

The United Nations Country Team (UNCT) in Bosnia and Herzegovina (B&H) is comprised of ten UN Programmes and Specialized Agencies (UNHCR, UNICEF, UNDP, UNFPA, WHO, ILO, UNESCO, UN Women, UNV), the Bretton Woods Institutions (World Bank, IMF), UNICTY and IOM. Several regionally-based UN Agencies are operational in B&H through the implementation of the UNDAF BiH 2010-2014 (UNIDO, UNEP, UN-HABITAT, IFAD, UNODC, UNECE) and through their individual projects and technical assistance (FAO, WMO). The UNCT's joint delivery in 2012 amounted to an estimated USD 44 million distributed among four UNDAF sectors: governance/local development, social inclusion, environment/energy and justice/rule of law.

B&H experienced a challenging year in terms of maintaining political stability as well as making progress with regard to the European Union (EU) integration process, which declaratorily remains a key strategic and developmental objective for the country. The year started positively with a long-anticipated agreement on the government's ruling coalition that was reached following a 15-month post-election negotiation process. However, throughout political party negotiations during this period, B&H was essentially without an effective government and there was a lack of significant progress towards addressing the country's socio-economic challenges, as well as meeting EU requirements for becoming a candidate country (EU Road Map). The agreement on the government formation was followed by the adoption of several key legislative acts, such as the B&H Census Law and the State Aid Law, crucial for unblocking the EU integration process, which added to the overall positive political momentum.

However, in early June, following a disagreement over the state budget for 2012, the ruling coalition collapsed and B&H entered into another political crisis and institutional deadlock. In early October, local elections were conducted in B&H, which although organized peacefully, professionally and without serious incidents, contributed to an overall increase in political tensions and prolonged the political crisis. The lack of a political agreement and an effective government at the State and the Federation Entity levels for most of 2012 resulted in the country's socio-economic stagnation and has halted the EU integration progress. This was strongly reflected in the 2012 European Commission's (EC) Progress Report for B&H which provided the most negative assessment to date for B&H's integration progress and stated that the country made the least progress amongst the Western Balkan candidate and potential candidate countries.

Moreover, B&H's leading politicians failed to implement the EC Road Map, which was agreed with the EU in June 2012, the completion of which would have enabled B&H to submit a credible application for EU membership. With the very limited progress on the EU integration process over the last 4 years and considering the EU's internal financial and structural challenges, B&H is in danger of losing its EU candidacy perspective in the short term, which may in the long run have a negative impact on the country's overall political stability. While actual backsliding on many reforms is already a fact of life, these combined negative trends may, if unchecked lead to the spiralling out of control of existing tensions and divisions and manifest themselves in sporadic outbursts of frustration and violence shattering even the current fragile status quo. Any negative regional trends will also have a disproportionate effect on the fragile stability of BIH.

Among notable events, the year was also marked by your landmark visit to B&H as part of your tour of the region of former Yugoslavia. The visit to B&H, symbolically tied with the 20th anniversary of B&H's UN membership, the 17th anniversary of the Dayton Peace Accords and the 10th anniversary of the last visit of the UN Secretary-General to B&H was significant for many reasons. It symbolized the aspiration for a new, forward-looking era for the region and B&H with strong messages on reconciliation, transitional justice and getting to grips with the past and further integration into the world-wide community of nations and the EU. The visit to the Potocari Memorial Center in Srebrenica was historic and was well-received by the B&H public and wider audiences. Equally important, the visit also provided important momentum to initiate discussions with B&H authorities on some key UN programmatic initiatives in B&H, such as reconciliation and protracted displacement, which are paramount for the long-term future of B&H and its multicultural society. A number of outstanding bilateral issues were also raised.

Summary on progress towards UNDAF outcomes

The implementation of the 2010-2014 UNDAF for B&H remained on track in 2012 despite the evident weakness of the national ownership of development assistance in B&H, in its classical definition. In December, the Office of the UN Resident Coordinator with the assistance of the UNCT conducted the annual review exercise on the progress achieved in 2012 and prepared the 2012 UNDAF Annual Review (attached to this report), which provides detailed information on the activities undertaken and results accomplished by the UNCT towards achieving each of the UNDAF outcomes. Overall, the progress was evident in strengthening transparent and accountable governance in B&H that meets the requirements of the EU accession process, including evidence-based policy making, **social protection and juvenile justice legislation, early childhood development policy**, development of local governance, access to justice, gender equality, and civil society's participation in policy-making mechanisms. The results were also visible in UNCT attempts to reinforce participatory policy development and implementation processes to ensure inclusive and quality basic social protection and employment services, with particular focus on socially excluded and vulnerable groups. However, in the absence of radical social sector reforms, this support does not qualify as system changing. Further progress was also achieved in strengthening environmental management mechanisms in line with the EU and

other multilateral environmental agreements and supporting the development of capacities at the local level for energy efficiency, natural resource management and sustainable development. In the area of human security, the focus was on supporting the B&H authorities to address the threats posed by natural disasters, communicable diseases (including HIV/AIDS and tuberculosis), landmines, small arms and light weapons and their surplus and issues of migration.

