

NEWSLETTER

Delegation of the European Union to BiH

2011

No 4

QUOTE

Ambassador Sørensen, Head of the EU Delegation to Bosnia and Herzegovina and EU Special Representative



EU Membership is in the Hands of BiH Citizens and Their Representatives

Peter Sørensen, Head of the EU Delegation to BiH and EU Special Representative, presented credentials to the Chairman of the BiH Presidency, Željko Komšić

EU integration, for all EU members and prospective members, including BiH as well, is a matter of the will of the people and their leaders and the EU doesn't intend to substitute for the proper role of the country's own leaders.

Our main aim in the years ahead is to continue and intensify EU work in partnership with all.

We want to help ensure the key sectors - the judiciary, administration, economy - and key infrastructure are ready for the demands of EU membership.

Inaugural media appearance in Sarajevo after presentation of credentials

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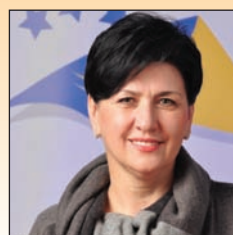
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Avoiding the negative experiences of companies in Bulgaria and Romania

The experience of the companies that we cooperate with shows that implementation of EU standards raises profitability by 10 or 12 percent

When Bulgaria and Romania joined the European Union, only a small number of companies in these countries had implemented EU quality standards. As a result, some companies were unable to cope with the demands of accession. In order to avoid this, BiH companies have begun to implement quality standards well in advance of accession, said Sanel Livadić of the Centre for Quality, Consulting and Education - BH Quality in Tuzla.

“Our companies began the process of introducing European standards relatively early, and it’s hard to find a serious company here that has not met at least basic standards,” Livadić said. He said that many companies in Bosnia and Herzegovina have benefited from early adoption of EU standards. “The experience of the companies that we cooperate with shows that implementation of EU standards raises profitability by 10 or 12 percent,” he noted.

A high number of standards have to be implemented, but they generally fall into clear categories. Around 70 firms,

areas, is applied by around 1200 companies in Bosnia and Herzegovina.

The number of small companies that have introduced these standards is growing, Livadić said, because large supermarket chains require this for their own protection before they will agree to do business with smaller contractors.

A key area in the broad application of standards involves the provision of efficient laboratory testing. This is one of the areas covered by an EU project to help strengthen BiH legislation in the food sector. The project, which began in September 2009 and ends this month, is financed by the European Union in the amount of one million Euros.

Project leader Steven Dixon said that the main goal of this project is to help BiH institutions in the field of food safety to identify gaps in existing legislation in order to harmonize domestic legislation with EU legislation. The project objectives also include strengthening the



Among other things, the project has concentrated on training laboratory staff

in accordance with EU regulations. Overall, the project has helped prepare conditions and standards for the approval of facilities that deal with food processing, in accordance with EU requirements.

Harmonisation of regulations in BiH with those in the European Union is required in almost all fields related to agricultural production, from the incentives system to laboratory controls, Dixon said.

The project has helped to ensure effective implementation of legislation in the field of food security through the strengthening of human resources. This will boost the competitiveness of BiH agricultural products at home and in international markets where EU food safety standards are applied.

Dixon said the project has helped food control laboratories in Bosnia and Herzegovina to achieve accepted standards so that their findings can be accepted by EU laboratories. He added, however, that the capacity of laboratories will have to be increased since there are so many industrial sectors that have to be covered. “We have

identified some laboratories that meet the requirements to carry out testing of official control samples in accordance with EU standards for certain sectors, but since there are so many sectors it isn’t possible to be competent in all of them,” he said. Official control refers to any form of control that the competent authority for food safety carries out to verify compliance with the food law.

Among other things, the project has concentrated on training laboratory staff and Dixon said that some laboratories in Bosnia and Herzegovina are now competent to test most international standards. When Bosnia and Herzegovina has fully developed the capacity to apply EU standards of food safety it will be possible for products from BiH to be marketed and sold throughout the European Union, he added.

