



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 9 November 2005
COM (2005) 555

Proposal for a

COUNCIL DECISION

**On the Principles, Priorities and Conditions Contained in the European Partnership
with Bosnia and Herzegovina**

{SEC (2005) 1422}

(presented by the Commission)

EXPLANATORY MEMORANDUM

In Thessaloniki, the European Council of 19 and 20 June 2003 reiterated its determination to fully and effectively support the European perspective of the Western Balkan countries. It endorsed the Council's Conclusions of 16 June 2003 on the Western Balkan countries including the annex "The Thessaloniki Agenda for the Western Balkans: moving towards European integration", which introduced the European Partnerships as a means to materialise the European perspective of the Western Balkan countries.

In early 2004, the Commission presented its first European Partnership with Bosnia and Herzegovina. It was adopted by the Council on 14 June 2004. The Commission considers it appropriate to update this first Partnership on the basis of its findings in the 2005 Progress Report on Bosnia and Herzegovina.

This renewed European Partnership is based on the provisions of Council Regulation (EC) No 533/2004 of 22 March 2004. It lists short- and medium-term priorities for the country's preparations for further integration with the European Union. The country is expected to respond to the European Partnership by preparing a plan with a timetable and specific measures in terms of how it intends to address the European Partnership's priorities. The progress in implementing the priorities will be monitored regularly by the Commission, through the Progress Reports and through the structures set up under the Stabilisation and Association Process.

The European Partnership priorities should form the basis for programming the financial assistance of the Community, which will continue to be provided under relevant financial instruments, in particular Council Regulation (EC) No 2666/2000 of 5 December 2000 (CARDS).

The proposed Council Decision has no financial implications. In view of the above, the Commission invites the Council to adopt the attached draft Council decision.

Proposal for a
COUNCIL DECISION

**On the Principles, Priorities and Conditions Contained in the European Partnership
with Bosnia and Herzegovina**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 533/2004 on the establishment of European Partnerships in the framework of the Stabilisation and Association Process and in particular to Article 2 thereof¹,

Having regard to the proposal from the Commission,

Whereas:

- (1) The European Council endorsed the introduction of the European Partnerships as a means to materialise the European perspective of the Western Balkan countries within the framework of the Stabilisation and Association Process.
- (2) Regulation (EC) No 533/2004 sets out that the Council is to decide on the principles, priorities and conditions to be contained in the European Partnerships, as well as any subsequent adjustments.
- (3) The Council adopted on 14 June 2004 a first European Partnership with Bosnia and Herzegovina. It is appropriate to update this Partnership in order to identify renewed priorities for further work, on the basis of the findings of the 2005 Progress Report on Bosnia and Herzegovina's preparations for further integration with the European Union.
- (4) Regulation (EC) No 533/2004 indicated that the follow up of the implementation of the European Partnerships will be ensured within the framework of the mechanisms established under the Stabilisation and Association Process.
- (5) In order to prepare for further integration with the European Union, Bosnia and Herzegovina is expected to develop a plan with a timetable and specific measures to address the priorities of this European Partnership.

¹ OJ L 86, 24.03.2004, p.1.

HAS DECIDED AS FOLLOWS:

Article 1

In accordance with Article 1 of Regulation (EC) No 533/2004, the principles, priorities and conditions in the European Partnership with Bosnia and Herzegovina are set out in the annex hereto, which forms an integral part of this Decision.

Article 2

The implementation of the European Partnership shall be examined through the framework of the mechanisms established under the Stabilisation and Association Process, notably the annual reports presented by the Commission.

Article 3

This Decision shall take effect on the third day following its publication in the Official Journal of the European Communities.

Done at Brussels,

*For the Council
The President*

ANNEX

BOSNIA AND HERZEGOVINA: 2005 EUROPEAN PARTNERSHIP

1. INTRODUCTION

The European Council endorsed the introduction of the European Partnerships as a means to materialise the European perspective of the Western Balkan countries within the framework of the Stabilisation and Association Process.