Summary on progress in UN Reform

1. efforts to align with national development processes

In the absence of an official long-term national development strategy, the UNCT continued its attempts to ensure proper coordination and information sharing with the state and entity governments. As in previous years, the UNCT initiated joint annual coordination and consultation meetings (Programme Steering Boards) with the B&H Council of Ministers and two Entity Governments. The purpose of the Programme Steering Boards is to empower the authorities and present the three executive governments with the UNCT's annual objectives and financial targets for B&H and to report on the achievements from the previous year. However, due to political crisis and institutional deadlock during most of 2012, the UNCT only managed to organize the annual coordination meeting with the Republika Srpska Entity Government. On an individual basis, the RC and the agencies continued to develop their respective annual work plans in cooperation with line ministries at the state as well as the entity levels. Furthermore, through numerous Project Steering Boards that consist of both representatives of UN programmes, Agencies and line ministries at the state and entity levels, the UNCT continued to include the B&H authorities in the oversight of projects' and programmes' implementation ensuring alignment with B&H development needs and activities. Unfortunately, one has to acknowledge, that National Ownership of development assistance in its classical definition is very weak in BiH at the present time.

1. support to the national government in the preparation, implementation and/or revision of comprehensive MDG-based national development strategies

B&H continues to lack an overall, comprehensive, national development strategy and planning process. Over the years, the country has developed numerous, sector-related strategies which frequently face considerable challenges in terms of inadequate implementation capacities and/or insufficient state-wide support and funding. Disagreement among BiH politicians about the division of competencies at State and Entity level is a contributing factor to lack of strategic vision. In 2012, the UNCT efforts continued to be focused primarily on supporting the preparation or implementation of the B&H MDG national commitments and various UN, EU and International obligations. UNCT assistance was particularly effective in support of the development of the [FBiH Action Plan for Reform of Institutional Care of Juveniles in Conflict with the Law](#), RS Policy for Improvement of Nutrition of Children under the Age of 5, state-wide Early Childhood and Development policies and strategies, state and the NGO alternative reports on the Convention on the Rights of the Child, Transitional Justice Strategy, Low Emission Development and Adaptation Strategy, Second National Communication to UNFCCC, Small Arms and Light Weapons Strategy, Strategy for the Achievement of Right of Women Victims of War and Sexual Violence and Land Consolidation Strategy. The UNCT also contributed to development of the 2012-2015 Migration & Asylum Strategy and Action Plan, Strategy for Preventing and Combating Domestic Violence at the entity level, Local UNSCR 1325 Action Plans, Revised Roma Action Plan and the Law on Volunteering.

With regards to UNCT support to implementation of the key, MDG-related strategies in B&H, focus was given to implementation of the entity-based employment strategies, the B&H War Crimes Strategy, and the activities in support of the UN Convention on Rights of Persons with Disabilities as well as various international conventions on labour relations in public services and adequate management of cultural and natural resources. Among them, special emphasis was also placed on the Revised Annex VII (to the Dayton Peace Agreement) Strategy (protracted displacement) as the key, long-term national priority. UNHCR led this process regionally building upon its strong comparative advantage in this area and pursuant to the obligations of the regional states under the Sarajevo Process. A donor conference organized by UNHCR/EU/OSCE in Sarajevo in April 2012 raised some 370 million euro to close the protracted displacement chapter in the Western Balkans over the coming 5 years. As a follow up, the UNCT successfully completed a Concept Note that addresses the challenges related to the issue of return and local integration in Canton 10, which has received the support of B&H authorities, as well as the UN Trust Fund for Human Security (UNTFHS). Negotiations are on-going with EU and national authorities on similar programmes in other geographic areas as well as provision of support to the housing and collective centre programmes. In addition, the UNCT, through its joint initiative, continued to support the B&H Ministry of Human Rights and Refugees in its efforts to revise the B&H Roma Action Plans in Health, Employment and Housing bringing them in line with the actual needs and international standards. **An international conference on Early Childhood Education, held in February, was also a milestone in raising awareness of the importance of pre-school education and generating commitment at all levels to increase the enrolment rate.**