The main beneficiaries of the project have been the BiH Agency for Food Safety, State and Entity-level institutions competent for food safety and public health, the inspection services (agricultural, veterinary, sanitary and public health), food control laboratories and companies in the food sector.

Applying the ISO 14001 standard for environmental protection

Livadić added that applying the ISO 14001 standard for environmental protection and a variety of workplace safety standards is an EU entry requirement. Large industrial groups such as Mittal in Zenica and Soda in Lukavca are already applying these standards, and about five companies have already introduced required standards in the field of corporate social responsibility. Yet, more evident progress is needed since these two companies still remain serious polluters in Zenica and Tuzla despite the achievements in application of management standards.

a majority of BiH companies in the food industry, apply the HACCP and ISO 22000:2005 standards. The ISO 9001:2008 standard, which is applied to managing production processes and identifying critical problem

capacity of the BiH Agency for Food Safety, strengthening the capacity of laboratories and inspection services in the veterinary and phytosanitary field, and developing laboratory procedures and methodology

Stabilisation and Association Agreement and Interim Agreement - guide

Trade policy plays an essential role in the EU's overall strategy towards the Western Balkans

The European Union's Interim Agreement (IA) with Bosnia and Herzegovina entered into force on 1 July 2008. The IA effectively creates a free trade area, with progressive opening of the market of Bosnia and Herzegovina facilitating economic and social development. The EU and BiH signed the Stabilisation and Association Agreement (SAA) and the IA on 16 June in Luxembourg. Until the ratification process is finalised the trade provisions of the SAA are applied through the IA.

Trade policy plays an essential role in the EU's overall strategy towards the Western Balkans. It is based on four pillars:

Autonomous trade preferences (ATMs), allowing duty free quota free access to the EU market for almost all products originating in the beneficiary countries and territories;

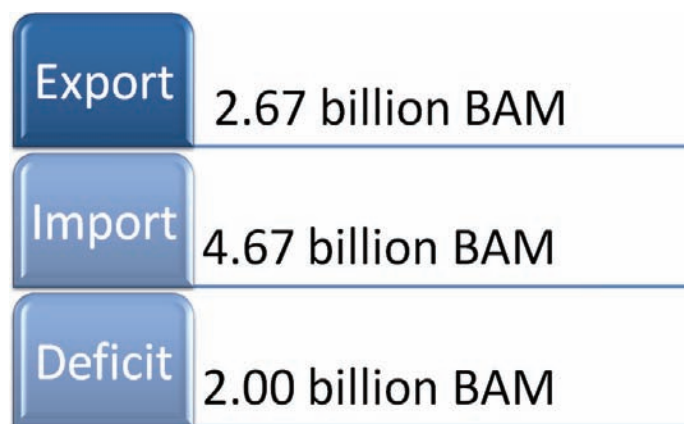
Creation of bilateral free trade areas as part of the Stabilisation and Association Agreements (SAAs);

Support for regional trade integration;

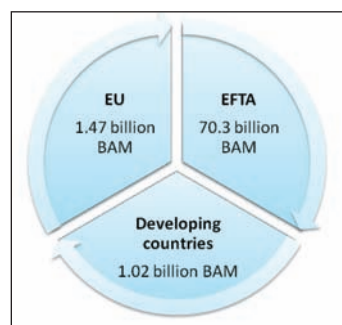
Support for WTO membership.

With regard to trade in goods, the aim of the SAAs is to progressively establish a free-trade area between the EU and the countries of the region, on the basis of reciprocity, but in an asymmetric manner. The EU has already very largely liberalised its import trade with these countries through the ATMs, so the SAA takes over the EU autonomous trade preferences with the country in question while providing for a gradual opening of the market of the latter to EU products. Pending the ratification of the SAAs by all the Member States the trade provisions enter into force through an Interim Agreement (IA).

