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TWINNING PROJECT EU SUPPORT TO THE PARLIAMENTS OF BiH IN EU INTEGRATION TASKS



EU TWINNING FACTSHEETS / NEWS ON THE EU INTEGRATION PROCESS

UPDATES ON EU ENLARGEMENT POLICY TOWARDS WESTERN BALKANS

► THE AIMS OF THE EU ENLARGEMENT POLICY TOWARDS THE WESTERN BALKANS

A credible enlargement policy is a geostrategic investment in peace, security and economic growth in the whole of Europe, more so in times of increasing global challenges and divisions. The firm and merit-based prospect of full EU membership for the Western Balkans, including Bosnia and Hercegovina is in the European Union's very own political, security and economic interest.

Each year the Commission adopts its "Enlargement package" - a set of documents explaining its policy on EU enlargement. This includes a Communication on enlargement which sets out the way forward and takes stock of the situation in the candidate countries and potential candidates, and it contains the Reports in which the Commission presents their detailed annual assessment of the state of play in each (potential) candidate country what has been achieved over the last year. These assessments are accompanied by recommendations and guidance on the reform priorities.

On 6th October 2020 the Commission adopted its **2020 Enlargement Package**: the annual reports, assessing the implementation of fundamental reforms in the Western Balkans and Turkey are presented together with clear and more precise recommendations and guidance on the next steps for the (potential) candidate countries, in line with the enhanced enlargement methodology. The Communication summarizes the most important milestones of the accession process, actions of the individual Western Balkan countries in the accession process and the biggest challenges that still lie ahead.

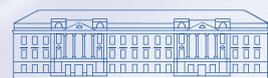
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► ASSESSMENT OF THE BIH PROGRESS IN THE ACCESSION PROCESS AND THE BIGGEST CHALLENGES AHEAD

Bosnia and Herzegovina needs to address the 14 key priorities from the Commission's May 2019 Opinion on the EU membership application of the country, in line with the relevant Council Conclusions of December 2019. The 2019 Opinion is a comprehensive roadmap for deep reforms in the areas of democracy/functionality, rule of law, fundamental rights and public administration reform. Bosnia and Herzegovina needs to **fundamentally improve its legislative and institutional framework**, including at constitutional level where necessary, to comply with the requirements of EU membership. Fulfilling the 14 key priorities will allow the country to open EU accession negotiations challenges that still lie ahead.

According to the EU enlargement policy Bosnia and Herzegovina is overall at an **early stage/has some level of preparation** regarding its level of preparedness and ability to take on the obligations of EU membership and **needs to significantly step up the process to align with the EU acquis and implement and enforce related legislation**. Limited to no progress was made on the different EU acquis chapters during the reporting period. Particular attention should be paid to the areas of free movement of goods, right of establishment and freedom to provide services, information society and media, agriculture and rural development, fisheries, transport policy, energy, economic and monetary policy, statistics, social policy and employment, enterprise and industrial policy, regional policy and coordination of structural instruments, education and culture, consumer and health protection, and financial control.

The implementation of the Western Balkans Strategy and the Sofia Priority Agenda adopted at the EU Western Balkans Summit in Sofia in May 2018 continued in 2019-2020. Both these documents foresee actions in six flagship priority areas: rule of law, migration and security, socio-economic development, connectivity, digital agenda and good neighbourly relations.

► NEW EU TOOL TO SUPPORT THE ECONOMIC, REGIONAL, GREEN AND DIGITAL DEVELOPMENT IN WESTERN BALKANS

In October 2020, the Commission also adopted a comprehensive **Economic and Investment Plan for the Western Balkans**, which aims to spur the long-term recovery of the region, a green and digital transition, foster economic regional cooperation, boost economic growth and support reforms required to move forward on the EU path. It aims to unleash the untapped economic potential of the region and the significant scope for increased intraregional economic cooperation and trade.