1. progress UNCTs are making collectively in support of national partners' endeavours towards capacity development and aid effectiveness

Capacity development: UNCT is providing support for capacity development in B&H within the context of B&H's EU integration process, which is a key national strategic goal. The aim is to contribute to the government's efforts in strengthening its own capacities to adequately meet EU requirements, as well as other international obligations, including UN conventions. In 2012, the focus of the UNCT assistance on capacity development for strategic planning and policy development was primarily in the sectors of energy and environment, transport and communications, labour and employment, **education (pre-primary and secondary education), early childhood development, health, justice, European System of Integrated Social Protection Statistics (ESSPROS), Eurostat, agriculture (water management, forestry and veterinary), migration, women's empowerment, as well as social (child) protection and inclusion.** Special attention was paid to strengthening B&H judicial capacities for processing war crimes and formulation of a national transitional justice strategy as well as to position justice for children as part of the overall

justice reform . Other examples include support to local municipal strategic planning, management of environmental hot spots, support to state and entity statistical agencies, including a **Multiple Cluster Survey (for mainstream and Roma population)** and preparatory work for a national census, strengthening the strategic planning capacities of health institutions, as well as the protection of cultural and natural heritage.

Aid Effectiveness: In line with the transfer of responsibility for aid management and coordination to the central government in early 2009, the UNCT continued to provide B&H authorities, including the B&H Ministry of Finance and Treasury in its capacity as the Chair of the Donor Coordination Forum in B&H, with annual, consolidated information on financial and programmatic targets. As already mentioned, in its efforts to build upon its joint initiative from last year, the UNCT has attempted to organize again the annual consultation sessions with the state and entity governments on its annual financial and programmatic plans for 2013. However, due to the government crisis and institutional deadlock throughout much of 2012, success was rather limited. In late 2012, the UNCT participated in the government-led 2011 Paris Declaration Survey and provided the B&H Ministry of Finance and Treasury with a consolidated UNCT questionnaire that included UN information on financial assistance and other Paris Declaration-related aspects. Similarly, the UNCT also contributed to the annual Donor Mapping Report prepared by the B&H Ministry of Finance and Treasury by providing the required financial and narrative inputs.

1. experiences with joint programmes and HACT, as well as other highlights in coordination

Joint Programming

The year 2012 marked a turning point for the joint UN programmes' development in B&H. As the MDG-F Joint UN Programmes are entering their final stage of implementation in B&H, the UNCT, in line with its strategic decision reached in late 2010 to initiate a process to develop the next generation of joint UN programmes, developed several new UN initiatives in 2012. The focus of the new joint UN programmes is to address pressing national developmental challenges in the areas of reconciliation (through culture and education), protracted displacement, armed violence and prevention, gender equality through the economic empowerment of women and rule of law.

In September, the UNCT submitted its Concept Note on the issue of protracted displacement in Canton 10, located in the Federation of B&H Entity, to the UN Trust Fund for Human Security UNTFHS. The UNHST has positively responded to the UNCT's submission and has requested that the UNCT develop a full, 3-year joint UN project document by early February. Additional funding support has been pledged by B&H authorities, while discussions are on-going with the European Union Delegation to B&H and other donors in order to increase international support to address protracted displacement in specific geographic areas in a more comprehensive sustainable manner.

In support of reconciliation in B&H, and in consultation with the B&H Presidency, the UNCT has submitted a draft Concept Note requesting financial support from the Peace Building Fund to the Executive Office of the Secretary-General (EOSG) and the Department of Political Affairs (DPA) in December 2012 for further review and follow-up with the Peace Building Support Office.

The concept proposes the establishment of a facility for civic dialogue, politically sponsored by the Presidency and operationally managed by the UN, which supports inter-communal dialogue and exchanges throughout B&H. This appeal, initially communicated by the Chairman of the B&H Presidency at that time, was also discussed during the Secretary-General's visit to B&H in July 2012 with three members of the Presidency. Your office's support in proactively engaging with PBSO on this initiative is very much appreciated.

The joint UN implementation on the armed violence and prevention initiative was initiated in the summer of 2012 with the support of seed funds provided by UNDP's Bureau for Conflict Prevention and Recovery. With regard to the joint UN programmes on gender empowerment and the rule of law, the UN Resident Coordinator is currently exploring funding options and possibilities with various potential donors.

