performance) and the Joint Vienna Institute (which runs seminars for enterprise managers, entrepreneurs and government officials).

For all of its operations, the EBRD follows its own corporate policies, procedures and strategies, including its public information policy, environmental policy and the independent recourse mechanism.

2008 was the fifth record year in a row for the EBRD in Bosnia and Herzegovina (BiH) with total investments of €248.00 million in eleven projects. Two infrastructure projects included €180.00 for *Corridor Vc*, the biggest infrastructure project signed by EBRD in BiH so far, and an €5.00 million increase in the loan for the *Civil Aviation Management* Project. Private sector commitments amounted to €62.50 million. These included two SME credit lines under the Western Balkans and Croatia Financial Sector Framework (€30.00 million with Raiffeisen Bank and €10.00 million with Raiffeisen Leasing) as well as €15.00 million for five MCOs, a €1.50 million equity increase in Intesa Sanpaolo bank, and €6.00 million for the *LEF Bimal* project.

Medium- and long-term approach

The EBRD's current country strategy for BiH, approved in September 2007, sets the following main strategic priorities: continue policy dialogue with BiH authorities at all levels (state, entity, cantonal, municipal) and assist with key structural and institutional reforms in: infrastructure sector (transport policy and strategy, unbundling of the railway sector, road sector financing, energy strategy, PPP legislation), financial sector (banking supervision, insurance and leasing legislation and pension reform) corporate sector (privatization of remaining state-owned enterprises, post-privatization financing and restructuring, property and tourism sector, agribusiness sector); assist BiH's regional integration and its progress towards EU membership through physical investments in key infrastructure projects as well as institutional development and strengthening of state institutions; support the development of the private sector through direct and indirect financing of private SMEs, as well as remaining large-scale privatizations.

Donor coordination efforts

EBRD has worked extensively with other multilateral financial institutions (namely, the World Bank and European Investment Bank) on joint financing of large infrastructure projects. In the past, we have jointly worked on projects in power and roads sectors. Additionally, bilateral donors are coordinated through a forum in the headquarters in London for provision of technical cooperation funding.

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European Commission (EC)

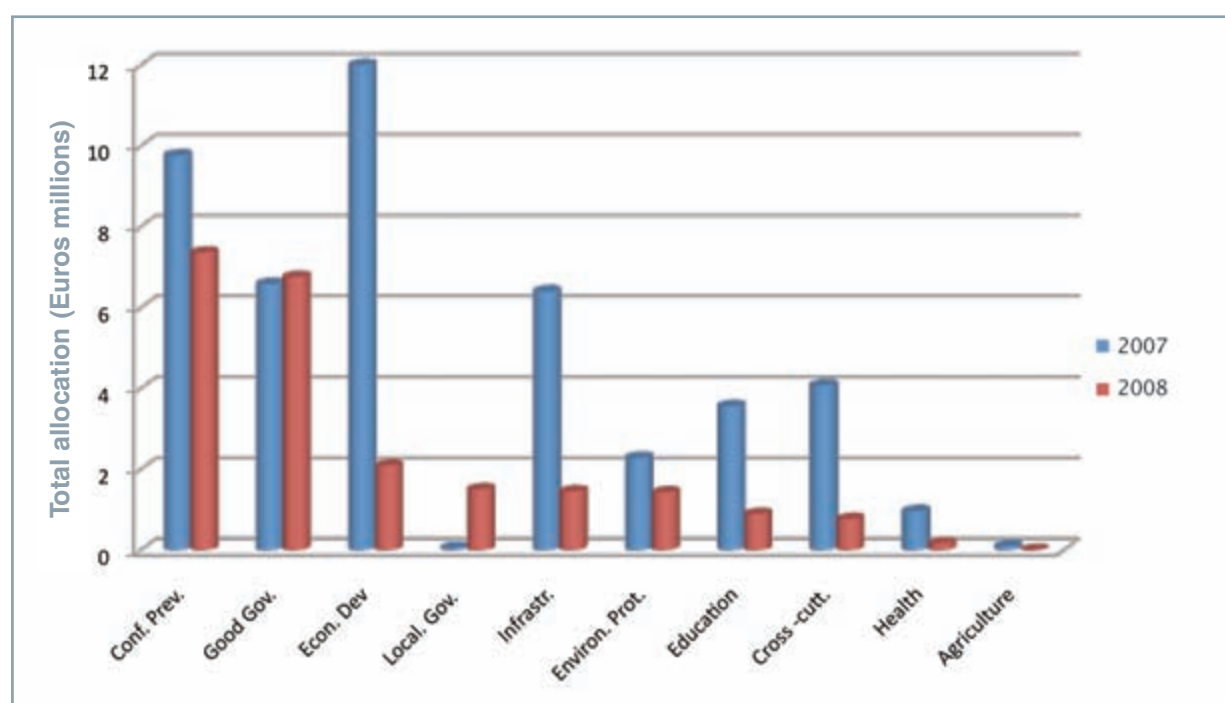
Policy Approach and Key Activities in 2008

The main strategic objective of the present assistance to Bosnia and Herzegovina (BiH) is to support the country in its transition from a potential candidate country, through a candidate country, to membership of the European Union.

As a potential candidate country, BiH benefits from the first two components of the Instrument for Pre-accession Assistance (IPA) available to BiH since 2007: component I for Transition Assistance and Institution Building and component II for Cross-Border Cooperation. The indicative allocation to BiH under the Multi-annual Indicative Financial Framework (MIFF) for 2009–2011 amounts to €303.20 million. Within component I, 30–40% is indicatively allocated to assist the country to comply with the political criteria, 25–35% to the economic criteria, and 30–40% to the *acquis*-related requirements.

Since the end of the war in 1995, EC assistance to BiH has totalled €2.80 billion. Between 1995 and 2001, the EC provided more than €540.00 million for humanitarian assistance. The Poland and Hungary Assistance for Economic Restructuring (PHARE), OBNOVA and Community Assistance to Reconstruction, Development and Stabilization (CARDS) programmes provided more than €1.00 billion to BiH, of which €503.00 million under the CARDS programme in the years 2001 to 2006. IPA has provided €137.00 million since 2007