The first European Partnership with Bosnia and Herzegovina was adopted by the Council on 14 June 2004. It is appropriate to update this first partnership on the basis of the findings of the 2005 Commission's Progress Report on Bosnia and Herzegovina. The second European Partnership identifies new priorities for action. The new priorities are adapted to the country's specific needs and stage of preparation and will be updated as necessary. The European Partnership also provides guidance for financial assistance to the country.

Bosnia and Herzegovina is expected to develop a plan including a timetable and specific measures to address the European Partnership priorities.

2. PRINCIPLES

The Stabilisation and Association Process remains the framework for the European course of the Western Balkan countries, all the way to their future accession.

The main priorities identified for Bosnia and Herzegovina relate to its capacity to meet the criteria defined by the Copenhagen European Council of 1993 and the conditions set for the Stabilisation and Association Process, notably the conditions defined by the Council in its Conclusions of 29 April 1997 and 21 and 22 June 1999, the content of the final declaration of the Zagreb Summit of 24 November 2000 and the Thessaloniki Agenda.

3. PRIORITIES

The priorities listed in this European Partnership have been selected on the basis that it is realistic to expect that the country can complete them or take them substantially forward over the next few years. A distinction is made between short-term priorities, which are expected to be accomplished within one to two years, and medium-term priorities, which are expected to be accomplished within three to four years. The priorities concern both legislation and the implementation thereof.

Taking into account the substantial costs involved with meeting all the EU requirements as well as the complexity of these requirements in certain areas, this partnership does not include all important tasks at this stage. Future partnerships will include further priorities in line with progress made by the country.

Among the short term priorities, the key priorities have been identified and grouped together at the beginning of section 3.1. The order of these key priorities does not imply a ranking in their importance.

3.1. Short-term priorities

Key Priorities

- Fully co-operate with the International Criminal Tribunal for the former Yugoslavia (ICTY) in apprehending all ICTY indictees at large.
- Fully implement the agreement on police restructuring of October 2005. In this framework, establish the Directorate for the Implementation of Police Restructuring by December 2005 and adopt an action plan for the reform implementation in compliance with the principles outlined by the European Commission within the timelines set by the agreement.
- Adopt all the necessary public broadcasting legislation at State and Entity level and start its implementation.
- Ensure that all State-level ministries and institutions are adequately financed, operational and properly equipped, namely in terms of premises and staff.
- Adopt and start implementing a comprehensive action plan for public administration reform, taking into account the results of the public administration functional and sectoral reviews.
- Ensure the existence of a real internal market in Bosnia and Herzegovina.

Political Requirements

DEMOCRACY AND THE RULE OF LAW

Governance

- Take steps to provide Bosnia and Herzegovina's Parliamentary Assembly with sufficient technical resources and personnel.
- Further improve and strengthen State-Entity coordination by establishing regular and institutionalised mechanisms for coordination between the State and the Entities.
- Ensure proper follow up of the reports issued by Bosnia and Herzegovina's Supreme Audit Institutions and take appropriate measures against those responsible for irregularities.

Elections

- Assume full organisational and financial responsibility for the 2006 Parliamentary and Presidential elections.
- Amend electoral legislation regarding the Bosnia and Herzegovina Presidency members and the House of Peoples delegates, to ensure full compliance with the European Convention on Human Rights and the Council of Europe post-accession commitments.
- Provide the necessary staff for the Audit Department of the Electoral Commission.

Public administration

- Provide the Public Administration Coordinator's Office with the necessary human and material resources to carry out its work.
- Take measures to ensure the proper functioning of the Civil Service Agencies and develop and implement efficient recruitment procedures; ensure prompt appointment of civil servants, in particular at State level, following successful civil service procedure.
- Implement the training programme for public administration adopted in May 2005.

- Adopt the new legislation on the State Ombudsman and ensure the merger of the State and Entity Ombudsmen.

