

**PROJECT DOCUMENT**  
***Bosnia and Herzegovina***

**Title: Municipal Environmental Governance Project (Phase II)**

**Project (Award) Number: BiH10 / 00094439; Output ID 00098539**

**Implementing Partner: United Nations Development Programme (UNDP) in Bosnia and Herzegovina**

**Start Date: 1 April 2021 End Date: 31 March 2025 LPAC Meeting date: 14 July 2020**

**Implementation modality: Direct Implementation Modality**

***Brief Description***

The Project overall goal is to contribute to the democratisation of local governance in Bosnia and Herzegovina and more equitable, effective, and efficient public services for the citizens, particularly water supply and wastewater management services. Good local governance policy dialogue and policy changes, together with regulatory improvements in the area of water supply and wastewater management services, will provide for more effective, fair and sustainable delivery of essential local services. The intervention envisages three outcomes: Outcome 1: State, entity and cantonal governments set in place a more conducive policy and regulatory environment that affirms result-oriented local governance and improved water supply and wastewater management services. Outcome 2: Local governments improve their performance, are more accountable, inclusive and gender-responsive, and provide high quality services, in particular in the water sector. Outcome 3: Citizens, including the most vulnerable, benefit from water supply and wastewater management services provided in a more efficient, accountable, and sustainable manner.

**Linkage with SDGs:** SDG 6 “Clean Water and Sanitation”, SDG 10 “Reduced Inequalities”, SDG 11 “Sustainable Cities and Communities” and SDG 16 “Peace, Justice and Strong Institutions”.

**Linkage with UNDP Strategic Plan:**

*Signature solution: #2 Strengthen effective, accountable and inclusive governance*

*Outcome 2: Accelerate structural transformations for sustainable development*

**Outcome (UNSDCF/CPD):**

*By 2025, people contribute to, and benefit from more accountable and transparent governance systems that deliver quality public services and ensure rule of law.*

**Output ID (with gender marker): 00098539 GEN2**

<b>Total resources required (USD):</b>	<b>USD 13,699,636</b>	
<b>Total resources allocated</b>	Government of Switzerland (SDC)	USD 6,600,000
	European Union (EU)	USD 2,250,000
	Government of Sweden (Sida)	USD 994,636
	Government of Bosnia and Herzegovina (parallel)	USD 3,855,000
<b>Unfunded:</b>		

Agreed by (signature):

UNDP

Steliana Nedera, Resident Representative
Date: 12/04/2021

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## **LIST OF ABBREVIATIONS**

AMC	Association of Municipalities and Cities
CSO	Civil Society Organisations
DMA	District Metering Area
DRR	Disaster risk reduction
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
FOPIP	Financial and Operational Improvement Programme
GIZ	<i>German Agency for International Cooperation</i>
GDP	Gross domestic product
ICT	Information and Communication Technology
ILDP	Integrated Local Development Project
ILO	International Labour Organisation
KPI	Key performance indicator
LG	Local Government
MEG	Municipal Environmental Governance Project
NRW	Non-Revenue Water
OECD	Organisation for Economic Co-operation and Development
PARCO	Public Administration Reform Coordination Office
PDCA	Plan – Do – Check – Act (cycle)
PSA	Public Service Agreements
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs
Sida	Swedish International Development Cooperation Agency
SIGMA	Support for Improvement in Governance and Management (Initiative)
SME	Small and Medium Enterprise
UNDP	United Nations Development Programme
WB	The World Bank
WU	Water Utilities
WWTP	Wastewater Treatment Plant

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## I. DEVELOPMENT CHALLENGE

### I.1. Wider country context

Bosnia and Herzegovina is an upper middle-income country in Southeast Europe with a population of 3.5 million<sup>1</sup>. **Accession to the European Union (EU)** is an over-arching priority. Over two decades after the signing of the Dayton Peace Agreement, the EU accession is constrained by limited reform progress, frequent institutional and political deadlocks that hamper public sector performance and weaken citizens' trust in government. Bosnia and Herzegovina continues to be a fragile state.<sup>2</sup> The European Commission Opinion on Bosnia and Herzegovina's EU membership application<sup>3</sup> indicates the country needs to significantly step up its efforts to align with the EU Acquis and enforce related legislation. Aside from a broad consensus for joining the EU, a shared vision for the country has been difficult to achieve. However, with UN support, authorities at all levels collaborate in the design of the **2030 Sustainable Development Goals (SDG) Framework in Bosnia and Herzegovina**, which offers a unique opportunity for a common sustainable development agenda.

The **human development and economic development trends show vulnerability**. The 2018 Human Development Index is 0.769, placing the country in the high human development category. Of critical importance, the population is shrinking and ageing. **Out-migration is a challenge**, representing a loss of young people and skilled workers upon which future sustainable development will depend: 2 million citizens of Bosnia and Herzegovina are currently working or residing abroad<sup>3</sup> and projections suggest the population could decline below 2.3 million by 2100<sup>4</sup>. Unemployment stands high at 15.7 %<sup>5</sup>, particularly among young people (47.3 %). A large proportion of the population, especially the elderly and the socially excluded, are trapped in a hand-to-mouth existence, with some 18.9 % estimated to be living below the income poverty line<sup>6</sup>. The most obvious source of **exclusion** is belonging to an ethnic group different from the majority, followed by disability and sexual identity. The unemployed, the uneducated and the elderly are highly excluded, while Roma represent the smallest excluded group but experience by far the highest degree of exclusion. Society is still recovering from the war-related pain and trauma, affecting intra- and inter-community relations and social inclusion. Increased levels of mutual respect, trust, and empathy between people and communities is instrumental for sustainable and faster growth, enhanced rule of law, and effective governance and delivery of basic services.

**Gender discrimination**, a gender divide in the labour market and occupational segregation, as well as political underrepresentation of women remain critical concerns<sup>7</sup>. Working age women have lower educational attainment levels than men. Women are a third less likely to participate in the labour force than men and this is the case for all ages<sup>8</sup>. The shortfall in women's share of income is over 50% in Bosnia and Herzegovina, the highest in Western Balkans.

Driven mostly by consumption and public investment, the economic growth rate has been slightly above 3% between 2016-2018<sup>9</sup>. In 2019, the growth slowed down to an estimated 2.8%<sup>10</sup>. Due to the COVID-19 crisis, the Gross Domestic Product (GDP) is expected to contract by 5% in 2020, which implies a GDP loss of 8% compared to previous trends<sup>11</sup>. To be stronger and more competitive, the economy requires better infrastructure and better policy and investment environment for private sector.

The economy displays high carbon and energy intensity: carbon dioxide emissions amount to 25,539 Mt CO<sub>2</sub>, with energy sector, agriculture, industrial processes, and waste being the largest sources of CO<sub>2</sub> emission. High energy inefficiency contributes to the **highest air pollution in Europe**<sup>12</sup>. **Natural and man-made hazards**

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<sup>1</sup> 2013 population census in Bosnia and Herzegovina.

<sup>2</sup> 2019 Fragile State Index.

<sup>3</sup> Ministry of Security of Bosnia and Herzegovina, Migration Profile of Bosnia and Herzegovina, 2018.

<sup>4</sup> As a result of high migration rate and low birth rate.

<sup>5</sup> 2019 Labour Force Survey, Agency for Statistics of Bosnia and Herzegovina.

<sup>6</sup> Human Development Report: Beyond income, beyond averages, beyond today: Inequalities in human development in the 21<sup>st</sup> century; UNDP, 2019.

<sup>7</sup> UN Women, Gender Brief-Bosnia and Herzegovina, October 2019.

<sup>8</sup> United Nations. SDG Diagnostics Bosnia and Herzegovina.

<sup>9</sup> World Bank, Country Report for Bosnia Herzegovina, 2019.

<sup>10</sup> Reference: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=BA>

<sup>11</sup> Reference: <https://www.imf.org/en/Countries/BIH>

<sup>12</sup> World Air Quality Report, 2020.

represent another aspect of vulnerability, with poor people, women, persons with disabilities, elderly, minorities, and farmers being most at risk. Capacities to address effectively hazards and crisis need to be further strengthened, as was confirmed during the latest COVID-19 crisis.

## I.II. Governance, politics, and social contract

The governance system of Bosnia and Herzegovina is considered **one of the most complex in Europe** (a schematic overview of the governance structure is enclosed as *Annex VI* to this document). The country comprises two entities - the Federation of Bosnia and Herzegovina and Republika Srpska, with Brčko District as autonomous self-government, and 10 cantons within the Federation of Bosnia and Herzegovina. Overall, the country of 3.5 million people has 13 constitutions and legislative systems, 13 prime ministers, more than 180 ministries, and over 700 members of parliament. While responding to local accountability and representational concerns, this has had the effect of reducing the effectiveness of policy coherence and the delivery of public services.

Almost 25 years after the war, the **political messages are characterised by secessionist rhetoric**. This in turn leads to frequent institutional deadlocks, political instability, lack of social cohesion and trust, slow legislative processes and weak accountability mechanisms. Politics are predominantly communal: at the national level, all decisions are made by a virtually unchanging group of six to seven party leaders, while single parties dominate in some regional and most local government jurisdictions.<sup>13</sup> The below graph captures the situation in the country in relation to the state of the democracy, indicating particular weaknesses regarding direct democracy and corruption.



Source: International IDEA, *Global State of Democracy* (2018)

**Policy design and delivery capabilities** and systems are insufficient, which is further challenged by extremely convoluted vertical and horizontal cross-governmental coordination, ultimately resulting in poor public services and failure to lift the country's growth potential. The pace of public administration reform is slow, guided by the Strategic Framework of Public Administration Reform in Bosnia and Herzegovina 2018-2022<sup>14</sup>. Weaknesses in the public system became ever more visible during the COVID-19 pandemic, critical public services challenged or inaccessible due to lack of electronic service delivery and e-government system.

Apart from the **public audit**, which assesses public performance across all government levels from viewpoint of compliance with the law, as well as in terms of value for money, effective and efficient public spending –

<sup>13</sup> Global State of Democracy: Addressing the Ills, Reviving the Promise, 2019, IDEA.

<sup>14</sup> Reference: <http://rju.parco.gov.ba/en/o-rju/strateski-okviri-za-rju/>.

there are **no other official national frameworks that steer quality public performance and service outcomes**. At the same time, perception surveys show that citizens do not trust the political independence of the audit office: only 6%<sup>15</sup> of citizens trust that audit institutions are independent of political influence and impartial. In addition, the Support for Improvement in Governance and Management (**SIGMA**) initiative<sup>16</sup> of the Organisation for Economic Co-operation and Development (OECD) and the EU offers an external, EU-endorsed public sector performance framework, which is a quality benchmarking tool defining what good governance entails in practice and helping monitor the country's progress in the area of public administration reform<sup>17</sup> in the EU accession process. Notably, over the last few years, the topic of public performance has been on the rise mostly at the local level, mainly through introduction of performance-based financing approach and measuring functionality, transparency and quality of local public services against a set of benchmarks.<sup>18</sup>

**Citizens, on the other side, are not actively engaged in public life** mainly due to the lack of belief that people can make a real difference in the way the governments work<sup>19</sup>. Democratic progress continues to be stifled by the instrumentalization of fear, the prevalence of patronage, the generation of political crises grounded in nationalist rhetoric, and continued challenges to the integrity of the state and country's stability, all of which deepen ethnic divisions. Women are particularly underrepresented in governance and public affairs. Some success was achieved with the legal quotas to fast-track women's nomination and election to legislative office. Despite a legal obligation to include minimum 40% of candidates of less represented gender in candidate lists, a variety of factors such as patriarchal norms, lower percent of voting women compared to man, and unequal participation of women in party pre-election and promotional activities, have led to a low number of women elected into legislative bodies or nominated into executive ones.

### **I.III. Local governance and local public service delivery in Bosnia and Herzegovina<sup>20</sup>**

Bosnia and Herzegovina, like many other European countries, faces challenges related to erosion of democracy. Even though local governments have the legal right to promote and defend their interests, as well as to engage in international cooperation, a comprehensive reform which would improve the local self-government system has not been undertaken. Inefficiency of the equalisation systems fail to smooth out economic disparities between rural and urban areas and local governments' own taxes and fees are relatively low to enable them to better balance and plan their budgets. Municipalities and cities in the country work under a permanent electoral campaign with elections being held every two years, which reduces the efficiency of their actions.<sup>21</sup>

There are **145 local governments in the country** - 80 in the Federation of Bosnia and Herzegovina, 64 in Republika Srpska and the autonomous Brčko District.

The **local governance legal framework** lies at the entity level, and at the cantonal level within the Federation of Bosnia and Herzegovina. The governing framework laws are the Law on Local Self-Government in Republika Srpska<sup>22</sup> and the Law on the Principles of Local Self-Government in the Federation of Bosnia and Herzegovina<sup>23</sup>. Other general provisions are given in the Constitutions and relevant legal framework of cantons. Therefore, local government legal frameworks and fiscal arrangements vary between the two entities and between the subordinate ten cantons in the Federation of Bosnia and Herzegovina. Implementation of the framework laws on local governance has proven to be complex, characterised by unclear apportionment of functional responsibilities among entity, cantons and local governments, ultimately leading to inefficient public service delivery at the local level. Although local governments vary in terms of size

<sup>15</sup> [Balkan Barometer 2019](#), Regional Cooperation Council.

<sup>16</sup> *SIGMA (Support for Improvement in Governance and Management)* is a joint initiative of the OECD and the EU, which aims to strengthen the foundations for improved public governance, and hence support building the capacities of the public sector along the EU accession process.

<sup>17</sup> [The Principles of Public Administration, Bosnia and Herzegovina Report](#), 2017, SIGMA.

<sup>18</sup> These efforts have been introduced and successfully tested in 18 local governments in the framework of the first phase of the MEG Project.

<sup>19</sup> *Integrating Informal Institutions in Local Governance: Does it Matter?*, Mohmand Khan, Snežana Mišić Mihajlović, 2016.

<sup>20</sup> This section includes cites from the "Results of Local Government Representatives Opinion Survey in Municipalities/Cities of the Federation of Bosnia and Herzegovina and Republika Srpska, and Cantonal Governments in Federation of Bosnia and Herzegovina", May 2018, the EU Special Representative in Bosnia and Herzegovina, the government of Switzerland and the USAID, Prism Research (in blue text-boxes).

<sup>21</sup> [Local and regional Democracy in Bosnia and Herzegovina](#), Council of Europe, 2019.

<sup>22</sup> Official Gazette of Republika Srpska, no. 101/04, 42/05, no. 118/05 1 98/13.

<sup>23</sup> Official Gazette of the Federation of Bosnia and Herzegovina, no. 49/06, no, 51/09.

of their population and territory, development status, urban or rural characteristics, they all have the **same roles and responsibilities** as prescribed by the relevant legal framework. Besides administrative services, local governments are responsible for communal services, including water supply, wastewater management, local roads, pre-school infrastructure, disaster risk reduction, heating, public transport, waste management, street cleaning and management of public surfaces, sports and culture, public lighting, etc. Climate change, extreme weather events (such as the devastating 2014 floods) and crisis such as the COVID-19 pandemic reveal severe vulnerability of local governments and weaknesses in the public service delivery system.

The **local governance institutional framework remains unchanged for more than a decade**. Because there is no state-level competence related to local governance, this domain is governed at sub-national levels, which deepens regulatory disparities and hamper whole-of-sector reforms. In Republika Srpska, the Ministry of Administration and Local Self-Government is the main institution in charge of local governance affairs. The Ministry of Justice in the Federation of Bosnia and Herzegovina (through the Public Administration Institute) is responsible for oversight over the implementation of the local governance legal framework, while the actual responsibility for management of local government matters rests with the ten cantons. The lack of institution at the level of the Federation of Bosnia and Herzegovina which is responsible for the full scope of policy and strategic steering seriously hampers reforms in this area.

**The voice of local governments:**

More than 70% of local governments think that insufficient allocation of financial resources for legally assigned competencies is the main problem for local service delivery, alongside with outdated and unfair system of distribution of public revenues.

In terms of **financing**, local governments' revenues are largely based on portion of shared indirect taxes, which account up 30% of local budgets in the entity of the Federation of Bosnia and Herzegovina and 50% of local budgets in the entity of Republika Srpska. Direct taxes provide on average about 9% of revenues in both entities, while the rest of revenues come from locally collected fees and taxes. This means that local governments in the country receive about 40-60% of their revenues from taxes administered at higher government levels, collect between 4-10% from property-transfer taxes and generate the remaining 45-50%

from their own efforts and resources (including charges and fees). What further exasperates the issue is poor management of scarce financial resources within local administrations. Recurrent expenditures take up almost 50% of local budgets, out of which approximately 35% is allocated for salaries, while less than 10% is directed to targeted development activities, including those for service delivery and strategic investments.

Local service delivery outcomes are uneven across local governments and access to and quality of public services needs improvement, especially in rural areas. Limited financial resources of local governments to provide cost-intensive public services and vertically overlapping cross-government responsibilities, result in **ad-hoc and fragmented investment in capital infrastructure, underfunded and therefore – poor quality public services and accountability gaps**. Citizen participation in local public affairs is more reactive than proactive and citizens contact local officials mostly when they have a problem. Citizens rarely exercise their client power due to the lack of grievance mechanisms for public service delivery and complain to providers only when service problems arise. When they do complain, in many cases the service providers' response rate is low.

Despite these challenges, **improving democratic processes and governance performance prove to be most effective at the local level**. Local governments, with a certain degree of autonomy, decision-making power and resources, are generally more open to policy reforms and more efficient than higher government levels since they are the closest to people's needs and directly accountable to their electorates.

**Local governance in the country did not undergo a comprehensive reform since the adoption of the founding principle laws in both entities**. The premier recommendation of the latest "Local and Regional Democracy in Bosnia and Herzegovina" monitoring report of the Council of Europe is the urge to introduce the principle of local self-government within the Constitution of Bosnia and Herzegovina, and thus ensure the uniform respect of a minimum standard, at least of local self-government throughout the country.<sup>24</sup> Fiscal and functional decentralization topics have never

**The voice of local governments:**

"Nearly 35% of local governments think that the state of local government is bad, and 10.3% of them think that it is in crisis".

<sup>24</sup> Reference: <https://rm.coe.int/local-and-regional-democracy-in-bosnia-and-herzegovina-monitoring-comm/168098072a>.

been placed on the political agenda. These will continue to put a “glass ceiling” and hamper strong and thriving local governance system in the country.

The importance of local governance reform gained some attention in 2018 when the EU launched the Local Government Initiative and developed the **Report on Consultations of a Joint Commission on Local Government**<sup>25</sup>, offering recommendations for measures that are implementable in the short-term and under the current legal and institutional frameworks. The recommendations therein refer to improved vertical and horizontal cooperation among governments; pilot approaches to regionalisation of public service delivery; establishment of a Local Governments Ministry in the entity of the Federation of Bosnia and Herzegovina; reducing the burden for servicing of the external debt from local governments and shifting it to the entities only; changes in the revenue allocation system; advancement of the public finance management system at the local level. Regrettably, these have never been translated into policy actions. The political will to support fundamental reforms in the local government area is still not in place.

**The voice of local governments:**

“More than 90% of local governments stated that it is necessary to introduce performance-based financial incentives from higher to local governments, and that each local government should regularly conduct performance self-measurement and use the results to improve its work, as well as share them with their citizenry”.

Importantly, the findings of the survey that was used as the main tool by the Local Government Initiative to collect feedback from local governments on the main local priorities, displayed that there is a strong support and interest to **introduce performance self-measurement and local governance quality standards** that can be used to capture results, strengthen accountability towards citizens and help support continuous improvements in local performance. Local governments voiced the need for their increased financing, including options through performance-based financial incentives by higher governments. These findings demonstrate that there is a critical mass of local governments which are ready to support and engage in dialogue with policymakers on advancing the local governance system towards

enhanced effectiveness, efficiency and transparency. Notably, such support can be attributed to intensive efforts of several local government interventions supported by the Government of Switzerland<sup>26</sup>, which introduced and affirmed (including through legal and by-law frameworks<sup>27</sup>) the notion of local development management and performance-oriented public performance. Namely, since 2013, local governments in the country begun introducing a basic development management system. This system was based on the establishment of relevant structures, functions, and processes, which enable strategy-informed, systemic, inclusive and budget-aligned public policy design and delivery, with stronger role of local government councils in decision-making processes and oversight. This implies local governments’ gradual shift away from classical administration and utility-related affairs towards “whole-of-government”, democratic and development-oriented approach to public service delivery and local development. There is a good momentum to capitalise on these achievements and support a horizontal and bottom-up policy dialogue on good local governance system based on performance-oriented approach.

**Gender at the local governance level is also related to development and performance management**, where women are increasingly seen as important social agents who can promote transformational changes. In this context there are several issues of concern, including gender aspects of quality of life at the local level, gender mainstreaming of local development plans, gender budgeting, women’s active participation in decision-making and community life, rural women’s economic empowerment, women’s mobility and access to public spaces, gender aspects of health and access to services, gender aspects of infrastructural development, etc.