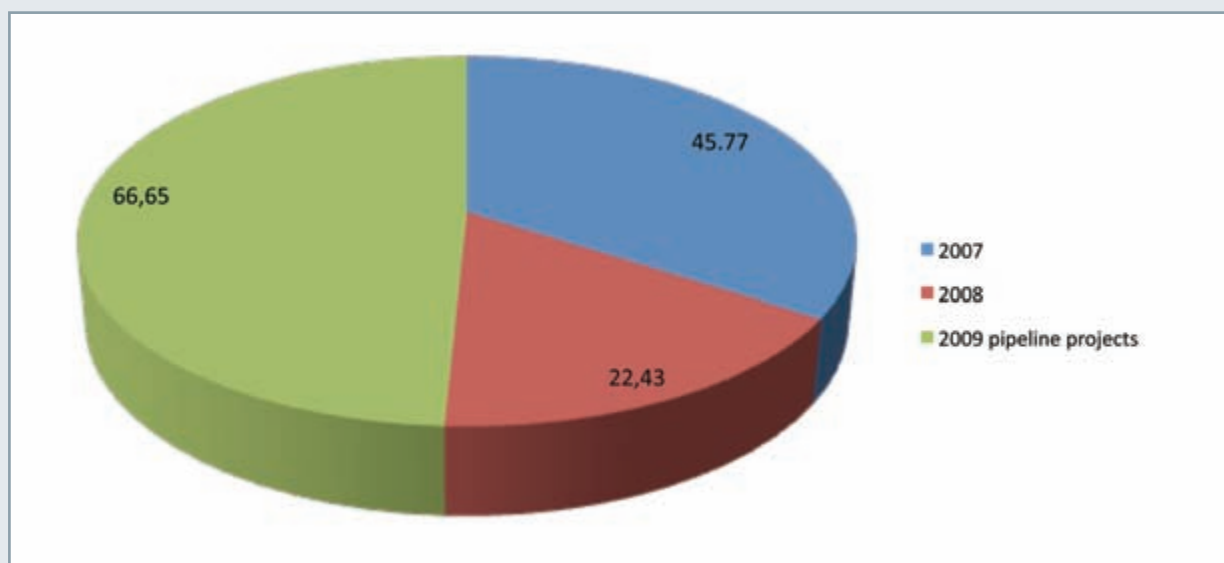
EC 2007–2008 Contracted Amount



While the first years of OBNOVA and CARDS focused on the restoration of the infrastructure and the return of refugees and internally displaced persons, the emphasis since 2003 shifted to institution building and to assistance to BiH in complying with the priorities of the European Partnership. The priorities of CARDS in the years 2005 and 2006 were democratic stabilization, good governance and institution building, including administrative capacities and justice and home affairs, and economic and social development, including environment and the participation of BiH in EC programmes.

The Tempus programme has provided considerable support for the modernization and the reform of the higher education system in BiH. Since 1997, Tempus has funded almost 90 cooperation projects with EU higher-education institutions in the areas of curriculum development, university management and structural reform. The programme has been highly effective in developing human resources and building capacity in public administration bodies, civil society, and industry. It has also generally led to greater cooperation, not just through Tempus, but more importantly, at the national level.

EC's Contracted Amount (Euros millions)



BiH benefits from the multi-beneficiary programme (CARDS being replaced by IPA), which supports measures of common interest in the Western Balkans, such as infrastructure development, institution building, the implementation of the Central European Free Trade Agreement (CEFTA) and regional trade integration and cross-border cooperation. The budget for the regional CARDS programmes for the period 2002 to 2006 amounts to €280.00 million with a further €241.10 million for IPA since 2007. In addition, the regional programme supported areas of key importance for European integration, such as taxation and customs, statistics, public administration via the Organisation for Economic Cooperation and Development (OECD) Support for Improvement in Governance and Management (SIGMA) and horizontal support via the Technical Assistance Information Exchange Office (TAIEX). *Inter alia*, important achievements of the regional programme include cooperation between regional prosecutors and mutual legal assistance between the courts, improved police cooperation, integrated border management and cooperation on migration issues.

BiH benefited from the LIFE Third Country environmental programme with a focus on integrating environmental activities. LIFE projects promoted successfully capacity building of environmental institutions such as waterworks association and the development of environmental tools and technologies including cleaner production techniques, control of diffuse sources of pollution, and action plans for wetlands. The LIFE Third Country programme will not be continued.

From 2002 to 2006, BiH benefited from €60.00 million of EC macro-financial assistance (MFA), composed of a €20.00 million loan component and a €40.00 million grant element. This MFA successfully contributed to macro-economic stability, by easing the country's external financial constraints and improving the foreign reserves position. The MFA conditionality which covered areas like public finance and administration reform, financial sector reform, private sector development and the business environment, had a positive impact on the growth potential of the economy.

EC assistance was successful in the reconstruction of infrastructure after the war and in supporting the return of refugees and displaced persons. BiH benefited from integrated reconstruction programmes involving buildings, houses, water and energy and transport networks. For returnees, more than 40,000 houses were reconstructed, hand in hand with the rebuilding of health centres, schools and the revival of small businesses. The social and economic reintegration of returnees requires further support.

Further success stories under CARDS include the establishment of the Indirect Taxation Authority and the introduction of the value added tax. The EC has substantially invested in the reform process of the judiciary. A remarkable result of these efforts is the High Judicial and Prosecutorial Council which became operational in 2004. The EC assists in the implementation of the police laws which had been agreed in 2008, has successfully supported professional training of the police forces and has invested in the improvement of technical standards.

Despite the efforts of EC assistance to support key reform priorities, progress has been rather limited in terms of state building, governance and rule of law implementation, as well as in the approximation to European Standards.

Since 2007, through its national and multi-beneficiary programmes, IPA addresses the political and economic requirements in the framework of the Stabilization and Association Process (SAP) and approximation to European Standards, mainly to support BiH in

establishing regulatory systems and preparing for IPA pre-structural funds, and supports the participation in cross-border cooperation programmes with neighbouring countries and EU Member States.

Since the preparation of the precedent EC strategy papers (Multi-Annual Indicative Documents for 2007–2009 and 2008–2010), BiH has made only limited progress in implementing the remaining reforms required by SAP. It is a continuing and considerable challenge for BiH to comply with the political requirements of SAP by increasing the effectiveness of its executive and legislative bodies, improving coordination between the State and Entities and to agree on the reform of its police structure. IPA can assist in the strengthening of administrative capacity, can support domestic efforts on constitutional reform, and can assist in the reform of the police and the judicial system.

To continue support for the political criteria, the EC places further emphasis on the civil society dialogue, the development of independent and professional media and the preservation of the cultural heritage. IPA can assist in the fight against corruption and support BiH in meeting its obligations towards returnees, minorities and vulnerable groups.

Several economic indicators raise concerns, including the high unemployment rates and external imbalances. In addition, slippages in public spending create obstacles to social and economic recovery. To assist the country in complying with the economic criteria of the SAP, IPA can support stabilizing the macro-economic environment and reducing and improving the quality of public spending to create a favourable business climate. The reform of the education system and of the labour market and the development of a research policy should contribute to foster employment. Additional sectors supported under the economic requirements are trade, health, small and medium enterprises (SMEs) and local economic development. IPA offers assistance to soften the impact of the financial and economic crisis on BiH by stepping up its cooperation with International Financial Institutions (IFIs) and by enforcing its efforts to support the development of SMEs and to support the institution building of regulators and supervisors in the financial sector.

So far BiH has made only limited progress in the approximation of its legislation and policies with the *acquis*. To assist the country in complying with the *acquis*-related requirements of the SAP, IPA can support the development and the implementation of strategies and policies to approximate to the European *acquis* in the areas of internal market, sectoral policies and justice, freedom and security. IPA places emphasis on agriculture and rural development, transport and energy. Support is also provided for the environment, quality infrastructure, customs and taxation.