Judicial system

- Ensure full responsibility for the State Court, the Prosecutor’s Office and the High Judicial and Prosecutorial Council in terms of finance, administration and personnel; ensure their proper functioning.
- Make progress in dealing with the backlog of cases before the courts.
- Develop an efficient system for addressing juvenile delinquency.

Anti corruption policy

- Prepare a detailed action plan against corruption on the basis of the National Anti-corruption Strategy.
- Harmonise anti-corruption legislation within Bosnia and Herzegovina.
- Ensure effective implementation of the law on Conflicts of Interest.

HUMAN RIGHTS AND THE PROTECTION OF MINORITIES

- Abolish references to the death penalty in the Republika Srpska Constitution.
- Implement the international conventions ratified by Bosnia and Herzegovina, including reporting requirements.
- Ensure that the Human Rights Commission within the Constitutional Court addresses all unresolved human rights cases.
- Further improve the legal framework on minorities so that it fully meets the requirements of the Council of Europe Framework Convention on National Minorities, and ensure its implementation throughout Bosnia and Herzegovina.
- Establish the Council of National Minorities and the corresponding bodies at Entity level.
- Develop and start implementing the sectoral Action Plans of the National Strategy for Roma as part of a comprehensive strategy of poverty alleviation.

REGIONAL CO-OPERATION AND INTERNATIONAL OBLIGATIONS

- Continue to improve regional cooperation and ensure good-neighbourly relations.
- Improve significantly the implementation of bilateral Free Trade Agreements.
- Conclude and implement agreements with neighbouring countries, notably on cross border cooperation, the fight against organised crime, trafficking and smuggling, judicial cooperation, border management, readmission, environment, transport and energy.
- Ensure that the Refugee Return fund is properly funded and fully operational. Complete the process of returnee/ refugee return and achieve significant progress towards their economic and social integration.

- Address all outstanding Council of Europe post-accession requirements, in particular in the areas of education and elections.

Economic Requirements

- Pursue policies conducive to a stable macro-economic environment and pay particular attention to credit growth in the context of the currency board arrangement.
- Implement the State framework Law and Entities Laws on business registration.
- Support the work of the Fiscal Sustainability Working Group with the overall aim to reduce real public expenditure.
- Finalise the reconciliation of domestic claims and adopt the State level Law on internal debt to guide payments on all domestic claims.
- Adopt the Law on the National Fiscal Council and establish procedures for its efficient functioning.
- Reform and reduce the rigidity of the wage setting system, in particular in the public sector.
- Design and implement a blueprint for institutionalisation of the Economic Policy Planning Unit.
- Make substantive progress on corporate governance, *inter alia* by accelerating the process of privatisation and restructuring of Private Investment Funds (PIFs).
- Enact and start to implement the Law for Financial Restructuring.
- Ensure proper functioning of the commercial courts and develop the functioning of courts in handling and processing bankruptcy procedures.

European Standards

INTERNAL MARKET

Free movement of goods

- Implement current legislation in the areas of standards, certification, metrology, accreditation and conformity assessment; establish the institutions provided for by this legislation and equip/staff them so that they can implement their tasks. Continue efforts to align rules and regulations in these areas with the *acquis*, in particular to create conditions favourable to trade.
- Establish an internal consultation and notification mechanism of new technical regulations prior to their adoption on measures having an impact on trade.
- Ensure continued progress in adopting European standards.
- Establish the Market Surveillance Agency and ensure its capacity to fulfil its tasks. Continue taking steps towards the establishment of a market surveillance structure responding to the requirements of the *acquis* on free movement of goods.

Movement of persons, services and right of establishment

- Set up the Insurance Agency of Bosnia and Herzegovina and ensure that it becomes fully operational.

- Bring banking supervision to the State level and ensure effective functioning of the supervisory authority.