This Economic and Investment Plan sets out a substantial investment package for the region. It is built on the foundations of a performance-based and reform oriented **proposal for an Instrument for Pre-accession Assistance (IPA) III** and reinforced instruments to foster public and private-sector investment. By the adoption of the Multi-annual Financial Framework 2021-2027 and the related legal bases, **up to EUR 9 billion of IPA III funding for the period 2021-2027** could be mobilised to support economic convergence with the EU primarily through investments and support to competitiveness and inclusive growth, sustainable connectivity, and the twin green and digital transition.

The large majority of this support would be directed towards **key productive investments and sustainable infrastructure** in the Western Balkans. The investment capacity of the region in addition should be boosted by the mobilisation of a new Western Balkans Guarantee facility, with the ambition to potentially raise investments of **up to EUR 20 billion**.

► PRIORITIES OF THE ECONOMIC AND INVESTMENT PLAN

SUSTAINABLE TRANSPORT

Better connecting the economies of the Western Balkans - within the region and with the EU – is a priority. This requires a strong commitment from the Western Balkans to implementing fundamental reforms, deepening regional economic integration and developing a **common regional market on the basis of the EU acquis** in order to make the region a more attractive investment area.

CLEAN ENERGY AND GREENING THE WESTERN BALKANS

Particular attention will be paid to the EU commitment to reach climate neutrality by 2050. In light of this ambition and their future in the EU, the countries of the Western Balkans – with support from the EU – will have to strengthen their efforts in this regard.

DIGITAL FUTURE

In the same vein, the Western Balkans should use the **EU's digital strategy** as the guiding principle for a human-centric digital transformation of their economies and societies.

INNOVATIONS AND HUMAN CAPITAL

Sustained competitiveness inevitably rests on the region's ability to build its human and entrepreneurial **capacity to innovate** and develop an economic niche. Thus, investing in the future also means investing in research, innovation, health, education, culture, youth and sport.

A major factor for the existing structural weaknesses is **poor governance** and, in particular, limited progress in addressing **shortcomings in the rule of law** and in tackling corruption. Respect for the rule of law is also necessary to protect EU funds, and ensure that they are used to support the development of the Western Balkans.

BOOSTING THE PRIVATE SECTOR AND REGIONAL ECONOMIC INTEGRATION AND INTEGRATION WITH THE EU

Boosting investment and economic growth will therefore only be possible if the Western Balkans firmly commit to and **implement fundamental reforms** in line with European values. Whether structural socio-economic reforms, in particular those identified in the Economic Reform Programmes and the joint policy guidance, strengthening the rule of law, respect for human rights, or improving public administration, these reforms are essential for an environment favourable to entrepreneurship, job creation and sustainable investment. Western Balkans leaders must deliver more credibly on their commitment to implement the fundamental reforms required and with clearer political commitment, in line with the revised enlargement methodology.

► PROJECTS SUPPORTED BY EU FUNDS

A first set of projects articulated around **ten investment flagships** are based on the results of preliminary consultations with the governments of the region and their political and economic reform priorities. A first step in implementing this Economic and Investment Plan could be a package of infrastructure projects frontloaded for funding in 2021-22 with the expectation that these would unlock significant investments. This would allow mature project proposals particularly in the areas of digital, transport, energy transition and environment, after appropriate assessment, to be completed or substantially advanced by 2024.

Further IPA funding could subsequently support infrastructure projects and productive investments with a strong focus on the twin **green and digital transition** for the region, boosting circular economy and biodiversity and jointly implementing the upcoming Green Agenda for the Western Balkans. Investments could also be supported in rural areas and agriculture, in the cultural and creative sectors, in health and human capital development, including education, and to boost cross border cooperation, including on innovation.

In addition to the EU's significant grant funding to the region, the **EU can provide guarantees** to help reduce the cost of financing for both public and private investments and to reduce the risk for investors: Support through the proposed Western Balkans Guarantee Facility is expected to mobilise approximately **EUR 20 billion** of investments in the next decade.