Assistance under the Cross-Border Cooperation component is supporting BiH's participation in cooperation with its neighbours (Croatia, Montenegro and Serbia), its participation in the Adriatic IPA cross-border programme with EU Member States and other Western Balkan Countries (Albania, Croatia, Montenegro, and Serbia) and in the European Regional Development Fund (ERDF) transnational programmes 'South East Europe' and 'Mediterranean'.

Medium and Long Term Approach

The EC Delegation will continue to strengthen its partnership with BiH as the country builds its relationship with the EU and prepares for possible accession. IPA will be the main instrument for support. It will continue to support BiH to meet the criteria for membership, as well as BiH efforts in mapping out and implementing its overall reform and development strategies as far as these strategies help to fulfil the requirements for EU integration.

The EC's pre-accession assistance will gradually increase every year until the year 2013. The institution building approach, as described above, will be maintained, while more investments in agriculture and rural development, regional development and human resources development will be provided once BiH obtains the candidate status.

Increasing local ownership and gradual decentralization of EC assistance to BiH is essential for effective targeting of the support and achieving the agreed results. With this aim, further efforts will be undertaken to involve BiH's institutions in the planning and programming process of EC assistance.

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 reports are supported by the EU not only through its financial assistance but also through intense policy advice and dialogue. However, the responsibility of these changes lies with the country itself and is not purely contingent upon the availability of donors' assistance.

Donor coordination efforts

To increase effectiveness and efficiency in the delivery of assistance through donor coordination, the European Commission and EU Member States ensure coordination of their respective assistance programmes. This coordination is extended also to the IFIs and other non-EU donors.

At central level, coordination meetings with IFIs as well as with EU and non-EU donors are organized on a regular basis. They focus primarily on strategic orientations and a regional dimension of IPA planning and programming. Additionally, the coordination between the Commission and EU Member States takes place on a regular basis in the context of the IPA Committee.

Close coordination is also maintained with the World Bank, EBRD, the European Investment Bank (EIB) and the German KfW Entwicklungsbank (KfW) in the field of transport energy and environmental infrastructure, where the European Commission finances designs, studies, works and technical assistance to help to meet the conditions for investment by the IFIs. In addition, the EC and the IFIs cooperate in the Infrastructure Projects Facility.

Most recently, cooperation efforts with EIB, EBRD and KfW, were notably enhanced in the context of the response to the financial and economic crisis. This led to design of an anti-crisis package under IPA 2009 to alleviate the impact of the international economic and financial crisis on BiH, as requested by BiH.

In addition, the EC Delegation maintains regular cooperation with other donors through bilateral meetings, sector working groups and other sector forums, in the areas such as regional and SME development, tourism, judicial reform and juvenile justice, public administration reform (PAR), Decentralized Implementation System (DIS), agriculture, return, security reform, health, gender, social protection and education, youth, human rights, information society and media and many others.

The PAR Fund is a special form of cooperation between the EC, United Kingdom, Sweden and the Netherlands. The EC contributes by providing umbrella assistance to the PAR Coordinator's Office.

The coordination mechanisms described above ensure that EC assistance and the assistance of other donors produce synergies and are, as much as possible, complementary.

Promotion of Paris Declaration in BiH

The EC remains strongly committed to supporting country-led sustainable development through actions on aid effectiveness, co-financing mechanism 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 Effectiveness.

The EC observed that a number of assistance projects in BiH did not achieve the expected results because of an insufficient understanding of ownership on the part of the beneficiaries. For that reason the EC intends to ensure that EC assistance not only reflects European Partnership priorities but, in the broader sense of the Paris Declaration, is interlocked with BiH's own development and action plans. With this aim, EC assistance promotes ownership by ensuring that projects are in line with BiH's own reform strategies and by enhanced participation of future beneficiaries in the programming process. This will be supported by the demand for gradually increased co-financing of EC assistance.

EC assistance aims to decentralize the management of assistance to use national public financial management and procurement procedures under the responsibility of BiH as soon as the relevant institutions and management systems are accredited.

The EC continues to provide assistance to various BiH institutions to develop country-owned reform strategies and design policies, the existence of which is one of the main preconditions to absorb EU funds. For this purpose EC provided technical assistance, supported training and provided equipment to various governmental agencies and ministries. In the period from 2008 to 2010, the EC together with other donors (the Netherlands and Norway) and UNDP additionally support country efforts in this, filed through a *Strategic Planning and Policy Development* project.

The EC, together with other donors, the Netherlands, UK/DFID and UNDP has assisted the BiH institutions over the last years in establishing national donor coordination mechanisms and tools, improving donor coordination and building ownership of the international assistance in BiH. Currently, the EC with the support of UK/DFID and the UNDP are working with the BiH Ministry of Finance and Treasury to enhance the capacity of the Board for Coordination of International Assistance and the Sector for International Aid Coordination within the Ministry of Finance and Treasury. The EC is also supporting the Directorate for European Integration in developing its capacities for coordination of EU assistance.

The EC has also worked together with UNDP on the *Grants Resources Management System* (GRMS) project which will provide a practical public finance management tool. The objective of GRMS is to support the country's public finance management by providing a system for registry and reporting of grants assistance made available to the public sector in BiH.

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European Investment Bank (EIB)

Policy approach

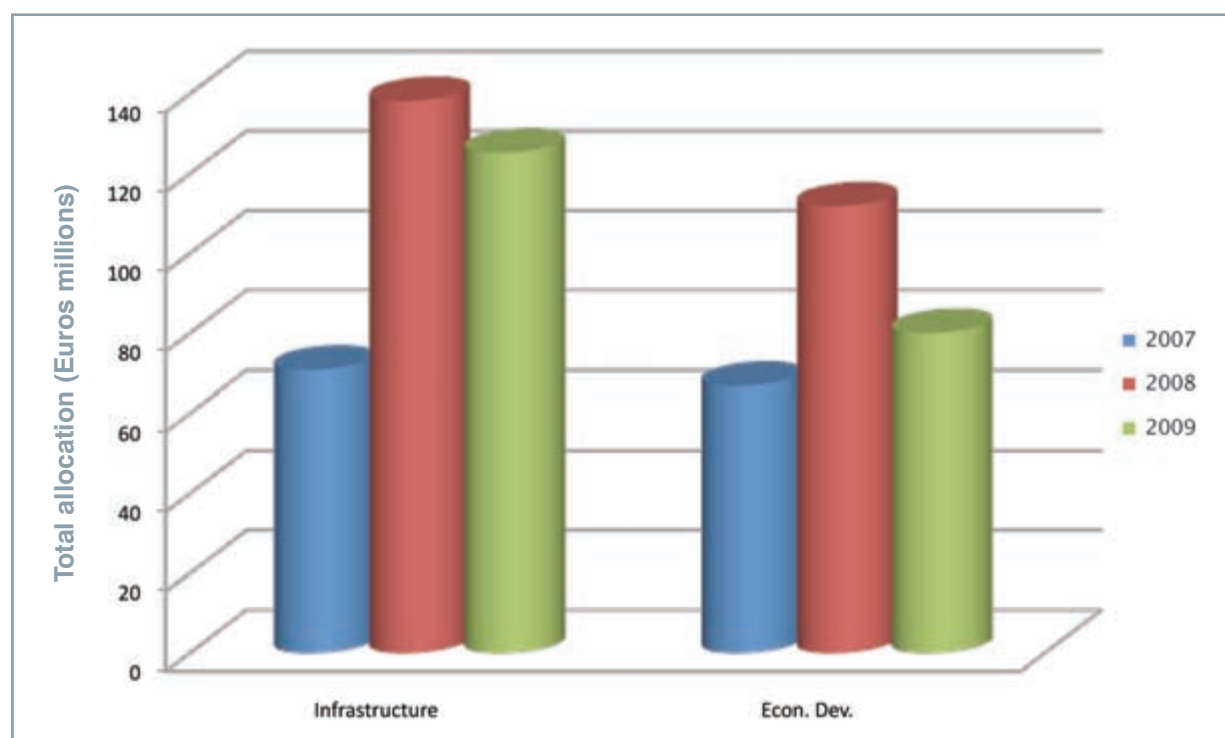
The European Investment Bank was created by the Treaty of Rome in 1958 as the long-term lending bank of the European Union (EU). The task of the Bank is to contribute towards the integration, balanced development and economic and social cohesion of the EU Member States. The EIB raises substantial volumes of funds on the capital markets which it lends on favourable terms to projects furthering EU policy objectives. The EIB continuously adapts its activity to developments in EU policies.