Customs and taxation

- Further align customs legislation and procedures to the *acquis*.
- Ensure that the legal framework for free zones is compatible with EU standards and guarantee the adequate supervision of free zones.
- Take all necessary steps to properly implement rules of origin.
- Implement customs valuation rules in accordance with international standards and practices.
- Increase the administrative capacity to implement customs legislation, and to fight against corruption, cross-border crime and fiscal evasion.
- Ensure the adequate functioning of the Indirect Taxation Authority.
- Fully implement and enforce the VAT law, and further approximate tax legislation with the *acquis*.
- Commit to the principles of the Code of Conduct for Business Taxation and ensure that new tax measures are in conformity with these principles.

Competition

- Enhance the capacity of the Competition Council in order that it is able to fully implement its tasks as regards the enforcement of the relevant rules and the advocacy of competition policy.
- Adopt the necessary legislation on competition and state aid, and align the already existing legislation with EU competition and state aid rules.

Public procurement

- Ensure proper implementation of public procurement legislation, including establishment, staffing and budgetary allocation of the Public Procurement Agency and Public Procurement Review Body.

Intellectual property law

- Implement and enforce the current legal framework, most notably by ensuring the proper functioning of the Institute for Intellectual Property.

Statistics

- Adopt and start implementation of the Agreement between the Entities in the statistical system on the improvement of the work of a central statistical agency in Bosnia and Herzegovina.

SECTORAL POLICIES

Industry and SME

- Adopt without further delay the currently proposed State-level SME strategy and start implementation of the prioritised actions.
- Develop a sound and comprehensive industrial policy.

Agriculture and fisheries

- Develop a comprehensive agricultural strategy at State level based on the Functional Review Recommendations of November 2004 and provide a legal framework for its implementation.
- Continue with the alignment of legislation on the EU veterinary and phytosanitary *acquis*.
- Establish and make operational the State Food Safety Agency. Make operational the Phytosanitary Agency.
- Enhance laboratories and inspection capacity in the veterinary and phytosanitary sectors, establish a reference laboratory and develop sampling procedures in conformity to EU requirements.
- Complete the EU-conform animal identification and registration of bovines.
- Reinforce the collection and processing of agriculture statistics in line with EU standards and methodology.

Environment

- Adopt a State Environmental Law to create the framework for nationwide harmonised environmental protection.
- Establish and ensure the proper functioning of the State Environment Agency.

Energy

- Start implementing the commitments undertaken in the framework of the Energy Community Treaty.
- Develop and adopt a comprehensive Energy Strategy; pursue reforms and liberalisation of the energy sector.
- Ensure that the Independent System Operator and the Transmission Company become rapidly fully operational, each as a single State-level company.

Transport policy

- Implement the State Law on Railways.
- Continue to align aviation legislation with the *acquis* in view of the European Common Aviation Area (ECAA).

Information society and media

- Adopt the Law on the Information Society Agency and establish this Agency.
- Further liberalise the telecommunication markets and ensure the effective implementation of the existing legislation by the regulatory authority to encourage competition.
- Further strengthen the role and administrative capacity of the regulatory authority.

Financial Control

- Develop a Public Internal Financial Control strategy.

JUSTICE, FREEDOM AND SECURITY

Visa, border control, asylum and migration

- Provide adequate staffing to the asylum and migration sectors within the Ministry of Security.
- Implement the 2003 Law on Movement and Stay of Aliens. Ensure that any amendments to this law are in line with the *acquis* and international standards, and that they represent an added value to the existing regulations.
- Further reduce the number of visas issued at the border.
- Implement all international and regional obligations in the field of border management.

Money laundering

- Fully staff the Financial Intelligence Unit.
- Further enhance co-operation between the FIU and the Criminal Investigation Department of the State Investigation and Protection Agency.
- Ensure adequate implementation and enforcement of legislation against money laundering and further improve this legislation.
- Adhere to relevant international conventions.

Drugs

- Develop a State-level Drug Policy in conformity with EU standards.
- Adopt the Law on the Prevention of Narcotics Abuse and their Precursors.

Police

- Further strengthen the State Investigation and Protection Agency, notably by completing the recruitment of the totality of its staff.