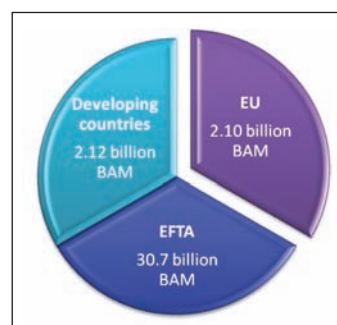
Two SAAs are currently in



BiH foreign trade in the period January-April 2011



Exports by groups of countries (January-April 2011)



Imports by groups of countries for the period January-April 2011

Countries	Food and animals	Drinks and tobacco	Raw materials, inedible	Mineral fuels, lubricants	Oils and fats (animal and vegetable)	Chemicals	Machines and transport
Germany	1,316	364	45,489	8,866	2,221	5,716	50,592
Italy	5,756	23	39,754	3,058	-	29,747	21,002
Slovenia	4,423	597	51,966	3,306	2,399	4,116	97,702
Austria	8,424	42	31,711	5,116	2,009	6,748	46,108

Exports according to principal EU trading partners by sector (in 000 BAM)

Countries	Food and animals	Drinks and tobacco	Raw materials, inedible	Mineral fuels, lubricants	Oils and fats (animal and vegetable)	Chemicals	Machines and transport
Germany	32,575	2,209	4,075	6,151	627	82,594	204,480
Italy	31,278	1,075	6,790	416	979	51,548	60,892
Slovenia	24,306	7,544	7,455	18,566	239	54,689	52,314
Austria	10,845	1,777	4,224	1,641	96	27,254	30,202

Imports according to principal EU trading partners by sector (in 000 BAM)

force: with the former Yugoslav Republic of Macedonia (entry into force on 1st May 2004) and with Croatia (entry into force on 1 February 2005). The SAA with Albania was signed in June 2006 and the IA on trade and trade-related matters entered into force on 1 December 2006. The SAA and IA with Montenegro

were signed on 15 October and the IA entered into force on 1 January 2008, the ones with Serbia were signed on the 29 April in Luxembourg. The SAA and IA with Bosnia and Herzegovina were signed on 16 June 2008 and the IA entered into force 1 July 2008.

SAA negotiations with Bosnia and Herzegovina

On November 2005, the General Affairs and External Relations Council adopted a negotiation mandate on a Stabilisation and Association Agreement with Bosnia and Herzegovina. The negotiations went fast and were concluded on December 2006 and on 16 June 2008 the signature of the SAA and IA took place in Luxembourg. The agreement provides for the creation of a free trade area within maximum 5 years since the entry into force of the IA.

EU-Bosnia and Herzegovina Trade

The EU is Bosnia and Herzegovina's biggest trading partner, with total trade of around 5 billion euros in 2007. In 2007, EU imports from grew by 6.1% year on year to reach over 1.8 billion euros, while exports to Bosnia and Herzegovina grew by 8.3%, reaching over 3 billion euros. EU products made up 66.7% of total imports by Bosnia and Herzegovina's, while its exports to the EU accounted for 71.4% of the total.

The EU exports to Bosnia and Herzegovina mainly: machinery and transport equipment (28.3%); manufactured goods classified chiefly by material (22.4%); chemicals and related products (12.2%); miscellaneous manufactured articles (10.6%).

The main imports from Bosnia and Herzegovina to the EU are: miscellaneous manufactured articles (29.3%); manufactured goods classified chiefly by material (24.3%); machinery and transport equipment (18.9%); crude material inedible, except fuel (13.9%).

from EUBusiness





Corruption undermines public confidence in institutions

EU support for anti-corruption efforts is geared towards facilitating reforms that will make people's lives better. Citizens need to be engaged in the fight against corruption; they need to be empowered so that they can exert pressure on institutions and on politicians to implement reforms

One out of three citizens believe that corruption is the biggest problem the society is facing in Bosnia and Herzegovina.