The EIB has provided loans in Bosnia and Herzegovina (BiH) exceeding €923.00 million since 2000. The EIB is providing finance in particular to projects in the sectors of Energy, Transport and Environmental Protection, as well as to small and medium-sized enterprises (SMEs) through partner financing institutions operating in the country.

Key activities in 2008

EIB allocated €250.00 million in 2008 and so far, €218.00 million in 2009. All allocations are in the form of concessional loans and are applied to either the Economic Development or the Infrastructure sector.

EIB 2007-2009 Sectoral Allocation



Medium- and long-term approach

EIB has allocated a €150.00-million loan to Hypo Alpe-Adria Bank AD Banja Luka, Hypo Alpe-Adria-Leasing d.o.o. and Hypo Alpe-Adria-Bank d.d., and has approved a similar credit line of €50.00 million for the Development Bank Republika Srpska, for financing limited-scale projects of SMEs and local infrastructure projects of local authorities. The objective of these projects is to make available access to long-term funds at affordable interest rates to sectors of the economy with least availability of financing – SMEs and local authorities. A €60.00-million credit for Unicredit Leasing d.o.o. Sarajevo is currently under appraisal.

In addition, EIB is currently appraising a loan agreement with JP *Elektroprivreda Hrvatske Zajednice Herceg-Bosne* d.d. for the funding of three wind farms (about 130MW), and four small hydro plants (about 15MW). The purpose is to increase the promoter's own generating capacity, which at present is below demand, raise the use of renewable energy and to broaden the power production base. This project has a total cost of €260.00 million of which EIB is looking to finance €130.00 million.

EIB is also appraising a loan request for the financing of a new motorway section adjacent to those already under preparation or construction, namely Vlakovo-Tarcin, a stretch of about 18km. The project will significantly increase accessibility and reduce travel times, thereby contributing to a balanced economic development of the regions concerned.

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 other 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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United Nations Children's Fund (UNICEF)

Policy approach

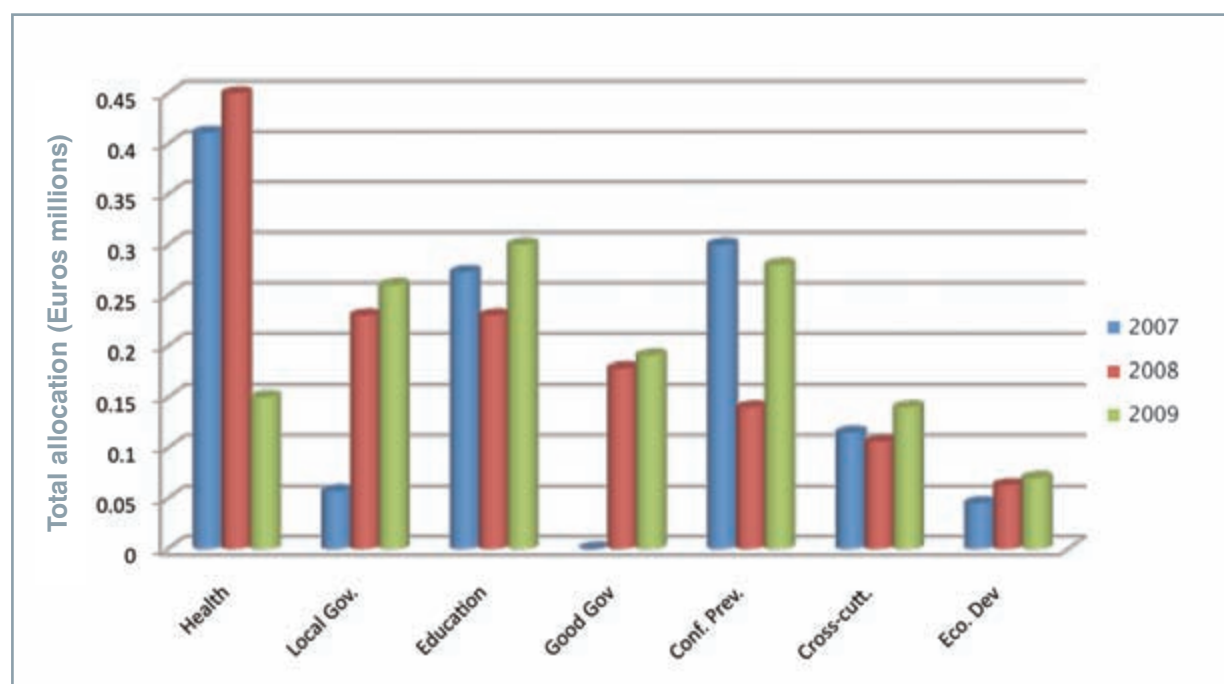
The goal of the current country programme in Bosnia and Herzegovina (BiH) is to support the Government in meeting its obligations under the Convention on the Rights of the Child and the Convention on the Elimination of all Forms of Discrimination against Women. It is specifically aimed at ensuring the inclusion of all children, young people and women in the provision of basic education, health and child protection services with their increased and genuine participation.

UNICEF promotes the principles of non-discrimination and social inclusion in all its advocacy, programmes and assistance to policy formulation. UNICEF BiH defined three priority areas for 2009: providing policy and M&E support in the areas of CRC/CEDAW implementation and monitoring, education, early childhood development, child protection, mine action and HIV/AIDS; promoting inclusive basic health, education and child protection services for all; and strengthening children and young people's participation for good governance.