#### **I.IV. Water supply and wastewater management services in Bosnia and Herzegovina**

The **water supply and wastewater management services legal framework** of Bosnia and Herzegovina comprises the entity laws on water, on communal affairs and local governance. The 10 cantons in the Federation of Bosnia and Herzegovina also have their own laws on water and communal affairs. The existing

<sup>25</sup> Reference: <http://europa.ba/wp-content/uploads/2018/06/Master-LGI-report-04062018-web-eng.pdf>.

<sup>26</sup> The Integrated Local Development Project (ILDLP) and the MEG Project.

<sup>27</sup> E.g. local government rulebooks and procedures, Decisions, as well as a principal law, such as the Law on Development Planning and Management in the Federation of Bosnia and Herzegovina.

laws are neither mutually harmonized nor aligned with the laws on local self-governance in relation to water supply and wastewater management services. While approximation with the EU acquis on water quality is advanced, efforts need to be placed on harmonisation of domestic legislation with the “heavy investment directives” – EU Drinking Water Directive<sup>28</sup> and the Urban Wastewater Directive<sup>29</sup> across governments (state, entity, cantonal and local). Moreover, while enhancing water legislation, related sectors and their legal frameworks need to also be considered, such as industry, agriculture, tourism, transport, and infrastructure, etc.

**Water management** in the country is assigned to responsible institutions in both entities and Brčko District, while the state Ministry of Foreign Trade and Economic Relations is responsible only for international cooperation and overall coordination in the sector. In the Federation of Bosnia and Herzegovina, water supply and wastewater collection and treatment are regulated at the cantonal level, while actual service provision is the responsibility of local governments. The legal framework is further developed at the local government level, which results in its fragmentation. In both entities, the municipal water management companies are under the jurisdiction of local communities and local governments (in full or as predominant shareholder). There are entity-level institutions which hold partial responsibilities in relation to the water sector<sup>30</sup>, which furthermore dilutes the institutional framework and undermines coordinated policy design and delivery<sup>31</sup>.

*The 2016 EU Progress Report for Bosnia and Herzegovina states:*

“Some progress has been achieved in further aligning policies and legislation with the EU acquis, in particular in the water and waste sectors. In the coming years, Bosnia and Herzegovina should enhance the legal framework in accordance with adopted country-wide [Environment Approximation Strategy](#), strengthen institutional capacity and monitoring systems and improve inter-institutional coordination.”

It is estimated that **75% of the population in Bosnia and Herzegovina has access to safely managed drinking water services**<sup>32</sup>, i.e. is connected to controlled public water supply systems. In addition to disparities in terms of accessibility, water quality control varies between settlements. ~~Water supply systems are old and irregularly maintained. Water losses frequently amount to more than 55%, leading to~~ system failures including shortages, overexploitation of water sources and high distribution costs. While **41% of the population is connected to public sewerage system**, 90% of the collected wastewater is released into watercourses without treatment, causing serious contamination of the ecosystem<sup>33</sup>. Although efforts are made to expand infrastructure, both in terms of wastewater treatment plants and wastewater networks, there is still a considerable demand in this regard.

Despite progress in recent years, **water utilities** in the country are not yet financially self-sustainable, which poses long-term issues for reliable water supply and wastewater management services. Water tariffs are still far from their function of a proper economic instrument, as they do not comply with the cost recovery principle as an important expenditure component, while tariff rates are not compliant with the “consumer pays principle”.<sup>34</sup> Political influence on tariff setting is very strong, giving precedence to social (or populist) over economic criteria. As a result, water tariff levels are often too low and insufficient to cover operation and maintenance costs, let alone infrastructure renewal and new investments. Moreover, significant over-staffing<sup>35</sup> combined with high volume of resources needed for salaries (more than 50 % of water public utility costs) threatens the sustainability and quality of water services. There are emerging practices in the country related to applying performance indicators to measure effectiveness and efficiency of water utilities<sup>36</sup> – either as an accountability tool for local governments and the citizens, or as an incentive to finance highest-performing

<sup>28</sup> The [Drinking Water Directive](#), Council Directive 98/83/EC of 3 November 1998.

<sup>29</sup> The [Urban Waste Water Directive](#), Council Directive 91/271/EEC.

<sup>30</sup> E.g. [river basin agencies](#) responsible for water courses quality management, but without responsibilities for wastewater discharge [threatening water quality](#).

<sup>31</sup> For example, in the Federation of Bosnia and Herzegovina, 24 ministries (3 at the entity and 21 at cantonal government level) are responsible for enforcement of 11 water laws, 11 laws on communal affairs and the local governance legislation.

<sup>32</sup> Overview of the Water Service Sector in Bosnia and Herzegovina, Ministry of Foreign Trade and Economic Relations, 2019.

<sup>33</sup> Ibid.

<sup>34</sup> EU4Environment Action Document, Instrument for Pre-Accession Assistance (IPA II), Bosnia and Herzegovina, 2020.

<sup>35</sup> The water sector employs over 10,000 people in Bosnia and Herzegovina (6.3 employees per 1,000 connections vs. international good practice benchmark of 1.5-3/1,000 connections).

<sup>36</sup> Pilot approaches have been introduced by the [MEG Project and the Una Consulting since 2015](#).

water utilities. There is a need for strengthening the effectiveness and efficiency of water utilities, as well as for the **overall performance-oriented advancement of utility governance capabilities and frameworks at the local level**. This relates to needed optimisation of organisational structures, advancing of capacities of staff, as well as overall technological modernisation of water utilities. Financial and regulatory oversight and support by local government councils and upper-level government bodies needs to be enhanced, to ensure quality, efficient, sustainable, and affordable water supply and wastewater management services.

#### **I.V. Stakeholders driving and restraining change (stakeholders' analysis)**

There are numerous stakeholders which interact within and influence the broader local governance and water services system. Having in mind the policy-making nature of the intervention, and recognizing that to be successful, policies and reform processes in the public sector must be owned by a broad range of stakeholders, this section analyses the interests, roles and capabilities of relevant counterparts, which will help gauge a more relevant Project strategy. A more detailed stakeholders' assessment is enclosed as *Annex VIII* of this Project document.

**Local governments** have a critical role in the affirmation and further application of more effective, efficient, and inclusive local governance based on a results-oriented approach. Of importance is the motivation of mayors to lead administrations and public utilities towards continuous democratization and enhancement of local performance and people-centred service delivery. While of critical importance, local leadership is not the only factor that defines the speed and scale of change at the local level. Local administrations – and particularly senior officers (mayor's advisors, heads of departments, etc.) who have the power to translate political decisions and strategic commitments into operational results and can mobilise administrative processes and changes – also have a very important role in driving better local governance. Furthermore, **local government councils** play a very critical role in upholding local democracy, steering local development, embracing, and safeguarding reforms and changes that result in more democratic, effective, and inclusive local governance and public service delivery. On the other side, they can block proposed reforms and thus jeopardize sustainability of changes introduced at the local level. Local government councils often fail to fully perform their functions of representation, regulation, and oversight. In the country's highly politicized context, most local government councils have simply become voting machines for backing up or opposing the mayor's decisions. They are often highly politicized and engaged with their own partisan affairs, placing less priority on the citizens' needs and priorities. Moreover, councillors remain anonymous in the public eye and even in local governance circles. To enable local government councils to be the actual change agents at the local level and effectively exercise oversight, their capacity needs to be strengthened towards result-oriented decision-making and legitimising new systems. Recent experiences demonstrate that by strengthening capacity of councillors and supporting processes which entail their more active engagement and advice, has a fairer democratising effect on local governance. To that end, engagement of the local political leaderships, including but not limited to the council thematic commissions, will be instrumental for fostering local democracy and good governance practices.

**Entity institutions responsible for local governments**, namely the Ministry for Administration and Local Self-Government of Republika Srpska and the Federal Ministry of Justice through its Federal Institute for Public Administration, are the primary policymakers who can lead systemic changes in the domain. However, due to unfavourable political climate and insufficient political will to undertake structural reforms in the local governance system, the role of these institutions, albeit constructive, can be very limited in relation to concrete policy changes and system-wide transformation. This is relevant for the Federation of Bosnia and Herzegovina, where local governance mandate and responsibilities are focused on regulatory oversight and not on policy and strategic direction. Institutional capacities of entity institutions to lead policy dialogue and engage pro-actively and effectively in reform-oriented actions need to be advanced.

Having concrete responsibilities and mandate related to local governance, **cantonal authorities** are generally interested in improving public service delivery at the local level, which they also co-finance. They represent an important link in the policy chain from local government to entity-level efforts in the Federation of Bosnia and Herzegovina. Line ministries at the cantonal level can be change drivers for introducing necessary policy and regulatory changes. They can provide institutional stewardship over the good local governance framework development process and work on incremental policy changes that ensure positive impact on the local governance system. Furthermore, cantons can analyse performance of local governments and then translate the performance outcomes into adequate policies and measures that further local governance in the country.

**The water sector institutions across various government levels**, including the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, the Ministry for Administration and Local Self-Government of Republika Srpska, both entity ministries of agriculture, water management and forestry, the Ministry of Environment and Tourism of the Federation of Bosnia and Herzegovina, the Ministry of Spatial Planning, Construction and Ecology of Republika Srpska, the entity ministries of finance, the River Basin Agencies in the Federation of Bosnia and Herzegovina, the Public Institution “Vode Srpske” in Republika Srpska, as well as representatives from relevant cantonal institutions (ministries responsible for communal affairs). Water sector policy and regulatory changes based on whole-of-sector approach would require collaboration of many different institutions from cantonal to state government levels. The state-level ministry plays a coordination role in the sector, it can lead policy development and has interest in ensuring the country-wide reform. This role, however, can be fulfilled only if entity-level institutions collaborate, particularly the entity ministries of agriculture, water management and forestry, as well as relevant cantonal ministries. Possible conflicting interests and lack of consensus may be in place between the two entities (horizontal, cross-entity) and further – between the Federal and cantonal institutions (within the Federation of Bosnia and Herzegovina) in relation to policy consensus on sector-wide reforms, regulatory amendments, streamlining and harmonising certain elements of the system (e.g. establishment of water tariff regulatory bodies and frameworks, etc.). Another challenge comes from the fact that communal water services are often legally detached from the broader water management frameworks. The institutions that will have a lead role in the policy dialogue and potential regulatory changes in the sector are the entity ministries of agriculture, water management and forestry. The EU accession process and the requirements for harmonisation of domestic legislation with the EU acquis is a powerful driving force for reforms in the water sector. Complexity of governance structures and the efforts pertaining to whole-of-sector coordination can be a restraining force, which will be overcome by dedicated efforts to facilitation of an inclusive and results-oriented reform in the sector.

Ministries of finances at state, entity and cantonal government levels have an important role from the viewpoint of fiscal decentralisation in the country.

**Political parties** also play an influential role, particularly from viewpoint of the intended policy/regulatory changes. While political parties are not prioritising local governance reform, they do have vested interest to further advance reforms in the water sector, which arises from EU accession-related commitments, but mainly from potential to tap into financial resources by the international community. Therefore, to capitalise on their positive power, they need to be regularly engaged, informed, and sensitized on the strategic direction and benefits from potential reforms, which can motivate their support.

**Local government water utilities** have a key role in provision of water supply and wastewater management services, and in some cases other public services at the local level. However, many of them have low financial and organizational capacity, and often lack proper equipment and technical expertise to manage water supply and wastewater services effectively and sustainably. Even though water utilities are generally keen to improve their operations and the quality of service delivery, many of them are constrained by political interference in their operations and management. To strengthen water utilities as a driving force for positive transformation in the utility governance and public service delivery, they need to advance their water supply and wastewater management services capacities, as well as depoliticize water tariff-setting and employment policy, so as to optimize organizational structures. Depending on specific circumstances and some inherited old routines, utilities can also have a restraining power, particularly in terms of staff optimization, equalization of service tariffs, or resistance to introduction of modern and performance-based utility management. This generally applies to all utility companies at the local level.

**Citizens** are among the most important stakeholders for democratic local governance. On one side, citizens need further capacity development and opportunities to engage in public life. On the other – human intellect is the most precious capital that can be empowered by knowledge, recognition and exchange of ideas. Regrettably, citizens in Bosnia and Herzegovina are demotivated to take part in public life and have mostly lost trust in their governments and interest in the political system. Experiences show that citizens - particularly women, are very responsive when given a voice in public decisions, when action is centred around shared values and interests, and when given concrete opportunities to impact change in their communities. In parallel, citizens need to become more active and responsible, and exercise their citizen rights in full to contribute to democratic changes at the local level.

**Both entities' Associations of Municipalities and Cities (AMCs)** have the mandate to legitimately represent the voice of local governments and play an important role in policy advocacy processes and mobilising actions and unified vision from local governments across the country. Both AMCs play an important role in facilitating exchange of good practices and solutions in the area of good local governance. However, AMC Secretariats still lack sufficient human, technical and financial capacity to perform advocacy functions in the most effective manner.<sup>37</sup> Very important is the role of AMCs' expert bodies (thematic standing commissions), which support formulation of policy and legislative changes, while ensuring local governments' views and voice. The AMCs will have a key role in future policy dialogues and their strategic engagement with the Project on several important issues should benefit wider policy processes by capitalising on: the Secretariat's technical support and mobilisation of local governments' voices; the AMCs expert commissions' proficient inputs in policy reforms and legal drafts; and the AMCs political leaderships' support for reforms in the sector.

**Professional water supply and wastewater management organisations and networks** are an important asset in the water sector, which can contribute to more inclusive policy-making processes. These include the Water Works Association of Bosnia and Herzegovina, the Water Works Association of Republika Srpska and the Association of Employers in Communal Affairs in the Federation of Bosnia and Herzegovina, which have already expressed interest to engage in policy dialogue, building on previous successful cooperation related to knowledge exchange, capacity development programs and data collection for benchmarking purposes for the DANUBIS platform. In addition, there is the **Aquasan** network<sup>38</sup>, which gathers water and environmental sanitation professionals and practitioners from different parts of the country and different levels of government. Aquasan is engaged in the implementation of several regional programs and projects aimed at capacity building of utilities and institutions in the water sector – Danube Learning Partnership (D-LeaP) and Regional Capacity Development Network (RCDN). Given their nature and professional interest, they are potential drivers of change, whose capacity, advocacy and influential powers can be further strengthened, consolidated and leveraged<sup>39</sup> to support water sector policy dialogue and necessary reforms. Considering the work that Aquasan has been undertaking with numerous stakeholders on legal framework improvements, their platform for policy dialogue will be highly utilized for future reform-related discussions in the sector, underlining the needed coordination and alignment of sectoral reforms led by the entity delegated Working Groups. Aquasan has great experience in lobbying for and moderating reform-related policy discussions, and their knowledge will be used in an effort to address the existing country-level institutional capacities gap.

**Donor and international financing institutions supporting water sector reforms** (the World Bank, the EU, EBRD, EIB, KfW, SECO, the Czech Development Agency, Government of Sweden, etc.) have a strong driving role actualised through financing of expertise and support for policy reforms and infrastructure investments, with an increasing aspiration to provide assistance to government(s) only if agreed commitments and set targets are fulfilled.

As a user of public services at the local level, the private sector is also an important stakeholder that can serve as a push-factor for improved service delivery and local economic development, as well as stimulate public-private partnerships. On the other side, the private sector can have a restraining power – particularly in cases when companies/farms fail to meet standards regarding water use and wastewater treatment.

The **Local Governance and Local Development Donor Coordination Group** was initiated in 2010 by the Swiss Agency for Development and Cooperation (SDC), the Swedish International Development Cooperation Agency (Sida) and UNDP. It brings together representatives from the Embassy of Switzerland, UNDP, the EU, the Embassy of Sweden, the Embassy of the Netherlands, the *German* Agency for International Cooperation (GIZ), OSCE, the Council of Europe, USAID and the World Bank (WB). Since 2018, the Donor Group has been discussing systemic challenges in the local governance domain and has since then prioritized local governance policy and legal framework as a topic of joint interest and action, to support policy dialogue that can help address systemic problems or stimulate reforms in close interaction with authorities. Therefore, the Local Governance and Local Development Donor Coordination Group can play a positive role in advocating and amplifying the importance

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<sup>37</sup> Support is provided to both AMCs by the governments of Sweden and Switzerland through the "Strengthening Associations of Municipalities and Cities in Bosnia and Herzegovina" Project, 2018-2022.

<sup>38</sup> Established in 2010 through Good Governance Project in Water and Environmental Protection Sector (GOW-WADE), implemented by the support of the Swiss Agency for Development and Cooperation (SDC).

<sup>39</sup> Aquasan's regionally recognised capacity development support (co-financed by SECO), knowledge and good practices will be used and scaled.

of certain reform aspects among governments and the public.

**Media** is also an important stakeholder, contributing to very much needed awareness raising at the local level, encouraging citizen participation in public decision-making and playing an important role in advocacy for good local governance and more effective and people-centred public service delivery.

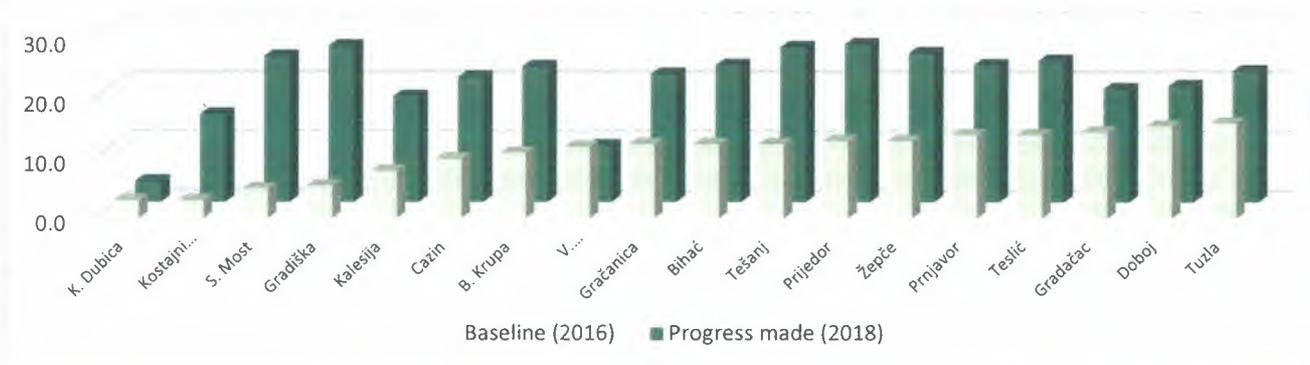
#### I.VI. Flagship achievements of the first Project phase

The first phase of the MEG Project (2016-2021) was financed by the Government of Switzerland (CHF 12 million) and implemented by UNDP in collaboration with a wide range of public, civic and private stakeholders in Bosnia and Herzegovina. The overall Project impact was that local governments, assigned with appropriate competences and finances, have tangibly improved their democratic governance, started to apply sound public policy and performance management systems and provide public services in an inclusive, effective and efficient manner, particularly those related to economic and environmental (water supply and wastewater management services) sectors.

Working directly with 18 partner local governments<sup>40</sup>, private sector counterparts, relevant cantonal, entity and state level institutions, the project enhanced municipal performance, applying sound public policy and management processes, spurring interaction among local decision-makers and citizens, and supporting capital investment to unlock sustainable economic growth and job creation.

Together with its partner municipalities and cities, their communities and private sector counterparts, relevant cantonal, entity and state level institutions, the MEG I Project has developed and successfully applied a **novel approach to good local governance**, characterised by a results-based performance management approach that contributes to more effective and inclusive local governance and public service delivery, particularly water supply and wastewater management. From 2016 to 2018, partner local governments' performance has improved steadily across a set of good governance benchmarks related to accountability, inclusive decision making, quality policy design and delivery, as well as service provision.

MEG Project partner local governments' performance improvements (2016 - 2018)



An independent, evidence-based evaluation of the progress made in 2019 found that all partner local governments have set in place basic Performance Management System (PMS), which is characterised by a central development management unit ensuring whole-of-administration coordination and support in development of annual plans and budgets, reinforced by the mayor and the local government council, in consultations with citizens. This critically increased the level of implementation of local development strategies' annual plans – jumping from 40 % to 66 % average implementation rate. Moreover, as “the next generation” democratic and result-oriented approach to local governance, a comprehensive performance management set of standards and key performance indicators was co-developed with and tested by all partner local governments. The 2019 assessment showed that 76% of this system is functional and in place, which translates into more democratic, inclusive, effective, and efficient local governance. These successful pilot efforts and lessons learnt in terms of results and performance-oriented approach, helped formulate a draft **Good Local**

<sup>40</sup> Bihać, Bosanska Krupa, Cazin, Doboj, Gračanica, Gradačac, Gradiška, Kalesija, Kostajnica, Kozarska Dubica, Prijedor, Prnjavor, Sanski Most, Tešanj, Teslić, Tuzla, Velika Kladuša and Žepče.

**Governance Framework**, which will be further discussed by all relevant stakeholders, to inspire policy changes with system-wide democratising effect in local governance.

