

ANNEX

Instrument for Pre-Accession Assistance (IPA)

Multi-annual Indicative Planning Document

(MIPD)

2011-2013

Bosnia and Herzegovina

Executive summary	3
1. IPA Strategic objective.....	4
2. Strategic planning of IPA assistance.....	4
2.1. Country challenges and needs assessment	4
2.2. National strategies	7
2.3. Relations with the EU	7
2.4. Lessons learned	8
2.5. Consultations with stakeholders and donors	9
2.6. Selected priorities for EU assistance.....	9
3. Main sectors for EU support for 2011 - 2013	10
3.1. Justice and Home Affairs	13
3.2. Public Administration Reform	15
3.3. Private Sector Development.....	17
3.4. Transport	19
3.5. Environment and Climate Change	20
3.6. Social Development	20
List of abbreviations.....	23

Executive summary

The purpose of this Multi-Annual Indicative Planning Document (MIPD) is to set out the EU's priorities for assistance to Bosnia and Herzegovina for the programming period 2011-2013.

The MIPD is based on the needs identified in the latest progress report (adopted on 9 November 2010 as part of the Enlargement Package) and in line with the country's own strategies. The Government of Bosnia and Herzegovina, local stakeholders, EU Member States and other donors have all been consulted in the design of this MIPD.

The Commission has taken a number of steps to enhance the strategic nature of this process over the last few years and to strengthen the link between the priorities established in the progress reports and the programming of assistance. To better illustrate this focus, and to strengthen ownership by the beneficiary countries, the Commission will increase its use of a sector-based¹ logic in its planning of pre-accession assistance.

To date, the number of fully fledged sector programmes developed by IPA beneficiary countries is limited. Nonetheless, by beginning to focus increasingly on priority sectors the Commission can better support the development of such programmes on which EU and other donor assistance can then be based.

To increase the impact of IPA assistance and to give greater focus to achievable results, the Commission has decided to concentrate its efforts on targeted sectors. A sector approach will facilitate cooperation among donors and beneficiaries, where possible under the lead of the national authorities, eliminating duplication of efforts and leading to greater efficiency and effectiveness. This in turn should allow all stakeholders to focus increasingly on the impact of our combined efforts.

The following priorities for IPA support over the period covered by this MIPD have been identified:

- Supporting the strengthening of the rule of law by assisting the country to reform its justice sector and to fight against organized crime and corruption;
- Improving the capacity and efficiency of the public administration and setting a professional civil service, so to support the country's efforts to improve the functioning of the institutions at all levels of governance.
- Supporting social and economic development, in particular assisting the country in its efforts to develop the SME sector, to alleviate unemployment and to reform the education system to help adapting the qualification framework with the requirements of the labour market, and to invest in transport and environment infrastructure.

To achieve the priorities in the programming period 2011-2013, the Commission will focus its assistance primarily on the following sectors:

- Justice and Home Affairs;
- Public Administration Reform;
- Private Sector Development;
- Transport;
- Environment and Climate Change;
- Social Development

¹ Or programme-based approach where the selected priorities span across sectors

1. IPA STRATEGIC OBJECTIVE

The overall objective of EU financial assistance to Bosnia and Herzegovina is to support its efforts for reform and towards compliance with EU law in order that it may become fully prepared to take on the obligations of membership to the European Union.

The Europe 2020 agenda offers the enlargement countries an important inspiration for reforms. Bosnia and Herzegovina is invited to consider the priorities of the strategy and adapt main challenges in the national context. Enlargement policy also supports the Europe 2020 strategy by extending the internal market and enhancing cooperation in areas where cross border cooperation is key.

2. STRATEGIC PLANNING OF IPA ASSISTANCE

2.1. Country challenges and needs assessment

Bosnia and Herzegovina is a country with a surface area of 51,209 km² and with an estimated population of 3.9 million people.² The population has declined due to the 1991-1995 war that devastated the country. Today 117,000 are still refugees or internally displaced persons³. The largest city is the capital, Sarajevo, which is home to approximately 400,000 people.⁴ The country's population has a distinct ethnic and confessional composition consisting of Bosniak (44%), Serb (31%) and Croat (17%) and other ethnicities (8%); of Muslim (40%), Orthodox (31%), Roman Catholic (15%) and other religions (14%). Bosnia and Herzegovina's fertility rate is 1.25 children born per women, whilst life expectancy stands at roughly 82 years for women and 75 years for men. According to 2009 estimates the country's age structure has 15% of the population being under 14 years, 70% being between 15 and 64 years and 15% being over 65 years. Population density is 75.1 per km².

Bosnia and Herzegovina's Constitution, which is contained in Annex IV to the Dayton/Paris Peace Agreement (DPA), signed in 1995, establishes a complex political structure that provides for governments at State, Entity, and District levels. The State level is comprised of a tripartite rotating Presidency, a Council of Ministers (executive branch) and a two chamber Parliamentary Assembly consisting of a House of Representatives (lower chamber) and a House of Peoples (upper chamber). The judicial branch consists of a Constitutional Court and a High Judicial and Prosecutorial Council.

The constitutional set-up establishes an exceptionally complex institutional architecture that offers many possibilities for political obstructionism. The misuse of this architecture and complex rules on quorums prevents swift decision-making and, therefore, hampers reform and the country's progress towards the EU. Furthermore, Bosnia and Herzegovina's constitution contravenes the European Convention on Human Rights as it discriminates against citizens who do not belong to one of the three constituent peoples (Bosniak, Serb, and Croat), 8 % of the population.

Bosnia and Herzegovina needs to amend its complex constitutional framework to improve the functioning of the institutions and to bring them into a position to adopt, implement and enforce the laws and rules of the EU. Public administration reform needs to continue to increase the efficiency of the public sector, e.g. by improving the coordination between the various administrations and by enhancing public financial management structures and capacities. The civil service reform will have to continue. Fiscal policies need to become more prudent so that public finances turn onto a more sustainable path. In addition, the

² Figures are based on EUROSTAT data of 2006/2007. According to the last census in 1991, the population was 4.4 million.

³ UNHCR, January 2009.

⁴ 526,000 inhabitants according to the 1991 census.

country needs to accelerate the justice sector reform. The complex legal framework, the fragmentation of the judiciary and the absence of a single budget prevent the independency and the efficiency of the judiciary. Law enforcement needs to be strengthened to better support the fight against corruption and organised crime. The penitentiary has to adapt to European standards.