Key activities in 2008

UNICEF allocated €1.40 million in 2008 and the same amount in 2009, all in the form of grants in the following sectors: Health, Local Governance, Education, Good Governance and Institution Building, Conflict Prevention, Cross-cutting and Economic Development and Social Protection. UNICEF functions both as a donor and an implementing agency.

UNICEF 2007-2009 Sectoral Allocation



The project *Enhancing the Social Protection and Inclusion System (SPIS) for Children in Bosnia and Herzegovina* is jointly supported by Norway, the EC, and UK/DFID, and implemented by UNICEF, in close cooperation with the Government of BiH. The overall objective of the SPIS project is to contribute to the national goals as defined in the BiH Country Development Strategy and the BiH Social Inclusion Strategy, which is the development of a fiscally sustainable and effective social safety net, and to the establishment of a harmonized, well-targeted, efficient and sustainable social protection system.

An integrated and inter-sectoral approach to evidence-based policy development, planning, implementation, and monitoring and evaluation serves to define and strengthen functions, roles and strategic goals in education, health, social welfare and other related sectors as they address specific forms of exclusion of children and families. The SPIS project is also developing national capacities to establish a referral system amongst relevant social and financial sectors. The main activities include: advocacy for an integrated SPIS; analysis of SPIS according to international and national standards; conducting vertical and horizontal functional reviews of the SPIS; capacity development for improved service delivery; review of social protection legislation; analysis of the allocation of resources for

SPIS at local levels; and to strengthen monitoring of the socio-economic status of children and evaluation of the impact of the changes in the SPIS system on excluded children.

UNICEF continued to provide support in ensuring the availability of data on the status of children and women to improve evidence-based policy making and reform and influence emerging national strategies, including the National Development Strategy and the Social Inclusion Strategy (2008–2013). UNICEF participates in working group meetings and has been providing technical inputs to the Department for Economic Planning (DEP) into the development of the national Social Inclusion Strategy, with a particular focus on the goal related to the protection of families with children. UNICEF also provided technical assistance into the development of a strategy paper on the reform of the education sector, entitled *Strategic Directions for the Development of Education in Bosnia and Herzegovina 2008–2015*, which was adopted by the Council of Ministers.

UNICEF implemented the *Child Friendly Schools and Communities* Project, supported by Dubai Cares. It addresses the exclusion of children by strengthening the capacity of communities to develop short- and long-term responses to increase equality and inclusion through a multi-level approach with all those involved at community level – children, service providers, parents and municipal governments. The project was initiated in 2008 and benefited over 20,000 children.

UNICEF will continue to map and strengthen child protection systems in selected locations, with referral mechanisms to prevent and respond to violence and exploitation of children. UNICEF, in partnership with the Organization for Security and Cooperation in Europe (OSCE), played an important role in the establishment of the state Juvenile Justice Coordination Body, which was the first step in the implementation of the National Strategy.

UNICEF supported the implementation of the national *Mine Risk Education Strategy 2005–2008* and continued to work closely with the BiH Mine Action Centre and other partners to develop sustainable capacity for the promotion of child safety, including mine risk reduction management, small arms risks reduction and the prevention of violence in schools.

Since 2007, UNICEF has been working with governments and partners on integrated early childhood care and development. Situation analysis and an integrated ECD national policy will serve as the foundation for maximizing investment in quality services for children from birth to eleven years of age and their parents, and for addressing gaps in the existing social services, with special attention to excluded groups such as Roma children. UNICEF supported the parent support groups in internally displaced persons camps and Roma communities to increase their knowledge of ECD practices, to immunize children and to ensure their access to quality primary education. UNICEF also supported activities related to birth registration of children from Roma families. The analysis of the BiH legal framework on birth registration and a manual on birth registration were developed and disseminated. Training sessions were held in ten municipalities in RS and FBiH for public servants responsible for birth registration.

With UNICEF's technical support, the Inter-agency Coordination Committee continued holding meetings and engaged in collective decision-making with the two Entities and Brčko District on issues related to national immunization policies and activities. UNICEF continued to provide technical assistance to the State and two Entity governments of BiH in taking over the customs clearance procedure and distribution of Global Alliance Vaccine Initiative (GAVI) donated vaccines. In 2008, UNICEF also supported the Government of BiH to implement a comprehensive *Strategy for Prevention of Iodine Deficiency Disorder (IDD) in BiH*, and supported the two entity Ministries of Health, their national teams and a team of health professionals from District Brčko to collect accurate information regarding the situation in BiH related to IDD and iron deficiency anaemia in pregnant and lactating women.

Medium- and long-term approach

The new proposed programme of cooperation for 2010–2014 is designed to address the three key development issues challenging the fulfilment of the rights of children in BiH: poverty, social exclusion and system weaknesses.

In support of the BiH Social Inclusion Strategy 2008–2013, the country programme will contribute to the achievement of the following key results by the end of 2014: Inclusive policies and plans are developed and implemented, and human, financial and organizational resources are redirected towards priorities for children, as identified by key stakeholders at state and entity levels; transition of both girls and boys from primary to secondary education is increased to 90% in 17 municipalities; increased pre-school enrolment rate from 6.4% in 2008 to 50%; elimination of IDDs; 90% of children fully immunized; number of children in formal care reduced by 30% and ratio between children in institutional care and children in alternative family- or community-based care is improved from 2/3 to 4/5; and, proportion of juvenile offenders who are diverted to non-punitive care and prevention services increased by 20%.

The proposed country programme for 2010–2014 will have two programme components: **Social Policies and Child Rights Monitoring**: This programme will address institutional capacity gaps for policy design, implementation and planning at various levels of government. It will support social sector reform and the formulation of policies and budgets targeting vulnerable and socially excluded children,

based on quantitative and qualitative analysis of disaggregated data, and policy reviews across all social sectors. **Integrated and Inclusive Systems for Children:** The programme will aim to address wider social issues, such as child poverty, and their impact on access and quality of services through the participation of communities, the endorsement of policy frameworks and the strengthening of systems, in line with international standards. It will focus on equitable access to quality education, ECD, MCH, social and child protection services, particularly for vulnerable and excluded children and families.

The proposed country programme will build on the results achieved during the prior cycle and is centred on sectors of comparative advantage: education, early childhood and development, and child protection. It will use strategies for which UNICEF has a recognized expertise. The programme will support the priorities of the Country Development Strategy 2009–2013 and the Social Inclusion Strategy 2008–2013, the State Action Plan for Children 2002–2010 and is aligned with the country's priorities for European Union (EU) accession. The proposed country programme will be closely linked with the following United Nations Development Assistance Framework outcomes: strengthening transparent and accountable democratic governance that meets the requirements of the EU accession process; social inclusion through a harmonized approach encompassing participatory policy development and implementation to ensure inclusive and quality basic social protection; and human security, as it pertains to preparedness for natural disasters and outbreaks of communicable diseases, the reduction of the threat from landmines, small arms and light weapons.

