

Bosnia-Herzegovina

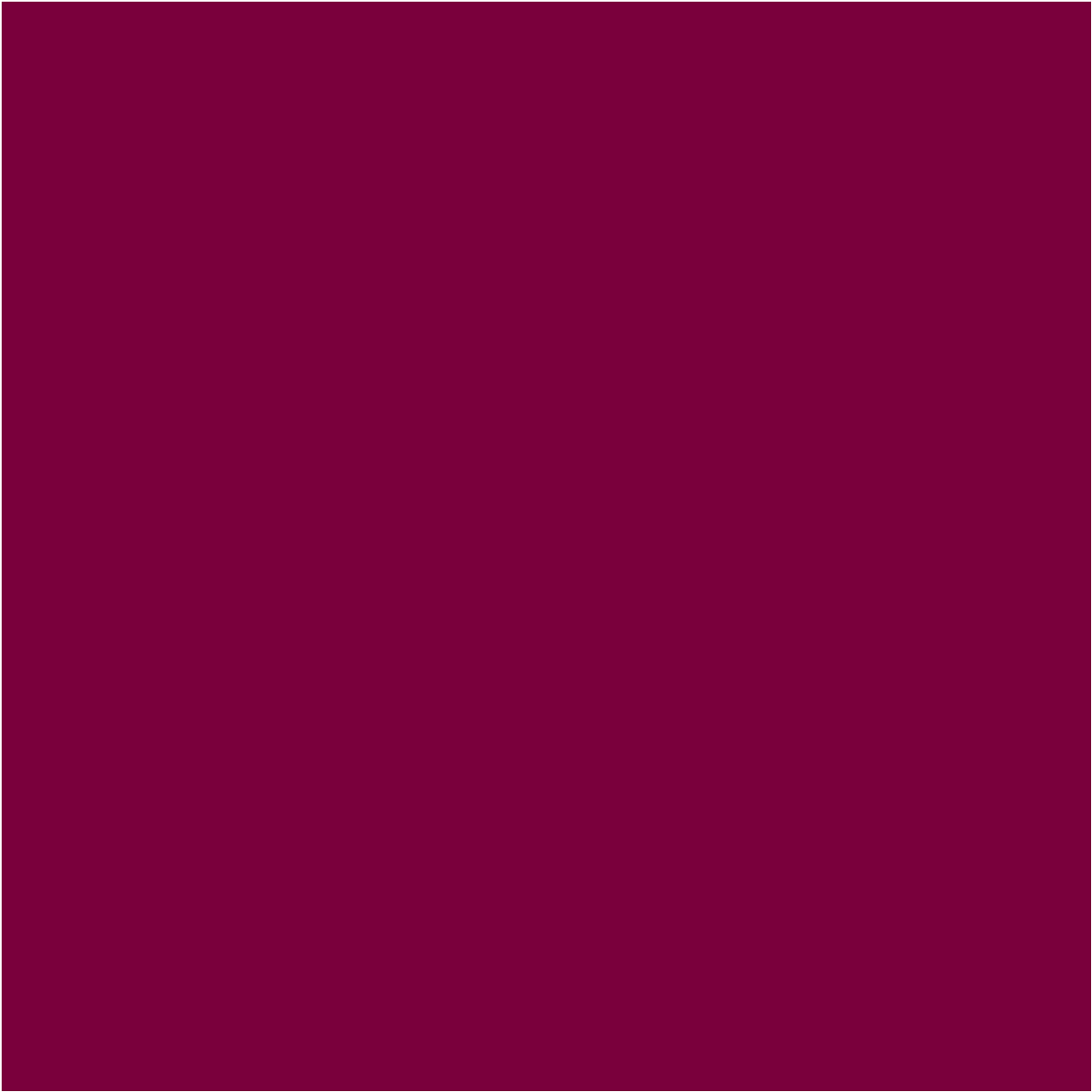


Table of Contents

List of Abbreviations/Acronyms	3
1. Summary	5
2. Political, Economic and Poverty Development	6
3. Swedish Development Cooperation – Overall Assessment of the Country Programme	10
4. Specific Country Programme Overview of the Swedish Development Cooperation	12
4.1 Building of a Sustainable State.....	12
4.2 Economic Development	14
5. Office and Administrative Issues	17
Annexes:.....	17
Annex 1: Fact Sheet with Selected Macro-economic and Social Indicators.....	18
Annex 2: Current Planning Overview	20
Annex 3: List of Strategic Documents Received	21
Annex 4: Summary of Disbursements by Country Strategy Sectors..	22

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Author: Embassy of Sweden in Sarajevo

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List of Abbreviations/ Acronyms

ADA	Austrian development agency
BiH	Bosnia and Herzegovina
BHMAC	BiH Mine Action Centre
CARDS	Community System for Reconstruction and Development Stabilisation
CEDB	Council of Europe Development Bank
DEP	Department for Economic Planning
DEI	Directorate for European Integration
DFID	Department for International Development
EC	European Commission
EPPU	Economic Policy and Planning Unit
ESRF	Enterprise Sector Revitalisation Fund
EU	European Union
EUPM	EU Police Mission in BiH
EUFOR	EU Force in BiH
FDI	Foreign Direct Investment
GAP	Governance Accountability Project
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HJPC	High Judicial and Prosecutorial Council
IAP	Integrated Area Programme
IPA	Instrument for pre-accession
ICTY	International Crime Tribunal for former Yugoslavia
IMF	International Monetary Fund
ITA	Indirect Taxation Authority
KfW	Kreditanstalt für Wiederaufbau
KM	Konvertible Mark (approx half a Euro)
KtK	Kvinna till Kvinna
LGBT	Lesbian, Gay, Bi-sexual and Transgender
LEAP	Local Environment Action Plan
MDG	Millennium development goals