Economic difficulties and high unemployment rates have made citizens of Bosnia and Herzegovina more vulnerable to corruption. According to public surveys conducted on different occasions and by various agencies (Transparency International, EUPM, EU project – Supporting NGOs in the fight against corruption), some institutions and NGOs have started to make modest progress in fighting corruption but prosecutors and the judiciary are still perceived by respondents as a main vehicle in the institutional fight against

corruption.

Progress Report 2011

The 2011 Progress Report found that Bosnia and Herzegovina has made very limited progress in tackling corruption, which remains widespread throughout the public and private sector. While the anti-corruption legal framework is largely in place, the Report found that implementation is inadequate and inconsistent across the country. Acknowledging that during the reporting period, a full-time director and two deputies at the Agency for the Prevention and Coordination of the Fight against Corruption were appointed by the BiH Parliament, the Report noted that allocation of staff and premises has not yet been undertaken, which means that

the Agency cannot carry out its mandate. "Corruption continues to negatively impact all spheres of life, economic development and the rule of law," the Report concluded, stressing that "the political will to tackle the issue and improve institutional capacity remain weak."

While the 2010 Report had welcomed the adoption of a new Strategy for the fight against corruption 2009-2014 and the related Action Plan, the 2011 Report noted that only very limited steps have been taken in implementing the strategy and plan.

EU support for anti corruption efforts – the way forward

Under the Stabilisation and Association Agreement (SAA), Bosnia and Herzegovina

Some definitions of corruption presented through the project to support NGOs in the fight against corruption

A generally accepted definition of corruption is:
Corruption is the abuse of entrusted power for private gain.

Formula of corruption

The best-known definition of corruption is the one advanced by the US anti-corruption expert Robert Klitgaard: "Corruption = monopoly + discretion – accountability"

In this case, a monopoly is held by an individual or an institution in the decision-making process. Corruption is always related to decision making. If a single individual or a single body has a monopoly in regard to a particular decision, the chances of corruption occurring will be high – and corresponding oversight is therefore necessary.

Transparency

Transparency is crucial in decision making. It may be related to the decision-making process itself, through the mandatory accessibility of documents and public access to meetings, as well as the duty to provide data regarding anything that might have a bearing on decisions taken (for example, lobbying). NGOs have to understand the need for transparency and the various ways in which transparency can be maintained.

Systemic corruption

As opposed to occasional opportunities for corruption, endemic

or systemic corruption occurs when opportunities for corruption are embedded in the economic, social and political system.

State Capture

This is when individuals or groups (for example business interests or mafia networks.) are able to bend the law, influence policy and circumvent regulation through corrupt transactions with officials and politicians.

Clientilism

Clientelism undermines formal systems of government and administration by making the relationship between 'patron' and 'clients' more important (and more rewarding) than the relationship between citizens and the political and administrative authorities that are supposed to serve the public interest.

Nepotism

Nepotism is a form of clientilism that involves family relationships.

Conflict of interest

A conflict of interest is a situation in which financial or other personal considerations have the potential to compromise or bias professional judgment and objectivity.

is obliged to cooperate with the EU in the area of justice, freedom and security. BiH has assumed a number of obligations concerning the harmonisation of regulations and the signing of agreements, with a focus on strengthening the state's capacity to maintain good governance. Steps are prescribed in the SAA to help BiH achieve EU standards of governance. These include cooperation, mutual consultation, exchange of information and technical and administrative assistance in regard to the functioning of institutions.

The capacity to design and implement anti-corruption policies is a key political requirement of pre-accession countries. Combating corruption is therefore a particularly important aspect of the EU's assistance to Bosnia and Herzegovina under the Instrument for Pre-Accession.