Level of citizens' dissatisfaction with public services



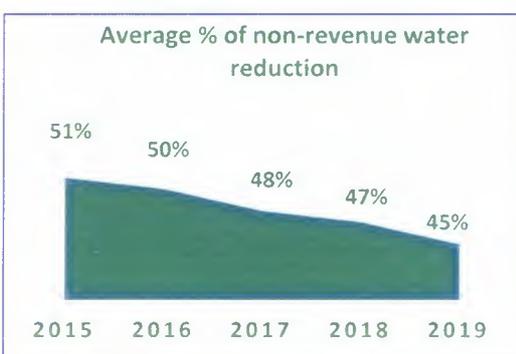
Importantly, the improved performance by local governments has translated into a marked **decrease in citizen dissatisfaction**, with the general public acknowledging an upgrade in service delivery. Moreover, all local government councils have adopted decisions to make the citizen satisfaction survey a regular participatory tool to assess local governments' performance and citizens satisfaction with local service delivery. Another hallmark achievement, in light of the "leave-no-one-behind" principle, was that the Project supported inclusive and transparent budget processes in 14 local governments,

ensuring that they are fully accessible for blind and visually impaired persons, promoting sign-language among general public, etc. Notably, as integral effort within its programme-based budgeting support, the MEG Project contributed to tangible positive changes in sensitising local governments and communities on the importance of gender-responsive budgeting, which resulted in more gender-sensitive priorities and increased resources (human and financial) for gender equality within partner local governments. Specifically, pilot efforts within two partner local governments (Gradiška and Tešanj) demonstrated a gender-responsive budget overhaul in the areas of sports, culture, local economic development, and social protection, reinforced by gender-performance indicators.

In addition, based on a highly inclusive process, the Project facilitated the development of an online platform called **eCitizen**. This platform, together with an accompanying **mobile application**, will not only increase and enhance communication among local administration, local government councils and citizens, but will also offer more diverse and digital tools for dialogue between local government and their citizenry. The full benefits of introducing such a citizens-to-government (C2G) communication platform are yet to be captured.



Having in mind its focus on water supply and wastewater management services, the Project facilitated positive changes in relevant local government policy frameworks, as well as local water utilities' financial and operational performance improvements. More specifically, the Project introduced and tested a set of technical benchmarks (90 indicators) for water utilities, as part of a wider performance-based incentive scheme. Over a period of four years, these efforts resulted in a substantial and **tangible improvement across several key performance indicators**, as well as facilitated gradual mindset shift of water utilities towards result-orientation, accountability and professionalisation.



**Non-revenue water (NRW)**, for instance, has been reduced by 6% on average (corresponding to monetary value of more than BAM 2 million savings), while the average number of employees in 18 local water utilities per 1,000 consumers was reduced from 1.71 in 2015 to 1.59 in 2018. Furthermore, the cost reflective tariff system has also emerged as a scalable approach towards the overall sustainability of water services in the country. New accounting procedures, with cost-centres recording of all costs and revenues, were introduced at all water utilities, which enabled improved tariff modelling based on cost recovery principle. All participating water utilities have

developed electronic network maps for primary and secondary pipelines, while many are developing GIS systems. As a result of the Project support, the **percentage of households with access to controlled (safely managed) water supply** and wastewater services has increased to 77% and 39% respectively (compared to 68 % and 32 % in 2016).

Another Project hallmark achievement is the redesign and institutionalisation of **Public Service Agreements (PSA)** for water services at the local level. The PSA systematised the relationship between local authorities and water utilities and closed important legal gaps, while providing a business model for sustainable and socially sensitive water service delivery. The Project supported partner local governments and water utilities, to establish a **subsidy system for socially vulnerable citizens**. At the end of March 2020, there were 1,183 vulnerable citizens (551 female and 632 male) that were included in the system and started receiving subsidies for their water bills (3-5 m<sup>3</sup> of water usage per person per month). There is a notable high interest by local governments towards this model and its enlargement in the future. With the adoption and implementation of PSAs, local governments and water utilities agreed on the water tariff methodology, which laid foundation for long-term sustainability of water supply and wastewater management services provision.

**Mayor of the Municipality of Tešanj:**

“Piloted performance management system catalysed shift in mindset and culture at the local level, brought a new type of competitive spirit among local governments and valorised local governance in a more democratic manner.”

Enhanced public-private dialogue, efforts to reduce bureaucratic red tape, as well as public incentive measures targeting private sector development have **mobilized some CHF 1.9 million** in private sector investments and created **309 new jobs in partner localities**.

**Finding from the MEG I Project Final Evaluation Review Report:**

“Overall, the review team has found that the MEG Project has achieved considerably positive results in a challenging context. Especially the work on Good Governance in the Environmental Sector has seen significant progress, where the sustainability and efficiency of Public Utility Companies, as well as their collaboration with the municipal administration, has improved steadily.”

The Project also provided expert inputs and facilitated policy dialogue as part of a process aimed at **enhancing the higher government regulatory frameworks**, towards increasing financing of local governments, as well as decentralizing and improving service delivery. While radical reforms in this domain have not been supported by policy-makers, the Project supported the AMCs to analyse potential regulatory changes in relation to income taxation, concessions, business infrastructure at the local level, ~~collection of real estate taxes by cities, budget system.~~ These will further support advocacy and pro-active policy dialogue, particularly in relation to budget and tax distribution in the public sector.

Last but not least, the Project has **contributed to achieving the SDGs** through local action, particularly SDG 6 “Clean Water and Sanitation”, SDG 10 “Reduced Inequalities”, SDG 11 “Sustainable Cities and Communities” and SDG 16 “Peace, Justice and Strong Institutions”.<sup>41</sup>

**I.VII. Lessons learned informing the impact hypothesis and Project strategy**

The rich experiences gained during the implementation of the MEG I Project, combined with the feedback and proposals by various stakeholders, as well as the findings and recommendations provided by the Project Final Evaluation yielded important observations and lessons learnt that inform the future Project efforts and strategy. These are described below.

- **Experiences generated during the application of pilot performance-oriented approach to local governance showed that it holds the potential to set a universal model serving as a “compass” for democratic, effective and inclusive local governance in the country.** There seems to be a united front among local governments on the need to affirm a good local governance performance benchmark model, including through policy and strategic frameworks, that is linked with dedicated public financing to award best local performers. There is a good momentum to catalyse a bottom-up policy dialogue on this matter, which is stimulating rather than imposing advancement. The Final Evaluation also recommends that “...the MEG Project needs to put more efforts into pursuing changes in the legal and regulatory framework. As a method, multi-stakeholder processes by building networks of decision-makers and practitioners provide a promising approach to, over time, create momentum for changing the legal and regulatory framework. Although results can be expected more over medium and long-term, the review team maintains that this is a promising approach to creating

<sup>41</sup> MEG I Project Final Evaluation Review Report, 2019, Bosnia and Herzegovina.

*lasting changes, and, thus, sustainability of the MEG approach.*” Moreover, partner local government leaders recognised the benefits of healthy competition among municipalities and cities.

- **Pilot performance tools<sup>42</sup> have critically improved transparency and accountability of local governments, this positively influenced citizens’ trust.** The results from the first Project phase demonstrated that local governments represent the best entry point for critical transformation and development changes in the challenging multi-layer governance structure of Bosnia and Herzegovina. The pilot performance tools have been embraced by local administrations; however, local ownership over the approach and development results has been further strengthened by engaging local government councils and citizens. Due to the proximity to their communities, local governments are well positioned to lead the process of bottom-up changes through participatory and anticipatory governance, people-centred and improved public services. Improving local development management capabilities within local administrations and making citizen satisfaction surveys “a default” in local governance increases public trust and brings about a new social contract between local governments and communities.
- **The overall advancement of the local development management function had a positive effect on the economic governance capacity of partner local governments, including increased ability to attract external funding for economic development and investments.** Focused work on improving the business enabling environment at the local level led to improved quality of public services for the private sector and significant reduction of the number of required permits and the time necessary to issue those.
- **Complexity and multi-angle efforts of the Project may undermine scale and sustainability of results. Plan for a narrower, but deeper Project scope.** The first Project phase was using environment and economic development as an entry point for good, effective, and efficient local governance. While an integrated approach proved to be beneficial and helped reinforce holistic thinking at the local level, a too complex nature of the Project poses challenges to the already highly challenging country context and brings a level of complexity which is incommensurate with the feasibly achievable results. Having in mind that economic development competencies of local governments are rather limited, future Project efforts will be more effective if it continues to support good local governance but utilising as an entry point one public service. Local governments are responsible for providing critical public services whereby the most important one – in terms of finances and priority – is the area of potable water supply and wastewater management. Using the environmental sector as an entry point to prepare local governments to take on the role of development leaders will provide for deeper-rooted and systemic results in this area. Furthermore, scaling up affirmed practices for sustainable water supply and wastewater management will contribute to an overall reform and modernization of this sector, providing communities with quality water, generating savings and funds for long-term investments and reducing negative impact on the environment and sustainable development in line with the SDGs.
- **Policy reforms in Bosnia and Herzegovina take considerable time, even if political will is in place.** UNDP’s rich experience in the area of support to good governance and public administration reform confirms that a short Project lifespan is almost never sufficient to facilitate systemic and at scale changes. As a result, ambitious policy agendas set within various governance Projects often fail. Therefore, future efforts of the Project will calibrate policy expectations and place stronger focus on building strong commitment and ownership of higher government levels (technical as well as political), expanding advocacy networks (with Associations of Municipalities and Cities at the driving seat), as well as bringing on board strategic external collaborators to support policy change (such as the Local Governance and Local Development Donor Coordination Group, International Financial Institutions (IFIs) – the WB, the EBRD and the EIB, etc.), while at the same time envisioning incremental but progressive policy changes (as opposed to whole-of-sector transformation within the Project phase life cycle).

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<sup>42</sup> According to the Final Evaluation Report, these include the performance management system, the performance-based grants, the annual survey of citizen satisfaction with public services, Performance Service Agreements, etc.

- **Scaling up successful approaches and knowledge can catalyse wider impact.** Often local governance Projects are limited to a certain number of partner municipalities and cities, which hampers simultaneous country-wide effects. Therefore, the future efforts of the MEG Project should carefully design a knowledge spill-over approach by leveraging knowledge-sharing by champion local governments and maximizing the country-wide reach out by AMCs for continuous learning.

*Mayor of the City of Gradiško:*

“Reaching a critical mass of local governments that will be able to embrace a standard performance system, alongside active support by higher government levels are essential for long-term change.”

- **Thoughtful selection of partner local governments matters as a precondition for success and impact.** Experiences from this and other local governance interventions came to show that the selection of partner local governments can affect the overall success and impact of the Project. Therefore, gauging adequate approach to selection of partner local government for the MEG II Project is of vital importance. The key considerations that need to be factored in the formulation of the strategy for selection of partner local governments include: i) current partner local governments have accumulated significant knowledge and hands-on experience which can be transferred to less experienced and advance localities; ii) selection of less developed but motivated new partner local governments in geographic proximity to the phase one partners can create conditions for inter-municipal cooperation (including in service delivery), encourage a more “localised” peer-to-peer exchange and in the long term ensure that disparities are closing; iii) consider selection of partner local governments (both new and from the previous Project cycle), which are not only motivated to take part, but also have a space to grow and leap their good local governance systems, capabilities and performance (hence, avoid “top” and “bottom” candidates in regard to technical criteria, while preserve motivation as a main pre-condition for participation); iv) factor in potential support to local governments with female mayors/city mayors; v) enable ways through which the Project will ensure flow of knowledge and benefits to non-participating local governments.
- **High volume of procurement processes, capital investments and grant schemes co-financed by the Project potentially increases the risk of corruption and conflict of interest within partner local governments.** Lessons learnt come to show that the risk of corruption is more likely to occur when individuals from local governments fail to identify, declare, and manage a conflict of interest. The Project needs to continue focusing on raising awareness and strengthening capacity in the area of anti-corruption and integrity management both within local governments and utility companies.
- **Technology and digital transformation can be a powerful tool for a more effective and transparent local governments (including their water utilities).** In times of the Fourth Industrial Revolution, technologies such as Artificial Intelligence, blockchain, big data, and many more are now transforming global societies and economies. Governments worldwide are strategically leveraging new technologies to fundamentally improve decision-making processes, public services and systems integration. Technology can help water utilities address many of the challenges they face, such as smarter asset management, reducing network leaks, improving water quality and reliability of water supply, drastically improving relations with customers, advancing data systems, etc. Even though the uptake of digital technology in governance and in the water sector has increased globally, it is still largely untapped in Bosnia and Herzegovina.

#### I.VIII. Relevance of the intervention

The MEG II Project is designed as a strategic local governance intervention, **uniquely positioned to tackle systemic improvement of the local governance system**, utilizing a results-oriented approach as its main vehicle. As policy reforms will be at the heart of the Project, alongside with the professionalisation and democratisation of local governance and public service delivery, it will also have **positive effect on reducing some of the main country vulnerabilities** identified earlier (such as social exclusion, gender inequality, outmigration, natural and man-made hazards). At the core of the intervention, there is the introduction of a Good Local Governance (GLG) Framework, with commonly agreed good governance principles at the local level, and performance-based benchmarks and indicators, expected to be endorsed at the entity level.

The Project capitalises and seeks to **scale up the positive experiences** and models both in the area of local governance and water supply and wastewater management services, towards both policy and system change. In doing so, the intervention will **address development and reform needs, as voiced by stakeholders** during the wide project consultations, as well as the priorities set within relevant policy and strategic frameworks related to local governance and reforms in the water sector. The intervention is also compatible with priorities set in the Public Administration Reform (PAR)<sup>43</sup> strategies and action plans, in particular in relation to their overall vision of *“creating a public administration that is more effective, efficient and accountable for what it does, and that will operate with transparent and open procedures and thereby become a facilitator for continuous and sustainable social and economic development”*. Although the PAR in Bosnia and Herzegovina relates mainly to the state, entity and Brčko District authorities, reform of such scale will inevitably affect the municipal and cantonal administrations, as well as the broader public sector.

During the period of May – July 2020 the Project has been discussed and co-designed with all relevant institutional stakeholders from state, entity, cantonal and local government levels, both Associations of Municipalities and Cities, representatives from professional associations, water utilities, as well as partners from the international community to ensure the intervention is contributing to strategic priorities and addressing development gaps across government levels.

Finally, the intervention is strategically positioned to **complement and amplify the broader efforts of governments and representatives from the international community** (the WB, the EU, the EIB, together with the Government of Switzerland and Sweden) to reform and modernise water supply and waste water management services in Bosnia and Herzegovina. The intervention is an integral part of a wider set of reform and investment interventions in Bosnia and Herzegovina guided by the Joint vision for advancing the water supply and wastewater management services reform in Bosnia and Herzegovina 2021-2028. The intervention paves the way for attracting large-scale infrastructure investments at the local level based on the improved policy and regulatory frameworks, as well as local governments’ capabilities to manage the investments in water supply and wastewater infrastructure sustainably and effectively.

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<sup>43</sup> <http://parco.gov.ba/wp-content/uploads/2014/02/strategy-for-public-administration-reform.pdf>

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## II. STRATEGY

### II.I. Impact hypothesis

The impact hypothesis rests on the logic that if local governments across the country, represented by the Associations of Municipalities and Cities, agree upon and commit to the introduction of the **Good Local Governance (GLG) Framework**, with performance benchmarks, then this will generate a collective grassroots traction, powerful enough to catalyse policy engagement by higher government levels. If this inclusive policy dialogue subsequently translates the GLG Framework into incremental policy, regulatory and financial changes, and public performance incentives, there will be created an **enhanced environment for democratic and result-driven local governance**. If in parallel, the political and institutional commitments of the water sector stakeholders transform into enhanced policy, institutional and regulatory frameworks, **system-level improvements will be enabled in the area of water supply and wastewater management services**.

Incentivised by the stimulating policy environment and steered by capacitated local government leaders and administrations, embraced and promoted by the AMCs and eventually adopted at entity levels, the GLG Framework gets operationalised into local governments' systems, operations, and services, resulting in **improved public performance and service delivery for the citizens and businesses**. Furthermore, if these efforts on enhancing and measuring the performance of public services get complemented by adequate fiscal incentives for top performers, they should then effectively spur a **healthy competition among local governments towards enhanced transparency and accountability to the citizens**.

Similarly, if the performance-oriented approach is **systemically applied in water utilities**, alongside upgrading the capacities and professionalisation of their staff, technological advancements, and renewed management model, then savings in public budgets will be generated and readiness for sustainable infrastructure investments in the water sector will be advanced, resulting in **more equitable and socially inclusive water services** and reduced overexploitation of natural resources, thus making these water services more resilient to climate-change.

Ultimately, all these efforts should culminate into a more democratic, transparent, citizens-oriented, gender-responsive and performance-based local governance system in Bosnia and Herzegovina.

### II.II. Links to national and international strategies and frameworks

There is no overarching strategic framework, country-wide policy vision to guide whole-of-system local governance in Bosnia and Herzegovina. This intervention is aligned with and contributes to the achievement of the following strategic frameworks:

- i) the **draft SDG Framework in Bosnia and Herzegovina 2030**, particularly its "Good Governance" and "Sustainable growth" pathways;
- ii) the **Socio-Economic Reforms in Bosnia and Herzegovina 2019-2022** (that are a response to the 2019 EU Opinion), specifically the priority area related to de-politization, improved sustainability and efficiency of public utility companies;
- iii) the **Strategy for Local Self-Government Development of Republika Srpska 2017–2021** and three of its strategic objectives – "Ensure accessible and quality public services to all citizens", "Ensure effectiveness and accountability of local governments in local development", and "Strengthen citizen participation and influence in decision-making at the local level". In the Federation of Bosnia and Herzegovina there is no strategic framework that steers the local government development.
- iv) the **Strategic Plans of the Associations of Municipalities and Cities**, particularly in relation to quality local services and advocacy for more effective and efficient local governance;
- v) the **Public Administration Reform Strategic Framework 2018-2022**, specifically two of its specific objectives, namely "Accountability" and "Service delivery".
- vi) the **Environmental Approximation Strategy of Bosnia and Herzegovina** and the entire chapter related to approximation of domestic water management legal frameworks with the EU acquis;
- vii) the **entity-level water management strategies** and their priorities related to improvement of regulatory and institutional frameworks and sustainable management of water resources, as well as accessible and quality water supply and wastewater management services;

viii) the **Joint vision for advancing the water supply and wastewater management services reform in**

**Bosnia and Herzegovina 2021-2028** (enclosed *Annex X*), which was agreed by relevant government institutions and development partners (the EU, SDC, Sida, UNDP, the WB) in 2020 as a common guiding framework for reforms needed to advance water supply and wastewater management services in Bosnia and Herzegovina. Three main pillars of the of the Joint vision are: Modernization of the regulatory and institutional environment in the sector; Enhanced operational frameworks for effective, efficient and inclusive service delivery at the level of local governments and water utilities; and Improved water supply and wastewater management infrastructure (investments). The Joint vision mobilized development partners for joint programming in the sector<sup>44</sup>, which is a good way to ensure a coordinated approach for better impact.

ix) The **EU4Environment Action Document** developed under the Instrument for Pre-Accession Assistance (IPA II) in Bosnia and Herzegovina for 2020, and its specific water management sector priorities. The EU has formally committed, through this document, to support elements of the MEG II Project.

- x) the **Agenda 2030 and the SDGs**, primarily SDG 6 “Clean Water and Sanitation”, SDG 10 “Reduced Inequalities”, SDG 11 “Sustainable Cities and Communities” and SDG 16 “Peace, Justice and Strong Institutions”.
- xi) the **Swiss Cooperation Program 2021-2024** for Bosnia and Herzegovina, particularly its accountable municipal performance priority within the Democratic Governance, within the Local Governance and Municipal Services portfolio.
- xii) the draft **UNDP Country Programme Document 2021-2025**, specifically the outcome “By 2025, people contribute to, and benefit from more accountable and transparent governance systems that deliver quality public services and ensure rule of law”.
- xiii) the draft **Swedish Development Cooperation Strategy with Bosnia and Herzegovina** that will cover period of 2021-2026 and is guided by a result strategy for Sweden’s reform cooperation with the Western Balkans. The Swedish support focuses on “enabling sustainable democratic development and public administration and judicial reforms, democracy, human rights, civil society, economic integration, environment and energy”.