Fighting organised crime and terrorism

- Ensure the proper implementation of the National Action Plan for Combating Trafficking of Human Beings.
- Take additional measures for the protection of victims of trafficking and for the adequate implementation of the witness protection legislation.
- Enhance the State Investigation and Protection Agency capacity in the area of fight against terrorism; reinforce international co-operation in this area, including by the proper implementation of international conventions.
- Adopt the law on the Personal Data Protection and establish the Data Protection Agency.

3.2. Medium-Term Priorities

Political Requirements

Governance

- Ensure continued progress in taking full national responsibility for policy formulation and decision-making.

Public administration

- Implement the comprehensive Action Plan for public administration reform.
- Build training capacity for civil servants within Bosnia and Herzegovina and continue improving policy-making and coordination capacities.
- Increase the capacity for progressive legal harmonisation with the acquis and further expand Bosnia and Herzegovina's role in assistance programming and implementation, with the aim of preparing for the decentralisation of Community assistance.

Police Reform

- Implement the action plan for the police restructuring.

Judicial system

- Ensure adequate training of the judiciary, in particular as regards human rights legislation and issues related to the implementation of a future Stabilisation and Association Agreement.
- Guarantee that all Courts have the necessary technical equipment and financial means to impart justice efficiently and properly.

Anti corruption policy

- Implement the Action-Plan against corruption and the GRECO recommendations.
- Ensure that international conventions on corruption are properly implemented and that corruption is actually reduced.

HUMAN RIGHTS AND THE PROTECTION OF MINORITIES

- Ensure full compatibility of national legislation with the European Convention on Human Rights.
- Ensure the protection of minorities in accordance with EU and international standards.
- Implement the National Strategy for Roma and its sectoral action plans.

Economic Requirements

- Ensure the continuation of macro-economic stability and work towards enhancing the sustainability of external accounts.
- Further work towards reducing public expenditure as a percentage of GDP.
- Continue to improve the business climate and corporate governance and pursue the restructuring of the corporate sector, including public utilities.
- Continue to strengthen the coordination of fiscal and economic policies.
- Ensure the adequate functioning of the Economic Policy Planning Unit of the Indirect Taxation Agency.

- Produce comprehensive consolidated government accounts.
- Strengthen the procedures for budget preparations, execution and accountability.
- Implement policies aiming at reducing unemployment, in particular long-term unemployment.
- Improve the coordination of employment agencies across the country and make efforts to reduce labour market fragmentation.
- Address the problem of fragmentation of the educational system and the overlap of functions between different levels of organisation. Strengthen policy development and strategic planning to improve quality of education.
- Continue the necessary reforms to comply with WTO rules and obligations, in order to accelerate the WTO accession process.

European Standards

INTERNAL MARKET AND TRADE

Free movement of goods

- Continue the alignment of legislation in the areas of standards, certification, metrology, accreditation and conformity assessment with the *acquis*, and the transposition of New and Global Approach and Old Approach directives.

Customs and taxation

- Ensure continued approximation of customs and taxation legislation to the *acquis*, and further increase the administrative capacity to implement this legislation, and to fight against corruption, cross-border crime and fiscal evasion.
- Improve transparency and exchange of information with the EU in order to facilitate the enforcement of measures preventing the avoidance or evasion of taxes.

Competition

- Implement state aid legislation.
- Present a comprehensive state aid inventory.

Public procurement

- Ensure that Bosnia and Herzegovina's public procurement legal framework is compatible with the *acquis* and that public procurement procedures are properly implemented.

Statistics

- Develop reliable economic statistics and build up institutional capacity to produce and publish basic statistical data harmonised with European standards, in particular in the areas of national accounts, labour statistics and business statistics.

SECTORAL POLICIES

Industry and SME

- Implement the SME strategy.
- Ensure the implementation of the industrial policy.
- Start designing and applying an integrated research policy.