The programme will also support the Millennium Declaration, the Millennium Development Goals, as well as the principles and goals of 'A World Fit for Children'. It responds to BiH's international commitments, including the Convention on the Rights of the Child, CEDAW, the Declaration of Commitment of the General Assembly Special Session on HIV/AIDS, and the conclusions of the Ljubljana Regional Consultation for the United Nations Study on Violence against Children in Europe and Central Asia.

Promotion of Paris Declaration in BiH

The UNICEF BiH country programme promoted government leadership and ownership of the process of development. The Country Programme Document, Country Programme Action Plan, Mid-Term Review and Annual Work Plans result from a dialogue with governments and other key partners on their needs and priorities. The agency also makes use of national execution as an implementation modality.

The collaborative partnership with the Directorate for Economic Planning resulted in a joint country-led evaluation (CLE) in BiH. This CLE contributed to the development of evidence-based, child-focused policies in the social protection sector. It also contributed to assessing the implementation of Paris Declaration targets by national stakeholders and donors, including the establishment of country-led monitoring and evaluation systems. The results provided substantive and strategic inputs for the preparation of a new National Development Plan and Social Inclusion Strategy (2008–2013).

Donor coordination efforts

UNICEF attends the meetings of the Donor Coordination Forum and provides inputs as requested. UNICEF plays a strong role in UN inter-agency work and coordination on joint programming initiatives, in order to accelerate efforts to reach the Millennium Development Goals (MDGs).

Within the on-going United Nations (UN) Reform, partnerships among UN agencies and complementarities have increased since 2008. Coordination and joint-programming allowed UNICEF and other agencies in BiH to avoid overlapping of activities and to strengthen the quality and reaches of interventions within common programmes and projects. Under the leadership of the United Nations Resident Coordinator's (UNRC) office, UNICEF actively participated in the development of concept notes for submission to the Spanish MDG Fund in 2007 and 2008, in the areas of culture for development; economic governance; youth, employment and migration; and gender equality and women's empowerment. Since end 2008, UNDP, UNESCO and UNICEF have been jointly implementing the MDG-F programme on Culture for Development, with UNICEF focusing on inter-cultural and inclusive education.

UNICEF chairs regular UN Joint Team meetings on HIV/AIDS and supports coordination on justice for children, immunization of children and communication on public health (including the H1N1 virus). UNICEF also participates in coordination meetings related to education, child protection and the Roma population.

Successful coordination has been assessed during the initial phase of the *SPIS* project, where UNICEF contributed to strengthen cross-sectoral collaboration at all levels of government, in partnership and with support from the Government of Norway, UK/DFID and the EC.

UNICEF works with key donors managing large municipal governance programmes to mainstream child rights into their work. Linkages have also been made with UK/DFID-funded projects, such as the LSE-run *Pro-poor Development* that is establishing social policy

bodies throughout the country, enhancing the monitoring and evaluation system related to social policies and engaging in pilot activities on youth and Roma. With support from UK/DFID, UNICEF is also seeking to improve evidence-based budgeting for children.

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United Nations Development Programme (UNDP)

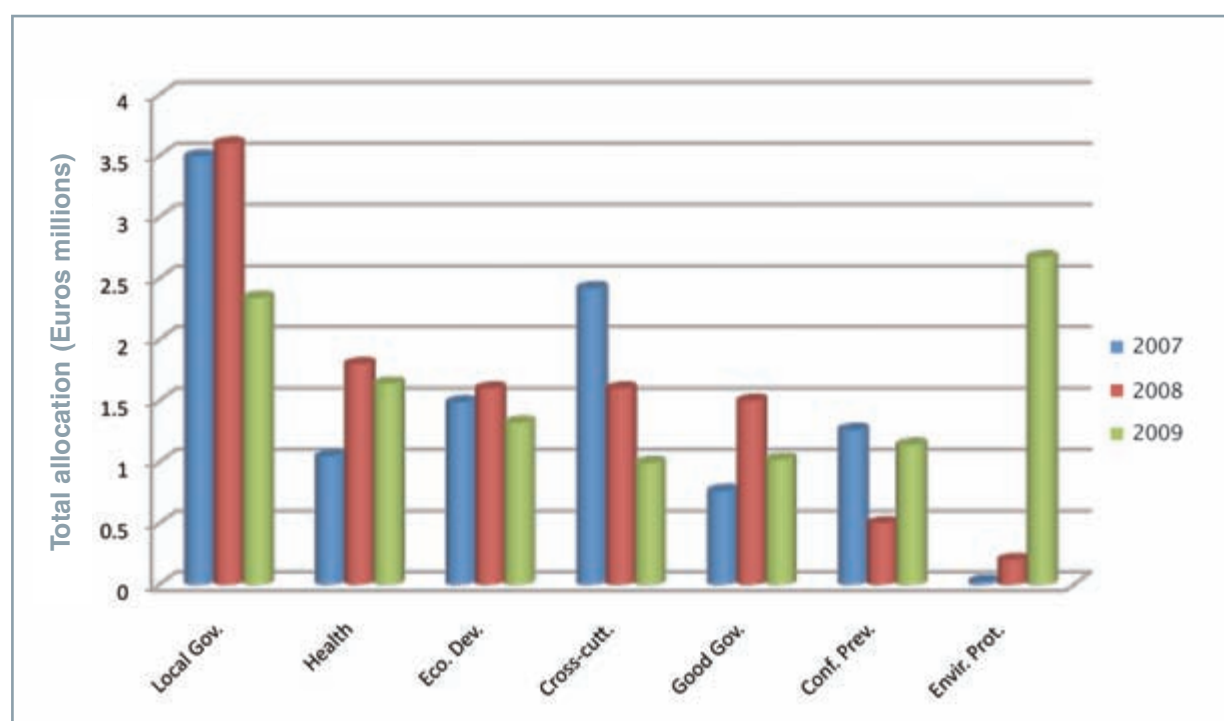
Policy approach

The years 2008/2009 conclude UNDP's country programme cycle of 2005–2009, in which UNDP is completing its realignment of activities from humanitarian relief to development support. The overarching goal of the Country Office's work corresponds to the core global UNDP mandate of poverty reduction. In line with the Millennium Declaration and the recently approved new corporate Strategic Plan, UNDP's work, in addition to its focus on alleviating income poverty through pro-poor economic growth, will comprise measures to combat other dimensions of deprivation. The country programme has a strong capacity development component and is aligned with the national Mid-term Development Strategy.

Key activities in 2008

UNDP allocated €10.86 million in 2008 and €11.12 million in 2009⁸¹ to the following sectors: Local Governance, Health, Economic Development and Social Protection, Cross-cutting, Good Governance and Institution Building, Conflict Prevention and Environmental Protection.

UNDP 2007-2009 Sectoral Allocation



The largest share of UNDP's allocation in 2008 was to the **Local Governance sector**, in which UNDP both finances and implements several activities. UNDP applies a rights-based methodology to its local democracy work and facilitates the inclusion of civil society in local planning. Through its programmes, UNDP aims to strengthen municipal absorptive capacities in the light of the European Union (EU) integration and work towards harmonization of planning methodologies in BiH. Moreover, UNDP also supports the establishment of a sustainable municipal training system and the development of a comprehensive municipal training needs assessment in both Entities.