MHRR	Ministry for Human Rights and Refugees
MOFTER	Ministry for Foreign Trade and Economic Relations
MoU	Memorandum of Understanding
NERDA	North-East Regional Development Agency
PRSP/MTDS	Poverty Reduction Strategy Plan/ Medium Term Development Strategy
OHR	Office of the high representative
OPC	Olof Palme International Centre
OSCE	Organisation for Security Cooperation in Europe
PAR	Public Administration Reform
RDA	Regional Development Agency
PfP	Partnership for peace
RS	Republika Srpska
SAA	Stabilisation Association Agreement
SAP	Stabilisation Association process
SHC	Swedish Helsinki committee
SWEDAC	Swedish Board for Accreditation and Conformity Assessment
USAID	United States Agency for International Development
VAT	Value Added Tax
WB	World Bank
UN	United Nations
UNDP	United Nations Development Program

1. Summary

The political development in Bosnia & Herzegovina during 2006 was mostly negative. In April, an attempt to reform the constitution failed to get the necessary 2/3 majority in Parliament. The pre-election campaign saw the return of strong nationalistic feelings and voting along ethnical lines. After the 1 October elections, three presidents could take their office fairly soon, but the start of State Parliament, Entity Parliaments and Canton Assemblies took a long time and the new governments were not formed until the beginning of 2007.

The best achievements of the year 2006 were the following:

- completion of the negotiations for a Stabilisation and Association Agreement (SAA) between the EU and BiH in December, but some political conditions will have to be met before signing, such as an agreement on police reform.
- implementation of defense reform, including full state-level competence for defence and a single defence budget.
- introduction of VAT successfully leading to increased tax revenues and a movement of economic activity from informal to formal sector.

Sida disbursed 285 MSEK in total during 2006, which is slightly lower than 2005 (317 MSEK), but still higher than expected. Most money went to returnee support, state building, rural employment and civil society. The biggest delays, due to slow rate of decision-making on the political levels, were seen in the preparation of Enterprise Sector Revitalisation Fund and the implementation of Public Administration Reform.

During 2006 the trend towards financing reform programmes through the BiH government structures continued. Bilateral donors more often enter into basket funding arrangements and cooperation among the larger donors is generally very good. There is close cooperation between Sida and the European Commission (EC) in BiH. During 2006, EC willingly shared the preliminary plans for IPA 2007 (Instrument for pre-accession) with Sweden and other EU donor countries, which paved the way for coordination. Swedish projects and plans concerning public administration, justice sector, regional development agencies, rural employment and other sectors are all coordinated and harmonised with EC.

2. Political, Economic and Poverty Development

- *Political development, good governance, human rights*

The Balkans is still an unstable region. During 2006 we saw the establishment of yet another state, Montenegro, and an increasing tension regarding the coming decision of the international community regarding the status of Kosovo.

The development in Bosnia & Herzegovina (BiH) also gave reason for concern, in spite of some positive expectations in the beginning of the year. The SAA negotiations for BiH started in January. At the same time a directorate was set up to work out a plan for a restructured police force. A new High Representative, Mr Christian Schwarz-Schilling, began his work on 31 January and was supposed to be the final HR. His agenda focused on local responsibility and from the very first day he announced that he would make little use of his executive “Bonn Powers”. During the spring of 2006, the process to change the Dayton constitution took some promising steps forward, which led to the creation of a reform package with support from the major political parties.

By the end of 2006, the picture had become gloomier. The constitution reform failed to pass in Parliament in April. The election campaign in August–September was dominated by unforgiving words, irreconcilable positions and ethnic rivalry. It was hard to see the possibility of compromise between the two strong men emerging from the elections, Milorad Dodik, prime minister of Republika Srpska and Haris Silajdzic, a veteran Bosniak politician now making a come-back as member of the Presidency. The High Representative was criticised in many quarters for being too passive. He has now decided to leave by mid-2007 and will most likely be replaced by a new HR with prolonged Bonn powers.

But 2006 also contained some achievements.

- The negotiations for a Stabilisation and Association Agreement (SAA) between the EU and BiH were successfully completed in December. The Bosnian negotiating team was generally perceived as well-prepared and efficient. But several political conditions will have to be met before signing, such as an agreement on police reform.
- Defense reform was partly implemented during 2006. The decision includes full State-level competence for defence and a single defence budget. BiH and other countries in the region were invited to join the Partnership for Peace.
- VAT was introduced successfully leading to increased tax revenues

and a movement of economic activity from an informal to formal sector.

- Reforms and progress at the municipal level were reported, as a result of a better budgetary situation and due to several development projects.
- The state court and the state prosecutor's office of BiH began to operate at full capacity, and the first eleven cases of indicted war criminals were transferred from ICTY (International Crime Tribunal for former Yugoslavia) in The Hague to Sarajevo.
- Civil society acted with maturity and strength during the election campaign.

The human rights situation has gradually improved since the war. BiH has adopted human rights laws of high international standards, but many poor persons are deprived of their social and economic rights. Political and civil rights discrimination on ethnic grounds seems to gradually decrease, although problems still remain. Some minorities, such as Roma and LGBT-persons (lesbian, gay, bi-sexual and transgender) suffer discrimination.

Surveys conducted by both national and international organisations confirm that corruption remains a serious and widespread problem in BiH. There is a law on state procurement but some necessary components are not yet in place. Several leading politicians have been sentenced for corruption or involvement in organised crime. So called petty corruption in the health and education system is a hassle for the population. See further in section 3 regarding dialogue issues.

- *Development of relations with the European Union*

As mentioned above, the negotiations for a Stabilisation and Association Agreement between the EU and BiH was successfully completed in December, but some problems remain to be solved before the SAA can be ratified and signed, of which police reform is the most significant. In general, there has been some progress in meeting the political criteria of European partnership, but at a slower pace than 2005. Partial progress has been made regarding rule of law and the judicial system. A public administration reform strategy has been adopted, as well as a strategy against corruption, but both of them remain to be implemented. Another key European Partnership priority is the cooperation with ICTY, which has improved. As regards economic criteria, BiH has taken some more steps towards being a functioning market.

The signing of the SAA will mark the start of a long period of intense reform work in all sectors of BiH in order to implement the SAA. This is expected to be difficult and cumbersome in a country with Europe's most complex governance structure. A consultancy study, commissioned by Sida and DFID, recently came to the conclusion that there is a severe lack of capacity in BiH to implement the SAA requirements.