### II.III. Hierarchy of objectives

**Overall goal: To contribute to the democratisation of local governance in Bosnia and Herzegovina and more equitable, effective and efficient public services for the citizens, particularly water supply and wastewater management services.**

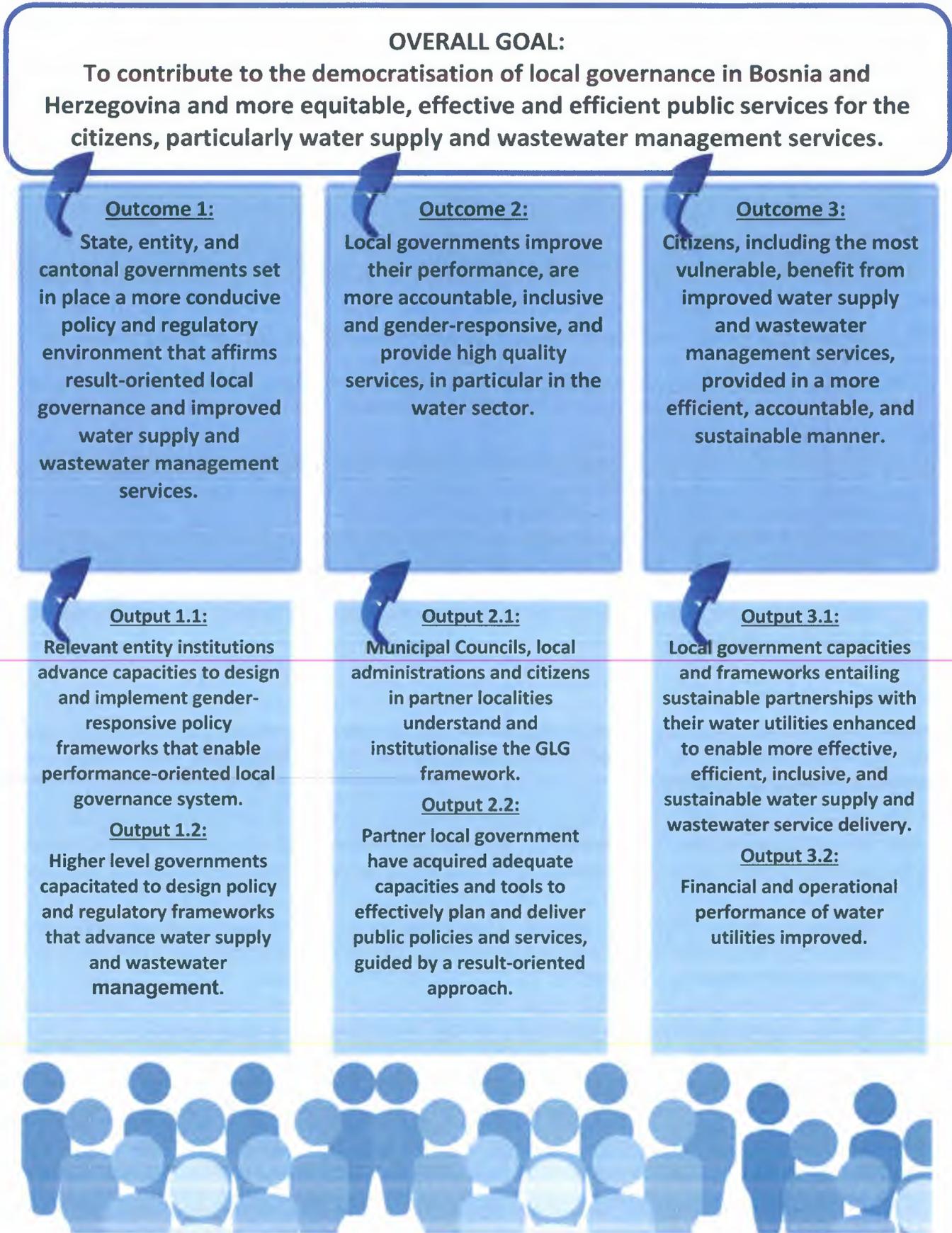
Democratic local governance policy dialogue and policy changes, together with regulatory improvements in the area of water supply and wastewater management services, will provide for more effective, equitable and sustainable delivery of essential local services, alongside changes in collective and individual practices.

- Outcome 1: State, entity and cantonal governments set in place a more conducive policy and regulatory environment that affirms result-oriented local governance and improved water supply and wastewater management services.
- Outcome 2: Local governments improve their performance, are more accountable, inclusive and gender-responsive, and provide high quality services, in particular in the water sector.
- Outcome 3: Citizens, including the most vulnerable, benefit from improved water supply and wastewater management services provided in a more efficient, accountable, and sustainable manner.

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<sup>44</sup> The importance of the Joint vision has been reiterated through the joint letter signed by the EU, the WB, the Embassies of Switzerland and Sweden, and UNDP (from 15 June 2020) inviting authorities in Bosnia and Herzegovina to urgently respond to the water sector reform needs.

The Project internal architecture is as follows:



### Outcome 1:

State, entity, and cantonal governments set in place a more conducive policy and regulatory environment that affirms result-oriented local governance and improved water supply and wastewater management services.

Under Outcome 1, the Project will facilitate wide and inclusive policy dialogue with two main entry points: i) **local government policy, strategic and financial framework**, as well as ii) **policy, regulatory and institutional framework for water supply and wastewater management services**<sup>45</sup>.

On the one side, the Project will encourage **inclusive policy processes that enable reaching a common vision and then identifying the right set of policy measures to formalise and stimulate its future application towards more effective, efficient and accountable local governance**. The scope of reforms in this regard will be incremental, with the Project utilising these processes as an entry point for concrete regulatory and policy changes, that further strengthen good local governance in line with the main principles, values and performance standards agreed upon in the shared framework. Also, it will potentially scale up its support in this regard, provided political will and

positive momentum created in the process. Importantly, a focus will be placed on **ensuring adequate financial mechanisms** that can gradually and eventually make the GLG Framework compulsory by default. For this to happen, a continuous top-down financial support is a main prerequisite, combined with recognition of local champions. As a result, the notion of good local governance resting on values and principles commonly agreed by local governments, and embraced and endorsed by the Associations of Municipalities and Cities, will be embedded in relevant regulatory (laws, by-laws), strategic (priorities within new sector-specific strategies and policy documents) and financial frameworks as an effort by higher government policymakers to stimulate greater effectiveness, transparency, accountability and efficiency in local governance.

The ambition for the scale of policy changes is slightly higher in relation to water supply and wastewater management services, having in mind that this aspect is not only reinforcing part of the GLG Framework, but also contributes to the reform vision for the sector, as jointly agreed by relevant institutional stakeholders and development partners. In this context, capabilities of multiple institutional stakeholders in the water sector will be enhanced and regulatory framework for water supply and wastewater management services will be enhanced, alongside functional cross-governmental coordination mechanisms that discuss and propose reform actions in the sector, as per the EU directives and national commitments. These efforts will help advance the EU accession in this area and enable improved water supply and wastewater management services at the local level.

### Outcome 2:

Local governments improve their performance, are more accountable, inclusive, and gender-responsive, and provide high quality services, in particular in the water sector.

Under Outcome 2, building on proven experiences from the MEG I and using the GLG Framework's vision and standards, the Project will support **the establishment of performance management systems in partner local governments**. Under this outcome, the Project will directly work with a core number of **ca 30 partner local governments** (ca 21% of all local governments country-wide), including some from the first Project phase. Local administrations will advance their development management capabilities, guided by the performance standards encompassed within the GLG Framework. Capitalising on its successful approach, the Project will continue to apply **performance-based financial incentives** as a stimulus for improved performance and public service outcomes at the local level, with focus on water services. The Project support to partner local governments will be fully

customized to their capacity gaps and needs. Local governments' efforts to improve local democracy and local services will be accelerated by the **use of technology and digital solutions**. Specifically, the Project assistance will result in more democratic, people-centred, gender sensitive, transparent, effective and efficient local governments, simultaneously improving inclusive public service delivery - particularly in the area of water supply and wastewater management, as well as empower and stimulate citizens to engage more actively in decision-making and local affairs.

<sup>45</sup> In direct linkage with and reinforced by the Water Sector Services Modernisation Programme of the World Bank.

### Outcome 3:

Citizens, particularly the most vulnerable, benefit from improved water supply and wastewater management services, provided in a more efficient, accountable, and sustainable manner.

Under Outcome 3 and stimulated by the policy and regulatory work developed under Outcome 1, the Project will scale up successful **water utility governance approaches** to enhance capacities of local governments for more effective planning, management and delivery of water supply and wastewater management services at the local level. Focus will be on raising awareness of local government councils and water utilities' boards of directors on their roles and responsibilities when it comes to provision of water services. Integral to this support are **improved regulatory frameworks for water supply and wastewater management services** in both urban and rural areas within local governments. Customised assistance will support **professionalisation and modernisation of water utilities**,

including through a service-specific set of performance benchmarks as a sub-system of the Good Local Governance Framework. The Project will offer needs-based technical and organisational capacity development of local governments and water utilities, including by leveraging knowledge water sector professional associations and networks. However, this alone cannot bring the needed changes. Therefore, support will be combined with affirming local regulatory frameworks that enable operational autonomy, performance-oriented legislative oversight, optimise organizational structure and staffing, and introduce sustainable water tariff-setting policy. To ensure equitable access to safely managed drinking water services, partner local governments will be encouraged to introduce a subsidy system for vulnerable population groups. Ultimately, Project's assistance will result in more effective and efficient water utilities, which in partnership with local governments provide inclusive and sustainable water supply and wastewater management services.

## II. IV. Project fundamentals

### GLG Framework

In its first phase, the MEG Project successfully piloted the two cycles of the **performance-based financing**, where local governments committed to reaching specific annual targets across 27 performance indicators, which were used to measure progress in four governance areas – development management and administrative work, participatory decision making processes, water management and economic governance. This built on the introduction of **Performance Management System (PMS)**, a comprehensive tool that provided baseline for selecting specific areas for improving municipal administration performance, but also identified the capacity needs that were addressed through targeted technical assistance per individual municipality. The PMS also introduced a detailed set of indicators that substantially and objectively measured achieved progress and improvements in local administration and public services provision, but also the quality of municipal councils' performance. Building on empirical experiences and lessons learned from the application of the PMS mechanism in 18 partner local governments, the Project designed and developed a first-of-its-kind governance performance monitoring tool in the country – draft **GLG Framework**. It has undergone a series of discussions with partner local governments, both entity Associations of Municipalities and Cities and other relevant stakeholders. The GLG Framework comprises a set of comparable core governance standards, based on shared values and principles, and measured through tangible performance indicators that allow for a harmonized and standardized evaluation of local governments' work across major governance areas.

Capitalising on previous **achievements related to the PMS introduction and implementation in partner local governments, and on a positive initial feedback by stakeholders on the draft GLG Framework**, the MEG II Project will facilitate a country-wide consultation in an effort to reach an agreement on the final version of the **GLG Framework**, all in close collaboration with the AMCs. The GLG Framework, once agreed upon by local governments, and supported by the AMCs, and eventually endorsed by relevant entity ministries (e.g. Ministry of Governance and Local Self-governance of Republika Srpska, Ministry of Justice at the level of Federation of Bosnia and Herzegovina/cantons) would become a **benchmarking and self-advancing instrument**, formalised through local legal frameworks (e.g. municipal acts and/or decisions on institutionalizing the GLG Framework).

However, to facilitate a conducive local governance policy and legal environment, this model will need to be at the centre of policy discussions that identify adequate public measures and mechanisms (including such focused on channelling public resources) through which the model can have a **system-wide positive**

**influence on local governance in the country.** Grounded on the relevant local governance regulatory frameworks in Bosnia and Herzegovina, the GLG Framework has the following **general features** that will help steer the policy discussions with all stakeholders:

- it stimulates effectiveness, efficiency, and accountability of local governments and “*whole-of-government*”<sup>46</sup> approach in public affairs and equitable and gender-responsive service delivery;
- it places people at the centre of public service delivery;
- it encourages more active civic engagement in local public affairs;
- it inspires forward-looking thinking and prepares local governments for new frontiers;
- it stimulates innovation and reflective learning;
- it serves as a platform for a local governance performance database and a powerful digital tool to collect and analyse information, promote best performers and innovative governance solutions, etc;
- it affirms a set of standard good local governance benchmarks, which in the long-term may be embraced as a policy mechanism to stimulate, award, analyse and compare local governments’ performance, or inform the design of demand-driven policy interventions and progressive strategies in the sector;
- it holds the potential to encourage local and higher government levels’ work together to achieve more impactful and development-oriented public service, based on the views of the citizens.

Abreast with global approaches and experiences, the **good local governance principles and values**<sup>47</sup> that will serve as a foundation for discussion with local governments and policymakers include:

- adhering to the rule of law and acting with integrity;
- being open and transparent;
- ensuring inclusive, gender-responsive and participatory local governance;
- having a sustainable, pro-growth and resilient development vision and applying a systemic approach to development planning and management;
- providing services effectively, equitably and efficiently;
- continuously improving the capacity of the local government to do better;
- ensuring sound financial management and robust internal control;
- being accountable;
- embracing innovation and openness to change.

**Financial and Operational Improvement Programs (FOPIP):** as in the Project first phase, this approach will be applied in the work with water utilities. It implies thorough technical, financial and institutional gap assessments, as well as design of subsequent action plans, which provide foundation for tailored support to partner water utilities. The support will be provided considering the broader *Plan - Do - Check - Act* (PDCA) cycle, central to which is constant organisational improvement. After the initial phase of *Planning* (based on the identified areas where improvements are possible and defined activities which will lead to such improvements) and *Doing* (implementing activities), it is necessary - after a certain but predefined time - to evaluate achievements (*Check*) and based on resulting assessments - take necessary corrective actions (*Act*). Upon completion of this cycle, the process is considered completed if the goal is reached, or the new cycle starts with planning a new set of activities, because the goal is only partially achieved (which is more often the case). If water utilities’ management and leading staff obtain the skill and discipline to apply PDCA cycle in their own future work independently, the results are likely to be sustained, with strong local ownership. In terms of substantive scope, focus is placed on:

- operational autonomy of water utilities;
- organizational structure and staffing;
- network mapping, effective zoning and metering, NRW management;
- consumer relations;
- tariff policy, collection procedures and billing cycle;
- accounting procedures and management information system;

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<sup>46</sup> “Whole-of-Government” approach refers to the joint activities performed by different ministries, public administrations, and public agencies to provide a common solution to particular problems or issues.

<sup>47</sup> These are deriving also from local governance strategic frameworks in the country.

- budgeting, business planning and financial management;
- inventory and fixed assets cycle, including infrastructure ownership and depreciation.

This concept supports systemic and self-managed approach towards effective, efficient and sustainable operation of water utilities. The Project will continue to apply the “full time equivalent job” concept to optimise organizational structures.

**Outcome 3: Citizens, including the most vulnerable, benefit from improved water supply and wastewater management services provided in a more efficient, accountable, and sustainable manner.**

**Output 3.1:**  
**Local government capacities and frameworks entailing sustainable partnerships with their water utilities enhanced to enable more effective, efficient, inclusive, and sustainable water supply and wastewater service**

Efforts under this output will be placed on enhancing capacities of local governments to meet their legal obligations in provision of quality water supply and wastewater management services to the citizens, including to the marginalized and vulnerable groups in both urban and rural areas. Focus will be placed on raising awareness of local government councils and their roles and responsibilities when it comes to water supply and wastewater services structure, and minimum operational efficiency of water utilities that contributes to more accountable decision-making processes.

The Project will support local governments (including local government council, the mayor, the administration, as well as water utilities) to further develop, implement and enforce **Public Service Agreements (PSAs)**, which define responsibilities of the local government councils, the administration and the utilities related to asset management, tariff setting structure and procedure<sup>48</sup>, employment, service delivery to socially vulnerable groups and payments for these services. This will lead to a closer and better-defined interaction between utilities, local administrations and local government councils, which is currently flawed. It is expected that PSAs related to water supply and wastewater management services will be taken as a basis for developing PSAs for other municipal communal services, such as solid waste collection. The Project keeps the option of providing specific support to local governments in developing PSAs for other public service areas as well.

The Project will also support the introduction of equitable **water supply and wastewater services subsidy system** for the users in need. Specifically, local governments, together with their Centres for Social Welfare, will be supported to define specific vulnerable population groups within their localities and ensure monthly support by subsidizing payment for water consumption per person (e.g. 3 m<sup>3</sup>/month/person), while ensuring a fair use by the subsidy for those in need. In addition, the Project will support fixed assets book completion and revalorization of fixed assets, towards recording all existing fixed assets and revalorization of their value, which will enable improved tariff evaluation and secure funds for regular investment maintenance and replacement. Importantly, support will also be provided for the adoption of water tariff setting procedure, based on the principles of cost recovery, economic efficiency and affordability, which can be further scaled up through the policy process (output 1.2). These efforts will be informed by affordability surveys, which will enable accurate definition of the average levels of income per household, which in turn will inform the maximal level of water tariffs to be applied. In addition, the Project will support adoption of **gender-sensitive employment policy for water utilities** that ensure merit-based and impartial employment in water utilities.

Assistance will be delivered through **provision of technical and expert support** to partner local governments and water utilities for PSA drafting and discussion, leading to final, mutually settled agreement. The Project will offer expert support for the actual implementation and results monitoring (benchmarking) of PSAs, alongside a transparent and accountable information sharing with the local government councils and the public. Based on the results from the practical implementation of PSAs, the Project may support potential improvements and successive amendments, as needed. The Project will offer customised expertise (legal, employment policies, etc.) to partner local governments, ensuring that the assistance is provided by increasing the knowledge and capacities of relevant local government / water utility specialists. To assist in technical and expert support for more effective, efficient, inclusive and sustainable water supply and wastewater services through institutionalization and implementation of PSAs (including introduction of

<sup>48</sup> As part of these efforts, the Project will resort to the knowledge tool developed by the GoAL Waters Project: <https://goalwaters.ba/bs/pocetna/>.

gender sensitive employment policy and water supply and wastewater management services subsidy system, affordability survey, etc.), Sweden is expected to provide part of financial contribution to this project activity, subject to their final approval and contracting.<sup>49</sup>

The **key stakeholders** are the local government leadership (local government councils and mayors/city mayors), relevant local government departments (communal services and infrastructure, legal department, financial department, etc.), water utility boards of directors (appointed by local governments), water utility management (director, financial director, technical director, human resources management, legal department), as well as civil society organisations, citizens' and consumer' associations, water sector professionals' associations and networks, etc.

Activities under this output are:

- 3.1.1. *Support PSAs development, institutionalization, and implementation in partner local governments.*
- 3.1.2. *Support affordability survey and introduction of a gender-sensitive water supply and wastewater services subsidy system for users in social need.*
- 3.1.3. *Support fixed assets book completion and revalorization of fixed assets, as well as adoption of water tariff setting procedure and gender-sensitive employment policy for water utilities.*

**Output 3.2:**  
**Financial and operational performance of water utilities improved.**

High-quality **technical assistance** will be provided to strengthen the technical, financial, and institutional/organizational capacities of water utilities and their sustainable performance. Progress resulting from the Project assistance will be monitored through a set of key performance indicators (KPIs). Several selected KPIs are already an integral part of the GLG Framework and relate to operational and financial management, staffing, best practices, tariff setting, planning capacities and procedures, information dissemination and raising

awareness capacities. This set of KPIs will also serve as a testbed for introducing a **standard performance quality benchmarks for water utilities** in the country<sup>50</sup> and proposed for adoption to policy makers as part of the wider water supply and wastewater management reform process (output 1.2). The assistance to water utilities will be designed and delivered within a broader set of areas as listed below (where several of these areas relate to effective implementation of the agreed PSAs):

- Organization structure and staffing of water utilities;
- Consumer relations;
- Network mapping and GIS;
- Effective zoning;
- Metering programme;
- Non-revenue water management;
- Tariff policy;
- Collection and revenue administration, billing cycle;
- Accounting procedures and management information system;
- Budgeting and business planning;
- Financial management;
- Inventory and fixed assets cycle, including infrastructure ownership and depreciation;
- Quantity and quality of water in the system;
- Energy efficiency in the utilities.

However, having in mind the limited financial resources for assistance for the Project Outcome 3 (approximately USD 1.68 million) against the total number of partner local governments, the Project will apply a flexible approach to determining the intensity of the support based on the final number of selected partner local governments and their utilities. The Project will give priority to strengthening water governance (institutional and financial capabilities) compared to technical or operational capacity, thus preparing the

<sup>49</sup> The focus of Sweden support will be on up to five local governments benefitting from their investments into wastewater treatment plants.

<sup>50</sup> The MEG II Project has in principle agreed with the World Bank and its Water Sector Services Modernisation Programme to utilize the same set of performance criteria for capacity development and tracking progress in service delivery (MEG II Project) and financing for water sector infrastructure investments for good performers (the World Bank water sector lending operation).

future support by the WB Operation in the water sector and other IFIs. This calibrated support to water utilities in partner local governments will be closely complementary to the assistance to utilities provided by SECO and the WB, focusing on the operational capacities. The WB intends to use the funds provided by SECO for two main purposes – technical assistance to water utilities, and infrastructure investments and reconstruction. Regarding the technical assistance, the WB plans to enable the authorities in Bosnia and Herzegovina to select additional number of municipalities/water utilities that will be provided the same assistance as those within the MEG II Project. The WB will provide grants for infrastructure investments to complement their loans for partner municipalities. Grants will be also provided to municipalities that are not part of the programme but are clearly showing visible efforts in implementing management reforms in line with the MEG II approach.