As in other areas of EU support for countries that aspire to membership, support in the fight against corruption is focused on initiating reforms that will improve citizen's lives in substantial and recognisable ways. People need to see the benefit of anti-corruption efforts, they need to be engaged in the fight against corruption, and they need to be empowered so that they can exert pressure on relevant institutions and on politicians to implement reforms.

The EU provides extensive support for anti-corruption efforts in Bosnia and Herzegovina. After having successfully supported the development of a policy framework for the fight against corruption, including a comprehensive Strategy and Action Plan, and the drafting of the Law on the Agency for prevention of corruption and coordination of the fight against corruption, the EU supports the creation of capacities within institutions and in society as a whole. In addition to institutional support, the European Union has directed substantial funds to NGOs.

The fundamental premise of EU support for anti-corruption efforts is to promote capacity building by making necessary expertise available for enhancing skills and providing training for agencies that will implement the anti-corruption Strategy and Action Plan. This will continue to be the approach until a corresponding impetus

Corruption as a criminal offence in Bosnia and Herzegovina

Like the other countries in the region, Bosnia and Herzegovina has on its statute books an array of legislation designed to prosecute and prevent corruption:

The most serious instances of criminal corruption dealt with under BiH law are acceptance of gifts and other benefits, offering gifts or other benefits, illegal mediation, abuse of position or authority, embezzlement, fraud, and neglect of public duty, forging an official document, and the illegal release of a person from prison.

for reform can be generated by a genuine political will to fight corruption. The same approach is being taken in regard to strengthening civil society in the fight against corruption.

Under IPA 2009 the EU allocated 500,000 Euros to strengthening anti-corruption capacities in BiH institutions, including the Anti-Corruption Agency and bodies mandated to fight corruption at the entity and Brčko District level. In addition to this, IPA 2008 and IPA 2009 included 1,400,000 Euros to help NGOs develop anti-corruption watchdog capacities, to finance anti-corruption activities in the education sector and in other sectors, and to support investigative reporting on corruption.

Two million Euros was allocated under IPA 2010 to help institutions, civil society organisations and business associations in Bosnia and Herzegovina implement the anti-corruption Strategy and Action Plan. In addition, the EU support to the area of law enforcement includes a component on the fight against corruption.

Anti-Corruption Agency and other anti-corruption bodies

It should be noted that the Anti-Corruption Agency is not a law-enforcement body. Its role is to coordinate efforts to tackle corruption, working among others with NGOs.

The fight against corruption is not the task of one agency – the list of bodies that have a role in fighting corruption is extensive.

The principal institutions include the parliamentary assemblies, government, ministries, the judiciary, the public prosecutor's offices, the police, the audit institutions, the ombudsman's offices, the Election Commission and the offices responsible for maintaining free access to information.

NGOs – fighting corruption by monitoring, advocacy and education

Only a strong civil society can generate the pressure needed to ensure good governance over the long run. Civil society has special significance in tackling corruption. NGOs have an important role to play in the process of monitoring anti-corruption policies and they must have sufficient integrity to offer a credible critique of the government and public sectors so that non-corrupt behaviour starts to be viewed as the norm rather than the exception in public services, especially social services.

NGOs are becoming increasingly vocal in criticising public bodies, and demanding higher standards and better performance. However, civil society organisations have to have a comprehensive grasp of corruption issues and they have to be familiar with a wide variety of possible ways of tackling corruption. NGOs must exchange aspects of best practice and experiences in order to obtain the expertise that will make them credible players in the fight against corruption.

The basic mechanisms

available to NGOs are monitoring, advocacy and education.

Citizens of Bosnia and Herzegovina tend to measure anti-corruption efforts in terms of the number of successfully prosecuted cases. Progress made by institutions and NGOs is not usually the focus of public attention. But it is this progress that will eventually determine whether Bosnia and Herzegovina really gets to grips with the scourge of corruption. And it will become more and more relevant as the country moves closer to EU membership. The European Union has helped BiH to build institutional and human resources and develop an anti-corruption strategy. In order to capitalise on this, BiH politicians will have to build a legislative and practical anti-corruption consensus. This is what was done in Croatia and in other countries that have made progress along the EU accession path. At the same time, BiH citizens will have to scrutinise the conduct of their elected representatives in the battle against corruption. This will deliver success over the long run – but there is a great deal of work still to do.

