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**BOSNIA-HERZEGOVINA**

## **ASSISTANCE IN BiH: WHAT DID IT ACHIEVE?**

The U.S. Agency for International Development (USAID) is the relief and development assistance arm of the U.S. Government. Since the opening of the U.S. Embassy in BiH in 1994, the U. S. Government, through USAID, has spent nearly \$1.5 billion to improve the lives of citizens of Bosnia and Herzegovina and help lay the foundations for a bright future. Following are highlights of what USG assistance has helped to accomplish.

### **Post-war Reintegration and Development**

- Starting in 1996, USAID's infrastructure program targeted structures that would help restart businesses and assist citizens to return to normal living. Some of the most significant efforts included repair of the Brcko Rail, Brod, Dubica and Novi Grad border bridges between Croatia and BiH which enabled businesses to resume exporting their goods.
- USAID large power projects helped businesses get back up and running and provided a stable power supply to over a million people. For example, the KM 43 million repair of the Kakanj Power Plant reduced pollution by 97% and restored power to 200,000 citizens.
- Starting in 1998, USAID shifted focus to target minority returnees specifically. By repairing water systems, schools, health clinics, roads and power, and by providing small grants and loans, USAID directly assisted over 100,000 minority refugees and displaced persons to return to their homes.
- In total, USAID spent \$372 million to carry out over 1,600 infrastructure repair projects.



**Brcko Rail Bridge after Reconstruction**

### **Economic Restructuring**

#### **Private Enterprise Development**

- USAID's Business Development Program (BDP) was a loan program that helped businesses restart operations and employ more than 16,000 Bosnians in the process.
- During its seven years of existence, the BDP made nearly 600 loans worth \$162 million to Bosnian enterprises eager to expand business activity but lacking working capital and medium-term financing. The vast majority of these firms were privately owned.
- BDP reflows funded numerous other activities such as deposit insurance, public sector accounting, agriculture production and bank supervision.
- By the end of 2003, the BiH banking system had matured to such degree that USAID was able to close BDP by auctioning off its loan portfolio to locally based banks. It is



**Textile firm increased jobs as result of BDP loan**

likely that no other single program had such a profound and positive impact on Bosnia's economic recovery as BDP did.

- Thanks to USAID's support for the agricultural sector in BiH, 287 new market linkages with signed contracts for traders, processors and producers, worth a total of over \$11 million.
- USAID provided \$8 million in grants to four micro-credit organizations for loans to farmers. Results include 5,455 loans to farmers, totaling over \$16,000,000. Loans led to the creation of 1,247 new jobs and 9,982 indirect beneficiaries.
- USAID's direct small grants for cooperatives and market integrators helped them operate more effectively in the market chain. A total of 136 grants resulted in 301 new jobs with 10,485 indirect beneficiaries. These grants initiated additional private business investments in agriculture totaling over \$3.4 million.
- Under the Development Credit Authority (DCA), 196 loans have been approved worth over \$30 million with a majority of loans being long-term (five plus years maturity). In terms of broader impact, enterprises that accessed financing under the DCA had their employment increase by some 20% (574 new jobs were reported by companies) relative to the total number of employed (2710) in the three sectors.
- USAID assisted BiH institutions to address the BiH's "image problem" by supporting the development of various promotional elements that are essential for the country to be branded not only as an attractive tourist destination, but also as an investment opportunity destination. USAID commissioned the development and production of three main elements of BiH's visual identity and image creation: the new tourism logo; the series of *Enjoy Life Bosnia and Herzegovina* promotional video materials; and the design and production of a modern fair booth. The new BiH logo is now being used on all tourism promotion materials. The *Enjoy Life* materials include three tourism promotion films and a series of 18 television advertisements. The film received 9 international awards at major tourism film festivals in France, Germany, Croatia, Czech Republic, Romania and Poland. USAID also supported the manufacturing of a BiH tourism promotion booth. The new BiH tourism promotion booth was first presented in November 2007 at the World Travel Market (WTM) in London, UK, where it won the "Best Stand Feature Award."



**Apple producers from Gorazde**



**Award-winning tourism booth**

### Fiscal Reform

- The Financial Information Management Systems (FIMS) computer program installed in the treasuries of the State, Entity and each Canton in FBiH provides increased transparency and accountability of public finances. This activity enabled the closing of hundreds of separate bank accounts maintained by budget users, and has enabled the 13 treasuries to control spending by strict adherence to parliamentary approved budgets. The Federation Ministry of Finance averted about \$13.5 million in unbudgeted commitments in the first eight months of its operation alone.
- USAID gave assistance to harmonize direct tax administration at state, entity and cantonal

levels, thus contributing to the development of a single economic space for BiH. Establishment of a central database of taxpayer registration information and the implementation of a single taxpayer ID number are elements of modernization that have contributed to an increase in tax revenues in both entities of 8%, while the number of registered taxpayers has increased by 12% in just one year. USAID also assisted in developing new and improved personal income and corporate income tax laws in BiH that are now harmonized between entities to reduce the burden on taxpayers and also to make administration of those taxes easier and less expensive. USAID also helped Brcko District to pass Real Estate Tax (RET) legislation. The implementation of RET is beginning to bring revenue to the Brcko budget.