Assistance will include (but may not be limited to) on-the-job coaching; small group working sessions; training design and delivery; expert advice; direct technical support and implementation of concrete activities; facilitation and support of joint activities of utilities and local governments; monitoring of activities implementation by the local utilities and municipalities when appropriate and advising on needed improvements when possible. **The Project does not envisage support for water supply and wastewater management infrastructure** (apart from the incentive financial awards for best-performing local government under Outcome 2). With the assistance, water utilities will be equipped to successfully access and benefit from large-scale investments for the water supply and wastewater management services offered by the IFIs and other donors. To assist in supplying technical and expert support for enhancing selected water utilities' overall financial and operational performance improvements, Sweden is expected to provide part of financial contribution to this project activity, subject to their final approval and contracting.

Principles of work include: i) stimulating exchange of best practices and peer-to-peer learning across utilities and localities; ii) proposing approaches which ensure that all separate activities implemented within utilities fit within the broader local governance system, structures and processes; iii) encouraging strong water utilities' ownership in all areas of work; iv) facilitating intensified and meaningful cooperation and interaction between water utilities, local administrations and local government councils. The Project will provide guidance and coaching to technical staff, as opposed to “*experts will do all the work for water utilities*” approach.

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The main stakeholders are water utility management (director, financial director, technical director, human resources management, legal department) and staff, local government leaderships and local administration (including the water utilities boards of directors).

Activities under output 3.2 are:

3.2.1. *Support to enhancing organisational structure and staffing of water utilities*

3.2.2. *Support improvements of technical and management capacities of water utilities*

3.2.3. *Support upgrading water utilities' financial management capacity*

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### III. RESULTS AND PARTNERSHIPS

#### III.1. Outputs and activities

The Project envisages the following outputs grouped under each respective outcome.

**Outcome 1: State, entity, and cantonal governments set in place a more conducive policy and regulatory environment that affirms result-oriented local governance and improved water supply and wastewater management services.**

**Output 1.1:**  
Relevant entity institutions advance capacities to design and implement gender-responsive policy frameworks that enable performance-oriented local governance system.

Within this output, the Project will facilitate inclusive **policy dialogue**, which enables policy-makers, local governments and the AMCs to discuss and agree upon the values and principles that uphold democratic local governance, alongside with benchmarks (jointly agreed and publicly available standards) that enable measuring local governments' performance. Recognising that it takes a long-term effort for performance-based mindsets and capabilities to become the new default in local governance, the Project will focus on facilitating the introduction of the basic principles and benchmarks, followed by a dialogue on the most adequate and plausible policy tools that can stimulate systemic application of these principles and benchmarks as a "push factor" for democratic and effective local governance.

Firstly, the Project will facilitate country-wide consultations among local governments and inclusive design and validation of the draft Good Local Governance Framework. Country-wide debates and "simulation" application of the draft framework will serve as a testbed for affirming the future country-wide Good Local Governance Framework, which drives change towards more democratic local governance. **Partner local governments, together with representatives from the AMCs will be invited to engage in collaborative validation** and discussion aiming to achieve consensus on the proposed draft set of principles, values and benchmarks set within the Good Local Governance Framework. In that stage, the Project will launch a **country-wide survey among local governments** to seek views and suggestions on the local governance guiding principles, values, "golden" standards from a viewpoint of future-looking, democratic and agile local governance. All inputs and discussions will inform the final Good Local Governance Framework, which will be shared by the **Secretariats of the AMCs to facilitate consultations with all local governments in the country**, as well as discussed within the AMCs standing expert committees and ultimately by the AMC Presidencies. At the end of this process, the consolidated Good Local Governance Framework – single for the entire country – will be shared jointly by the AMCs with higher government level institutions for their consideration in the policy dialogue.

The consultation and validation by partner local governments will be organised through a **series of participatory practical workshops** engaging both elected officials and local government officers, together with the Associations of Municipalities and Cities, local communities/*mjesne zajednice* representatives and civil society organisations to represent collective citizens' voice. In short, the validation and country-wide consultation of the good local governance framework will go through the following stages:

- i) launch a country-wide survey for local governments;
- ii) all partner local governments, for the purpose of consultations with citizens, test-simulate the practical application of the draft GLG Framework in reality and extract lessons learnt and recommendations;
- iii) AMCs facilitate consultations with all local governments in the country, alongside the review by the AMCs' standing expert committees and ultimately the AMCs Presidencies;
- iv) AMCs sharing a final consolidated draft with policymakers;
- v) policymakers debate and agree on a set of measures and actions that help institutionalise the GLG Framework.

Based on the jointly-agreed good local governance principles and benchmarks, competent institutions at entity government levels, in partnership with local governments, both AMCs and other relevant public institutions, will be supported to **identify, design and affirm a package of adequate legislative/policy/strategic measures that will not only institutionalise the performance-oriented GLG, but**

will also introduce a set of financial incentive mechanisms (e.g. public financial measures) to stimulate its effective roll out and have a democratising effect on local governance country-wide. In the policy process, the Project will also explore the imminent needs and opportunities to shape inclusive and gender-responsive local governance policies and laws. Importantly, as part of this process, it will be also agreed how the GLG Framework could be effectively monitored, to enable comparative reviews and provide for incentive measures. However, the formal adoption by higher government levels will not be a pre-condition for GLG Framework's practical application at the local level. Once introduced within local governments, the GLG Framework will be enshrined and become a new standard way of operation and measuring progress.

The policy process will be informed by **country-wide survey(s) among local governments, thematic assessments and/or policy papers**, which set the ground for a country-specific good local governance benchmarking system, abreast with EU and regional/global best practices. In that process, the Project will capitalise on the valuable and successful performance-based approaches and pilot results applied in the first Project phase and provide evidence for policy dialogue and potential institutionalisation of the framework<sup>51</sup>. The Project will also facilitate innovative ways of policy design, including through co-design sessions with participation of public servants and citizens. These efforts will be expanded with feedback from consultations with local governments on good local governance principles and benchmarks (output 2.1).

The policy dialogue will be led by entity-based inter-institutional working bodies comprising from institutions holding a responsibility in the area of local governance, other key stakeholders (AMCs) and institutions responsible for public performance monitoring and financing. As the policy agenda for good local governance needs to be owned and driven by institutions and key stakeholders, the Project will ensure that **policymakers are in the driving seat of the entire policy process**. As an integral step of this process, the cross-institutional working bodies will discuss and agree on policy roadmaps laying out the scope and nature of intended policy changes/stimulus measures towards better local governance, the timeline for action and anticipated outcomes in the short- and long-term. The scope of policy measures that together will **comprise a policy stimulus package for good local governance benchmark system** may include (but not be limited to):

- **The GLG Framework as a common benchmarking tool in Bosnia and Herzegovina.** This may comprise a set of commonly agreed good local governance principles and values and standards, which would allow measuring local governments' work vis-à-vis the principles and fundamentals set within the existing local governance legislation. The framework may be adopted in the form of a policy document, embedded as part of strategic frameworks (entity local government strategies, strategies of both AMCs, etc.), translated into specific by-laws and instructions for local governments, etc. It may not only stimulate local governments to continuously improve their democratic performance and improve accountability, but also enable public oversight of local governments' work and stronger interaction between citizens and their governments. In the long-term, the framework may help gradually transform local governance by affirming future models and new ways of work, which can be mirrored by adequate progressive local governance policies and legal frameworks.
- **Align (some of) the GLG Framework criteria with the performance audit criteria** applied by the public audit institutions.
- Policymakers may use the GLG Framework to introduce targeted **public financial incentives to encourage and award best performance at the local level**, as well as support under-performing local governments to reach benchmark standards, etc.
- Develop a **public good local governance benchmarking portal** which not only enables monitoring of local governments' performance in the long-term but also enables for systemic data generation, which in time can become an open government platform.

**Policy measures and frameworks to be introduced may not be necessarily fundamental and comprehensive**, but rather a set of incremental actions that enable transformational change in the way local governments work.

Having in mind that sustainability of the GLG Framework can be sustained in the long-term only if it is continuously used in diverse settings, the following **financing options** could be considered by policymakers: i) utilise the performance criteria as integral part of thematic grant schemes designed with

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<sup>51</sup> One particular performance-based experience that will be referred to is the Kosovo Performance-Based Grant Scheme, introduced in 2014 through the Swiss-supported Decentralization and Municipal Support (DEMOS) project (<http://helvetas-ks.org/demos/>).

a strong gender equality component embedded within methodology (tourism, environment, etc.); ii) utilise some of the performance criteria for allocation of the resources to support underdeveloped local governments; iii) create dedicated public financing mechanisms (including through the entity-level Integrated Local Development Financing Mechanisms) that award best performers annually; iv) using (some of) the performance criteria as integral part of financial mechanisms by the IFIs (such as the WB, EBRD, EIB, etc.) and the international community working at the local level (already the case within the agreed Joint Vision for the water sector), etc. Thus, policymakers will ensure financing that will not only stimulate stronger rooting of the GLG Framework but will also strengthen the credibility of the model approach.

To close the policy loop from design to implementation and policy impact monitoring, responsible higher-level government institutions or other relevant stakeholders will be supported to **implement and monitor the impacts of introduced policy measures and performance incentives**.

In that process, as the local governance institutional framework in the Federation of Bosnia and Herzegovina is very limited, if there is a will and interest by the Government, the Project may also advocate for and **provide support in the process of formation of a new entity ministry / government structure within an existing institution that will be responsible for local governance affairs**.

Customised capacity development will be offered to selected government institutions, e.g. departments within entity and cantonal ministries and public audit bodies – to undertake specific oversight functions, to design and introduce policy measures (financial, policy, strategic<sup>52</sup>, etc.), set in place public local governments benchmarking portal and other monitoring systems, etc. The Project will support authorities in the organisation of excellence competitions among local governments, sharing of good practices and recognising the local champions.

Assistance under Output 1.1. will be provided through **technical and expert support** for policy facilitation, formulation, public consultations, and advocacy campaigns led by the AMCs, policy implementation, monitoring and overall backstopping, as well as software and hardware for potential **public digital platform**<sup>53</sup>. The scope of the support to selected relevant institutions (existing or new) will depend on the policy choices and direction chosen by policymakers and not predefined by the Project. Assistance will be offered in such a way to ensure informed, gender sensitive and inclusive decision-making local governments, alongside full institutional stewardship and commitment over the process, towards incremental policy changes that ensure positive impact on the local governance system. These efforts will be reinforced by built-in and customised capacity development of institutions that will be responsible for the implementation and oversight of these changes. Importantly, the policy process is not linear, but will offer a reality-grounded and flexible approach capable to accommodate the policy and political complexities of the governance system in the country.

The **key stakeholders** are relevant entity institutions (Ministry for Administration and Local Self-Government of Republika Srpska, Ministry of Justice of the Federation of Bosnia and Herzegovina, entity ministries of finances, entity public audit institutions, civil service agencies, gender mechanism<sup>54</sup>, etc.), representatives from relevant cantonal institutions, AMCs and their standing committees and political leadership, professional thematic organisations, media.

Activities under this output are:

- 1.1.1. *Conduct thematic surveys or policy papers to prepare the ground for home-grown performance-based good local governance system inspired by global good practices.*
- 1.1.2. *Support inclusive grass-root design of the draft GLG Framework.*
- 1.1.3. *Facilitate inclusive policy process to identify the scope of desired policy changes and translate them into policy measures.*

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<sup>52</sup> Support in this regard may entail expert advice in the development of new local governance strategies in Republika Srpska (the current one expires in 2021), or in the Federation of Bosnia and Herzegovina (one never existed).

<sup>53</sup> Linkage with the emerging entity governments' e-services portals may be explored.

<sup>54</sup> The gender mechanism includes the state-level Gender Equality Agency and entity Gender Centres. Municipal Gender Commissions (in few municipalities where they are functional) might be involved more broadly, particularly on issues pertaining to gender-responsive budgeting and gender mainstreaming of local development strategies.

1.1.4. *Support capacity development of institutions to implement and monitor the impacts from delivery of the policy measures.*

**Output 1.2:**  
**Higher level governments capacitated to design policy and regulatory frameworks that advance water supply and wastewater management services.**

Within this output, focus will be placed on the **water supply and wastewater management services**, as a complementary policy environment that will stimulate improved local service delivery and performance of local governments and water utilities. Efforts under this output are designed to contribute to the “Joint vision for advancing the water supply and wastewater management services reform in Bosnia and Herzegovina”, representing a common platform for coordinated reform in the sector. The Project will support competent institutions at state and entity government levels, other relevant sectoral entity ministries and public agencies, in partnership with local governments, cantons, AMCs, associations of water utility companies and other networks of professionals

in the sector, to lead a **multi-stakeholder inclusive policy dialogue on needed reforms, which aims to modernise the regulatory and institutional environment in the sector**. The scope of proposed policy efforts may entail a large-scale reform through amendments/design of new laws and by-laws, adjusting scope of work of selected relevant institutions or creation of new bodies, etc.

The policy dialogue will be led by entity-based inter-institutional policy working groups, comprising from representatives of institutions responsible for regulating water supply and wastewater management services, other institutional stakeholders, local governments through the AMCs, water utility companies and professional organisations. As in the previous output, the Project will place policy-makers in the driving seat of the process, provide demand-driven expertise and facilitate cross-institutional and multi-stakeholder dialogue, to develop and agree upon water sector reform roadmaps (outlining the scope and nature of the intended reforms abreast with the EU Directives and practices, timelines, implementation and anticipated outcomes in the short- and long-term). In addition, a whole-of-sector coordinated approach to sector reforms will be facilitated through a country-level coordination mechanism that will bring together representatives from state, entity and Brčko District levels, the AMCs and enable coherent and coordinated reform pathways.

The scope of water sector reform measures may include (but not be limited to)<sup>55</sup>:

- Preparation and endorsement of a **concept for country-wide harmonized reform of legal and institutional framework for the water supply and wastewater management services**<sup>56</sup>; subsequent drafting of the regulatory / policy acts. Sweden is expected to provide part of financial contribution to this project activity, subject to their final management approval and contracting.
- Support to the introduction of a **water tariff methodology regulatory and institutional framework** at the entity level (including adoption of the Decree on the Minimum Water Tariff in the Federation of Bosnia and Herzegovina, establishment of regulatory bodies at the cantonal / Federation of Bosnia and Herzegovina level; design and adoption of the Decree on the Minimum Water Tariff and establishment of a regulatory body(ies) in Republika Srpska). The Water Tariff Methodology is in advanced stage of development and represents both a mathematical model of tariff evaluation and at the same time a regulatory act that stipulates good utility management practices as prerequisites for utilities’ operation and access to tariff change procedure (e.g. introduction of accounting based on cost-centres, enhanced and comprehensive business planning as a tool for performance-based management, including organizational and staff optimization, inventory evaluation and completion of fixed asset book that will enable full depreciation calculation, etc.).
- Support to design and institutionalization of a **country-wide harmonized benchmarking system for water utilities** that can serve as a performance-based financing model for investment projects in the sector. Sweden is expected to provide part of financial contribution to this project activity, subject to their final management approval and contracting.

<sup>55</sup> These measures originate from the Joint Vision for advancing the water supply and wastewater management services reform in Bosnia and Herzegovina 2021-2028.

<sup>56</sup> Effective legal reform implementation could not be expected in the short-term. In the transition period, Public Service Agreement between local governments and water utility will be instrumental for bridging the existing deficiencies in the legal regulations. Effective Public Service Agreement regulations will be integrated in the new legal framework and scaled up as system change.

Assistance under Output 1.2. will be provided through **technical and expert support** for policy facilitation, public consultations, formulation of regulatory and policy frameworks, consultation, as well as implementation of the newly introduced changes. As in the previous output, the scope of the technical and capacity development support will depend on the policy choices made by policymakers and not pre-defined by the Project. The Project, in direct coordination with other stakeholders from the international community working in this area – particularly the World Bank<sup>57</sup>, the EU, Switzerland and Sweden, will support policy discussions characterised by institutional ownership and commitment, which is instrumental for moving forward sector-wide reforms. Specifically, the Project will consult and involve the WB in the review and development of policies and strategies, joint scoping of assignments and discussing terms of references and deliverables. The WB on the other side will also engage the MEG II Project at the outset of planning actions and approaches relevant to this output. The Project will offer needs-based capacity development of institutions in the process, reinforcing the intended performance-based financial scheme by the World Bank. Importantly, the policy process is not linear and hence will demand a reality-grounded and flexible approach that is capable to accommodate the policy and political complexities of the governance system in the country.

The **key stakeholders** are relevant state and entity institutions (Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, entity Ministries of Agriculture, Water Management and Forestry, the Ministry of Environment and Tourism of the Federation of Bosnia and Herzegovina, the Ministry of Spatial Planning, Construction and Ecology of Republika Srpska), other entity line ministries (Ministries of Finance, Ministry of Administration and Local Self-Governance in the Republika Srpska and the Ministry of Justice in the Federation of Bosnia and Herzegovina) and specialised agencies, representatives from relevant cantonal institutions (ministries responsible for communal affairs), local governments and public water utility companies, Associations of Municipalities and Cities, professional thematic associations and networks, media. Strong support is also expected from international thematic organizations and associations like the Network of Associations of Local Authorities of South-East Europe, the International Association of Water Service Companies in the Danube River Catchment Area, the Danube Water Programme, Stockholm International Water Institute (SIWI), etc., providing relevant knowledge and tools.

Activities under this output are:

*1.2.1. Facilitate policy process to identify the scope of reforms in the water supply and wastewater management sector.*

*1.2.2. Translate the identified priorities into draft regulatory frameworks and set in place critical capacities for their follow-up implementation and oversight.*

**Outcome 2: Local governments improve their performance, are more accountable, inclusive and gender-responsive, and provide high quality services, in particular in the water sector.**

**Output 2.1:  
Municipal Councils, local administrations and citizens in partner localities understand and institutionalise the GLG Framework.**

Under this Output, the Project will facilitate the **promotion and awareness raising at the local level, and formal commitment by partner local governments to apply the GLG Framework performance standards** and perform an **entry-point evaluation and target setting**. These initial efforts will be informed by successful MEG I experiences, leading towards successful introduction of performance management systems in local governments.

At the beginning, the Project will provide support to partner local governments in conducting **annual citizen satisfaction with public services surveys** to establish the baseline and understand citizens' perceptions with current government work, as well as identify concrete weaknesses in public service that citizens believe need further improvements. To expand the outreach, the Project will encourage partner local governments to deploy digital tools (including the *eCitizen* solution developed in the first Project phase) for the survey.

<sup>57</sup> Through this process, the Project may confirm the main performance-based conditions to be affirmed by the World Bank Operation to incentivise policy progress.

The **entry-point evaluation** and target setting based on the GLG Framework in all partner local governments will be facilitated by the Project as a self-assessment by local governments, so the knowledge and the understanding of the framework, as well as the ownership over its future implementation will be vested at the local level. Assessment results, as well as the commitments against the local government standards will be reviewed and endorsed by the local government council/assembly and published for citizens' information.

The Project will facilitate learning among partner local governments in cooperation with the AMCs, particularly capitalising on the accumulated knowledge and experience from the MEG I partners when it comes to their performance management system strengthening. "Old" partner local governments will serve as knowledge hubs and will support the newly-selected local governments by providing practical advice, sharing lessons learnt and conduct peer-to-peer exchange as a form of sustaining and spreading knowledge within the public system.

The main stakeholders in this output are local government leaderships (both the mayors/city mayors and municipal/city councils), their local administrations (e.g. development management units and other relevant departments), both AMCs (Standing Committees and the political leaderships/Presidencies), local communities/*mjesne zajednice*, media, civil society organisations.

Activities under output 2.1 are:

*2.1.1. Support awareness raising and promotion of the GLG Framework.*

*2.1.2. Support entry-point self-evaluation and target setting of the GLG Framework, alongside with survey of citizen satisfaction with public services in partner local governments.*

**Output 2.2:**  
**Partner local government have acquired adequate capacities and tools to effectively plan and deliver public policies and services, guided by a result-oriented approach.**

The Project seeks to affirm good local governance, and effective, inclusive and gender-sensitive public service delivery, by establishing local government performance management systems. Partner local governments will be supported to advance their capacities and tools which will equip them to consistently improve their performance and quality of public services, placing citizens at the centre of their work and continuously striving to improve their accountability, transparency and effectiveness.

Particular attention will be placed on facilitating **engagement and capacity development of local government councils and leadership**, having in mind their instrumental role in decision-making and fostering local democracy, as well as power to steer reforms that contribute to more effective, efficient and gender-sensitive local governance. Assistance will be delivered in the form of an integrated package, using the local expertise and offering customised technical support and facilitation along the annual policy cycle and based on the outcomes of the self-evaluation against the GLG Framework / performance standards (output 2.1). The **customized support package will help local governments** not only to make targeted progress across all good governance areas, but also make necessary policy and legal changes at the local level to enable a more conducive environment for progress based on the GLG Framework. The main building blocks of the assistance will be offered alongside the annual development management cycle and will include (but may not be limited to): (i) technical support and capacity development to advance performance and frameworks of local governments against the performance standards and benchmarks set within the GLG Framework; (ii) technical support and solutions that advance information systems and data analytics, introduce public digital performance dashboards based on the GLG Framework and the results in each local government (which is developed with the prospect to subsequently feed into a single coherent country-wide performance dashboard as described in output 1.1.); digitise local governance and modernize public service delivery (e.g. scaling up of the eCitizen digital solution for inclusive public service delivery developed in the first Project phase) and widen citizen participation and/or communication with citizens and advance digital skills at the local level; (iii) facilitation of inclusive annual performance evaluation and target setting for the new annual policy cycle, ensuring presentation of the results to the municipal councils and citizens.