- *Macro-economic development; status of economic and fiscal reforms*

Preliminary data from Economic Planning Research Unit for the first half of 2006 indicate that the economy of BiH continued to grow at a rate in excess of 5 percent in real terms. Estimated real GDP growth was 5.7 percent in 2005 to USD 10.6 billion (or USD 2,760 per capita). This figure does not include the informal economy. The foreign aid given as grants to BiH, amounts to approximately 300 MUSD which is 3% of GDP.

In both 2005 and 2006, the service sector produced more than half of GDP and grew significantly faster than the rest of the economy. Data for the industry sector (30% of GDP) shows movement towards mining and quarrying, and metal processing, and away from textiles and clothing.

The introduction of VAT in 2006 has brought about an increase in revenues for the government, due to more efficient tax collection and widening of the indirect tax base, leading to a lowering of the grey economy. But VAT also contributed to rising inflation, with the average inflation rate jumping to 7.6 percent year-on-year in the first half of 2006. The Central Bank expects the inflation rate to go down to 2% during 2007.

The official rate of unemployment increased slightly from 43.8% in March 2005 to 44.3% one year later. These registration-based figures continue to provide a biased picture of the true state of the labour market. Results from a survey of the labour force conducted by the BiH Statistical System in April 2006 indicated an unemployment rate of 31% based on estimates of 811 000 persons in employment and 366 000 unemployed persons.

Next to high unemployment, the high current account deficit remains a macroeconomic concern. Although representing a risk for macroeconomic stability of BH and financial stability of the economy, the high current account deficit is not generating an unsustainable debt burden at the present time, due to further growth of exports together with an improving coverage of imports by foreign reserves, as well as large scale remittances.

Fiscally, there has been relative stability, basically due to a constraint on new borrowings as BiH does not have full access to international capital markets. However both the World Bank and IMF warn about fiscal imprudence that might be brought on by mounting fiscal pressures (veterans, pensions and other claims by aging unemployed, and frozen foreign currency issues) if progress in the realisation of key structural reforms slowed. In the absence of a strong Ministry of Finance, there is an urgent need to get a functioning National Fiscal Council in place.

- *Risk for internal or external conflicts*

Risk for armed conflict is low. However the unresolved situation with Kosovo is casting a shadow of instability in the region. The political rhetoric can be quite aggressive at times, but ethnic violence will most probably be limited to single criminal activities.

- *Poverty reduction*

Although statistics to a large extent are unreliable in BiH, official numbers suggest that almost 50 percent of the population live close to or under the poverty line. The poverty headcount (falling under the line) has not declined from 2001 to 2004 and has remained in the 17–18 percent range. These statistics reflect the substantial inefficiencies in social spending which do not help the poor. Overall government spending on social welfare/protection is high (at 17% of GDP) but dominated by transfers not targeted to the neediest. However, little occurrences of extreme poverty are found in BiH. The main source of finance is the high payroll taxes.

- *Summary of the annual follow-up of the implementation of PRSP*

The 2006 annual follow up of the MTDS (PRSP) implementation is still in the approval process. According to the semi annual report, progress

has been achieved in the macroeconomic and fiscal reform plans while the least progress occurred in the area of privatisation. Privatisation of remaining state enterprises is increasingly becoming a political (fiscal) risk as these enterprises are burdened by large debts. As far as sectorial priorities are concerned, most progress was achieved in demining, while reforms lagged behind in education and agriculture as well as in industry.

- *HIV/AIDS situation*

BiH has a low prevalence of HIV/AIDS with 122 cases reported by the end of June 2006. The government has designed a state strategy to fight the disease, but lacks the institutional capacity and appropriate policies to take over the responsibility for the prevention. The Global Fund programme to fight AIDS, which starts during 2007, will be implemented by UNDP.

- *Changes in development cooperation and partnerships;
donor coordination and harmonisation, EU development cooperation*

During 2006 the trend towards financing reform programmes through the BiH government structures continued. Bilateral donors more often enter into basket funding arrangements, and cooperation among the larger donors is generally very good. However, co-operation with multi-lateral organisations can be more problematic. In the case of EC, neither CARDS nor IPA allow for harmonised basket funding arrangements, which is an obstacle to the efforts to develop Sector Wide Approaches. In the case of UNDP, they often seek project funding for their own initiatives, in parallel to projects and programmes implemented by the authorities in BiH, something which could disturb efforts to build local ownership.

3. Swedish Development Cooperation – Overall Assessment of the Country Programme

- *Relevance of the strategy in the light of country development*

The year 2006 was the first of the country strategy for 2006–2010. During the strategy process, the choice was made to focus on state building and on economic development. These two sectors or areas are highly relevant, even if the development during 2006 confirmed that state building in BiH will be a long and cumbersome process. There is definitely a need for contributions and reform support in many other sectors, of which health/social care and education are most obvious, but a wider programme with more sectors would have been less effective and more difficult to manage. The only difference worth mentioning, in relation to the strategy, is an increasing importance of the entity level for implementation of projects, which was not quite foreseen when the strategy was written.

- *Key issues for dialogue with partner country and partners*

The dialogue on aid coordination and harmonisation was performed with multilateral and bilateral donors, as well as the office of Economic and Policy Planning Unit (EPPU) – now renamed the Department for Economic planning (DEP) – and the Directorate of EU integration (DEI). Other ministries at the State and entity level and also local government representatives and NGOs were also consulted in sectorial matters.

The key dialogue issue according to the strategy is corruption along side with issues concerning poverty and EU accession. Other regular topics for dialogue are state building, constitution reform, justice, economic and social development, the rights-based perspective, harmonisation and alignment issues (Paris agenda).