The MDG-F Joint UN Programmes on Economic Governance, Youth Employment and Environment continued its implementation in 2012 with the completion of the third annual work plan. All three remaining MDG-F Joint UN Programmes have been granted a 6-month, no-cost extensions (until June 2013) by the MDG-F Secretariat in order to allow timely implementation of all planned activities, secure sustainability, conduct a final evaluation of the results achieved, as well as consult on potential follow-up initiatives with relevant local and international stakeholders.

HACT

The HACT compliancy has been ensured with all four required conditions, namely, formal agreement with the national government (HACT clauses included in the signed CPAPs), macro-assessment, relevant micro-assessments and audit and assurance plans, fulfilled. FACE modality has been fully streamlined in the operations of UNICEF and UNFPA, and UNDP continued its transition to full national implementation modality.

Other Highlights in Coordination

Delivering as One: In the course of 2012, the UNCT discussed the 2013 UNDAF roll-out process on several occasions. There was a general understanding among the UNCT members that the next Common Country Programming process for B&H provides a great opportunity to consider the Delivery as One (DaO) modality in B&H. Aware of the latest reform discussions at the Headquarters' level (i.e. Tirana Conference on DaO, 2012 QCPR, and UNDG Meeting's Conclusions from September 2012) and the operational as well as programmatic benefits for a UNCT that operates in a middle-income country such as B&H, the UNCT has made a strategic decision to move towards DaO implementation with the next UNDAF. The UNCT also consulted the UNDG Regional Directors' Team on this decision during the annual meeting in October 2012 and received positive reactions and further encouragement.

UN House: Complementing the discussion on the DaO modality, in 2012, the UNCT also embarked on a very ambitious task of establishing the UN House in Sarajevo. Considering the UNCT decision to apply the DaO for the next UNDAF, the UNCT explored several options for joint UN premises that would host all UN Funds, Programmes and Agencies operational in B&H. With the technical assistance provided by the UNCT Operations and Management Team, the UNCT conducted a cost-analysis for establishment of the UN House, which produced positive results and opened up the process of securing an appropriate location in

Sarajevo. In November, the UNCT finalized negotiations with the winning bidder for the new UN premises and started the internal adaptation process in accordance with the UNCT's needs and requirements (i.e. security arrangements, energy efficiency, invalid accessibility, etc.). The move into the new UN premises and the formal inauguration of the UN House in B&H is expected in February 2013. The UNCT would be honoured if the Secretary General or an appointed high-level designate would visit BiH to inaugurate the UN House during the course of the year.

UN High-Level Visits : In 2012, the UNCT had the privilege to host the Secretary-General in B&H as part of his tour of the region of the former Yugoslavia. As part of the preparations for the visit, the UNCT coordinated extensively on issues of priorities, logistics, security, and more importantly, substantive analysis, which contributed to the success of the visit. Through its coordinated efforts, the UNCT managed to provide the Executive Office of the Secretary-General (EOSG) with timely and adequate assessments of key political and developmental challenges in B&H that enabled a constructive and substantial dialogue between the Secretary-General and B&H counterparts. As a follow-up to the visit, the UNCT in B&H has discussed and developed several joint UN initiatives with B&H authorities addressing some of the most pressing challenges to the political, security and socio-economic stability of the country, namely, reconciliation and protracted displacement.

In addition, the UNCT assisted logistically and analytically the official visits to B&H of the Assistant Secretary-General for Political Affairs, the Director-General of UNESCO, the Special Adviser and Assistant of the Secretary-General for Civilian Capacities, the UN Independent Expert on Minority Issues and the Special Rapporteur on violence against women. These visits were considered to be highly valuable to the UNCT in B&H, as well as the country itself, because they targeted specific priority challenges which B&H is facing today. This in turn helped the UNCT advance its engagement on these issues.

Office of the UN Resident Coordinator : In response to worrying political developments in the country, the Office of the UN Resident Coordinator strengthened and expanded its analytical and programmatic capacities to address sensitive political and security issues that remain as part of the post-conflict residual agenda in B&H. In summer 2012, a Political Adviser for Peace and Development, supported through the joint UNDP BCPR and DPA Peace and Development Adviser Capacity, and a Peace and Development Specialist, an International UNV, joined the Office of the UN Resident Coordinator. In addition, there was a strategic decision to place the UNDP's unit on transitional justice and rule of law within the Office of the UN Resident Coordinator in order to allow for greater UN involvement in this politically, very sensitive issue in the country. In a relatively short period of time these new colleagues have contributed greatly to the work of the Office and the UNCT by better positioning the UN in a number of crucial and sensitive issues, such as reconciliation, human rights, protracted displacement, human security and rule of law. A deployment of a Human Rights team supported by OHCHR and UNV is foreseen in 2013. As a result, the RC Office will have 5 key functional units: UN Coordination, Rule of Law, Human Rights, Peace and Development and UN Communications allowing for vastly expanded services and coverage for both resident and non-resident agencies.