Relevant Web pages

Delegation of the European Union to BiH

www.europa.ba

Support for NGOs in the fight against corruption

<http://www.ngos.ba/>

CIN on corruption

<http://www.cin.ba/>

Search/?qry=korupcija



If we want to move faster towards the EU, then all the reforms must be implemented without delay

Semiha Borovac, BiH Coordinator for Public Administration Reform, speaks about tackling the problems that are holding up Public Administration Reform and the benefits citizens will experience when these reforms are implemented. She also comments on why Bosnia and Herzegovina has fallen behind its neighbours in implementing reforms that are essential for entering the EU

● Are you satisfied with the present pace of public administration reform, and what is slowing the process down and making it difficult?

Since 2006, when the Public Administration Reform Strategy was adopted, a huge amount of work has been done and the way the administration functions has been significantly changed. But, if we want to move faster towards the EU, then this and all other reforms must be carried out more quickly. We are trying to implement key measures by securing the agreement of representatives from four levels of government, and that always requires a lot of time and understanding. We are burdened by long-term procedures, and as a result a whole year can pass between preparing a project and beginning to implement it. Public Administration Reform means additional work for most of the civil servants who are involved in the process, and often they do not have enough time, so we have had to ask institutions on several occasions to replace their representatives in Public Administration Reform structures. These are just some of the reasons that the process has been delayed.

● One of the objectives of the reforms has been to computerize the administration, from adopting directives to issuing documents. What benefits will citizens experience as a result of this?

The most obvious benefits BiH citizens will experience is that computerization means enabling electronic access to things such as cadastre, land



Semiha Borovac, BiH Coordinator for Public Administration Reform

registries, housing records and application forms. Our objective is to save citizens time and money and enable them, for example, to get birth certificates or citizenship certificates anywhere in Bosnia and Herzegovina or, in the future, to register their vehicle electronically, just as EU citizens do. Computerization will also make it easier to start a business and register a company, placing the onus for collecting documents on the administration rather than the company. The administration already has this legal obligation but in practice it hasn't been respected. Now, we are

creating conditions to change this. Modern technology will also allow us to create a free portal for official directives and improve websites that allow citizens and institutions to interact. We want to adjust the working hours of institutions to the needs of citizens and measure client satisfaction regularly, and introduce the capacity of institutions to respond to client demands. Increased efficiency will result in the better performance of Public Administration overall, and this means that citizens' needs will be catered to in a more satisfactory way, and public funds will be spent more

efficiently. This will benefit citizens.

● This reform is also very important for BiH progress on the path to Europe. When will the EU accession criteria in terms of Public Administration be fulfilled?

It's hard to say when the criteria will be fulfilled, because a range of actions must be taken in order to improve the administration, beyond the steps in the Public Administration Reform Strategy. Other requirements are laid out in the Stabilisation and Association Agreement and the European Partnership. Our plan is to complete Public Administration Reform by the end of 2014. By then, according to the Strategy, common standards of EU Member States should have been attained and the relevant sections of the *acquis* should have been put in place. I hope that the main part of the job will be done, but the fact is that Bosnia and Herzegovina has fallen behind its neighbours when it comes to implementing EU accession reforms. That is why we have to work harder and faster, so we can catch up.

● What kind of cooperation have you had till now with other BiH institutions and how well do they understand this issue?