In 2009, the country endured recession with real GDP dropping by 2.9%.⁵ The economic downturn was mainly caused by a drop in private domestic consumption, falling investments and a contraction of external demand. Driven by the fall in imports, the current account improved remarkably and the deficit more than halved to 6.8% of GDP. In 2010, the economy of Bosnia and Herzegovina moderately recovered from the recession with real GDP growth expected to reach around 0.5%. The recovery in 2010 is driven by exports which increased by 29% in the first three quarters, reflecting the stronger economic growth of some of BiH's main trading partners in the EU, in particular Germany, and higher international demand and prices for BiH's main export products such as minerals and other commodities. Bosnia and Herzegovina's trade deficit with the EU has decreased since 2008 following the entry into force of the Interim Agreement to the Stabilisation and Association Agreement and the related trade facilitations (see 2.3 below). The consumer price index fell by 0.4% in 2009 but picked up again in 2010 when inflation is expected to reach 1.8%. Bosnia and Herzegovina's external public debt increased by 22.6% in 2009, compared to 2008, and stood at 21.9% of the GDP. In the first three quarters of 2010, it rose by another 11%, mainly due to disbursements in the context of the IMF programme.

As a small open economy, Bosnia and Herzegovina is highly dependent on the developments in the foreign markets. Export-oriented sectors will continue to play an important role in the country's development, and developments in these sectors will continue to be the primary drivers of its economic outcomes. Recent global developments and the way they affected the economy indicate that recovery in the foreign markets should drive the recovery of the BiH economy in the medium-term, predominantly in the processing industries. The base metals, metal products, machines and instruments and wood and wood products are the most important components of export, and at the same time the basic inputs for industrial production of the EU countries. Chemical industry is another important sector, also highly dependent on global developments. The energy sector, not severely affected by the crisis, is expected to have significant positive contribution to the BiH economic growth, both directly as well as indirectly as the recovery of major industries increases domestic demand for energy. The expected recovery in housing construction will accelerate growth in production of construction materials in the medium term.

As sufficient fiscal space had not been created in the years prior to the crisis and high spending commitments prevailed, public finances came under severe stress when revenues declined in 2009 as a result of the economic contraction, so that the BiH authorities had to resort to the international community for external support. The fiscal adjustment measures agreed with the IMF and the World Bank for the 2009 and 2010 budgets contributed to a consolidation of public finances, while some important structural reforms, in particular concerning the system of social benefits, have been advanced. In March 2010, the International Monetary Fund (IMF) approved the first review of the Standby Arrangement with Bosnia and Herzegovina which resulted in the release of the second and third tranches amounting to approximately EUR 140 million. The IMF Executive Board completed the second and third reviews of BiH's economic progress under the programme on 15 October, which enabled the fourth tranche to be disbursed. An IMF mission visited BiH in the first half of November and began discussions of the fourth review. Discussions with the authorities will continue as soon as the formation of the new governments has advanced.

⁵ National sources (Central Bank of Bosnia and Herzegovina, Statistical Office) are used for data in this paragraph.

The World Bank approved a development policy loan of \$111 million in April 2010, which it disbursed in early October. The European Union approved macro-financial assistance of EUR 100 million in November 2009. The Memorandum of Understanding and the related Loan Agreement with Bosnia and Herzegovina have been signed and are now in the process of being ratified by the authorities.

Unemployment was growing throughout 2010, but slowly and at a decelerating pace. The total rate of registered unemployment reached 43.2% in October. Nearly half of the younger age group is unemployed and the labour market participation of women is low. The education system does not respond to the needs of the labour market and life-long learning concepts do not exist. The economic crisis increased the risks for vulnerable groups, from which Roma continues to be the most vulnerable. Refugees and internally displaced persons still have problems with economic reintegration and access to health care, social protection and pensions remains the main obstacles to sustainable return.

Bosnia and Herzegovina faces the challenge to improve the competitiveness and the productive capacity of its economy. Reforms of the legal and policy framework in line with the requirements of the IA/SAA and enhancing the development of the small and medium enterprise (SME) sector are crucial in this regard. In addition, Bosnia and Herzegovina has to accelerate aligning legislation and policies with European standards, and in particular where such standards produce catalytic effects on growth, investments and employment, namely in agriculture, transport, and environment.

Bosnia and Herzegovina has to facilitate the access of unemployed to the labour market by improving the business environment, reducing structural rigidities and by reforming the system of social benefits as the high and poorly targeted social transfers can provide disincentives to work. In addition, the education system needs to be reformed as it does not respond to the needs of the labour market. This requires comprehensive reforms in primary, secondary and higher education and vocational education and training (VET). The implementation of the adult education strategy will also facilitate the access of unemployed to the labour market.

Bosnia and Herzegovina has to improve the conditions for vulnerable people, in particular children and youth, Roma, people with disabilities and elderly people. In addition, Bosnia and Herzegovina has to implement the revised strategy for the implementation of Annex VII to the Dayton Peace Agreement (DPA) on refugees and internally displaced persons.

In August 2010, 10,402 persons were still missing from the conflicts in Bosnia and Herzegovina⁶. Some areas have still not been cleared by landmines. Between September 2009 and September 2010, 9 people were killed and 17 injured in landmine accidents⁷. Bosnia and Herzegovina will have to continue to implement the mine action strategy to reduce the risk of loss of life and injury, but also because remaining land mines pose a serious obstacle for the economic development of the contaminated areas.

The European Commission Communication on the Enlargement Strategy and Main Challenges 2007-2008 and the last Strategy Documents (2008, 2009 and 2010) underlined the importance of civil society being able to play its role in a participatory democracy. The "Civil Society Facility" (CSF), financed under both the IPA Multi-beneficiary and the IPA national programmes, was set up as tool to financially support the development of civil society. The CSF includes actions to strengthen freedom of expression, as it represents a basic precondition for a functioning democracy. An adequate legal framework allowing media to operate freely needs to be put in place. A network of technical assistance desks (TACSO) has been established in the Western Balkans and became operational in autumn 2009. Also, Local Advisory Groups have been established consisting of representatives from the EU delegations, governments, civil society and other donors.

⁶ International Commission on Missing Persons, ICMP

⁷ BiH Mine Action Center, September 2010

2.2. National strategies

Bosnia and Herzegovina has prepared a country development strategy (CDS) and a social inclusion strategy which will serve as basis for the national development plan. Both strategies and the related action plans are yet to be adopted by the Council of Ministers. The proposed goals and priorities for the CDS are strengthened macroeconomic stability, sustainable development, competitiveness, employment, EU integration and social inclusion. The final goal of the CDS, social inclusion, forms the basis of the social inclusion strategy, for which five key goals and priorities have been identified: improve pension policy, improve protection of families with children, improve the health care system, improve the education system, and improve employment and social policies.

Other related and adopted country strategies are the public administration reform (PAR) strategy, the justice sector reform strategy, the European Integration strategy and the strategy against corruption and organised crime. The strategies are in line with the enlargement priorities and Bosnia and Herzegovina will need substantial assistance for their implementation.