The risk for corruption is regularly brought up with the partners and considered in the design of projects and programmes. It has proved more difficult, though, to find a suitable approach for a more comprehensive dialogue about corruption in BiH. Agreements on fighting corruption can easily be reached with any government representative and then the discussion turns to other current issues and to concrete problems that need to be solved. Until mid-2006 Sida financed PACO impact, a regional project during which Council of Europe gave assistance to authorities in the Balkans to develop anti-corruption strategies. Unfortunately, the project did not result in such a strategy in BiH, mainly due to a low level of national ownership and commitment. In August, Sida initiated discussions with the Center for Investigative Reporting in Sarajevo with the

purpose to fund investigative reporting on corruption and organised crime in BiH. It should also be mentioned that the Governance Accountability Project, GAP, by way of establishing community service centers, has effectively removed many corruptive opportunities. The same is valid for the land administration project, which is implemented throughout the whole country.

- *Comments on volumes and disbursements*

The disbursements of 2006 amounted to 285 MSEK, out of which 274 MSEK came from the Sida/Europe budget and 11 MSEK from Sida/SEKA (NGO + humanitarian support). This is slightly lower than 2005 (317 MSEK), but still higher than expected. The available budgets from Sida/Europe for 2007 and 2008 are at a somewhat lower level: 200 and 206 MSEK.

- *Main results and deviations in relation to the objectives and guidelines in the strategy*

- The biggest sector during 2006 was still the support to refugee return and housing (integrated area programmes) with a total support of 116 MSEK.
- Support to State-building amounted to 107 MSEK, of which public administration and judicial received 61 MSEK, while human rights and civil society got 46 MSEK.
- Support to Economic development was much lower, at 34 MSEK, of which most went to rural employment. Some major programmes were prepared during 2006, but will not start until 2007.
- The biggest delays – due to the slow rate of decision-making at political levels – were seen in the preparation of the Enterprise Sector Recovery Fund, ESRF and the implementation of the Public Administration Reform, PAR. Sluggish preparatory progress was also evident in Statistics and Food quality projects.
- During the year, the Embassy in Sarajevo managed to make a better follow-up of the entire project portfolio, including a number of regional projects which previously were given little notice.
- The number of small projects continued to be reduced.

- *Strategic adjustments, alternatives, possible risks and choices ahead*

The political risk is substantial in a country like BiH. There is a need for constitutional reform and for compromise between the major political forces. If important and necessary reforms were blocked, Sida would most probably have to go back to approving focused projects aimed at resolving political deadlock, building the civil society power to influence positive political solutions and working mainly at the municipal level and with willing stakeholders.

- *How the portfolio contributes towards EU integration and is in line with European partnerships*

There is a close cooperation between Sida and the European Commission (EC) in BiH. During 2006, EC willingly shared the preliminary plans for IPA 2007 with Sweden and other EU donor countries, which paved the way for coordination. Swedish projects and plans concerning public administration, justice sector, regional development agencies, rural employment and other sectors are all coordinated and harmonised with EC.

4. Specific Country Programme Overview of the Swedish Development Cooperation

4.1 Building of a Sustainable State

Public administration

GAP (Governance Accountability Project) is jointly funded by Sida and USAID. The objective is to support capacity building of municipalities to better serve their citizens within a policy and fiscal framework of good governance. A GAP mid-term evaluation has been carried out in March 2006 and in addition, Sida commissioned an external review of one of the components (small project grant scheme).

The evaluation of the GAP-project has showed that GAP has achieved direct results in terms of the construction and establishment of citizen service centres in poor municipalities all over the country and has managed to essentially improve municipal public service. Through funds provided by GAP, municipalities have also been able to implement a number of small projects of their choice. Some of these have targeted specific groups (such as children or women), others the municipality as a whole. During 2006 GAP improved service delivery to the citizens of 41 participating municipalities. Sida's disbursement for GAP amounted to 31.5 MSEK during 2006.

Consensus among donors and the PAR office on the Public Administration Reform was reached during the summer of 2006 and the PAR strategy was adopted by the four governments (State, Federation, RS and Brcko). This is planned to be a major commitment for Sweden as well as the UK, the Netherlands and the European Commission for the coming 4–5 years. But very little has happened so far. None of the governments have signed the MoU between the donors and the governments which will provide the country with €4.5 million for the PAR strategy implementation. The entire process is very slow and difficult.

Sweden together with UK funded a consultant to look into needs for BiH related to the EU accession. The most critical issue, according to the consultant, is that an EU accession coordination system is not in place. There is a severe lack of capacity to implement the SAA requirements in a complex governance structure. The study has been shared with the Directorate for European Integration (DEI) and will be discussed with them in the beginning of 2007.

The Dayton project started in April 2005 with the objectives of facilitating a dialogue among political actors, including the civil society, regarding constitutional reforms and the need to create a stable/confident society. It was supported by Sweden, Norway and Switzerland.

Even if the constitutional amendments were not adopted by the BiH parliament, the constitution is still a burning issue. Sida's remaining funds for the project were used for making a study of roles and competencies of BiH institutions in order to prepare the ground for coming negotiations. Sida disbursed 2 MSEK in 2006.

Ministry of Justice/State Court

Since 2005 Sida has been heavily involved in dialogue with the state justice institutions of BiH and other donors in the sector. Sida has argued that a justice sector strategy must be developed in order to set the national priorities in the sector and ensure governmental ownership and internal cooperation between the various ministries. Such a strategy could be the basis for a future sector-wide approach in the justice sector.

During the summer of 2006 the Ministry of Justice opened a new department for strategic planning, donor coordination and EU integration. The department was set up during autumn, but is not expected to be able to start its work until early 2007. It has been agreed among donors that DFID will provide all technical assistance to this department during 2007. The planning of a sector programme can most probably not start until 2008.

In May 2006 Sida decided to give financial support of 2 MEUR to the State Court of BiH, which deals with war crime, organised crime and corruption cases. This contribution was necessary for the implementation of the so-called transition strategy, according to which the Ministry of Justice and the Ministry of Finance gradually over three years will take over the full responsibility and financial costs of the state court of BiH and the state prosecutor's office. Sida contributed with 13.5 MSEK in 2006.