Almost half of Action Plan 1 of the Public Administration Reform Strategy has been carried out, and an additional 20 percent will be accounted for when donor-financed projects run by the Office have been completed. Progress has been made by many institutions working on four different administrative levels

and with this we can be partially satisfied. But coordination among participants must be much better. Although we have registered progress for four years in AP1, it's still the case that we do not receive information from some institutions, or that the information is late or insufficient. Public Administration Reform has government support, but it is not high on the priority list. Measures from AP1 are not in the annual work plans of every institution. The Office of Coordinator for Public Administration Reform is planning to continue strengthening coordination mechanisms in which the four levels of governments and their partners are involved. One of the Office's functions is to coordinate the process and to ensure that it is coherent, because all of us together are preparing for the same objective – to attain higher standards and to be a part of one European Administrative area.

● **The EU and other international institutions have been involved in this process from the beginning. How do you judge the level of cooperation and do you see any possibility for improvement?**

We are grateful to the EU and other international institutions for the help they have provided from the very beginning of the process. It shouldn't be forgotten that this reform was launched under the sponsorship of international institutions and that many of the measures are being financed by donors to the Public Administration Reform Fund donors – Sweden's SIDA, Britain's DfID, the Embassy of the Kingdom of the Netherlands and the European Commission. We specially appreciate the support of the European Commission, which by providing expertise is helping the Coordinator's Office, helping to point the reform process in the right direction. We hope that we will have EU and international institution support till the conclusion of our efforts – till the reform process has been completed and our country joins the EU.

With the active involvement of local communities it is possible to find solutions

During the last two years the ministry has worked intensively to implement the Action Plan for Roma, and in spite of many obstacles positive results are now evident

Roma citizens in Bosnia and Herzegovina face poverty, unemployment, inadequate housing and a lack of access to education and health insurance. However, these and other challenges are now being addressed, said Saliha Đuderija, Assistant Minister in the BiH Ministry for Human Rights and Refugees.

During the last two years the ministry has worked intensively to implement the Action Plan for Roma, and in spite of many obstacles positive results are now evident, Đuderija said.

“Bosnia and Herzegovina was the last of 12 countries to start this programme but in some areas we have caught up,” she said. “In some areas we have actually overtaken other countries. We are behind when it comes to the education sector, but that's because the system is divided.”

A priority has been to resolve the challenges facing Roma citizens when it comes to housing. Problems in this area include unregulated property, and property built in unsuitable or protected areas. A disproportionate number of Roma experience homelessness, and there is an urgent need for new housing construction.

“Another priority has been to address the high levels of poverty in the Roma community, arising from low levels of formal employment. This is related to education, since a high frequency of interrupted or incomplete schooling has a negative impact on preparation for the labour market,” said Đuderija. “Unemployment in turn affects access to health care.”

Connected to these



A priority has been to resolve the challenges facing Roma citizens when it comes to housing

problems is the position of women in the Roma community, Đuderija added. All these issues are connected and they need to be addressed in a systematic manner with involvement of local communities and Roma representatives.

The first stage of Action Plan implementation was to survey the most pressing needs of Roma citizens in different parts of the country. A total of 4,700 Roma families from 60 municipalities were contacted.

“We have already started to implement permanent solutions to the housing issue,” Đuderija said. “This is a special project for Roma citizens but the experience of refugees and displaced persons has been similar. The next phase will facilitate access to the social protection system, and efforts to expand access among the Roma community will also benefit other communities facing similar problems, including disabled citizens.”

The ministry has ensured comprehensive consultation

with representatives of the Roma community at every stage of implementation, though this has involved an additional challenge, since the number of Roma associations has doubled, to 67, during the implementation period, raising questions about which organisations have the best claim to represent the community as a whole Đuderija said.

A BiH coordinator from the Roma community has been appointed, as well as four regional coordinators. Among other things, these appointments will help overcome language difficulties that have arisen between Roma citizens and the wider community and the authorities.

The EU has funded these appointments and has provided financial support for programme implementation.

“Our objective is to have better communication with Roma associations, and to help young, educated Roma get involved in working groups, offering a positive model,” said Đuderija.