Key aspects of the proposed 2013 workplan

In 2013, the UNCT's programmatic efforts will be primarily focused on the next UN Common Country Programming process to be completed by the end of Q1 2014. The process will start with the conduct of the final evaluation of the current 2010-2014 UNDAF for B&H in Q1 of 2013 that will assess the implementation of the current UNDAF and feed recommendations into the new programming cycle. The 2013 Common Country Assessment (CCA) is expected to be completed by the end of Q2 of 2013 providing the UNCT with an analytical overview of the current and future development trends in B&H for development of the 2015-2019 UNDAF. Considering the local political situation and negative political trends evident over the last 4 years, it is foreseen that the 2013 CCA will also include a Conflict-related Development Analysis (CDA) providing thinking on future potential political and security scenarios in the country.

In the second half of 2013, the UNCT will embark on development of the new UNDAF for B&H for the period 2015-2019. In line with UN reform trends reflected in the QCPR and UNCT discussions throughout 2012, including consultations with the UNDG Regional Directors' Team, the UNCT in B&H intends to apply the Delivery as One (DaO) approach to the development of the new UN programme for B&H. The objective is to have the draft UNDAF 2015-2019 (Integrated UN Programme) finalized by the end of 2013 in order to initiate the formal endorsement of the new programme by the B&H Council of Ministers in the first quarter of 2014. Because of the absence of an adopted long-term development strategy at the state level and a high degree of decentralization and fragmentation of governance in B&H, it is expected that the entire process will require extensive consultations with relevant B&H authorities at various government levels as well as other international partners. The entire process is to be facilitated through the Office of the UN Resident Coordinator in line with the Standardized Operational Procedures (SOPs) for DaO implementation to be available at the beginning of 2013.

The UNCT will also proceed towards finalizing the implementation of three remaining MDG-F Joint UN Programmes (Economic Governance, Environment and Youth Employment) and Joint programme on Combating Gender-Based Violence scheduled to be finalized in 2013. In parallel, the UNCT will continue with the introduction of the next generation of joint UN programmes with the aim of starting the implementation of joint initiatives on reconciliation in B&H, protracted displacement and rule of law and violence prevention. The aim is also to focus UNCT efforts on exploring resource mobilization opportunities for other identified joint UN initiatives, such as Gender Economic Empowerment, implementation of Revised Roma Action Plans, Support to People with Disabilities and Environment Protection and Energy Efficiency.

With regard to the operational aspect of the 2013 work plan, the UNCT will primarily focus on finalizing the move into the new joint UN premises in the first quarter of 2013. In line with the UNCT's aspirations to adopt the DaO implementation modality, strengthen security compliance, decrease operational costs and increase the UN visibility, credibility and coherence in B&H, the establishment of the UN House in B&H pulling in agencies from 5 separate locations is considered a major step towards achieving these goals. Moreover, the UNCT in B&H will also participate in the UNDG-led pilot initiative on developing a Business Operations

Strategy that aims to enhance the cost effectiveness and quality of operations back office processes in support of UNDAF implementation. With the inauguration of the UN House scheduled for February 2013, the UNCT will already comply with one of the key DaO principles (One Office) and will be ready to focus on the programmatic aspects of the DaO with new opportunities for collaboration. Despite limited progress on resolving bilateral issues with the B&H authorities in 2012, which you raised several times during and after your visit, the UN Resident Coordinator, on behalf of the UNCT, will continue to engage the B&H Government on these issues that should, amongst others, result in the Government's compensation for the new UN premises in Sarajevo and resolution of remaining housekeeping issues (privileges and immunities, taxation of national staff, VAT exemption, etc.).

Recommendations

It is recommended that in light of the deteriorating political, economic and governance situation in BiH, your office continues to monitor closely country developments. Should the situation further deteriorate in 2013 and beyond, it is also recommend that your office stands ready to be pro-actively engaged by providing preventative and mediation support. In terms of changes to policies and procedures, the UN Resident Coordinator is anxiously awaiting the operationalization of the QCPR decisions and issuance of guidance on programmatic and operational coherence of the UN country presence in light of your UN Reform priorities.