### Financial Sector Reform

- With USAID advisory and financial assistance, Bank Supervision Agencies in each entity have stabilized and restored public confidence in the banking system.
- The State-level Deposit Insurance Agency established in 2002 with assistance from USAID is directly contributing to the rapid growth of deposits in participating commercial banks. The program helped increase deposits by 30% in the first year. Today, some 22 banks are enrolled in the program, which insures citizens' deposits up to 20,000 KM.
- USAID chaired an International Advisory Group (IAG) that led the successful effort to eliminate the Payment Bureaus. Abolishing the Payment Bureaus ended an outdated government monopoly and opened the door to rapid growth in commercial banking.
- USAID supported Ministries of Justice in both entities and the Brcko District to design and implement a centralized computerized public registry system for movable property to be used as collateral. Implementation activities include training bankers in collateralized lending, and training judges and lawyers in the legal implications of secured financing. The registry enabled expansion of secured lending by commercial banks as well as increased leasing.
- USAID trained commercial banks and micro-credit organizations in the development and marketing of new products— with a focus on expanding lending to the agricultural sector.



**BiH citizens now enjoy a modern banking system**

### Legal and Regulatory Reform

- USAID helped strengthen the commercial law regime in BiH by efficiently implementing bankruptcy laws and creating a foundation for secured transactions that can be respected by all interested parties.
- In Republika Srpska (RS), USAID-sponsored legislation has lowered the time to register a business from 30+ days to less than one week. In addition, USAID-sponsored business inspection reforms have decreased the total number of inspection measures by 43%.
- By introducing ICT into municipal offices responsible for issuing construction permits, USAID has helped lower the time to obtain a "Use" Permit from 260 days to under 60 days in participating municipalities. This new ICT based approval system is helping to lower barriers to economic development and increase the transparency of government institutions.

## **Democracy and Governance**

### **Rule of Law**

- USAID helped to change the laws in the country so administrative disputes can be more efficiently resolved. For example, as a result of USAID assistance the Federation Supreme Court's backlog has been reduced from 12,000 to 3,000 cases.
- USAID has assisted BiH with the adoption and implementation of the Law on Freedom of Information. The Sarajevo Public Advocacy Center processes hundreds of such requests and follows up on select cases.
- A unified oversight of judges and prosecutors and court administration was ensured through the establishment of the High Judicial and Prosecutorial Council. USAID and other U.S. Government assistance helped with the process of reappointing all judges and prosecutors, and strengthening the council secretariat. Corruption is down and professionalism in the courts is up as a result.
- USAID helped 32 courts in BiH, including the Srebrenica Basic Court, to implement court improvement plans. These courts are more user friendly and effective, and their efficiency increased 43%). Remodeled courthouses provide better working conditions for court staff. They use audio equipment to record hearings to increase transparency and accuracy, and modern case management systems reduced the case backlogs up to 90%.



**Federation Supreme Court  
President's backlog has been  
reduced by two-thirds**

### **Governance**

- USAID helped create 41 One-Stop Shops (OSSs) and is working with the Swedish and Dutch governments to create 15 more. These OSSs help local governments provide better services to their citizens through the provision of modern technology and customer service training for staff. As a result, waiting times for many services have been cut by nearly 50 percent.



**New One-Stop Shop in Zenica**

### **Civil Society Strengthening, Political Pluralism and Election Support**

- For five years, USAID's Democracy Network (Demnet) program supported BiH NGOs to improve their supervisory skills and become better service providers. When the \$7.6 million Demnet program ended in 2004, it had assisted over 130 NGOs with grants, training and technical assistance. These NGOs did everything from working with handicapped children to environmental protection to putting internet-linked computer centers in remote villages.
- USAID's grantee, the Center for Civic Initiatives (CCI), helped experience win out over politics by organizing two groundbreaking elections that allowed parents to elect primary school principals in Tuzla and Kalesija. The initiative marked the first direct elections for primary school principals in BiH. USAID is currently working with CCI to increase accountability of the BiH government and politicians.
- Citizens were educated and elections administered effectively throughout the numerous post-war elections. USAID support provided for training of all election administrators and provided up to 5,000 domestic observers in various elections.
- USAID worked to improve bottom-up communication within political parties, increase outreach and transparency and improve focus on real issues through public opinion research.

The major political parties have proven their ability to organize and campaign at a level that no longer warrants direct assistance.

- USAID helped BiH State and Entity parliaments to increase efficiency of caucuses and committees through improving rules of procedures. In addition, with USAID's support, parliaments increased their capacity to reach out to constituents by organizing open-day events and public hearings, and introducing the internship program. These activities are carried out today without USAID's assistance.

#### Assistance for Free and Independent Media

- USAID's \$38 million Media Program included helping to create BiH's first private, independent television network, Mreza Plus.
- USAID also supported the expansion of BiH's first and only private printer which enabled it to print four-color and glossy pages for 20 publications throughout BiH.

#### Cross cutting programs

- Through 800 training programs in BiH and abroad, focused on the development of the private sector, civil society and physical reconstruction, USAID has strengthened skills of more than 7,100 Bosnian senior and middle level professionals, and political and business leaders.
- Srebrenica Internship Program provides unemployed youth of Srebrenica with an opportunity to gain practical work experience through an internship with employers in the region. Twenty youth between the ages of 18 to 35 have been employed by 14 companies or organizations participating in the program.