Agriculture and fisheries

- Implement the comprehensive agricultural strategy at State level.
- Start action in view of identification of sheep and goats and registration of their movements.
- Prepare a programme for upgrading food processing establishments to meet EU requirements.
- Start actions in view to ensure an efficient control of domestic plant production in particular for products with EU specific requirements.

Environment

- Continue strengthening administrative capacity of the institutions involved in environmental protection, in particular at State-level, and ensuring the implementation of the already transposed legislation.
- Ensure that a functioning environmental monitoring system is in place.

Transport policy

- Continue the restructuring and liberalisation of the railway sector.
- Ensure progressive approximation of legislation to the transport *acquis*, notably as regards technical and safety standards, social standards and market liberalisation.
- Implement the Memorandum of Understanding of the South East Europe Core Regional Transport Network including the Transport Observatory (SEETO).

Energy

- Implement the Entities' Action Plans for the restructuring of the energy sector.
- Consolidate the State and Entity Energy Regulators.
- Take steps to achieve concrete progress in relation to the gas sector, *inter alia* by developing a gas strategy, establishing a system operator and regulator and developing the internal gas market.

Information society and media

- Implement public broadcasting legislation and complete the structural reform of the public broadcasting sector.
- Align legislation to the EU regulatory framework for electronic communications and services and ensure its implementation.
- Align with the European Convention on Trans-frontier Television and the Television without Frontiers Directive.

Financial control

- Develop and implement the principles of decentralised managerial accountability and functionally independent internal audit in accordance with the internationally accepted standards and EU best practice.
- Strengthen the operational capacity and functional as well as financial independence of the Supreme Audit Institution.
- Develop procedures and administrative capacities to ensure effective protection of EU financial interests.

JUSTICE, FREEDOM AND SECURITY

Visa, border control, asylum and migration

- Fully implement the Integrated Border Management strategy and achieve effective border management.
- Assume full ownership regarding the functioning of the reception centres.

Money laundering

- Ensure continued improvement of the enforcement record regarding money laundering.

Drugs

- Ensure that law enforcement bodies are properly equipped to fight against drugs trafficking and further improve inter-agency and international co-operation; achieve tangible results in this area.
- Establish a State-level Office for Narcotics.

Fighting organised crime and terrorism

- Ensure full implementation of all measures included in the Action Plan against Organised Crime.

4. PROGRAMMING

Community assistance under the Stabilisation and Association Process to the Western Balkan countries will be provided under the existing financial instruments, in particular by Council Regulation (EC) No 2666/2000². Accordingly, this Decision will have no financial implications. Bosnia-Herzegovina can have access to funding from multi-country and horizontal programmes.

5. CONDITIONALITY

Community assistance under the Stabilisation and Association Process to the Western Balkan countries is conditional on further progress in satisfying the Copenhagen criteria as well as progress in meeting the specific priorities of this European Partnership. Failure to respect these conditions could lead the Council to take appropriate measures on the basis of Article 5 of Council Regulation (EC) No 2666/2000³. Community assistance shall also be subject to the conditions defined by the Council in its

² OJ L 306, 7.12.2000, p. 1, as amended by Regulation (EC) No. 2415/2001 (OJ) L327, 12.12.2001, p.3.

³ Art. 5 of council regulation 2666/2000:

1. ¹ Respect for the principles of democracy and the rule of law and for human and minority rights and fundamental freedoms is an essential element for the application of this Regulation and a precondition

Conclusions of 29 April 1997, and 21-22 June 1999 in particular as regards the recipients' undertaking to carry out democratic, economic and institutional reforms.

6. MONITORING

The implementation of the European Partnership shall be examined through the framework of the mechanisms established under the Stabilisation and Association Process, notably the annual reports of the Commission.

2.² of eligibility for Community assistance. If these principles are not respected, the Council, acting by qualified majority on a proposal from the Commission, may take appropriate measures.
Community assistance shall also be subject to the conditions defined by the Council in its Conclusions of 29 April 1997, in particular as regards the recipients' undertaking to carry out democratic, economic and institutional reforms.