2.3. Relations with the EU

Bosnia and Herzegovina is a potential candidate for EU membership. The Stabilisation and Association Agreement (SAA) with Bosnia and Herzegovina was signed in June 2008 and is ratified by all Member States. The Interim Agreement (IA) which focuses on trade and other Community related competences entered into force in July 2008. The implementation of the IA is uneven. Although in some areas implementation is progressing smoothly, the country is in breach of the IA/SAA due to non-compliance with the European Convention on Human Rights (Article 1 of the IA) and with the rules on State Aid (Article 36 of the IA). Efforts to address these obligations under the IA/SAA – which is also a European Partnership priority – need to be stepped up.

The EU deploys considerable resources in Bosnia and Herzegovina under the Common Foreign and Security Policy and the Common Security and Defence Policy. The EU Special Representative offers the EU's advice and facilitation to help Bosnia and Herzegovina to meet the requirements for EU membership. The EU Police Mission supports Bosnia and Herzegovina in the fight against organised crime and corruption. The EUFOR/ALTHEA military operation remains present in the country and contributes to maintaining a safe and secure environment. The EU contributes through the Instrument of Pre-accession Assistance (IPA) 53% of the budget of the Office of the High Representative (OHR).

The Justice and Home Affairs Council on 8/9 November 2010 completed the procedure for the adoption of a Commission proposal to lift short term visa requirement for the citizens of Bosnia and Herzegovina travelling to Schengen countries. The decision was published on the EU Official Gazette on December 14 and entered into force the day after. The visa dialogue with Bosnia and Herzegovina continues in the framework of a post liberalisation monitoring mechanism. As a reaction to the increased numbers of asylum seekers from some Western Balkans countries following visa liberalisation, contextually to the Council decision of the last November, the Commission announced its initiative to continue a structured dialogue on all issues covered by the visa roadmap and establish an alert mechanism for the prevention of new possible flows of asylum seekers or overstayers from the region. A first report will be presented to the Council and the European Parliament in June 2011.

As regards pre-accession financial assistance, the European Commission allocated a total of EUR 331 million under the Instrument for Pre-accession Assistance (IPA) to Bosnia and Herzegovina over the period 2007-2010. The EU Delegation to Bosnia and Herzegovina is responsible for the implementation of financial assistance in the country. A Framework Agreement on the rules of cooperation concerning IPA financial assistance was signed on 20 February 2008. Financing Agreements were concluded for the IPA National Programmes 2007-2009 and the implementation of the programmes is ongoing.

2.4. Lessons learned

While the first years of OBNOVA and CARDS (1995 – 2002) focused on the restoration of infrastructure and the return of refugees and internally displaced persons, the emphasis since 2003 shifted to institution-building and to assistance to Bosnia and Herzegovina to comply with the requirements of the European Partnership.

EU assistance was successful in the reconstruction of infrastructure after the war and in supporting the return of refugees and internally displaced persons. Bosnia and Herzegovina benefited from integrated reconstruction programmes involving buildings, water, 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.

Despite the efforts of EU assistance to support key reforms, 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. The complex constitutional set-up, insufficient political support and an overall weak administrative capacity have not been conducive to reform implementation.

In 2010 the European Commission mandated an interim strategic evaluation of IPA pre-accession assistance to Bosnia and Herzegovina to provide an assessment of the intervention logic of IPA assistance and a mid-term Meta evaluation of IPA assistance to analyse and consolidate relevant findings, conclusions and recommendations resulting from different evaluations. The findings and recommendations of the evaluations were not yet available at the time of preparing the MIPD.

Experience with previous CARDS assistance as well as the recommendations of the evaluation of the CARDS assistance to the Western Balkan countries in 2004 and the 2008 ad hoc evaluation of the CARDS programme in Bosnia and Herzegovina leads to the following considerations:

Increasing local ownership and gradual decentralisation of EU assistance to Bosnia and Herzegovina is essential for effective targeting of the support and achieving the agreed results. Therefore significant efforts have been undertaken to involve Bosnia and Herzegovina's institutions in the planning and programming process of EU assistance, in particular the Directorate for European Integration benefits from substantial institution and capacity building support.

A number of assistance projects in Bosnia and Herzegovina did not achieve the expected results because of an insufficient sense of ownership on the part of the beneficiaries. The lesson learned is that EU assistance must not only reflect European Partnership priorities but, in the broader sense of the Paris Declaration, must also be interlocked with Bosnia and Herzegovina's own development and action plans. Future EU assistance will therefore gradually shift to sector support, will promote ownership by ensuring that projects are in line with Bosnia and Herzegovina's own reform strategies and by enhanced participation of beneficiaries in the programming process.

The interim evaluation (PHARE 1999-2002) and the ex-post evaluation (PHARE 1999-2001) of EU pre-accession assistance have also highlighted a number of lessons for future assistance. Especially the latter's recommendations on better balancing the three Copenhagen criteria and support for a broader, multi-pronged approach to address political criteria, have led to a strong focus in the MIPD on the political criteria, in particular to the reform of the justice sector and the public administration reform. The 2008 ad hoc evaluation of the CARDS programme confirmed that political consent is a pre-requisite to establish or reform institutions or to re-balance State and Entity responsibilities.

An audit by the European Court of Auditors in 2007 on EU support for the judicial sector noted shortcomings on the side of the beneficiaries in ensuring the maintenance of buildings, infrastructure and equipment financed by the European Commission. Future EU investments will be conditional on strategic planning and capacity by Bosnia and Herzegovina to ensure follow-up maintenance.

In the course of programming the IPA national programmes, the Commission and the beneficiaries identified a number of proposed projects which carried political risks of various degrees, i.e. most of the projects to implement the European Partnership require reforms which are not necessarily endorsed by all competent authorities in Bosnia and Herzegovina. During the programming, the Commission and the beneficiaries will aim at minimising the risks by selecting projects for which the following conditions were met, to the extent required for implementing the project: existence of a political agreement, appropriate legal/regulatory framework in place, State or Entity budget allocated to support the reform process and existence of sufficiently equipped institutions with adequate absorption capacity.

The Commission will further develop the risk assessment methodology for the programming of future national programmes.

2.5. Consultations with stakeholders and donors

One of the key conclusions of the donor coordination conferences in 2008 and 2009 is the need to move towards a sector wide approach. To facilitate the identification of relevant sectors and to assess how best to move towards a sector approach in the different areas concerned, the Commission, the BiH Directorate for European Integration and the relevant BiH ministries and institutions prepared so-called sector identification fiches. The fiches compile key information on the stakeholders (beneficiaries and donors) in given sectors, conduct a first preliminary assessment of the related strategies in place and link them to the requirements of the Stabilisation and Association Agreement (SAA) and to the conclusions of the Progress Report.