During 2007–2009, the **Environmental Protection** sector was UNDP's fastest growing portfolio. UNDP's work in this area includes tackling local environmental 'hot spots' working to conserve unique biospheres, and integrating environmental mitigation measures into local development projects. UNDP has made progress in supporting the authorities responsible for compliance with the climate change and biodiversity conventions, and has gained experience in managing the complex institutional setup for environment management.

⁸¹ The financial data for UNDP reflects the state of affairs as of the end of February 2009.

UNDP continues to support **Good Governance and Institution Building** initiatives, particularly in the areas of public administration reform (PAR), e-governance, and transitional justice. In PAR, the organization's primary focus has been on developing state- and entity-level capacities in strategic planning and policy development and supporting efforts to improve human resource management in the civil service. UNDP also assists the governments' effort to facilitate aid coordination and effectiveness in BiH. UNDP's approach to transitional justice is to build coalitions between government and civil society to tackle reconciliation. UNDP also supports capacity development of the War Crimes Chambers.

UNDP's work in **Economic Development and Social Protection sector** is primarily focused on poverty reduction and the achievement of the Millennium Development Goals. Indeed, these are the overarching goals of the 2005–2009 country programme. In support of poverty reduction, UNDP promotes social inclusion corresponding with the pre-accession framework and agenda of the EU. UNDP also works with the Government on a social inclusion strategy drawing on lessons from area-based development programmes and returnee reintegration projects.

In the **Health sector**, since 2007 UNDP has been the 'principal recipient' of Global Fund grants for the implementation of projects aiming to prevent and treat HIV/AIDS and tuberculosis. UNDP works intensively with government institutions on capacity-building as well as on enhancing partnerships between entity-level governments and civil society institutions. The project has set up clinics, voluntary counselling and testing centres, youth-friendly health services, and methadone treatment centres.

In the **Conflict Prevention and Resolution, Peace and Security sector** UNDP has made measurable progress in de-mining and small arms and light weapons (SALW) reduction. Over two million square metres have been cleared of mines, and 9,500 weapons and 5,000 tons of ammunition have been destroyed. Capacity building of the Mine Action Centre was completed. In addition, UNDP also supports efforts to strengthen BiH crisis prevention and disaster management systems.

In the **Cross-cutting sector of Gender**, UNDP assists the three gender mechanisms of BiH. In UNDP, all projects are gender mainstreamed but the organization also has specific projects such as prevention of violence against women.

Medium- and long-term approach

UNDP's medium-term strategic plans are captured within the United Nations Development Assistance Framework (UNDAF). These are in line with the priority areas identified by the Government for the Country Development Strategy. UNDP will work within the accession framework, and focus on areas of UNDP comparative advantage: capacity development, gender equality, sustainable development and the human rights-based approach to development.

In the medium term, UNDP will accelerate the implementation of democratic governance projects using a human rights-based approach in support of accession to the EU. Given the low participation rates by women in administrative and political processes, gender mainstreaming will be a priority. Attention will be paid at the municipal level to inclusive planning processes and capacity for service delivery. Justice and transitional justice projects will continue, with increased focus on lower-level courts, community reconciliation and witness support, and access to justice.

UNDP will also provide technical assistance for the destruction of weapons and ammunition, and capacity development for de-mining will continue. UNDP will reinforce its institution building for crisis management and disaster response by working sub-regionally with the Regional Cooperation Council based in Sarajevo, and will include cross-border response and compliance with EU standards, including the establishment of a national coordination body and a national strategy for disaster risk management. Capacity building in the health sector and civil society organizations is expected to continue until 2012.

Among others, UNDP projects will include gender-disaggregated social inclusion analysis; capacity building for evidence- and rights-based policies; work on intercultural understanding as a basis for development; capacity development to improve youth employability; climate change response, protection of biodiversity, and cleaner, safer, more sustainable development; developing and implementing environmental action plans with municipal authorities and civil society. At the regional level, UNDP will continue working in the areas of public sector reform, e-governance, environment and gender and in close cooperation with regional bodies such as the Regional Cooperation Council.

Promotion of Paris Declaration in BiH

As one of the agencies active in the area of aid coordination and aid effectiveness, UNDP works towards the implementation of the Paris Declaration principles in several ways. UNDP was one of the founders of the BiH Donor Coordination Forum (DCF) and until 2009, this organization served as the Secretariat of the DCF. During this period, UNDP was also in charge of implementing the Donor Mapping Exercise (DME) – an initiative aiming to improve information sharing and coordination among donor agencies and between donor agencies and Government. Upon the request of the Ministry of Finance and Treasury of BiH, UNDP has transferred this responsibility

to the BiH government institutions, but continues to provide technical assistance in their realization. (*Ownership, alignment, harmonization and mutual accountability*)

UNDP also designed, developed and implemented the Grants Resource Management System (GRMS) within the Ministries of Finance. The system aims to enhance the capacity of BiH governments to manage grant resources in line with defined national priorities. The institutions have now taken ownership of the system, and use it as an internal public finance management tool. In the future, it is hoped that the GRMS will also be used as an aid coordination tool for the donor community by for example, providing extensive public investment priorities. (*Ownership and mutual accountability*)

The UN's 2007 assessment of the BiH Public Finance Management (PFM) system concluded that there are *high/significant risks* inherent in the system and therefore cash transfers will only be approved on a case-by-case basis. Nevertheless, through its democratic governance programme, UN agencies continue to work with the BiH authorities to improve the PFM system and the strategic planning processes. (*Alignment*)

In the UNDAF period 2005–2009, the transition to national implementation modalities was delayed by the complexity of government structures. While the proposed programme initially uses direct implementation, transferring to national implementation will be a priority. (*Ownership*) UNDP programmes will be guided by the UNDAF results matrix. The Resident Coordinator's office has established a monitoring and evaluation unit for joint UN programmes; the unit will provide monitoring and evaluation support to individual agencies. (*Managing for results*)

Donor coordination efforts

UNDP participates in all donor coordination mechanisms in sectors where it has active programmes. These include Justice, Public Administration Reform, Security Sector Reform, Mine Action, and SALW control. In addition, the UN agencies hold thematic coordination meetings, on issues such as Youth (UN Youth Group), Gender (UN Gender Group), HIV/AIDS (United Nations Theme Group on HIV/AIDS), and immunization issues (Inter-Agency Coordinating Committee on Immunization Issues). As the Principal Recipient of the Global Fund grant to fight AIDS and tuberculosis, UNDP also participates in the GF Country Coordination Mechanism.