The Sida/GTZ/ADA co-funded project in land registry entered into a new project phase in January. It now encompasses both land registry and cadastre. The project is working very well. The backlog of land registry cases has been substantially reduced in the whole country and completely eliminated at the Sarajevo Court. Progress in the sector is even more promising since the World Bank before summer granted a 15 MUSD loan to land registry activities. Also the EC has recently expressed an interest to enter into the sector. During 2006, Sida disbursed 7.7 MSEK

Human Rights and Civil society

Sida's support to civil society has been aimed at empowerment of minorities, youths and women in particular. In terms of direct results thousands of persons (often minority returnees and women) have received legal assistance by the Sida supported local NGO's, victims of domestic violence and trafficking have gotten shelter and assistance and over 20 youth clubs have been started. In addition to this, many of the supported local NGOs have been and are involved in the drafting of and training of officials in human rights legislation. In total, 46.1 MSEK was disbursed in 2006.

In October, Sida started to work with the Swedish Helsinki Committee, SHC, with Kvinna till Kvinna (KtK) and Olof Palme's Center (OPC), in order to improve the methods for assessing outcomes in terms of changes in behaviour, relationships and activities of stakeholders with whom the local NGOs are directly interacting.

With regards to gender issues, the Embassy in Sarajevo has been in dialogue with the Gender State Agency and the Centre for Interdiscipli-

nary Postgraduate Studies during 2006. It was decided to fund a two-year master's education programme in gender studies. The programme is the first of this kind on the Balkans and is included in the agency's gender strategy and gender action plan. It is co-funded by Norway and UNDP. The gender action plan was finalized during autumn of 2006 and Sida is in dialogue with the gender agency, DFID, CIDA and Norway on possible future programme funding for the implementation of the plan. The programme is considered very relevant, not least because the October elections were yet another disappointment in terms of getting more women into parliament and government.

Mine Action Programme

A review of the mine action programme was completed in June and the findings concluded that the UNDP project met all the project criteria. The BH Mine Action Centre (BHMIC) achieved a total of 10 million sq. metres released in 2006 through technical survey and demining techniques. Sida money accounts for about 10% fiscal support to BHMIC. Sida has explored a capacity building support for an additional two years after the expiration of financing for current activities early in 2007. For the exploration to amount to a more serious consideration, a new staff position at the Ministry of Civil Affairs needs to be created that would deal with mine action. Sida contributed with 5 MSEK in 2006.

4.2 Economic Development

Support to Regional Development Agencies (RDAs)

The project of supporting one of the five BiH regional economic development agencies (RDAs) came to an end in December. The project was reviewed by a consultant during November–December. The overall conclusion is that the project was a success because it had helped establish one of the most successful agencies (by way of the size of the project portfolio) for regional economic development. Among the most relevant indicators was that this project managed to bring in excess of 1.5 million Euro of foreign direct investment into the REZ RDA. There was also some criticism toward an inflexible project design that included too many indicators with limited relation to the project objectives. Sida is taking this into consideration when preparing for support to the North East Regional Development Association (NERDA). A remaining 0.5 MSEK of the total 13.2 MSEK agreed on, was disbursed to the Regional Development Agencies project in 2006.

SMEs and microcredit

Two ongoing microcredit interventions have been evaluated in July 2006 (mid-term reviews of both CHF and World Vision projects). The result is that both have been judged positively on all project criteria (relevance, sustainability etc.) with few recommendations for change. However the evaluation noted that the context is changing for the better and advised an approach more based on local/municipal ownership. The projects most significant contribution is to the sustainability of return and careful selection and focus on poor rural and semi urban communities (via agriculture and housing micro credits). Sida will continue exploring ways to support rural development, but with different approaches. During 2006 1.7 MSEK was disbursed out of the total agreed amount of 19 MSEK.

Sida also made an analysis in November on the viability of introducing a guarantee that would support bank lending to microcredit organi-

sations. The analysis focused on KfW (Kreditanstalt für Wiederaufbau) with which Sida has a lending facility to the microcredit sector. The recommendation was that Sida should hold off and prolong the in-depth preparation phase until KfW has made progress in instituting its own guarantee instrument and revisit the issues after the summer 2007. The lending facility was also reviewed and it was determined that it was functioning properly with an exit seen in the newly established European Fund for South East Europe, a major refinance facility for the region as a whole. The total agreed on amount of 48 MSEK was disbursed in earlier years.

Rural employment

In March 2006, a team of consultants started preparing a unified rural employment programme to be financed by Sida. It was envisaged that the future programme shall be two-fold: a) market-oriented component to encompass the existing five projects and improve their output and b) building institutional capacity at the state level.

The existing five projects are developing local production of fruit, vegetables and milk products in order to stimulate rural economy and create employment opportunities. During 2006, these projects have undergone some changes in order to make them sustainable and more commercially oriented. LWF Tuzla project has been transferred to a local NGO and the glasshouse has been separated as a commercial unit. LWF Sanski Most shall be transferred to a local NGO in the beginning of 2007, whereas the future local ownership remains to be settled for the Cow How project and the Caritas agriculture project. The five projects will be exited during 2007–2008, a period during which it is planned to be established how and if these projects can be integrated as a component of a larger rural employment programme. During 2006, Sida contributed with 26.5 MSEK.

Transition to market economy

The Enterprise Sector Recovery Fund (ESRF) represents a harmonised approach to tackling economic reform priorities under the MTDS and World Bank reform policy agenda. After a long period of discussion with the Dutch and British agencies and the BiH Government, the project was prepared for signing by the end of the year, by three BiH governments and three donors.

Integrated Area Programmes, IAP – rebuilding for returnees

All four integrated area programmes are ongoing according to plan, with the goal to complete their work and close offices until the end of 2007. Out of 1955 remaining houses and attached infrastructure, 70% shall be finalized in 2006 and the rest in 2007. All four projects are well in pace with their plans and reconstruction of 1596 houses were well advanced or finalized by December 2006. Sida disbursed 116 MSEK during 2006.

Sida's integrated area programmes have had very direct effects for displaced women, men and children in BiH. Over the last ten years, 16,000 families (over 50,000 people) have reconstructed their destroyed homes and the project has in cooperation with municipalities provided some infrastructure. They were also provided means for some income through this programme.