The Commission, the Directorate for European Integration and the Donor Coordination Unit in the BiH Ministry of Finance and Treasury held a series of consultation workshops in June 2010, to which representatives from the line ministries, other relevant institutions, selected donors and civil society organisations were invited to participate. Workshops were held in the areas of social inclusion, small and medium-sized enterprises (SME), education and employment, civil society, judiciary, law enforcement, public administration reform, environment, transport and energy. The objective of these workshops was to identify strategic objectives, expected results, benchmarks and indicators for financial assistance in the period 2011-2013. In combination with the outcome of the sector assessments the workshops helped to identify areas where IPA or other donors support can be better aligned with the existing strategies and action plans to gradually move towards a sector approach.

The reform of the justice sector represents a key component for the integration process of Bosnia and Herzegovina into the EU. To identify priority areas for future EU support for the reform of the justice sector the Commission mandated a team of Member States judicial experts to conduct a fact finding mission in May 2010. The objectives of the team were to identify and analyse specific areas in the justice sector where the lack of progress is particularly relevant to the European integration process and that could therefore be considered for future IPA support. The findings and recommendations of the fact finding mission were presented to and discussed with the Ministries of Justice, the High Judicial and Prosecutorial Council, the court and the prosecutor's office of Bosnia and Herzegovina in July 2010 and served as a basis for the sectoral strategy planning in the MIPD 2011 -2013. The draft MIPD 2011-2013 was presented other bilateral and multilateral donors and the International Financial Institutions (IFIs) in September 2010 and to Member States in September 2010, and, further developed, in December 2010.

2.6. Selected priorities for EU assistance

The following priorities for IPA support over the period covered by this MIPD have been identified:

- Improving the independence and efficiency of the judiciary and the law enforcement capacities and reforming the penitentiary system in line with European standards.

- Improving the capacity and efficiency of the public administration and setting a professional civil service.
- Supporting economic and social development.

The priorities have been selected because of their remarkable significance for the country's progress in the pre-accession process. Overcoming the economic crisis, social inclusion and strengthening the rule of law and public administration were identified as key challenges in the Enlargement Strategy 2010–2011. The 2010 Progress Report concludes that Bosnia and Herzegovina has to step-up its efforts in the areas of justice and public administration reform and that despite a moderate economic recovery, unemployment remains at very high levels and fiscal adjustment measures, as well as economic reforms have to be pursued with determination to enable the country to recover, and, over the long term to cope with the competitive pressure and market forces of the Union.

The above EU assistance priorities support Bosnia and Herzegovina's own reform strategies, in particular the Country Development Strategy, the Justice Sector Reform Strategy, the Public Administration Reform Strategy and the Social Inclusion Strategy.

3. MAIN SECTORS FOR EU SUPPORT FOR 2011 - 2013

This chapter describes the sectors selected for the programming period covered by this MIPD and provides information on past and ongoing assistance, other donors in the field and the objectives of EU assistance. Assistance under the MIPD will support Bosnia and Herzegovina's efforts to implement its reform strategies and related action plans and will, as it concern institution building, be provided to the relevant levels of governance. Common to all sectors is that assistance is coordinated by the Sector for Coordination of International Economic Aid (SCIA) in the Ministry of Finance and Treasury when it concerns international economic aid and by the Directorate for European Integration when it concerns pre-accession assistance and the EU integration process. Both institutions are responsible for the coordination of donor activities, to ensure complementarities and to prevent overlapping of assistance.

In line with the Europe 2020 Strategy, Bosnia and Herzegovina also needs to ensure that the challenges linked to climate change are addressed, in particular by reducing the emission intensity of its economic development. The aim to reduce greenhouse gas emissions shall be taken into account in all relevant sectors of the MIPD, in particular in the sectors of transport, environment and climate change and in the support to the agriculture. Furthermore, all financial assistance must comply with the principle of sustainable development and meet the requirements of the relevant EU environment acquis, in particular the environmental impact assessment (EIA) as well the birds and habitats directives.

The complex institutional architecture of the country impedes the implementation of assistance in important sectors. Future EU assistance is conditional to political agreement between State and Entity authorities on the implementation of projects.

The assignment of responsibilities among the different donors in the particular sectors will be agreed during the programming of the subsequent annual programmes.

To achieve the priorities selected for support in the programming period 2011 – 2013, the Commission will focus its assistance primarily on the following sectors:

Justice and Home Affairs: The development of an independent and effective judiciary in line with European standards, the reform of the penitentiary, as well as improving the law enforcement capacities to continue the fight against corruption and organised crime are important conclusions of the Enlargement Strategy. Support for these sectors is in line with Bosnia and Herzegovina's justice sector reform strategy, the anti-corruption strategy, the national war crimes strategy, the integrated border management strategy, and a number of

police reform related laws. The cooperation with civil society is an important element of the justice sector reform.

Public Administration Reform: The Enlargement Strategy concludes that Bosnia and Herzegovina needs to amend its complex constitutional framework to improve the functioning of the institutions and to bring them into a position to adopt, implement and enforce the laws and rules of the EU. Support for this sector is based on Bosnia and Herzegovina's own reform strategies, in particular with the Public Administration Reform Strategy and the associated action plan. An important objective of the Public Administration reform will be the participation of civil society in the policy formulation and decision making process.

Private Sector Development: in line with the conclusion of the enlargement strategy and its obligations under the IA/SAA, Bosnia and Herzegovina needs to improve the regulatory framework, in particular as it concerns the development of the SME sector and needs further substantial support to recover from the consequences of the economic crisis. EU support will assist the country's efforts to cope over the long term with competitive pressure and market forces within the Union. Support for the private sector development closely follows Bosnia and Herzegovina's own reform strategies, in particular the SME development strategy. Considering that almost 20% of the employment is provided by agriculture, forestry and fishery and that almost 50% of the country's surface is used as agricultural area⁸, the support for reforming the agriculture and developing rural areas will contribute to the strengthening of the economy by providing employment opportunities, provide for trade and will contribute to the improvement of environmental conditions.

Transport: Transport is a key element in the EU's cooperation with its neighbouring countries to promote sustainable economic growth, trade and cultural exchange. Candidate and potential candidate countries are called to align themselves with EU legislation on transport in the interest of a well functioning internal market. Bosnia and Herzegovina is a transit country for the trans-European networks, in particular for the Corridor Vc from Budapest to the harbour of Ploče in Croatia. Therefore it is in the EU's best interest to support Bosnia and Herzegovina to comply with the Memorandum of Understanding on the core transport networks. Supporting the transport sector, in particular, in line with the enlargement strategy, the upgrading of transport infrastructure, will generate a number of catalytic effects, e.g. supporting industrial and agricultural production, trade, employment, and improving environmental conditions. Bosnia and Herzegovina adopted a number of transport related strategies, which will serve as a basis for EU support, in particular the transport master plan, the Sava River basin strategy, the investment plan for railway development and the air space development strategy.

Environment and Climate Change: Investments in environmental infrastructure will not only avoid further pollution and will improve environment protection, but may also support the recovery from the economic crisis by attracting foreign investments and providing for new jobs for the local work force. Assistance to the environment as provided for in the enlargement strategy, is supporting the Europe 2020 strategy.