► REFERENCE DOCUMENTS

Proposal for a Regulation of the European Parliament and of the Council establishing the Instrument for Pre-accession Assistance (IPA III), 2018

Commission Opinion on Bosnia and Herzegovina's application for membership of the European Union, 2019

New Enlargement Methodology - Enhancing the accession process - A credible EU perspective for the Western Balkans, 2020

An Economic and Investment Plan for the Western Balkans, 2020

The EU Economic and Investment Plan identified several Fields of Assistance, Priorities, Investment flagships, and within these the first set of projects for BiH, as it follows:

Fields of Assistance	Priorities	Flagships	First set of projects for BiH
SUSTAINABLE TRANSPORT	<ul style="list-style-type: none"> • extension of the TransEuropean Transport Network (TEN-T) • to speed up construction of new transport infrastructure and the upgrading of existing infrastructure • fast and efficient transport links • creation of a fully integrated regional transport market • speed up the implementation of technical standards and connectivity reform measures 	FLAGSHIP 1 - CONNECTING EAST TO WEST	
		FLAGSHIP 2 - CONNECTING NORTH TO SOUTH	<ul style="list-style-type: none"> • 75% of the main north-south road corridor linking central Europe capitals through Sarajevo in Bosnia and Herzegovina to the port of Ploče on the Adriatic coast will be completed to motorway standards. The rail connection along the same corridor will also be upgraded. • The Sarajevo to Podgorica capital to capital connection will be enhanced, linking further to the existing and planned networks in Bosnia and Herzegovina, and providing more direct links between neighbours.
		FLAGSHIP 3 - CONNECTING THE COASTAL REGIONS	
CLEAN ENERGY	<ul style="list-style-type: none"> • energy market integration • decarbonisation • clean energy transition • increased digitalisation of the system and smart grids • increase energy efficiency • energy security • prioritisation of energy interconnections 	FLAGSHIP 4 - RENEWABLE ENERGY	
		FLAGSHIP 5 - TRANSITION FROM COAL	<ul style="list-style-type: none"> • The Gas-interconnector Bosnia and Herzegovina – Croatia, complementing the above diversification, and increasing the potential and diversification of the existing gas distribution system in the country, will be completed.
		FLAGSHIP 6 - RENOVATION WAVE	
ENVIRONMENT AND CLIMATE	<ul style="list-style-type: none"> • decarbonisation • depollution of air • water and soil • circular economy • farming and food production • protecting biodiversity • waste and waste management 	FLAGSHIP 7 - WASTE and WASTE WATER MANAGEMENT	

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Fields of Assistance	Priorities	Flagships	First set of projects for BiH
DIGITAL FUTURE	<ul style="list-style-type: none"> • implementation of a Digital Agenda for the Western Balkans • support for digital skills development, e-government, e-procurement and e-health services • lowering the cost of roaming within the region and also to and from the EU • further explore the ways in which the Western Balkans can enjoy the benefits of the EU Digital Single Market • to build cybersecurity capacities in the region 	FLAGSHIP 8 – DIGITAL INFRASTRUCTURE	
PRIVATE SECTOR	<ul style="list-style-type: none"> • the development of a robust private sector • supporting start-ups and SMEs in strategic sectors identified by the countries, such as tourism and digital • fostering green growth and the circular economy • sustainable transformation of agri-food systems and rural development in the region 	FLAGSHIP 9 – INVESTING IN THE COMPETITIVENESS OF THE PRIVATE SECTOR	
HUMAN CAPITAL	<ul style="list-style-type: none"> • education and skills • employment • health systems reform • social protection and inclusion • emphasis will be put on youth, health, culture and sport 	FLAGSHIP 10 – YOUTH GUARANTEE	
ECONOMIC INTEGRATION	<ul style="list-style-type: none"> • develop a Common Regional Market to integrate the region more closely with the EU Single Market 		