An additional effort is being made to include Roma people into the reconstruction programmes. This requires particular efforts due to the

complex and unfavourable social situation of the Roma people. Within the existing projects, each IAP has made special plans for assisting Roma with reconstruction of houses and infrastructure.

The BiH State Ministry for Human Rights and Refugees implements the second phase of the capacity building project at the municipal level. The basic capacity for assisting returnees in particular with housing is to be created in additional 50 municipalities. The project has been well received by all stakeholders, as it improves service to returning population and creates links and responsibility chains from state to municipal level. Sida contributed with 2 MSEK in 2006.

Social sector

Masters studies in management and supervision in social work commenced towards the end of 2006 at universities in Sarajevo and Banja Luka, in cooperation with the Gothenburg University. In 2008, BiH will have about 60 masters of social work in management and supervision together, which should enable BiH to implement a national social sector reform in compliance with the European standards. Sida disbursed 1.3 MSEK in 2006.

Environment

This is the final period of LEAP (Local Environmental Action Plans) in BiH implemented by REC (Regional Environment Centre) in Budapest. The municipalities have received the project well. Moreover, there seems to be potential to reach sustainability in financing environmental priorities and spreading the knowledge gained. Sida disbursed 3.8 MSEK in 2006.

Regional

Some projects are promoting and supporting cooperation and exchanges between the countries in the Western Balkan region. Among those projects should be mentioned: IOM with its anti-trafficking programme, SCB's regional statistics project, SEED-net Balkan and Transfrontier Cooperation with its municipal boarder cooperations.

Other projects are national parts of regional programmes, which often include components of exchange and meetings between the national actors in the region. Such cooperation exists in different degrees in the three frame organisations: Kvinna till Kvinna, Swedish Helsinki Committee and Olof Palme's Center. It also exists in the European Roma Rights Centre and in the cultural projects Rikskonserter and Musical Colleges and in environmental projects such as SEPA and Environmental civil society (REC).

5. Office and Administrative Issues

- *Work on quality assurance*

Sida staff at the Embassy in Sarajevo has a regular weekly meetings as a method for the teamwork to exchange information and discuss the ongoing projects/programmes. Furthermore, a regular project committee was established at the Embassy in the autumn of 2006.

- *Current resources and staffing*

Presently, the Embassy in Sarajevo employs six personnel, i.e. two Sida-posted staff (Director and Programme Officer) for programme funds, three National Programme Officers and one project administrator

- Changes during the year, bottlenecks, major events at the Embassy. A new Sida director came to Sarajevo in May 2006. The present situation with Sida personnel is such that it does not allow unforeseen leave of the staff. The focus on concentration, harmonisation and partnership has proven to be as demanding as regular portfolio maintenance.

Annexes:

1. Fact sheet with selected macro-economic and social indicators
2. Current Planning Overview; Sida Inside/Support Functions/LIS/Geographical Division/General Reports: L109 Country Report
3. List of strategic documents received: Studies and reports produced by Sida or other parties which are considered to be of strategic importance

Annex 1: Fact Sheet with Selected Macro-economic and Social Indicators

Bosnia and Herzegovina at a glance

8/12/06

	Bosnia and Herzegovina	Europe & Central Asia	Lower-middle-income
POVERTY and SOCIAL			
2005			
Population, mid-year (<i>millions</i>)	3.9	473	2,475
GNI per capita (<i>Atlas method, US\$</i>)	2,440	4,113	1,918
GNI (<i>Atlas method, US\$ billions</i>)	9.5	1,945	4,747
Average annual growth, 1999-05			
Population (%)	0.7	0.0	1.0
Labor force (%)	1.1	0.6	1.4
Most recent estimate (latest year available, 1999-05)			
Poverty (% of population below national poverty line)	20	..	..
Urban population (% of total population)	46	64	50
Life expectancy at birth (years)	74	69	70
Infant mortality (per 1,000 live births)	13	28	33
Child malnutrition (% of children under 5)	4	5	12
Access to an improved water source (% of population)	97	92	82
Literacy (% of population age 15+)	97	97	89
Gross primary enrollment (% of school-age population)	..	104	114
Male	..	105	115
Female	..	102	113

Development diamond*

Life expectancy

GNI per capita

Gross primary enrollment

Access to improved water source

— Bosnia and Herzegovina

— Lower-middle-income group

	1985	1995	2004	2005	
GDP (<i>US\$ billions</i>)	..	1.9	8.6	9.4	
Gross capital formation/GDP	..	20.0	20.7	21.5	
Exports of goods and services/GDP	..	20.4	26.0	28.9	
Gross domestic savings/GDP	..	-31.1	-8.3	-7.6	
Gross national savings/GDP	..	9.6	4.0	4.3	
Current account balance/GDP	..	-10.3	-16.7	-17.2	
Interest payments/GDP	..	..	0.6	..	
Total debt/GDP	..	..	37.4	..	
Total debt service/exports	..	..	5.3	..	
Present value of debt/GDP	..	..	29.2	..	
Present value of debt/exports	..	..	74.9	..	
	1985-95	1995-05	2004	2005	2005-09
(average annual growth)					
GDP	..	11.8	6.2	5.3	5.5
GDP per capita	..	10.0	6.4	5.4	4.7
Exports of goods and services	..	13.7	8.9	18.1	11.4

Economic ratios*

Trade

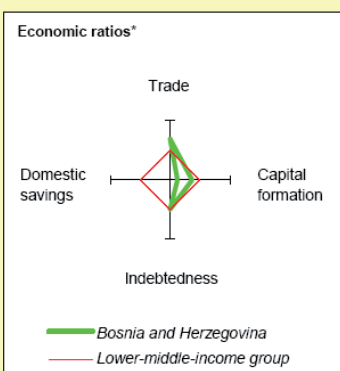
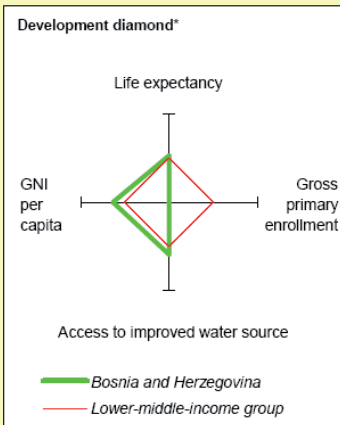
Domestic savings