EU Budget: 2014-20



In the period from 2014 to 2020 the EU is projected to allocate 12.5 billion Euros for Enlargement policy. Speaking during the presentation of 2014-20 spending priorities, Enlargement Commissioner Stefan Füle said the proposal that the European Commission maintain the current level of pre-accession assistance means that the EU will be able to continue providing strong support for the efforts of partner countries to prepare for accession by implementing necessary reforms.

As the Instrument for Pre-Accession Assistance (IPA) has delivered positive results, the EU will continue to assist countries through an integrated pre-accession instrument. The rules will be simplified to facilitate implementation, with a renewed focus on reforms in individual countries. Assistance will be based on comprehensive reforms strategies, with the accent on regional cooperation, implementation of EU laws and standards, capacity to manage the internal policies of the EU after accession, and the achievement of tangible socio-economic results in countries that receive assistance.

One of the central EU priorities in the period to 2020 is to sustain growth and increase employment. In this context, an allocation of around 50 billion Euros is projected for pan-European infrastructure projects in the transport, energy and IT sectors.

Stable economic growth begins at the level of cities and regions, and this is why the EU will allocate 376 billion Euros for economic and territorial

cohesion. Reflecting the importance of investing in human capital, the EU will allocate 15.2 billion Euros for youth training programmes. It will also invest 80 billion Euros in innovation and research.

The EU's Common Agricultural Policy, which has a strategic economic and environmental function and is designed to promote food safety and rural development, will receive 371.72 billion Euros. In addition to funding designed to enhance environment and climate protection, a further 4,1 billion Euros will be allocated to fighting crime and terrorism, while 3.4 billion Euros will be allocated to migration and asylum policy.

An allocation of 16 billion Euros is projected in order to promote democracy and prosperity through the Neighbourhood Policy, while 20.6 billion Euros will be allocated to helping the world's poorest citizens, through the Millennium Development Goals.

Just 5.7 percent of the EU budget currently goes towards administration costs, though the Commission has proposed an increase in administrative spending in the 2014-20 period.

Staff reforms have resulted in savings of around three billion Euros since 2004, and the amount save is projected to reach 5 billion Euros by 2020.

MERGERS - Commission clears acquisition of MAN by Volkswagen

The European Commission has cleared under the EU Merger Regulation the proposed acquisition of MAN SE by Volkswagen AG, both of Germany. The Commission concluded that the proposed transaction would not significantly impede effective competition in the EEA because the merged entity would continue to face strong competition from other well established manufacturers.

The Commission examined the transaction's impact on the supply of heavy trucks, buses, chassis and diesel engines.

For heavy trucks the merged entity would become the number one supplier in Europe and market leader with high market shares in a number of national markets.

For buses the merged entity would become the second largest supplier in Europe and market leader in some sub-segments (city buses, intercity buses, coaches) in some Member States.

However, the Commission's investigation showed that European heavy truck and bus markets would remain competitive after the merger, because the merged entity will continue to face strong competition from other well established manufacturers such



as Daimler, Volvo, Iveco and DAF in trucks and Daimler, Volvo, Iveco, Solaris and VDL in buses.

Moreover, the vast majority of competitors and customers confirmed to the Commission that there have been no substantial changes in the heavy truck or bus markets since the Commission authorised a merger between MAN and Scania in 2006 (see IP/06/1868), although this merger never took place.

As regards diesel engines, the merging parties are involved to a certain extent in the manufacture of engines for marine and industrial applications as well as engines for diesel energy generators (GenSets). The Commission's investigation has shown that the transaction would not give rise to competition concerns in the EEA for such markets, since most of the time the products of the merging parties do not compete directly. Moreover, the merged entity would continue to face competition from a number of other established manufacturers such as Caterpillar, Tognum, Volvo or Cummins.

The proposed transaction was notified to the Commission on 22 August 2011.