Social Development: Supporting Bosnia and Herzegovina's efforts to bring unemployed people back into regular employment will assist the social protection system and will contribute to a reduction of wide spread poverty. Social inclusion and the support for vulnerable groups, including Roma, is an obligation for BiH under the enlargement policy. The reform of the education sector and the implementation of an adult learning system will support the requirements of the labour market. Increased labour market participation and promoting social inclusion and fighting poverty link to the Europe 2020 agenda.

⁸ Eurostat - Candidate and potential candidate countries, Agriculture, a comparison with the EU, 2009 edition.

According to the Multi-annual Indicative Financial Framework for IPA for the years 2011-2013⁹, Bosnia and Herzegovina will receive an indicative allocation of EUR 328.7 million of pre-accession funds. The planned allocation per sector and per year is presented below:

Indicative Financial Allocation per Sector (€million)

2011-2013	Period 2007 - 2010	Period 2011 - 2013	
Justice and Home Affairs	38.64	55.00	17.5 %
Public Administration Reform	51.55	40.00	12.7 %
Private Sector Development	28.10	50.00	15.9 %
Transport	22.30	35.00	11.1 %
Environment and Climate Change	72.70	54.22	17.3 %
Social Development	46.75	40.00	12.7 %
<i>Acquis</i> related and other Actions	52.54	40.00	12.7 %
TOTAL	312.58	314.22	100%

The financial assistance will be implemented through the relevant IPA components as follows:

In € million

IPA Component	2011	2012	2013
Transition Assistance and Institution Building	102.68	104.67	106.87
Cross-border Cooperation*	4.75	4.80	4.94
TOTAL	107.43	109.47	111.81

* IPA Component II, Cross-border cooperation, is covered by a separate MIPD

Financial allocations are indicative and may vary according to actual financial needs identified at time of programming.

In addition, IPA may finance actions that fall outside the scope of these sectors such as, but not limited to: i) project/sector programme identification and preparation; ii) *acquis* related actions that need to be adopted/implemented according to an established timetable (e.g. negotiating framework, NPAA, adapting the policy and institutional framework for the preparation of EU pre-accession assistance to agriculture and rural development, electronic communication or information society); iii) participation in EU Programmes to which the country becomes eligible unless they are included in one of the sectors chosen above; iv) support measures for the implementation, monitoring and audit of IPA programmes; v) as well as measures to support confidence building and reconciliation.

Equal opportunities and non-discrimination will be respected as regarding gender at the programming and implementation stage, particularly in relation to socio-economic support programmes. Minority and vulnerable groups' concerns will be reflected in all activities programmed under IPA, in particular when it concerns public services, legislative matters and socioeconomic development.

⁹ COM (2009) 543 of 14 October 2009.

3.1. Justice and Home Affairs

3.1.1 Description of sector

Bosnia and Herzegovina's justice sector is not in line with European Standards. The fragmented legal and structural framework across the country hampers efficiency and the backlog of cases and political interference in the justice sector continue to be a cause of concern.

Bosnia and Herzegovina adopted a justice sector reform strategy and an action plan for the period 2009-2013 as well as a number of other pertinent strategies, in particular the national strategy for war crimes prosecution, care of court users strategy, the action plan for the reduction of backlog cases, strategy of the Ministry of Justice for 2009-2011, and the 2007-2012 strategy for the High Judicial and Prosecutorial Council. In the coming years, significant efforts are needed to ensure implementation of, in particular, the justice sector reform strategy and the national war crime strategy.

Bosnia and Herzegovina is progressing slowly in the area of police. The police reform laws were adopted in 2008, the strategy on police reform was adopted in 2009 and key vacancies in the relevant bodies were filled in 2010. Further efforts are necessary to strengthen cooperation and exchange of information among the police agencies which requires the constructive involvement of all levels of government. Police reform remains a key process to be completed.

In line with the recommendations of the 2010 ELARG strategy, fighting corruption is a crucial challenge for most of the countries in the enlargement process. Tangible results and credible track-record in the fight against corruption are important elements for moving forward in the stages of the EU accession process. Financial assistance will pay particular attention to this aspect, as corruption remains prevalent in many areas and needs to be tackled. The anti-corruption strategy and the 2009-2014 action plan were adopted in 2009 and Bosnia and Herzegovina took first measures to prevent corruption. However, corruption remains a serious problem in the public and private sector, negatively affecting the judiciary, tax and customs administrations, public procurement and privatisation. Anti-corruption policies and measures need to be adequately implemented. In parallel it is crucial to create the conditions for substantial improvements in investigation and prosecution of corruption.

Bosnia and Herzegovina's preparations in the area of border management have advanced, particularly within the framework of the visa liberalisation dialogue. However, there is a need to intensify and to support those efforts. The integrated border management strategy and action plan were adopted in 2008 but their revision is pending. Further efforts are needed to strengthen the border management infrastructure. The immigration and asylum strategy and action plan were adopted in 2008 and, since, the asylum and protection system in the country has been enhanced and has come into operation.

Bosnia and Herzegovina started to address its objectives to fight against money-laundering, drugs, trafficking in human beings, organised crime and terrorism. However, further efforts are needed in all of these sectors. Administrative structures and enforcement of legal provisions remain weak. Bosnia and Herzegovina adopted a number of specific strategies but their implementation requires sustained initiatives.

Thanks to the availability of the strategies, in particular the justice sector reform strategy, the budget allocations in the State budget as well as the interest of other donors, this sector will be supported through a sector wide approach in which the EU will be the lead donor.

3.1.2. Past and ongoing assistance (EU and other donors)

The justice sector benefits substantially from past and ongoing EU assistance. EU assistance supports the implementation of an efficient prison management system, enhances the capacities of the Ministries of Justice, develops a case management system for courts and prosecutors offices, strengthens the State court and prosecutors offices capacities to deal with war crimes and organised crimes, contributes to the construction of a high security State prison, delivers IT equipment and legal literature to judicial institutions, supported the human

rights commission within the constitutional court, and provided capacity building to the High Judicial and Prosecutorial Council.

Other active donors in the area of justice sector reform are in particular Austria, Germany, Italy, Norway, Spain, Switzerland, Sweden, the Netherlands, the United Kingdom, and the United States.

Law enforcement benefits substantially from past and ongoing EU assistance. CARDS and IPA provided information and telecommunication systems and equipment to support police operations. Further support was provided to police bodies at all levels and to the prevention of money laundering and drug abuse. Through twinning and technical assistance the EU continues to support the police reform process and helps building the capacities of the Ministry of Security, the personnel data protection agency and the anti-corruption agency. Further support is set aside for the Financial Intelligence and Crime Investigation Units in the State Intelligence and Protection Agency and the Directorate for Co-ordination of Police Bodies. In addition, IPA allocates substantial funding to assess relevant legislation in the light of the EU *acquis* and to strengthen the capacities of police bodies and other institutions and agencies in order to improve the cooperation and coordination in the area of law enforcement. Under CARDS, substantial funding was provided to improve the border management infrastructure. IPA continues to support integrated border management, finances the construction of an asylum centre and helps strengthening the capacities of the BiH institutions to effectively manage migration.