The Project will tackle its structural interventions in a gender responsive manner and in a way that accelerates gender equality and women's empowerment, by enhancing the local level development planning processes that contribute to positively transformed local governments and communities they serve. This is of the utmost importance as current local level policies and legislation are rarely gender neutral in their impact on women and men.

Capitalising on the positive experiences generated in the previous Project phase, support will be offered to partner local governments following a **performance-based approach to financing of priority projects**, resting on the Good Local Governance Framework and its benchmarks and targets set for each local government. Hence, the Project will apply a pro-active incentive approach to stimulate and award good performance at the local level, while helping to “root” whole-of-local-government improvements. The Project will offer on-budget performance-based financial support to local governments pre-conditioned by progress in their annual performance, seeking to increasingly enable management of the financial resources and implementation of priority projects on their own. The Project envisages two performance cycles that will be awarded in the course of its duration, while financial awards will be calibrated and focused on the top performers (not all partner local governments).

Assistance under this output comprises technical and financial support. The technical support to partner local governments will be provided in several annual cycles, where the level of assistance will decrease with each next annual cycle. On the one side, the Project will, as much as possible, seek to ensure that the Good Local Governance Framework is not only Project-driven, but ultimately fully handed over to partner local governments and institutionalized at local and higher government levels. On the other, the financial assistance to stimulate performance in partner local governments will be on-system and calibrated based on performance results for each cycle and the population size of local governments. The Project will take into consideration that partner local governments from the first Project phase are more advanced in the area of performance-based capacities and frameworks and will ensure an adjusted approach for advanced and less advanced partner local governments. In each category, the top three<sup>58</sup> and top five local governments performers will be awarded financially for implementation of priority projects in the area of water supply and wastewater management services in each of the two performance-measuring cycles. The indicative thresholds for financial awards per category are as follows:

Rank	Previous phase partner local governments awards (US\$)	New partner local governments awards (US\$)
1 <sup>st</sup>	130,000	180,000
2 <sup>nd</sup>	110,000	160,000
3 <sup>rd</sup>	90,000	140,000
4 <sup>th</sup>	0	120,000
5 <sup>th</sup>	0	100,000
<b>TOTAL PER CATEGORY PER PERFORMANCE CYCLE</b>	<b>330,000</b>	<b>700,000</b>

With the two performance cycles envisaged during the Project lifecycle, **the total volume of resources for the performance-based support scheme amounts to US\$ 2.57 million (provided by the Project). Local governments are expected to co-finance at least 60 % of the financial resources provided by the Project.**

However, financing partner local governments’ priority development and infrastructure projects with the Project funds **will be conditional** to the approval by the donors (EU, Sweden, Switzerland)<sup>59</sup> and UNDP, **based on progress in the reforms of the water sector regulatory framework**, as defined in the Water Alliance milestones. This should in turn encourage local governments and AMCs to actively advocate with entity level government institutions for reforms in the water sector and support the Project’s efforts in the area.

Also, in line with the good governance principles, the MEG project will in no case carry out a public procurement process for any priority projects’ related actions on behalf of any partner local government within the MEG II Project.

**Knowledge awards** will be considered for the two next ranked performers from each category (study visit, learning opportunity abroad, etc.). The financial stimulus package will finance the best-performing local governments (and based also on the benchmarks related to the water supply and wastewater management services). This, however, does not exclude support to implementation of priority projects in other areas, as legitimately defined within local plans and strategies.

The key stakeholders are local governments – both elected officials and local administration, water utilities, local communities, and civil society organisations within partner localities.

Activities under output 2.2 are:

<sup>58</sup> Could be also based on a performance target agreed in advance.

<sup>59</sup> Other Donors that might join the Project will follow this approach

2.2.1. Support all partner local governments to advance their capacities and modernise tools and systems for improved performance and public service delivery.

2.2.2. Support annual performance evaluation and target setting for the new annual policy cycle in all partner local governments.

2.2.3. Award best performing partner local governments through financial incentives for public service delivery, including in the water supply and wastewater management area.

**Outcome 3: Citizens, including the most vulnerable, benefit from improved water supply and wastewater management services provided in a more efficient, accountable, and sustainable manner.**

**Output 3.1:**  
**Local government capacities and frameworks entailing sustainable partnerships with their water utilities enhanced to enable more effective, efficient, inclusive, and sustainable water supply and wastewater service**

Efforts under this output will be placed on enhancing capacities of local governments to meet their legal obligations in provision of quality water supply and wastewater management services to the citizens, including to the marginalized and vulnerable groups in both urban and rural areas. Focus will be placed on raising awareness of local government councils and their roles and responsibilities when it comes to water supply and wastewater services structure, and minimum operational efficiency of water utilities that contributes to more accountable decision-making processes.

The Project will support local governments (including local government council, the mayor, the administration, as well as water utilities) to further develop, implement and enforce **Public Service Agreements (PSAs)**, which define responsibilities of the local government councils, the administration and the utilities related to asset management, tariff setting structure and

procedure<sup>60</sup>, employment, service delivery to socially vulnerable groups and payments for these services. This will lead to a closer and better-defined interaction between utilities, local administrations and local government councils, which is currently flawed. It is expected that PSAs related to water supply and wastewater management services will be taken as a basis for developing PSAs for other municipal communal services, such as solid waste collection. The Project keeps the option of providing specific support to local governments in developing PSAs for other public service areas as well.

The Project will also support the introduction of equitable **water supply and wastewater services subsidy system** for the users in need. Specifically, local governments, together with their Centres for Social Welfare, will be supported to define specific vulnerable population groups within their localities and ensure monthly support by subsidizing payment for water consumption per person (e.g. 3 m<sup>3</sup>/month/person), while ensuring a fair use by the subsidy for those in need. In addition, the Project will support fixed assets book completion and revalorization of fixed assets, towards recording all existing fixed assets and revalorization of their value, which will enable improved tariff evaluation and secure funds for regular investment maintenance and replacement. Importantly, support will also be provided for the adoption of water tariff setting procedure, based on the principles of cost recovery, economic efficiency and affordability, which can be further scaled up through the policy process (output 1.2). These efforts will be informed by affordability surveys, which will enable accurate definition of the average levels of income per household, which in turn will inform the maximal level of water tariffs to be applied. In addition, the Project will support adoption of **gender-sensitive employment policy for water utilities** that ensure merit-based and impartial employment in water utilities.

Assistance will be delivered through **provision of technical and expert support** to partner local governments and water utilities for PSA drafting and discussion, leading to final, mutually settled agreement. The Project will offer expert support for the actual implementation and results monitoring (benchmarking) of PSAs, alongside a transparent and accountable information sharing with the local government councils and the public. Based on the results from the practical implementation of PSAs, the Project may support potential improvements and successive amendments, as needed. The Project will offer customised expertise (legal, employment policies, etc.) to partner local governments, ensuring that the assistance is provided by increasing the knowledge and capacities of relevant local government / water utility specialists. To assist in

<sup>60</sup> As part of these efforts, the Project will resort to the knowledge tool developed by the GoAL Waters Project: <https://goalwaters.ba/bs/pocetna/>.

technical and expert support for more effective, efficient, inclusive and sustainable water supply and wastewater services through institutionalization and implementation of PSAs (including introduction of gender sensitive employment policy and water supply and wastewater management services subsidy system, affordability survey, etc.), Sweden is expected to provide part of financial contribution to this project activity, subject to their final approval and contracting.<sup>61</sup>

The **key stakeholders** are the local government leadership (local government councils and mayors/city mayors), relevant local government departments (communal services and infrastructure, legal department, financial department, etc.), water utility boards of directors (appointed by local governments), water utility management (director, financial director, technical director, human resources management, legal department), as well as civil society organisations, citizens' and consumer' associations, water sector professionals' associations and networks, etc.

Activities under this output are:

- 3.1.4. *Support PSAs development, institutionalization, and implementation in partner local governments.*
- 3.1.5. *Support affordability survey and introduction of a gender-sensitive water supply and wastewater services subsidy system for users in social need.*
- 3.1.6. *Support fixed assets book completion and revalorization of fixed assets, as well as adoption of water tariff setting procedure and gender-sensitive employment policy for water utilities.*

**Output 3.2:**  
**Financial and operational performance of water utilities improved.**

High-quality **technical assistance** will be provided to strengthen the technical, financial, and institutional/organizational capacities of water utilities and their sustainable performance. Progress resulting from the Project assistance will be monitored through a set of key performance indicators (KPIs). Several selected KPIs are already an integral part of the GLG Framework and relate to operational and financial management, staffing, best practices, tariff setting, planning capacities and procedures, information dissemination and raising

awareness capacities. This set of KPIs will also serve as a testbed for introducing a **standard performance quality benchmarks for water utilities** in the country<sup>62</sup> and proposed for adoption to policy makers as part of the wider water supply and wastewater management reform process (output 1.2). The assistance to water utilities will be designed and delivered within a broader set of areas as listed below (where several of these areas relate to effective implementation of the agreed PSAs):

- Organization structure and staffing of water utilities;
- Consumer relations;
- Network mapping and GIS;
- Effective zoning;
- Metering programme;
- Non-revenue water management;
- Tariff policy;
- Collection and revenue administration, billing cycle;
- Accounting procedures and management information system;
- Budgeting and business planning;
- Financial management;
- Inventory and fixed assets cycle, including infrastructure ownership and depreciation;
- Quantity and quality of water in the system;
- Energy efficiency in the utilities.

However, having in mind the limited financial resources for assistance for the Project Outcome 3 (approximately USD 1.68 million) against the total number of partner local governments, the Project will apply a flexible approach to determining the intensity of the support based on the final number of selected partner

<sup>61</sup> The focus of Sweden support will be on up to five local governments benefitting from their investments into wastewater treatment plants.

<sup>62</sup> The MEG II Project has in principle agreed with the World Bank and its Water Sector Services Modernisation Programme to utilize the same set of performance criteria for capacity development and tracking progress in service delivery (MEG II Project) and financing for water sector infrastructure investments for good performers (the World Bank water sector lending operation).

local governments and their utilities. The Project will give priority to strengthening water governance (institutional and financial capabilities) compared to technical or operational capacity, thus preparing the future support by the WB Operation in the water sector and other IFIs. This calibrated support to water utilities in partner local governments will be closely complementary to the assistance to utilities provided by SECO and the WB, focusing on the operational capacities. The WB intends to use the funds provided by SECO for two main purposes – technical assistance to water utilities, and infrastructure investments and reconstruction. Regarding the technical assistance, the WB plans to enable the authorities in Bosnia and Herzegovina to select additional number of municipalities/water utilities that will be provided the same assistance as those within the MEG II Project. The WB will provide grants for infrastructure investments to complement their loans for partner municipalities. Grants will be also provided to municipalities that are not part of the programme but are clearly showing visible efforts in implementing management reforms in line with the MEG II approach.

Assistance will include (but may not be limited to) on-the-job coaching; small group working sessions; training design and delivery; expert advice; direct technical support and implementation of concrete activities; facilitation and support of joint activities of utilities and local governments; monitoring of activities implementation by the local utilities and municipalities when appropriate and advising on needed improvements when possible. **The Project does not envisage support for water supply and wastewater management infrastructure** (apart from the incentive financial awards for best-performing local government under Outcome 2). With the assistance, water utilities will be equipped to successfully access and benefit from large-scale investments for the water supply and wastewater management services offered by the IFIs and other donors. To assist in supplying technical and expert support for enhancing selected water utilities' overall financial and operational performance improvements, Sweden is expected to provide part of financial contribution to this project activity, subject to their final approval and contracting.

Principles of work include: i) stimulating exchange of best practices and peer-to-peer learning across utilities and localities; ii) proposing approaches which ensure that all separate activities implemented within utilities fit within the broader local governance system, structures and processes; iii) encouraging strong water utilities' ownership in all areas of work; iv) facilitating intensified and meaningful cooperation and interaction between water utilities, local administrations and local government councils. The Project will provide guidance and coaching to technical staff, as opposed to “*experts will do all the work for water utilities*” approach.

The main stakeholders are water utility management (director, financial director, technical director, human resources management, legal department) and staff, local government leaderships and local administration (including the water utilities boards of directors).

Activities under output 3.2 are:

3.2.4. *Support to enhancing organisational structure and staffing of water utilities*

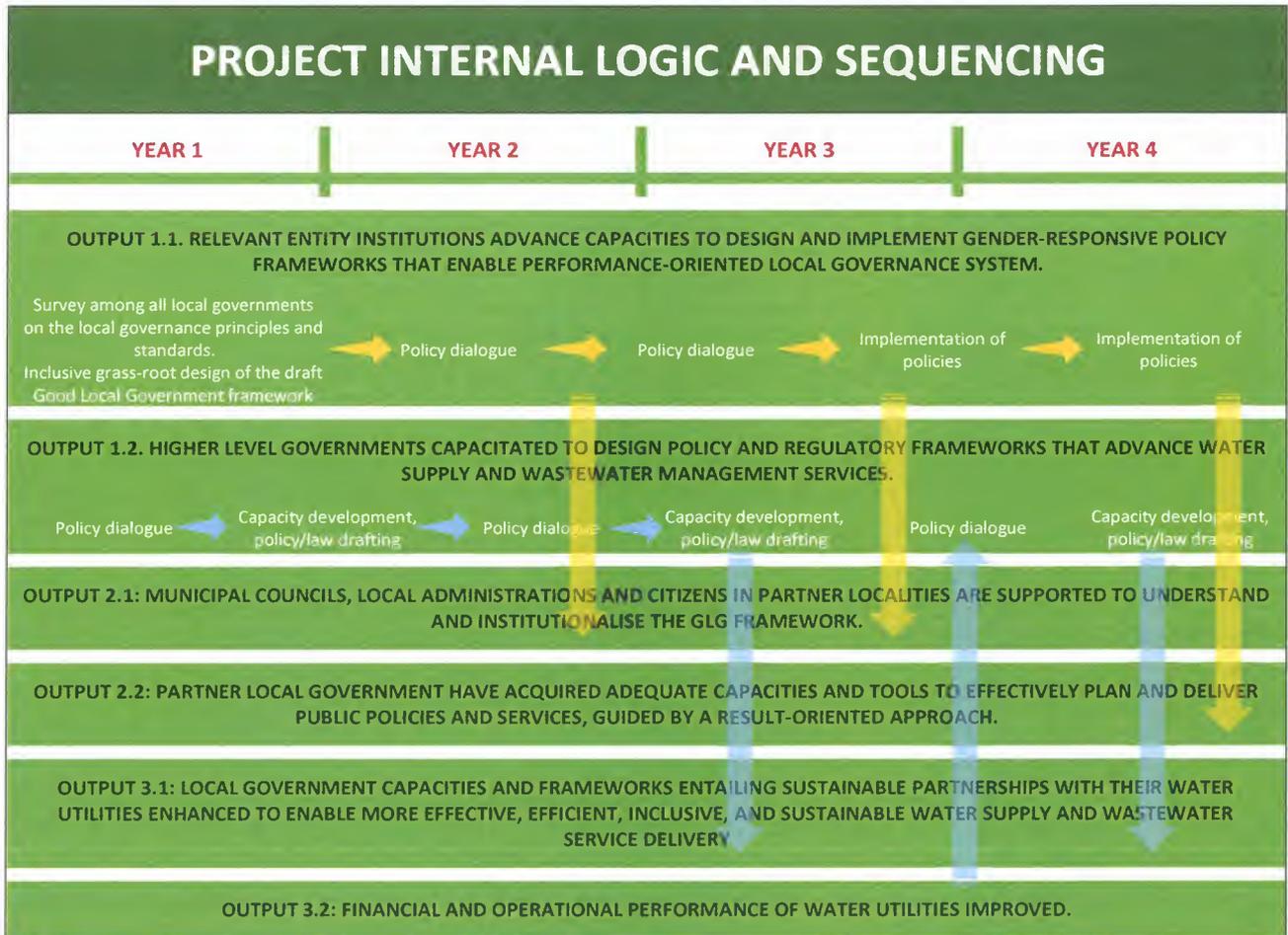
3.2.5. *Support improvements of technical and management capacities of water utilities*

3.2.6. *Support upgrading water utilities' financial management capacity*

### **III.II. Internal coherence and inter-relation among outcomes and outputs**

The Project outcome and outputs are meaningfully inter-related, building on each other's inputs and processes.

The sequencing is presented on the graph below:



A detailed Project sequencing is presented in *Annex IX*.

### III.III. Project duration

The Project duration is 4 years (48 months): April 2021 – March 2025.

### III.IV. Methodological approach

The Project methodological approach is comprising a myriad of important considerations, which together reinforce the expected results and create the pre-conditions for success and sustainability.

The intervention is designed in a way to enable **consolidating and scaling up pilot achievements** from the first Project Phase, reinforced and sustained by inclusive policy dialogue. **Inclusive policy dialogue**, on the other side, places institutional stakeholders at the driving seat, while the Project has a facilitative, coordinating, expert and advisory role. In order to catalyse wider support and **engage local governments as co-creators** of the Good Local Governance Framework, the Project will ensure country-wide discussion and consultation with local governments, in strategic collaboration with the AMCs, thus triggering bottom-up initiative and support for better local governance. Importantly, recognising the complexity of the governance structure and lack of political will to initiate Constitutional reform in the local governance domain, the Project embraces an **incremental approach to policy change**, one that does not set high reform agenda but focuses on a series of smaller, yet positive policy and regulatory measures. If in the meantime the political environment matures for structural reforms in the sector, the process can serve as a doorway towards that end. In the area of water supply and wastewater management services, the **Project has mobilised valuable same-goals partnership with the World Bank and the EU**. These partnerships, coupled with conditionalities related to the EU accession process, are powerful drivers for policy change. In delivering customised capacity development support to stakeholders in the public sector and

facilitating policy dialogue, the Project will ensure **working on-system**, i.e. using to the extent possible the existing country systems, embedding necessary expert support within institutional partners' premises thus being closer to their specific needs while respecting legal competencies of various government level institutions and tapping into the energy of committed partners. At the same time, the Project will strengthen institutional capacities and **not substitute efforts and responsibilities of institutional stakeholders at any government level**. Recognising that policy and legal changes take time and efforts, the Project, together with both AMCs and water utilities associations and professional networks, will catalyse **country-wide support by local governments**, as well as **raise awareness and get the political buy-in** of policymakers at higher government levels to accelerate the pace of changes.

The Project will continue to give emphasis to working with **motivated agents of change**. The success of the Project will to a large extent depend on a motivated political leadership in partner local governments, as well as at higher government levels. Particular attention will be placed on women, by seeking ways to voice them out and support their decision-making capacities. Such agents of change can have a powerful voice in advocating for democratic and future-looking policy changes the public system.

The underlying approach embedded across all outcomes, is the **performance-based local governance**, seen not only as a positive "nudge" in the local governance system in Bosnia and Herzegovina, but also a potential instigator for wider bottom-up democratic local governance reforms. "Performance-based" implies that government outcomes are understood as and measured through fair, impartial, transparent and people-centred principles, all of which contributes to democratic local governance and strengthens the social contract. Importantly, inspired by the positive experiences of the MEG I Project, the water-sector programme supported by the World Bank has embraced the same performance-based approach, particularly for allocation of financing to best performers.

The Project **scaling up strategy** will comprise of two dimensions: i) **territorial (horizontal) scaling up** of successful practices and knowledge through increasing the number of direct Project partners (including in case of mobilisation of additional resources that may allow for engaging with additional local governments based on the same approach), facilitating professional networks, spill-over of knowledge and tools through the AMCs and water utilities associations and professional networks, peer-to-peer learning and exchange; and ii) **bottom-up vertical transfer** of the tested approaches at the local level (mostly lined to performance-oriented tools and indicators) towards higher government levels, with aim to inform policy-making processes. Sharing good practices and scaling up successful Project experiences country-wide is an important prerequisite for a wider impact. By acting in partnership with the AMCs and other professional organisations, the Project will seek to reach out and engage a critical mass of local governments beyond the direct partners in the policy processes, as well as ensure access to the wealth of knowledge and successful approaches generated within the Project.

The Project is designed in a manner that enables **expansion of the local-level technical assistance package in additional local governments / utilities if additional resources are mobilised**, while keeping the same approach and maximising impact.

The Project will seek to encourage **digitalisation and introduction of technology-based solutions** in the work of local governments and water utilities, as well as at higher government levels.

The Project will allow more space for **innovation and experimentation** on the ground. Capitalising on the knowledge and skills of the UNDP Accelerator Lab's global network and the team in Bosnia and Herzegovina, the Project will seek to experiment with new approaches and identify scalable solutions that demonstrate that the system can be disrupted, behaviours can be changed and negative trends reversed.