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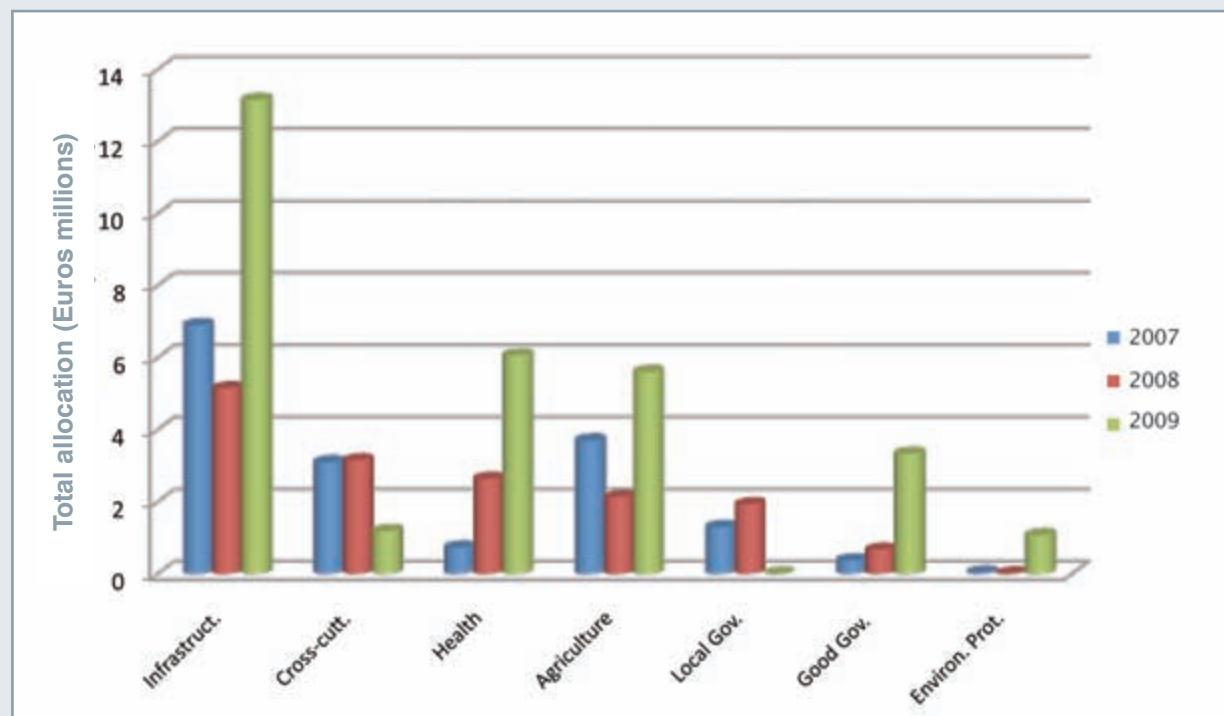
The World Bank

Policy approach and key activities in 2008

The World Bank disbursed **€15.68 million in 2008** and **€30.04 million in 2009** to the following sectors: Infrastructure, Cross-cutting, Health, Agriculture and Forestry, Local Governance, Good Governance and Institution Building, and Environmental Protection.

The World Bank portfolio in BiH currently comprises 15 investment operations with total commitments of US\$267.40 million. The portfolio consists of 12 IDA⁸² credits (US\$224.90 million), one IBRD⁸³ loan (US\$25.00 million), and three GEF⁸⁴ grants (US\$18.30 million). The portfolio is divided among the following sectors: Infrastructure, Agriculture and Forestry, Environmental Protection, Local Governance, Health, and Good Governance. Of the total, US\$ 49.40 million was approved in 2008.

The World Bank 2007-2009 Sectoral Disbursement



Environmental protection: three GEF grants were approved for BiH in response to the country's environmental priorities: *Water Quality Protection* (US\$8.90 million); *Neretva and Trebisnjica Management Project* (US\$6.00 million); and *Forest and Mountain Protected Areas* (US\$3.40 million). The World Bank is also the lead agency in supporting the reform of the solid waste management in BiH. Building on the successes of an ongoing *Solid Waste Management Project* (US\$26.00 million) under which six regional landfills will be constructed by the end of 2009 benefiting 1.7 million people, the *Second Solid Waste Management Project* (US\$40.00 million) will continue to improve the availability, quality, environmental soundness, and financial viability of solid waste management services in the country.

Infrastructure and Energy: the World Bank remains committed to partnerships with BiH and other development agencies in improving infrastructure as a precondition for growth, development and European Union (EU) convergence. Three projects that are currently under implementation in this sector include: *ECSEE APL3* (US\$36.00 million) which facilitates BiH's participation in the Energy Community of South East Europe (ECSEE) through investments to improve dam safety, reduce adverse environmental impact, and rehabilitate distribution system; *Road Infrastructure and Safety Project* (US\$25.00 million) under which investments in road network will be made in order to reduce user costs, improve road safety, and modernize road maintenance practices; and *Urban Infrastructure and Service Delivery*⁸⁵ (US\$25.00 million) aimed at improving availability, quality and reliability of the basic local services – water and sanitation in particular.

⁸² International Development Association – no interest credits with long repayment term.

⁸³ International Bank for Reconstruction and Development – long repayment term and interest rate linked to LIBOR.

⁸⁴ Global Environment Fund

Agriculture: the objective of the *Agriculture and Rural Development Project* (US\$21.00 million) is to improve delivery of services to farmers and food producers, whereas the *Small Scale Commercial Agriculture Development Project* (US\$12.00 million) promotes the introduction of more productive and profitable food processing and production systems in Herzegovina region.

Local governance: although several World Bank financed operations in BiH contribute to local governance agenda, the project that is the most relevant in this area is the *Community Development Project* (US\$20.00 million) that helps improve basic services in the BiH's less developed areas through investments in local infrastructure and services. Project investments are conditioned upon participatory consultation process in reaching decisions about priority investments.

Health: the World Bank continues to support reforms in the health sector. *Health Sector Enhancement Project* (US\$17.00 million) enhances health system efficiency through restructuring and strengthening of primary healthcare along the family medicine model. *Avian Influenza Preparedness Project* (US\$5.00 million) will minimize the threat posed to humans and the poultry industry by highly pathogenic avian influenza and other such viruses.

Good Governance: similar to local governance above, most World Bank financed operations in BiH, include aspects related to strengthening public sector governance. In particular, the *Land Registration Project* (US\$15.00 million) facilitates the orderly development of transparent land markets through the registration of real estate rights, and complimentary policies, while *Forest Development and Conservation Project* (US\$7.10 million) supports reforms in forest organization and management.

Medium- and long-term approach

In accordance with priorities outlined in its Country Partnership Strategy for BiH (2008–2011), and in response to spreading of the global economic crisis to BiH, the World Bank will consider approving additional lending of about US\$220.00 million during the period 2009–2011. This financing will be used in support of municipal development, competitiveness of small and medium-sized enterprises, Sava river navigability, social benefits targeting, health sector enhancement, and irrigation. Budget support in the amount of up to €185.00 million is also considered in response to economic crisis and in support of the country's reform program.

Donor coordination efforts

The World Bank participates in several sector-level donor coordination efforts. Particularly noteworthy is sectoral coordination in the Energy sector for which substantial donor financing was provided in a coordinated manner. Agriculture sector is also good example of donor coordination. In both cases local institutions play a lead role in donor coordination.

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