Under its Common Foreign and Security Policy, the EU continues to deploy the European Union Police Mission to Bosnia and Herzegovina which provides crucial support to the area of law enforcement. Without prejudging relevant political decisions, planning of the EU to support institution building on rule of law and police reform after the expiration of the mandate of the EU Police Mission in December 2011, is under way. Other donors in the field are Austria, Spain, Switzerland, the Netherlands and the United States.

3.1.3. Sector Objectives for EU support over next three years

Based on the findings of the Progress Report and the objectives of the judicial sector reform strategy, the following specific objectives have been identified as key priorities for support to the justice and home affairs sector:

Strengthen the independence of the judiciary, enhance efficiency and effectiveness and improve the accountability of the judiciary.

Indicators:

- Improved legal framework for the judiciary;
- Transparent budgetary procedures;
- Reduced length of court proceedings and backlog of cases;
- Improved judicial facilities, particularly at Entity and lower level;
- Improved training systems for all staff in the judiciary;
- Improved witness protection;
- Introduced performance monitoring mechanisms;
- Improved legal framework for disciplinary proceedings.

Improve the situation of vulnerable groups in the penitentiary, ensure proper treatment of all prisoners in accordance with EU standards and reduce overcrowding in prisons.

Indicators:

- Relevant legislation prepared, adopted and implemented;
- Improved training system for all penitentiary staff established;
- Improved health care for prisoners;
- Alternative criminal sanctions introduced and implemented.

Support the harmonisation of law enforcement legislation between the different levels of governance and with EU standards and enhanced cooperation and coordination among the law enforcement institutions, including with the judiciary and international counterparts.

Indicators:

- Assessment of the existing legal framework accomplished and legal drafting process completed;
- Data management and exchange improved, better trained staff;
- Strengthened capacities of the law enforcement bodies to better fight organised crime and corruption;
- Progress in the implementation of the integrated border management strategy.

Increase the awareness of the rights of citizens and to enhance their confidence in the judiciary and law enforcement institutions.

Indicators:

- Civil society organisations watchdog and advisory capacities developed.

3.2. Public Administration Reform

3.2.1. Description of sector

The area of public administration reform comprises civil service reform, public administration reform (PAR) strategy implementation, public procurement and financial management, parliament, statistics, and civil society.

Bosnia and Herzegovina's complex institutional structure established by its constitution continues to undermine the country's efficiency. The comparatively large public sector continues to drag resources from more productive sectors of the economy. So far, no agreement was found on how to consign the State government with the competences and authority needed to meet the minimum requirements of the EU accession process. Significant further efforts towards an efficient, professional, stable, accountable and transparent civil service are needed at all government levels as well as the harmonisation of the divergent civil service legislation across the country.

In 2006, the country adopted a PAR strategy and a corresponding first action plan but did not commit a budget to its implementation. Instead, a donor funded PAR fund with a volume of EUR 5.5 million was set up and is managed by the PAR Coordination Office. The PAR fund has so far financed 14 reform projects. However, as donors gradually withdraw from Bosnia and Herzegovina, the long-term sustainability of the fund is uncertain. So far, Bosnia and Herzegovina has not shown any initiative to provide own funding as compensation for the expected gap in the PAR fund.

The preparations in the field of public procurement are still at an early stage as a new public procurement law taking into account new EU Directives has not yet been adopted. Coordination mechanisms and administrative capacities are weak and policy coherence needs to be improved. The financial management and control systems in Bosnia and Herzegovina need to be further developed. Public Internal Financial Control in the State and Entity

administration has been introduced but the capacities and coordination between Entities are limited.

The absence of reliable statistics, in particular for national accounts, business and agricultural statistics is an obstacle to the accession process. Closer cooperation between the statistical offices at Entity and State-level is essential. Although cooperation agreements with civil society organisations exist at State and Entity-level as well as in the municipalities, civil society organisations are often excluded from the decision-making processes and funding mechanisms are not transparent.

3.2.2. Past and ongoing assistance (EU and other donors)

Public administration reform benefits substantially from past and ongoing EU assistance, in particular in the areas of policy making capacities, IT systems to key public institutions, preparation of decentralised implementation of assistance, PAR Coordination Office capacity building, civil service reform, and reform of the public procurement system. Furthermore, the EU is prepared to support domestic efforts to develop the necessary constitutional amendments, once a political agreement is in sight.

In the area of statistics, substantial support was programmed for the preparation of the population and housing census, mainly in the form of capacity building for the State and Entity statistical agencies and in the procurement of equipment to prepare and conduct the census. Considerable IPA funding is allocated to civil society development, in particular to build the capacities of civil society to actively take part in policy dialogue, reinforce local democracy and strengthen civil society organisations to fight corruption and protect the environment.

Other donors in the sector are the Netherlands, Norway, Spain, Sweden, United Kingdom and the United Nations Development Programme (UNDP).

3.2.3. Sector Objectives for EU support over next three years

Support the alignment of the legislative framework with the European acquis in all accession relevant sectors, including, if appropriate, domestic efforts to amend the constitutional framework, and help creating an efficient, professional, merit-based, accountable and transparent civil service.

Indicators:

- Progress in the alignment of the legislative framework with the European acquis;
- Improved human resource management and training capacities;
- Harmonised civil service legislation.

Adopt and implement the legal framework for public procurement and public financial management and control in compliance with EU standards.

Indicators:

- Public procurement rules in line with EU standards;
- Training system for public procurement and internal audit introduced;
- The Coordination Board for Public Internal Financial Control is fully functioning;
- Budget and expenditure control measures strengthened;
- Public Expenditure and Financial Accountability (PEFA) framework implemented.

Enable the statistical system to produce and disseminate reliable statistical data in line with international and European standards in particular for national accounts and statistics in all accession-relevant areas.

Indicators:

- Enhanced capacities of the statistical institutions;
- Reliable statistical data produced and disseminated;
- Agricultural census accomplished.

Enable civil society to participate in policy formulation and decision making processes.

Indicators:

- Participatory capacity of civil society organisations and the relevant authorities and civil society institutional and advocacy capacity developed
- Mechanisms for public participation in policy formulation created.

3.3. Private Sector Development

3.3.1. Description of sector

Bosnia and Herzegovina's preparations in the area of SMEs are at an early stage. Further efforts are needed to properly implement the State-level strategy for SME. The Entities support measures for SME are not harmonised which reduces their positive effects while SME are operating under different conditions across the country. The absence of a single company registration system for the entire country hampers business activity. Further improvements in the business environment remain crucial to facilitate business and trade.