### III.V. Target groups and beneficiaries

The table below gives an indication of the number of beneficiaries to be directly involved with the Project at various levels.

<b>Direct Project beneficiaries</b>	
<b>Local governments</b>	
Total number of local governments	145
Number of local governments participating in the Project	ca 30
Share of total local governments participating	Up to 21%
<b>Local government leaders and staff</b>	
Number of local government leaders and staff engaged in good local governance efforts and benefitting from capacity development activities under the Project	At least 750
<b>Local utilities' leaders and staff</b>	
Number of water utilities' management and staff engaged in the Project	150
<b>Partner institutions</b>	
Number of cantonal ministries participating in the Project	10
Number of entity ministries participating in the Project and benefitting from capacity development	10
Number of state-level institutions participating in the Project	3
<b>Government officials engaged in policy dialogue</b>	
Number of cantonal, entity and state government level officials engaged in policy dialogue within the Project	50
<b>Citizens</b>	
Number of citizens benefitting directly from improved local services as a result of the Project assistance	At least 10,000
Number of vulnerable/socially excluded citizens in target localities benefitting directly from improved access to safely managed drinking water services and quality of local services	At least 4,000

As for the **wider Project impact**, the end Project users, comprising the population of ca 30 partner local governments, are expected to exceed 1 million citizens.

### III.VI Geographical area of intervention and selection of partner local governments

The Project will be working with a core **group of ca 30 partner local governments**, including some of the Phase I Project partners, as well as newly selected localities.

**Up to 10 best-performing and committed local governments from Phase I** will be invited to excel their capacities during the second Project phase, as recipients of a lower-level-intensity support by the Project compared to the rest of partner local governments. These municipalities and cities will serve as knowledge hubs and will support the newly selected partners throughout the *mentoring* process by providing practical advice, sharing lessons learnt and conduct peer-to-peer exchange. All Phase I partner local governments will be invited to express their interest and send applications, while evaluation will be done using the same criteria applied for selection of new partner local governments (described below).

In addition, the Project will **select ca 20 new local governments** to join the family of MEG II Project partners. The process of selection of new partner local governments will be based on an open Call for Expression of Interest.

Selection of partner local governments (both "old" and "new") will be based on a set of criteria designed to reflect the broader Project scope and objectives, as well as ensure adequate representation of local governments. The selection process will be organized in a **three-staged method**: i) review of received applications from local governments and their water utilities, against eliminatory eligibility criteria, followed by ii) technical evaluation and ranking of eligible applications, and iii) certain adjustment criteria, if needed.

Specifically, the evaluation will rest (but may not be limited to) the following types of criteria:

The following might be considered as **eligibility criteria**: i) motivation of the local government leadership to continuously support and translate the good local governance agenda into local actions and improved public performance, as well as ensure adequate engagement of staff (including from water utilities) in the Project

work; ii) local development strategy to be valid until at least 2024 in place (or a proof that it is in the process of development in 2021); iii) readiness for a co-financing capacity; iv) latest water utility's annual report adopted by the local government council.

**Technically and numerically valued criteria** will look at the two main aspects of the Project scope of work: local governance in general and water supply and wastewater management services.

Local governance criteria	Water supply and wastewater management criteria
Extent to which a local development management function and system are in place	% non-revenue water
Timeliness of the local government budget process	Level of employment in the water utilities
Female leadership (mayor, chairwoman of the local government council)	Level of depreciation calculation <sup>63</sup>

A detailed description of the selection criteria, their scoring and weight, as well as the overall methodology will be developed, validated with relevant partners for maximised impact, and finally endorsed by the Project Board.

The Project has discussed and agreed to **harmonise definitions of main KPIs and use of criteria for selection of partner local governments with the “Water Sector Services Modernisation Programme in Bosnia and Herzegovina” of the World Bank**, to ensure wider coverage of local governments engaged against the same set of minimum quality criteria.

**Adjustment criteria** will also be applied if needed to ensure (i) adequate representation of local governments from both entities commensurate with the population figures, (ii) potential geographic proximity of “old” and new partner local governments; (iii) preference to select local governments in areas where the Project did not work in the first phase, for wider country-wide spread; (iv) potential clustering of partner local governments in geographic cohorts, to enable faster interaction and learning among them, as well as to ensure economy of scale in delivery of the Project support; (v) complementarities/avoiding duplication with other interventions working in the potential partner local governments; (vi) selection of limited number of very committed local governments with weak performance (to demonstrate leaps in performance).

The evaluation process will result in a ranking list to support the final selection of ca 30 (up to 10 “old” and up to 20 “new” partner local governments. The new ones will receive the same or eventually upgraded assistance as it was the case in the MEG I, while the “old” ones will be provided with support in limited number of areas where KPIs show insufficient progress. In this case, they will have a completely individually tailored assistance, aimed at having a number of municipalities and water utilities with high replication potential and recognized as good practice examples, or “*role models*”.

The Project will select the top-ranking applications based on the evaluation (including the adjustment criteria). The selection process will be done by the Project team while the final list of all Phase-two partner local governments will be endorsed by the Project Board based on the evaluation results.

The long-term engagement of local governments in the Project will depend on their constant motivation and performance progress. The Project Board will have the right to end interaction with local governments which fail to meet minimum development progress and performance criteria to be agreed at the outset of the partnership.

### III.VII Transversal themes

#### Gender equality

<sup>63</sup> The indicator indirectly presents the percentage of the water services infrastructure recording in the fixed assets book and its revalorization (update of actual market value), consequently also ability to secure funds for its regular replacement and maintenance (depreciation should be taken into the account when calculating the tariffs).



The Project will seek to ensure that **women and men are equally included** in all its activities. It will track changes by collecting data for **sex-disaggregated indicators** where possible and relevant. Moreover, women's needs will be proactively addressed throughout the Project activities with an objective to promote empowerment of women to equally participate in local decision-making and public life. Insights and experiences from collaboration with the UN Women, and their know-how will be used as an important resource for contextualising, applying, and bringing to life the GLG Framework to be operationalised under **Outcome 2**.

Importantly, the aspect of gender equality will be taken into consideration in the process of **designing new policy and regulatory** frameworks, including based on engagement and consultation with relevant institutions in the country- to identify ahead of time differential gender impact of the intervention, identify entry points for reaping gender dividend, seek out and mitigate any negative impact that intervention may have removing any inadvertent or indirect gender biases at the outset.

Successful practices related to **gender-responsive budgeting** at the local level will be applied in this Project phase. Eventually, in collaboration with the UN Women, and by implementing good practices related to inclusion of the gender perspective in preparing municipal budgets, the Project will capacitate municipal staff, so that they can independently continue with the practice of applying gender lenses when planning future programmatic budget items.

Women's heavy dependence on public services also means that they often have more at stake than men when these are degraded, redundant or access to them is covertly denied. Therefore, the Project will facilitate and promote equal participation of women and men in governance processes, ensuring that the know-how, concerns and experiences of men and women alike are adequately considered and that public services yield **equal social and economic benefits for both genders** This will be also reinforced at a system level through embedding gender equality principles within the Good Local Governance Framework

### Social inclusion



Recognising that inclusive societies are more likely to be peaceful and stable, the Project will seek to enhance social inclusion in all relevant activities, paying particular attention to ensuring socially sensitive public planning and service delivery. This means that the Project will **work with all actors of local democracy to sensitize and make them more responsive to the issue of social inclusion**. In the specific Project context, socially excluded groups are: the poor, single-parents, unemployed women and youth; long-term unemployed; persons with disabilities; returnees and internally displaced persons; Roma; elderly. The Good Local Governance Framework will ensure social inclusion is a fundamental element.

Future efforts of the Project in this regard will be informed by the recommendations of the upcoming **National Human Development Report on Social Inclusion** in Bosnia and Herzegovina, supported by the Government of Switzerland and developed by UNDP.

### Disaster risk reduction



The Project will continue to apply a disaster-risk-management lens in its work, taking into account results of the CEDRIG Operational<sup>64</sup> analysis, particularly in relation to the support in the water supply and wastewater management services and infrastructure. The reason for this is that disasters can impact project interventions and degrade water supply and wastewater services. Focus will be placed on the unofficial rural water supply systems, which are not regularly controlled and have at times a higher likelihood to become contaminated, which increases the risk of outbreak of diseases. The Project will also support local governments and water utilities to assess risks of natural hazards (floods, landslides, etc.) and its potential to disturb water distribution and waste water systems or lead to contamination of the water-supply network, and consequently - to the risks of outbreak of diseases. In doing

<sup>64</sup> Climate, Environment and Disaster Risk Reduction Integration Guidance

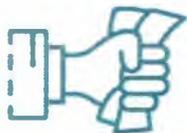
so, the Project will seek to partner with local governments which are introducing the [DRAS system](#)<sup>65</sup> (with support by the government of Switzerland).

### Climate change



Climate change is likely to have pervasive affects that will impact environmental issues, economic performance, social behaviour, infrastructure and other aspects of human life on the planet. From the Project viewpoint and CEDRIG Operational, extreme weather events and other environmental disasters can cause direct damage to built infrastructure, water supply and wastewater systems and undermine quality of public services in this domain. The Project will ensure investments in climate-resilient infrastructure which is adequate for the variability and intensity of future extreme weather events. In the work with water utilities, besides the non-revenue management activities aimed at decreasing water exploitation (and consequently energy savings), and enhanced zoning activities targeting lower energy consumption, the Project will encourage factoring in the climate change projections into water sources and adapt waste management models to potential changing conditions. Climate change consideration will be embedded within all new/amended policy, regulatory and strategic frameworks in the water sector.

### Integrity and anti-corruption



Integrity and anti-corruption aspects will continue to be embedded in all Project activities, particularly these related to allocation of financing to partners. The contractual modalities applied by UNDP as Project implementer with various counterparts include this matter, thus ensuring that integrity and anti-corruption are respected at all times. Special attention will be paid to strengthening individual and organisational resilience to violations of integrity at the level of local governments. The Project will further replicate training sessions for partner local governments and other stakeholders in the area of anti-corruption, as well as support capacities for management of integrity risks. Noteworthy, one of the main principles of the Good Local Governance Framework rests on integrity, which will also support strengthening of this aspect at the local level at a system level.

## III.VIII Strategic partnerships and synergies with other relevant ongoing or planned interventions

### Joint vision for advancing the water supply and wastewater management services reform in Bosnia and Herzegovina (2021-2028)

The MEG II Project has been designed as integral part of the “Joint Vision for advancing the reform in the area of water supply and wastewater management services in the country”, developed jointly by the international community (the World Bank, the EU Delegation to Bosnia and Herzegovina, the Embassy of Switzerland in Bosnia and Herzegovina/SDC, the Embassy of Sweden in Bosnia and Herzegovina, UNDP) and relevant authorities.

#### Strategic linkages with the EU IPA II

The Project will ensure strategic linkages with the EU4Environment Action under the EU IPA when it comes to sustainable management of water services in selected local governments. Among other, cooperation will be ensured in relation to the implementation of cost-reflective tariff system, benchmarking system for water utilities, policy and regulatory improvements, as well as support to infrastructure development.

#### Strategic linkages with the Water Supply and Sanitation (WSS) Services Operation of the World Bank

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<sup>65</sup> Disaster Risk Analysis System (DRAS) is a product of United Nations Development Programme, enabling freely accessible hazard data to citizens to increase disaster risk awareness as well as spatial risk assessments combining hazard, land use and vulnerability data for decision makers.

The MEG II Project and the World Bank intervention are the backbone of the Joint Vision framework, and as such envisage several critical complementarities that will enable coherent and maximised impact efforts and investments. The main programmatic complementarities and inter-linkages are:

- (i) **The MEG II Project will “prepare the ground” and support the establishment of the institutional working bodies that will steer the policy process towards reform in the water sector.** The World Bank intervention will utilize these same structures and policy process to advance reforms in the sector, while also adding certain financial incentives for achievement of priority systemic reforms. In parallel, the MEG II Project will ensure the necessary capacity development for higher government level institutional stakeholders to advance capabilities to prepare policy/legal drafts and further carry out the reforms. Presently, the WB is communicating directly with both entity ministries responsible for water management on need for quick adoption of Decree on Tariff Methodology already drafted for both entities. The WB also supports both entities’ Working Groups that will work on wider sectoral reforms. Those include establishment of regulatory bodies at appropriate administrative level, financing mechanisms for successful reforms and functioning of regulatory bodies, further legal environment improvements, etc.).
- (ii) In terms of work at the local government level: **the MEG II Project will support good local governance and focus on systemic improvement of water supply and wastewater management services**, as well as professionalization of water utilities. The WB intervention in the water sector will enable the authorities in Bosnia and Herzegovina to secure the same (or highly similar) technical assistance (using part of SECO funding) in improvements of water services under the MEG II project. The WB might expand the number of local governments by additional 5-10, using experience and lessons learned from the MEG Project, with focus only on the water services and water utilities. While the WB will provide funds for that purpose, the authorities in Bosnia and Herzegovina will decide on their implementation procedure, i.e. by tender, delegating tasks to local or international institution, or others.
- (iii) Both interventions will use **a set of mutually agreed key performance indicators for the water services sector** (also linked with the GLG Framework), which will be applied in supporting and advancing capacities of local governments and water utilities, then fine-tuned as needed and proposed to the policy-makers to consider instituting them as benchmarks in the sector. These will also be used by the World Bank intervention to prioritise and select local governments and water utilities for financing under the investment loan segment. The WB programme will give preferential status to the MEG II partner local governments (from both phases) as beneficiaries of investment support for water services infrastructure – especially those demonstrating good performance results and those with existing loan arrangements for capital investments in the sector.

#### **Other synergies and complementarities**

An important mechanism to ensure donor coordination with regard to this Project, is the existing **Local Government/Local Development Donor Coordination Group**, engaging all international organisations and cooperation agencies working in the area of local governance in the country. The Donor Coordination Group is jointly led by the UNDP and the Swiss Cooperation.

In addition, the Project will continue to ensure synergies with on-going and planned initiatives in the area of local governance and water sector interventions, to optimise results and avoid duplication of activities. As a principle consideration, the Good Local Governance Framework and its performance standards holds the potential to be replicated and supported in additional local governments through other on-going or future local governance interventions implemented by UNDP, other UN agencies and donors.

The Project will apply territorial demarcation principle for the new 16 partner local governments with the second phase of the **Strengthening the Role of Local Communities in Bosnia and Herzegovina Project** financed by the Government of Switzerland and the Government of Sweden, so as to avoid putting too much burden on municipal/city budgets due to required co-financing of investments. However, the Project will look into MZ experiences related to community engagement and ensure substantive synergies in the design of the MZ-level performance benchmarks as part of democratic and vital local communities.

The Project will also collaborate with the **Integrated Local Development Project (ILDP)**, financed by the Government of Switzerland and scheduled for closing in June 2021, in terms of supporting strengthening and/or building of development management system in local governments with development strategies supported by the ILDP in common local governments, and potentially build on the Financing Mechanism established within ILDP. Valuable linkages may be considered in terms of piloting a specialized performance-based financial window within the entity Local Development Financing Mechanisms supported by the ILDP.

The Project will work in synergy with the **Support to the Associations of Municipalities and Cities Project**, supported by the Government of Switzerland and the Government of Sweden. Taking into account the strategic role of both Associations of Municipalities and Cities in leading consultations with local governments, being the voice of municipalities and cities in higher government level policy dialogues and in dissemination of knowledge products among all local governments, the Project intends to maintain frequent exchanges and cooperate on specific activities with this intervention, particularly in joining forces for expected policy changes.

The Project will ensure synergies with the **SECO-funded Regional Capacity Development Network for Water and Sanitation Services** collaborating with and supporting the associations of water utilities and municipalities (including the ones in Bosnia and Herzegovina).

The Project will also coordinate with the **“Roll-Out of the SDGs in Bosnia and Herzegovina”** financed by the Government of Sweden, particularly from viewpoint of strengthening awareness and capacities for SDGs at the local level, as well as contributing to the implementation of the SDGs Framework in Bosnia and Herzegovina 2030 through localising the SDGs.

It is important to underline that the Project will utilise the findings and recommendations of the **2020 Social Inclusion National Human Development Report** which is financed by the Government of Switzerland and co-developed with UNDP.

Collaboration will also be sought with the **Disaster Risk Reduction for Sustainable Development Joint UN Programme** (2018-2022) financed by the Government of Switzerland, particularly in terms of identifying cooperation in joint localities from the viewpoint of supporting disaster risk preparedness in the water services domain at the local level.

Synergies are envisaged with the **Water and Sanitation (WatSan) Project(s) financed by EIB in both entities of Bosnia and Herzegovina**, in relation to coordinated support to sustainable water services extensions or enhancements. EIB, together with other relevant stakeholders, such as the EBRD or the World Bank, will be involved in performance evaluations of the local utilities (based on a harmonised approach) and such evaluations are expected to become the key selection criteria for loans and/or grants provision.

The MEG II Project will closely cooperate and utilise experiences gained in the **GoAL WaSH/Goal Waters Project**, particularly in relation to taking further and institutionalising the [water services tariff methodology](#)<sup>66</sup> with adequate institutional framework.

### III.IX Risks and assumptions

The main risks related to the Project implementation are described below, together with types of effects on the Project and anticipated mitigation measures. A detailed risk analysis is enclosed as *Annex III*.

**Political instability:** the opposing interests of political parties and lack of willingness for democratic dialogue may lead to failures to translate ideas into policy changes. Another dimension of this risk is the possible lack of consensus among higher government level institutions, which can undermine reforms even further. Should such situation occur, it would be difficult to work on improvements of legal and policy frameworks and motivate local governments and the public in general to engage in local affairs. In fact, this may be another reason for people’s disappointment and opting to leave the country. Mitigation measures will focus on careful monitoring of the political context by the Project team, facilitating strong institutional and political ownership over the policy processes, leveraging positive pressure from strategic development partners and joint decisions on new approaches with the Project Board. The General Elections 2022 may cause political instability and affect the policy processes facilitated by the Project.

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<sup>66</sup> The methodology was drafted for the entity of the Federation of Bosnia and Herzegovina and is being adjusted for the specific context of the entity of Republika Srpska.

**Insufficient commitment of policymakers to local governance reforms:** higher-level authorities in Bosnia and Herzegovina are insufficiently committed to reforms in the local governance domain. This may slow down the policy process that aims to affirm the Good Local Governance Framework. The Project will apply an inclusive and consensus-based approach, resting on the spirit of cooperation and guided by the interests of local government. To ensure stronger political buy-in, the Project will leverage country-wide voices by local governments – through the AMCs and utilities’ associations and interact with political leaderships stressing on the benefits gained from democratizing local governance.

**Reluctance to behavioural change at the local level:** prevailing mindsets of local governments leadership and staff, as well as of citizens are often barriers to the introduction of changes new ways of work. This factor may slow down the speed of professionalizing local administrations and their public utility companies. Another risk related to this matter is the reluctance to connect performance and decision-making to measurable results, which may display poor service outcomes and incompetent public performance. The Project will ensure continual, flexible and long-term sensitization and awareness raising activities as accompanying approaches in all interventions and will make sure that motivation for engagement and positive change is within the main selection criteria for partner local governments and their water utilities.

**Depopulation/migration of the population:** the risk of people leaving their community can have devastating effects not only on the human capital at the local level, but also on local economies, public services and social life. To mitigate the risk to the extent possible, the Project will focus its efforts on improving democratic environment, quality of services and learning opportunities for people at the local level the target localities.

**Insufficient trust between citizens and their (local) government:** Inefficient and politicized work of local governments, combined with non-transparent decision-making have decayed trust between citizens and their government. To mitigate such a risk, the Project will support the anchoring of the good local governance model as a vehicle to democratise local governance, enabling transparent, inclusive, and result-oriented work of local administrations and water utilities.

**Natural hazards and disease outbreaks:** Based on CEDRIG Operational these risks remain a likely/very likely, including new waves of COVID-19 crises, challenging the functioning of governments, economies, and society; disrupting basic services; limiting the co-financing capabilities by authorities and shifting attention from on-going reforms in the sector. The Project will develop basic tools and approaches to integrate identified measures and enable implementation of activities in times of such events.

**Potential lack of support to enhancement of the water tariff methodology regulatory and institutional framework at the entity level,** which could lead to lower quality and interruptions of the water supply and wastewater management services, particularly crucial in times of the Covid-19 pandemic.

### III.X Use of existing country systems, mechanisms, and frameworks

The Project is fully **embedded within the governance system** - both in terms of the efforts linked with strengthening of local governance, as well as regarding the policy dialogue in the water supply and wastewater management services. Hence, the Project directly supports capacities of public institutions and structures, functions, and strategic commitments. In this context, the Project will utilise the existing strategic frameworks at state, entity, cantonal and local government levels and provide relevant support fully in line with the priorities set by authorities. The Project will also capitalise on and utilise existing knowledge within the civil society organisations, utility associations, communities of practitioners.