Capital formation

Indebtedness

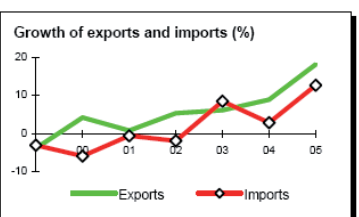
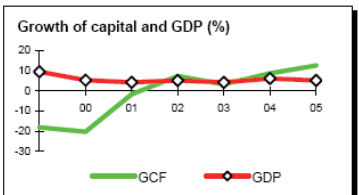
— Bosnia and Herzegovina

— Lower-middle-income group



STRUCTURE of the ECONOMY

	1985	1995	2004	2005
(% of GDP)				
Agriculture	..	20.7	11.8	11.5
Industry	..	25.7	27.4	27.8
Manufacturing	..	11.4	12.4	12.7
Services	..	53.6	60.8	60.7
Household final consumption expenditure	..	..	83.4	85.0
General gov't final consumption expenditure	..	..	24.5	22.6
Imports of goods and services	..	71.5	55.0	58.0
	1985-95	1995-05	2004	2005
(average annual growth)				
Agriculture	..	0.7	15.8	3.7
Industry	..	8.4	2.5	7.7
Manufacturing	..	9.2	2.9	7.7
Services	..	14.3	7.6	4.0
Household final consumption expenditure	..	..	0.6	-3.3
General gov't final consumption expenditure	..	..	14.2	1.1
Gross capital formation	..	6.1	8.8	12.8
Imports of goods and services	..	6.2	2.8	12.7

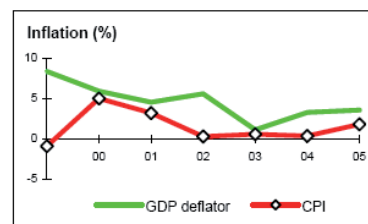


Note: 2005 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

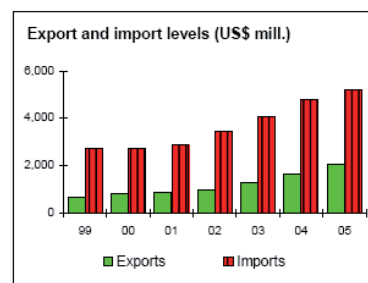
PRICES and GOVERNMENT FINANCE

	1985	1995	2004	2005
Domestic prices				
(% change)				
Consumer prices	..	-39.5	0.4	1.8
Implicit GDP deflator	..	8.8	3.3	3.6
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	29.3	43.7	43.4
Current budget balance	..	..	1.0	2.2
Overall surplus/deficit	..	-6.1	-1.8	-0.3



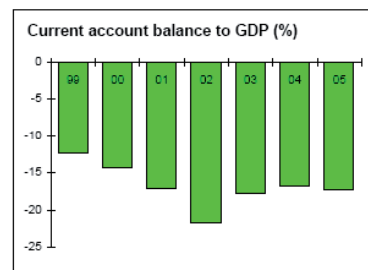
TRADE

	1985	1995	2004	2005
(US\$ millions)				
Total exports (fob)	..	152	1,664	2,068
Commodity 1	..	..	..	..
Commodity 2	..	..	..	..
Manufactures	..	..	1,341	1,605
Total imports (cif)	..	1,158	4,811	5,191
Food	..	..	..	..
Fuel and energy	..	..	..	..
Capital goods	..	..	1,099	1,276
Export price index (2000=100)	..	..	..	..
Import price index (2000=100)	..	..	..	..
Terms of trade (2000=100)	..	..	..	..



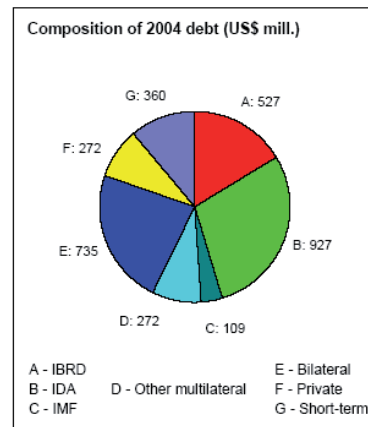
BALANCE of PAYMENTS

	1985	1995	2004	2005
(US\$ millions)				
Exports of goods and services	..	381	2,231	2,704
Imports of goods and services	..	1,334	4,716	5,430
Resource balance	..	-953	-2,485	-2,726
Net income	..	-242	235	198
Net current transfers	..	1,002	818	918
Current account balance	..	-193	-1,432	-1,610
Financing items (net)	..	324	2,086	1,661
Changes in net reserves	..	-131	-654	-51
Memo:				
Reserves including gold (US\$ millions)	..	..	2,389	2,435
Conversion rate (DEC, local/US\$)	..	1.4	1.6	1.6



EXTERNAL DEBT and RESOURCE FLOWS

	1985	1995	2004	2005
(US\$ millions)				
Total debt outstanding and disbursed	..	..	3,202	..
IBRD	..	472	527	481
IDA	..	0	927	921
Total debt service	..	..	176	..
IBRD	..	0	39	41
IDA	..	0	6	7
Composition of net resource flows				
Official grants	..	..	277	..
Official creditors	..	..	218	..
Private creditors	..	..	39	..
Foreign direct investment (net inflows)	..	..	613	..
Portfolio equity (net inflows)	..	..	0	..
World Bank program				
Commitments	..	..	117	..
Disbursements	..	0	209	56
Principal repayments	..	0	24	24
Net flows	..	0	184	32
Interest payments	..	0	21	25
Net transfers	..	0	163	7



The World Bank Group: This table was prepared by country unit staff; figures may differ from other World Bank published data.