As regards free movement of goods, the preparations in the fields of standardisation, accreditation, conformity assessment, metrology, market surveillance and consumer protection are moderately advanced. Further efforts are necessary in order to create conditions favourable to the internal market and foreign trade, in particular to strengthen the administrative capacity and closer coordination and cooperation between the relevant institutions.

A strategy on the development of the institute for intellectual property rights is in place, but the institute is not fully staffed and its administrative and operational capacity needs to be strengthened. Although some strategies and laws on customs and taxation exist, further substantial efforts are necessary to align and ensure effective implementation and enforcement of the legislation and the provisions of the IA. The IT system of the Indirect Taxation Authority (ITA) is not able to cope with the necessary changes in customs and tax administration.

The export promotion strategy at State-level is not yet adopted and the institutional capacities for export promotion are limited. The weak business environment, the low attractiveness of the country for investments, and the excessive role of the state in the economy erode the country's international competitiveness. This appears particularly important in the light of an expected growth of exports in the coming years based on the ongoing market liberalisation as set out in the IA/SAA. Bosnia and Herzegovina is well advanced to prepare its integration into the European research area. A science and development strategy and action plan for the period 2010-2015 exists and the country participates in the 7th Research Framework Programme.

The preparations of Bosnia and Herzegovina in the fields of agriculture and rural development remain at an early stage. State-level capacity for policy formulation is weak, and coordination between State and Entities should be improved to ensure harmonised implementation of legislation. Land management needs to be improved. There is no agreement on the future structures for the IPA rural development component.

3.3.2. Past and ongoing assistance (EU and other donors)

Competitiveness and SME development benefit substantially from past and ongoing assistance. EU assistance supported export promotion, trade policy and capacity building, the national planning capacities, and economic and fiscal policy making. Further assistance was

provided for regional economic development, SME policy development and introduction of quality standards, tourism development, and co-financing of the Turn-Around-Management and Business-Advisory-Services (TAM/BAS) programme of the European Bank for Reconstruction and Development (EBRD) to support enterprises.

Technical assistance supported the institute for intellectual property rights, assisted in developing the competition policy and strengthening the competition council and supported the developing of the legal framework for State aid. EU assistance supported customs and taxation with substantial technical assistance and IT equipment to the ITA. Capacity building to the ITA is ongoing and with IPA 2010 a major upgrade of customs software is foreseen.

IPA allocated substantial funds to the area of free movement of goods, in particular to accreditation, metrology standardisation, market surveillance and technical regulations with capacity building assistance and supply of laboratory equipment. CARDS and IPA provided capacity building to carry out bi- and multilateral negotiations as part of the World Trade Organisation, SAA and CEFTA negotiations. Funds were also set aside to co-finance parts of the entry ticket for Bosnia and Herzegovina's participation in the 7th Framework Programme for Research.

Technical assistance has been provided for alignment with the EU central banking standards in the fields of statistics, economic analysis and research, financial stability, monetary policy and development of IT legal framework. IPA assistance also included support to the introduction of EU and other international standards in the insurance sector.

In the area of agriculture and rural development, CARDS conducted a functional review of the agriculture sector. IPA supports the agriculture and rural development, in particular the establishing of agriculture and rural sectors information system and the preparation of IPA rural development structures. For this purpose, IPA built up a strategic sequence of reform projects in the rural development sector. A sector analysis financed by IPA 2009 will prepare the basis for further reform strategies while IPA 2010 will provide pilot support for IPA rural development-type measures.

Other donors are several Member States such as Austria, the Czech Republic, Germany, Italy, the Netherlands, Slovenia, Spain, Sweden and United Kingdom, IFIs such as EBRD, the European Investment Bank (EIB), World Bank, as well as other bilateral donors like Switzerland, Japan and the United States.

3.3.3. Sector Objectives for EU support over next three years

Based on the conclusions of the 2010 Progress Report and the Enlargement Strategy, the provisions of the SAA/IA and the respective country strategies, the following sector objectives have been identified:

Improve the institutional and legal framework as well as the coordination and harmonisation of SME related public policies and support Bosnia and Herzegovina to adhere to its obligations under the IA/SAA.

Indicators:

- Improved capacities at State- and Entity-level, in particular of key institutions such as the Institute for Intellectual Property Rights, the Indirect Taxation Authority, the Competition Council, and, once established, the State aid Authority and the SME Department in the Foreign Investment Agency.

Advance the implementation of the Small Business Act, stimulate the innovation by SMEs and increase competitiveness in growth sectors.

Indicators:

- Entrepreneurship learning in the education system introduced;
- EU technical standards introduced;
- Investments in research and innovation increased;

- Tailored export promotion programmes developed.

Increase the role of the private sector in the economy, create a better business environment, strengthen the business support infrastructure and services in particular at local level and improve the conditions for land management and land market development.

Indicators:

- Reduction of the share of public expenditures to GDP;
- Reduction of administrative burdens to doing business;
- Incubators, industrial and business parks established;
- A transparent system of land registration introduced;
- A land cadastre introduced.

3.4. Transport

3.4.1. Description of sector

While Bosnia and Herzegovina adopted a number of transport related strategies, the legal framework has still to be completed and transport infrastructure strategies have to be prepared. The adopted strategies concern the development for air space management, the transport master plan, the Sava river basin strategy, and the investment plan for railway development. In addition, a number of transport and road safety related strategies exist at Entity-level. Upgrading of the transport infrastructure is necessary. The approximation of the transport legislation to EU law is at an early stage.

3.4.2. Past and ongoing assistance (EU and other donors)

The transport sector benefits from past and ongoing IPA assistance to rehabilitate and develop transport and navigation on the Sava river waterway, to improve the regional transport infrastructure core network, for capacity building of the civil aviation authority of the Ministry of Communication and Transport. Technical assistance to the railway authorities has also been provided. OBNOVA provided substantial assistance to rehabilitate motorways, railways and airports and CARDS supported the relevant institution building assistance.

The Commission cooperates closely with the IFIs to finance transport infrastructure projects, in particular with EBRD, EIB and World Bank. Also the Czech Republic is a donor in the transport sector.

3.4.3. Sector Objectives for EU support over next three years

Based on the assessment of the progress report and the national strategies, the following specific objectives have been identified to support Bosnia and Herzegovina's efforts in the transport sector:

Develop a strategic framework for the transport sector at State- and Entity-level and support the creation of a functioning institutional and regulatory framework for all transport areas, and in particular opening of the railway transport market and improvement of the railway safety, demining and rehabilitating the River Sava waterway, transposition and implementation of the single European sky legislation.

Indicators:

- A country transport strategy and action plan developed and adopted;
- Capacity of transport institutions at State- and Entity-level improved.

Improve the transport infrastructure, in line with the South East Europe Core Regional Transport Network

Indicators:

- A project pipeline for investments in transport infrastructure prepared.

3.5. Environment and Climate Change

3.5.1. Description of sector

Bosnia and Herzegovina's preparation in the field of the environment and climate change remain at an early stage. State-level environmental legislation for harmonised environmental protection and an adequate legal and institutional framework have not yet been adopted. The set up of a functioning environmental monitoring system remains a priority and a large amount of legislation transposing the *acquis* has to be put in place.

Further efforts are needed to improve the management of waste streams, in particular for waste of animal origin. In the area of water and waste water, untreated discharges of waste water, access to drinking water and flood management remain key challenges.

3.5.2. Past and ongoing assistance (EU and other donors)

The environment sector benefits from IPA assistance to support the water policy, to comply with the international plant protection convention, the capacity building of environment institutes, support for infrastructure investment in the environment sector, and support for the preparation for structural funds. CARDS and IPA provided support for the drafting of environment legislation, provided capacity building assistance to environmental institutions and supported the introduction of economic instruments and environmental financing and supported the construction of environmental infrastructure.

Other important donors in the sector are the Czech Republic, Hungary, Italy, Netherlands, Spain, Sweden, Switzerland, the World Bank and UN organisations such as UNDP and the UN Environment Programme.

3.5.3. Sector Objectives for EU support over next three years

Based on the findings of the Progress Report, the following specific objectives have been identified to support Bosnia and Herzegovina's efforts in the sector:

Support the transposition and implementation of the environmental *acquis* and other international obligations.

Indicators:

- Legal framework harmonised;
- Capacities of the environmental institutions at all levels, including at local level, improved.

Improve the environmental infrastructure, in particular for waste management and water and waste water treatment and enhance environmental protection.

Indicators:

- A project pipeline for infrastructure investments prepared;
- Increased level of awareness on environmental protection and increased level of public participation in decision-making processes;
- Fostered cooperation between the administration and civil society, in particular at local level.

3.6. Social Development

3.6.1. Description of sector

Disparities between the social protection systems of the Entities and cantons exist and in consequence, social assistance and entitlements vary significantly across the country. The system of social benefits in Bosnia and Herzegovina is the most expensive and less targeted in the region. Both Entities have framework legislation in place to reform their social protection

systems towards a needs-based approach by introducing means tests for social benefits. However, related implementing legislation is not yet adopted.

Bosnia and Herzegovina has prepared but not yet adopted a social inclusion strategy and action plan. The five key goals and priorities of the social inclusion strategy focus on pension policy, protection of families with children, health care, education, and employment and social policies. The Roma population is a priority group under the social inclusion strategy. The implementation of the Roma action plans on health, employment and housing improved and the State earmarked considerable funds for the housing, income generating activities and health.

Bosnia and Herzegovina's preparations in the area of education are advancing slowly. Although there are a number of State-level strategies, their full implementation is a major challenge. The existing strategies are in particular the strategic direction for the development of education with its action plan, the strategy for secondary vocational education and training (VET), the framework for higher education qualifications and the State action plan for recognition of qualifications. Other challenges are the strengthening of the institutional capacity of the State-level agencies for education, the introduction of quality assurance structures and the strengthening of links to the employment sector. Segregation of schools along ethnic lines remains an important educational and social problem.

In the area of employment policy, in 2010 a State-level employment strategy for the period 2010-2014 was adopted, which was an important step. Related Entity-level policies and action plans are still missing. There is a general lack of coordination between the labour and employment institutions at State, Entity and lower level. In addition, the employment services and labour inspectorates do not have sufficient capacities to carry out their tasks. There is still no agreement on adequate partners for social dialogue and their legal status.

3.6.2. Past and ongoing assistance (EU and other donors)

The social development sector benefits substantially from past and ongoing EU assistance. IPA, in cooperation with UNICEF, supports the social protection and inclusion of vulnerable groups, in particular children and finances the implementation of the action plans on Roma. IPA further supports active labour market measures, the higher education reform, adult education and provides technical assistance to further develop VET, equipment to VET schools, promotes entrepreneurship learning, and supports labour market competitiveness. Previous CARDS assistance provided capacity building to the Ministry of Civil Affairs and the State Agency for Labour and Employment, reviewed the labour and employment sector and supported the development of the framework law on labour, the national employment strategy and action plan, the labour market information system, and the reporting system on employment and labour statistics.

Other donors in the education and employment sector are Austria, Germany, Hungary, Italy, Japan, the Netherlands, Spain, Sweden, Switzerland, the United States, UNDP and the United Nations Children's Fund (UNICEF), the United Kingdom and the World Bank.

3.6.3. Sector Objectives for EU support over next three years

Support Bosnia and Herzegovina's efforts to comply with minimum social standards, facilitate the access of unemployed people to the labour market and improve the conditions for health and safety at work in compliance with the EU acquis.

Indicators:

- Harmonised labour legislation,
- Improved coordination between labour and employment institutions and strengthening of their capacities;
- Active labour market programmes with targeted measures in particular training implemented

- Unified standards and methodologies for collection of labour market data developed;
- Capacity of the labour inspectorates developed.

Improve the social protection system at all levels of governance and address the specific needs of vulnerable groups.

Indicators:

- Capacities of social service providers strengthened, in particular to apply a needs-based approach for social services;
- Targeted interventions in support of e.g. Roma, refugees and internally displaced people, children and youth, women, people with disabilities, or elderly people implemented, in cooperation with civil society organisations.

Support the reform of the primary and secondary education systems and further support the reform of the higher education system in the framework of the Bologna process.

Indicators:

- Quality standards introduced;
- Learning results systematically assessed;
- Capacity of the education institutions developed,
- Teacher training reformed,
- A common matura in line with the Lisbon convention at the end of secondary education developed;
- Common standards for accreditation of higher education programmes developed.
- A quality assurance system for higher education institutions established.

Contribute to a more efficient, effective and better quality VET system and support the implementation of the strategy for adult education in line with the recommendations from the European Training Foundation.

Indicators:

- Increased involvement of social partners;
- Curricula adapted to the requirements of a dynamic labour market;
- The national qualification framework developed.

List of abbreviations

BiH	Bosnia and Herzegovina
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CDS	Country Development Strategy
DPA	Dayton/Paris Peace Agreement
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
GDP	Gross Domestic Product
IA	Interim Agreement
IFI	International Financial Institutions
IMF	International Monetary Fund
IPA	Instrument for Pre-accession Assistance
IT	Information Technology
ITA	Indirect Taxation Authority
MIPD	Multi-Annual Indicative Planning Document
PAR	Public Administration Reform
PHARE	Poland and Hungary Assistance for the Restructuring of the Economy
SAA	Stabilisation and Association Agreement
SME	Small and Medium-sized Enterprises
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
VET	Vocational Education and Training