8/12/06

Annex 2: Current Planning Overview

Country report - Bosnia-Herzegovina

Outcome and forecast in TSEK

Delimitation:

Status: I, P, A and C (agr end > 200600 or Outcome < 0)

Region/Country: Bosnia-Herzegovina

Other:

Responsible Unit	(All)
------------------	-------

			Data				
Allocation Frame	Allocation Account	Main Sector	Outcome 2006	Outcome 2007	Forecast 2007	Forecast 2008	
Outside country allocation	155311 Global Dev. Programs, INEC	08 Trade, business & fin. syst	0		0		
	155311 Global Dev. Programs, INEC Total		0		0		
	155341 Global Dev. Programs, PEO	04 HR & Democratic governance	0		0		
	155341 Global Dev. Programs, PEO Total		0		0		
	155391 Global Dev. Programs, UTV	11 Other	112		0		
	155391 Global Dev. Programs, UTV Total		112		0		
	15541 Concessionary credits	08 Trade, business & fin. syst	0		0		
	15541 Concessionary credits Total		0		0		
	15561 Non-governmental organisations	01 Health	167	-2	0		
		02 Education	399	-2	0		
		04 HR & Democratic governance	6 761	-239	0		
		05 Conflict, peace & security	176	-7	0		
		07 Infrastructure	10		0		
		08 Trade, business & fin. syst	20		0		
		09 Natural resources&environm.	85		0		
		11 Other	205	-2	0		
		15561 Non-governmental organisations Total		7 822	-252	0	
		15571 Humanitarian assistance	06 Humanitarian assistance	3 398	1 076	2 096	
	15571 Humanitarian assistance Total		3 398	1 076	2 096		
	15680 Joint ODA Europe	05 Conflict, peace & security		1 014	2 511		
		08 Trade, business & fin. syst			1 200	900	
	15680 Joint ODA Europe Total		1 778	1 014	3 711	900	
	15681 Western Balkans	04 HR & Democratic governance	502			0	
		05 Conflict, peace & security	360			0	
		07 Infrastructure	306			0	
		08 Trade, business & fin. syst	241			0	
		09 Natural resources&environm.	-11			0	
		11 Other	0			0	
		15681 Western Balkans Total		1 398		0	
	156812 Bosnia-Herzegovina	02 Education	1 290	2 676	6 751	3 029	
03 Research		435		0			
04 HR & Democratic governance		60 175	28 640	62 126	44 562		
05 Conflict, peace & security		5 000		0			
07 Infrastructure		118 268	68 740	70 964			
08 Trade, business & fin. syst		1 688	1 625	8 294	14 000		
09 Natural resources&environm.		24 139	10 456	21 561			
11 Other		5 535	2 146	5 610	5 750		
(blank)		0		21 465	60 500		
156812 Bosnia-Herzegovina Total		216 530	114 282	196 771	127 841		
156819 Regional Western Balkans	01 Health	2 800	2 295	4 815	2 797		
Allocation Frame	Allocation Account	Main Sector	Outcome 2006	Outcome 2007	Forecast 2007	Forecast 2008	
Outside country	156819 Regional	02 Education	664		664	996	
		04 HR & Democratic governance	48 403	17 443	34 569	9 298	
		07 Infrastructure	0		1 260	2 000	
		09 Natural resources&environm.	1 841	867	3 390	1 694	
		11 Other	10		0		
		(blank)	0		392	2 170	
	156819 Regional Western Balkans Total		53 718	20 605	45 090	18 955	
Outside country allocation Total			284 756	136 725	247 668	147 696	
Grand Total			284 756	136 725	247 668	147 696	

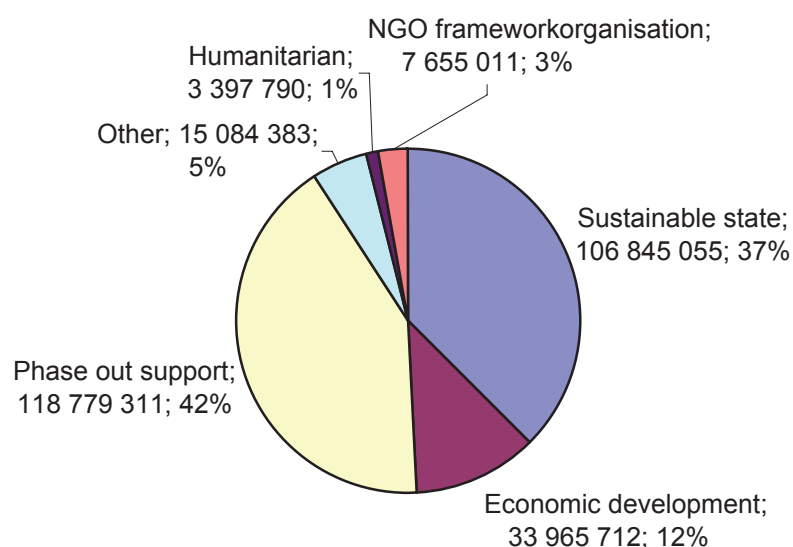
Annex 3: List of Strategic Documents Received

- *The Medium Term Development Strategy 2004–2007 (PRSP) Revised Document*; May 2006
- *Enlargement Strategy on Main Challenges 2006–2007*. Communication from the Commission to the European Parliament and Council
- *Bosnia and Herzegovina 2006 Progress report*. Communication from the Commission to the European Parliament and Council
- *EU Integration Strategy of Bosnia and Herzegovina*. Bosnia and Herzegovina Council of Ministers
- *Review of the GRANT B component of GAP project* – Consultancy report, August 2006
- *Assessment on potential technical assistance to the European Integration Process in Bosnia and Herzegovina* – Consultancy report, October 2006

Annex 4: Summary of Disbursements by Country Strategy Sectors

Sector	MSEK
Sustainable state	106 845 055
Economic development	33 965 712
Phase out support	118 779 311
Other	15 084 383
Humanitarian	3 397 790
NGO frameworkorganisation	7 655 011

BIH outcome 2006



Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



SWEDISH INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

SE-105 25 Stockholm Sweden
Phone: +46 (0)8 698 50 00
Fax: +46 (0)8 20 88 64
sida@sida.se, www.sida.se