### III.XI Sustainability and exit strategy

The Project will work **“on-system”** as much as possible with committed partners. The Project will not implement any off-system solutions unless supporting the creation of new frameworks, services, and processes.

The Project acknowledges that the **regulatory, institutional, and strategic frameworks at local and higher-government levels are key precursors of systemic change**. Therefore, together with relevant partners and stakeholders, the Project will support its advancement based on inclusive policy dialogue, so that the overarching principles of good local governance are effectively applied – including more effective water supply

and wastewater management service delivery, providing an important element in improving people-government relationships, strengthening the social contract and finally – contributing to accelerating the transition out of fragility. Therefore, the introduction of the GLG Framework and its housing within relevant institutions will, especially if endorsed by higher government levels, play a crucial role to achieving systemic changes and ensure that continuous improvements on the local government level are more sustainable.

**Domestic ownership** and **result-orientation** as Project underlying principles, are essential for the overall sustainability of the intervention. Transformation of the Project-introduced and tested methodologies and tools, (e.g. PSA, FOPIP, performance-based financing, etc.) into legal, policy and institutional frameworks in Bosnia and Herzegovina – particularly at sub-national government levels – coupled with supporting adequate capacities to ensure country-wide effects, long-term sustainability and full local ownership over the newly-introduced methods and approaches in the target sectors.

**Co-funding** of local public service projects by local governments will ensure sustainability of investments with positive impact on the citizens' quality of life.

### **III.XII End of Project Phase II vision**

At the end of the second Project phase, the improved policy and regulatory environment encourages a systemic use of the GLG Framework, with corresponding performance rewarding mechanism. Specifically, at least 25% of local governments in the country have improved and professionalised public performance and service delivery – particularly in the water supply and wastewater management services – as a result of its application.

At the end of the intervention (Project's third phase), stimulated by the enabling policy environment, a critical mass of local governments and water utility companies (at least 70%) advance their capacities and embrace performance-based approach to public service delivery, directly benefiting citizens and businesses.

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## **IV. PROJECT MANAGEMENT**

### **IV.I Project Management**

UNDP in Bosnia and Herzegovina will assume full responsibility and accountability for the overall Project management and implementation, including, achieving of project outputs and specified results, efficient and effective use of resources, as well as monitoring and reporting.

### **IV.II Project and organisational structure**

The Project institutional structure comprises the **Project Board, the Project Assurance and the Project Manager with the Project Team**, interacting in a broader Project context with partners and all interested stakeholders. Details are presented in chapter *VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS* of this document as well as in *Annex IV*. In addition, a snapshot of the broader Project institutional structure is presented in *Annex V*.

### **IV.III. Project monitoring, evaluation, and reporting**

#### **Project monitoring**

The Project will be monitored and evaluated in line with UNDP corporate standards. The main tools for organising the Project monitoring system encompass the Project results and resources framework and the Project risk analysis. Project monitoring will be result-oriented, with focus on outcome level achievements and characterised by a gender-sensitive approach. The result matrix envisages some common indicators with these in the Joint vision for advancing the water supply and wastewater management services reform in Bosnia and Herzegovina 2021-2028.

#### **Project evaluations**

The Project will be subject to a **mid-term participatory review** engaging all relevant stakeholders and Project beneficiaries, to assess progress, achievements, relevance of the intervention and its approaches. As appropriate, the mid-term review will identify the need for adjustments to the Project that would be considered by the Project Board. UNDP will undertake a **mid-term internal quality assurance**, as per standard UNDP corporate project quality assurance system; the results of this procedure and its recommendations will be presented to the Project Board.

The Project will undertake an independent external **Final Evaluation** in the last implementation year. The Final Evaluation will be prepared with and agreed with the Embassy of Switzerland, the Embassy of Sweden in Bosnia and Herzegovina and with the EU (if and as relevant).

In addition, UNDP will conduct a **closing internal quality assurance**, as per corporate requirements; the results and recommendations of this procedure will be presented to the Project Board.

#### **Reporting**

UNDP will consolidate narrative reports, as well as detailed financial reports as per the requirements of all donors (the Swiss Development Cooperation, the EU, Sweden). The reports will include, but not be limited to:

- **Annual Result-Oriented Progress Reports (outcome-level progress monitoring);**
- **Annual Technical Progress Reports;**
- **Annual Financial Reports;**
- **Final Project Narrative Report;**
- **Final Project Financial Report.**

## IV.IV Resources

### IV.IV.I MEG Phase II Project budget

The MEG Project is planned for the overall duration of 12 years and the indicative budget of USD 36,700,000 (CHF 34,000,000)<sup>67</sup>, where the expected contribution by the Government of Switzerland is at USD 24,800,000 (CHF 23,000,000).

The envisaged **Phase II Project budget amounts to USD 13,699,636<sup>68</sup>**, out of which the Government of Switzerland provides USD 6,600,000, the EU USD 2,250,000, the Embassy of Sweden in Bosnia and Herzegovina USD 994,636, partner municipalities USD 3,855,000. Towards the Joint Vision on Water Supply and Wastewater Management Services Reform in Bosnia and Herzegovina, the MEG also leveraged financing by the WB and SECO in the amount of USD 75,900,000.

Funds by the Government of Switzerland are planned to be utilized under all three Project Outcomes as well as for Project Management and Indirect costs, as follows: 21% under Outcome 1, 58% - under Outcome 2; 1% under Outcome 3 and 21% for Project management and Indirect costs. The EU funds are allocated to Outcome 1 and 3, as well as Project Management and Indirect costs – 12%, 65% and 23% respectively. The funds from the Embassy of Sweden will be allocated to Outcome 1, Output 1.2 (28%) and Outcome 3, Outputs 3.1 and 3.2 (47%), as well as Project Management and Indirect costs (25%). Funds by local governments are allocated exclusively for implementation of priority projects under Outcome 1 (USD 510,000) and Outcome 2 (USD 2,06 million).

**Technical expertise, facilitation and vertical and horizontal coordination** amount to **USD 1,247,600** and includes projected costs of two Policy Coordinators (94 months), three Local Government Officers (144 months), three Environmental and Water Management Officers (138 months), and one Environmental and Water Management Specialist (440 expert days). **USD 3,864,030.28** or 28% of the overall budget is planned for **outsourcing** implementation of activities to third-party providers (legal entities, including AMCs and/ or consultants), out of which **USD 248,650** is planned for **study visits and learning opportunities** abroad for relevant entity institutions and partner local governments, while **USD 55,000** will be utilized for various **promotion and advocacy** activities.

**USD 779,328** is allocated for **human resources**, i.e. project and financial management, operational and technical support and quality assurance. These costs are intended for overall quality assurance and expert strategic inputs (Sector Leader and Sector Associate – 35% engagement annually, and Chief Governance Specialist – 15% engagement annually); Project Manager, Associate and Assistant (48 months, each) and Programme Operation Support with 15% engagement annually. **Office running costs** (rent, communication, supplies, common operational costs and miscellaneous expenses) amount to **USD 294,209.78**, while a total of **USD 235,200** is allocated for travel costs, fuel and utilization and maintenance of vehicles and **USD 84,000** is planned for **project evaluation and assurance activities**. Total **indirect costs** amount to **USD 770,267.94**.

The largest percentage of the overall budget – minimum **49%** or **USD 6,425,000** is planned for implementation of local priority projects (good local governance public financial incentives and performance-based support scheme) by responsible parties, partner local governments.

### IV.IV.II Cost efficiency and effectiveness

The Project will deploy several measures in order to achieve cost effectiveness.

First, the previous Project phase partner local governments have been fully introduced to the rigorous financial protocols of this Project and can be expected to both continue to meet these high standards, while also assisting in bringing new participating local governments up to speed on financial requirements and principles. The orientation phase for the new partners will include a **clear guidance on cost-effectiveness**.

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<sup>67</sup> This does not account for the USD 7,000,000 contributed by local governments under the MEG I.

<sup>68</sup> The total Phase II Project budget does not include potential contribution from the Czech Development Agency. During the planning sessions, they did express possibility to partly fund the Project' specific activities, but no feedback was received from them until January 2021.

Second, in terms of **procurement and in recognition of the benefits of effective competition**, outsourcing of services within the Project will be based on a competitive and open transparent process. UNDP's standards and procedures in this process will ensure quality and consistency.

Third, all training and capacity development assistance will be organized and delivered following the **principle of clustering of partners**, to ensure economy of scale. The Project will facilitate country-wide communication and coordination and add value compared to micro- or even regional level coordination and networking efforts. For further cost effectiveness, the Project will, as appropriate and possible, continue to **make use of the relevant existing training programmes** available through other interventions.

Fourth, the Project will seek to achieve economy of scale in investments by **matching strategically, where possible, financial development resources** with other on-going interventions in target localities.

Finally, the Project will continue to **utilize in-kind contributions from partners** in the form of hosting venue, hospitality, and transport costs for events and training; this principle will be applied as much as possible in the Project implementation.

## V. RESULTS FRAMEWORK

<i>Intended Outcome as stated in the UNDAF/Country [or Global/Regional] Programme Results and Resource Framework:</i>										
Outcome 4. By 2025, people contribute to, and benefit from more accountable and transparent governance systems that deliver quality public services and ensure rule of law.										
<i>Outcome indicators as stated in the Country Programme [or Global/Regional] Results and Resources Framework, including baseline and targets:</i>										
Indicator 2.2f: Number of people with improved access to quality public services										
Baseline (2019): 478,791 (175,735 women).										
Target (2025): 700,000 (300,000 women).										
Source, frequency: UNDP programme reports (bi-annually).										
<i>Applicable Output(s) from the UNDP Strategic Plan:</i>										
1.2.1 Capacities at national and sub-national levels strengthened to promote inclusive local economic development and deliver basic services including HIV and related services										
<i>Project title and Atlas Project Number:</i> Municipal Economic and Environmental Governance Project, BiH10 / 00094439										
EXPECTED OUTPUT	OUTPUT INDICATORS <sup>69</sup>	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)					DATA COLLECTION METHODS & RISKS
			Value	Year	Year 1	Year 2	Year 3	Year 4	FINAL	
OUTPUT 1: Local governance in Bosnia and Herzegovina capacitated and democratized to provide more effective and efficient public services for the citizens, particularly water supply and wastewater management services.	The GLG Framework is developed and adopted at state/entity levels as the framework to measure and improve the performance of municipalities as per application of good governance standards.	<ul style="list-style-type: none"> <li>Official documents by partner institutions</li> <li>Media reports</li> <li>Official reports from the EU</li> <li>Programme records and reports;</li> </ul>	No	2020	-	-	-	-	Yes	Field visits; Review of reports and materials; Final Project evaluation; Draft policies/ legal acts; media coverage  Associations of Municipalities and Cities mobilise country-wide support by local governments.  General Elections in 2022 may affect the policy dialogue and momentum gained.  International community working in the area of local governance
	Number of newly-drafted/amended legal/policy/strategic frameworks at higher government levels that contribute to result-oriented local governance as a result of inclusive policy dialogue.		NA	2020	-	1	1	2	4	
	Number of newly-drafted/amended legal/policy/strategic frameworks at higher government levels that contribute to reforms in the area of water supply and wastewater management services as a result of inclusive policy dialogue.		NA	2020	1	1	1	-	3	
	Existence of country-wide harmonized regulatory framework fully aligned with the EU Water Directives and functional institutional setup at		No	2020	-	-	-	-	Yes	

<sup>69</sup> Projects should use output indicators from the Strategic Plan IRRF and from the Country Programme Document, as relevant, in addition to project-specific results indicators. Indicators should be disaggregated by sex or for other targeted groups where relevant.

	relevant government levels which enable sustainable and quality water supply and wastewater management services.									and water coordinate and cooperate regularly.
	% population satisfied with the overall quality of public services in target localities (average for all partner local governments). <i>Baseline (2021): To be established upon selection of all partner local governments.</i>	<ul style="list-style-type: none"> <li>Official documentation from partner local governments</li> <li>Programme records and reports;</li> <li>Media reports</li> </ul>	TBC	2021	-	-	-	-	60% increase from baseline.	<p>Assessments; Baseline and final citizen satisfaction with public service delivery in partner local governments.</p> <p>Field visits; Review of reports and materials; Project Reports; media coverage</p> <p>Local governments maintain at least the current level of human and financial resources and hence the basic capacities to improve public services.</p>
	% of citizens within partner local governments satisfied with the water supply and wastewater management services. <i>Baseline (2021): To be defined after the conduct of the first citizen satisfaction survey in all future partner local governments</i>		TBC	2021	-	-	-	-	50% increase from the baseline	
	# of people (M/F) participating in and influencing public service provision, decision-making and budgets in their localities (SDC GOV ARI 1) <i>Baseline (2021): To be defined after the conduct of the first citizen satisfaction survey in all future partner local governments.</i>		TBC	2021	-	-	-	-	50% increase from the baseline.	
	# of people using safely managed drinking water services.	<ul style="list-style-type: none"> <li>Official documentation from partner local governments and utilities</li> <li>Programme records and reports;</li> <li>Media coverage</li> </ul>	NA	2020	-	-	30,000	70,000	100,000 citizens	<p>Baseline and final citizen satisfaction with public service delivery in partner local governments; Baseline and exit performance results of water utilities; Feedback from beneficiaries, particularly subsidy beneficiaries.</p> <p>Commitment by management of water utilities to engage and continuously improve effectiveness and efficiency.</p>
	% of local governments with adequate governance arrangements and frameworks to enable effective and sustainable water services.		5-10%	2020	-	-	-	25%	25% addressed	
	% of partner local governments who have introduced subsidy system for vulnerable citizens for water supply and wastewater management services. <i>Baseline (2021): To be established upon selection of partner local governments.</i>		TBC	2021	-	-	-	75%	75%	
	Number of thematic assessments / policy papers newly developed to support and inform policy dialogue.	<ul style="list-style-type: none"> <li>Media reports</li> <li>Programme records and reports;</li> </ul>	0	2020	1	1	1	-	3	<p>Media coverage; Project reports; Official reports and information from AMCs; Policy roadmaps agreed by higher government</p>
	<i>Indicator: % of local governments in the country which engage in consultations and contribute to the</i>		10%	2020	-	-	-	60%	At least 60%.	

<i>development of the standard good local governance framework.</i>	<ul style="list-style-type: none"> <li>• Official reports and information from AMCs</li> <li>• Official reports from higher government level institutions</li> </ul>								level institutions; Records from training/coaching
<i>Number of roadmaps newly developed by and agreed upon by institutional stakeholders that lay out the priority policy/legal/financial measures to be undertaken towards performance-based local governance system.</i>		0	2020	2	-	-	-	2	Local governments and higher government level institutions see the need to improve the policy and regulatory environment.
<i>Number of public servants within higher government level institutions who strengthen their capacity in the area of performance-oriented gender-sensitive local governance as a result of the Project support.</i>		0	2020	10	20	10	10	50	
<i>Number of roadmaps developed and agreed upon by institutional stakeholders which lay out the priority policy/legal/financial actions to be undertaken to further reform water supply and wastewater management services.</i>	<ul style="list-style-type: none"> <li>• Media reports</li> <li>• Programme records and reports;</li> <li>• Official reports and information from utilities and LGs</li> <li>• Official reports from higher government level institutions</li> </ul>	NA	2020	1	1	1	-	3	Policy roadmaps agreed by higher government level institutions; Media coverage; Project reports; Records from training/coaching
<i>Number of public servants within higher government level institutions who strengthen their capacity in the area of water supply and wastewater management services as a result of the Project support.</i>		NA	2020	10	20	20	20	70	EU agenda is a strong push-factor for the sector reforms.  IFIs and other international stakeholders remain committed to the Joint Vision.
<i>Number of local government elected officials and employees who, as result of Project activities, strengthen their knowledge and understanding of result-oriented local governance, thus are better prepared to apply this agenda within their localities.</i>	<ul style="list-style-type: none"> <li>• Programme records and reports;</li> <li>• Official reports and information from LGs</li> </ul>	0	2020	100	300	300	300	1,000	Project reports; Records from training/coaching; Formal decisions of local governments Local government Councils and Mayors willing to engage in a constructive dialogue with citizens and businesses.
<i>% of partner local governments which institutionalise the Good Local Governance Framework.</i>		0	2020	-	-	-	25%	25%	Low level of trust between citizens and governments needs to be considered and adequately approached throughout the entire period of assistance at the local level.
<i>% improvement in the annual performance score of local governments measured by the newly-introduced good local governance framework.</i>	<ul style="list-style-type: none"> <li>• Programme records and reports;</li> </ul>	NA	2020	-	-	-	-	At least 15% compared	Project reports and assessments; Self-assessments by partner local governments; Records from

		<ul style="list-style-type: none"> <li>Official reports and information from LGs</li> </ul>							<i>to the baseline result.</i>	training/coaching; Formal decisions of local governments; Official reports by partner local governments (budget execution reports, reports on the realisation of the annual implementation plans, etc.).
	<i>Number of innovative and scalable solutions and approaches that evidently and sustainably improve public consultation and citizen engagement in policy design and service delivery.</i>		NA	2020	-	3	3	4	10	
	<i>% of financial realization of annual implementation plans of local development strategies of partner local governments.</i>		TBC	2021	-	-	-	-	Increased by average 25%.	Overall economic environment, local government revenues and access to loans and grants enable increase in investment.
	<i>% of partner local governments which successfully implement PSAs</i>	<ul style="list-style-type: none"> <li>Programme records and reports;</li> </ul>	0	2020	-	-	-	76%	75%	Signed PSAs in partner local governments; Official documents of partner local governments (budget execution reports, reports on the realisation of the annual implementation plans, etc.).
	<i>% of partner local governments which have in place water tariff setting procedure based on defined key principles.</i>	<ul style="list-style-type: none"> <li>Official reports and information from LGs and utilities</li> </ul>	0	2020	-	10%	10%	50%	70%	Political will at the local level to support professionalisation and optimisation of the organisational structure of water utility companies in partner local governments.
	<i>Indicator: Average % of non-revenue water per partner local government water utility. Baseline (2021): To be developed upon selection of partner local governments.</i>	<ul style="list-style-type: none"> <li>Programme records and reports;</li> <li>Official reports and information from LGs and utilities</li> </ul>	TBC	2021	-	-	-	-	Decrease of 12% compared to the baseline	Annual reports from water utility companies in partner localities; Official documents from water utility companies
	<i>Number of employees per thousand water supply connections. Baseline (2021): To be developed upon selection of partner local governments.</i>		TBC	2021	-	-	-	-	As defined by the draft Decree on water	

									<i>tariff methodology</i>	Motivated management and staff in water utilities.
	<i>Days sales outstanding (DSO) Baseline (2021): To be developed upon selection of partner local governments.</i>		<i>TBC</i>	<i>2021</i>	-	-	-	>90	<i>less than 90</i>	

## VI. MONITORING AND EVALUATION

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans:

### Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management. Twice a year, the established Project <b>Monitoring Framework</b> shall be updated and progress recorded towards the completion of key results, based on the Project monitoring table.	UNDP	
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Based on the initial risk analysis, a <b>Risk Log</b> shall be activated and regularly updated by reviewing the external environment that may affect the implementation. The Project Manager together with Monitoring and Evaluation Specialist are responsible for monitoring the risks and should provide the status updates to the Project Board when applicable	UNDP	
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	A Project Lessons-Learned Log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to systematically capture lessons learnt	UNDP	
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Every other year	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.	UNDP	
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.	UNDP	
Project Review (Project Board)	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project.	Semi- annually	The Project Board will meet to assess implementation progress against the annual targets. The requirement for such review will be established by the Project Board during annual review meetings. A Report shall be prepared by the Project Manager and shared with the Project Board as per established requirements.	Project Board/ UNDP	

Evaluation Plan

Evaluation Title	Partners (if joint)	Related Strategic Plan Output	UNSDCF/CPD Outcome	Planned Completion Date	Key Evaluation Stakeholders	Cost and Source of Funding
Mid-Term Evaluation	N/A	<p><i>Signature solution: #2 Strengthen effective, accountable and inclusive governance</i></p> <p><i>Outcome 2: Accelerate structural transformations for sustainable development</i></p>	<p><i>By 2025, people contribute to, and benefit from more accountable and transparent governance systems that deliver quality public services and ensure rule of law.</i></p>	2022		28,000 USD/ Government of Switzerland and Sweden
Final Evaluation	N/A	<p><i>Signature solution: #2 Strengthen effective, accountable and inclusive governance</i></p> <p><i>Outcome 2: Accelerate structural transformations for sustainable development</i></p>	<p><i>By 2025, people contribute to, and benefit from more accountable and transparent governance systems that deliver quality public services and ensure rule of law.</i></p>	2024		28,000 USD/ Government of Switzerland and Sweden and the EU

**VII. MULTI-YEAR WORK PLAN**

All anticipated programmatic and operational costs to support the project, including development effectiveness and implementation support arrangements, need to be identified, estimated and fully costed in the project budget under the relevant output(s). This includes activities that directly support the project, such as communication, human resources, procurement, finance, audit, policy advisory, quality assurance, reporting, management, etc. All services which are directly related to the project are disclosed transparently in the project document.

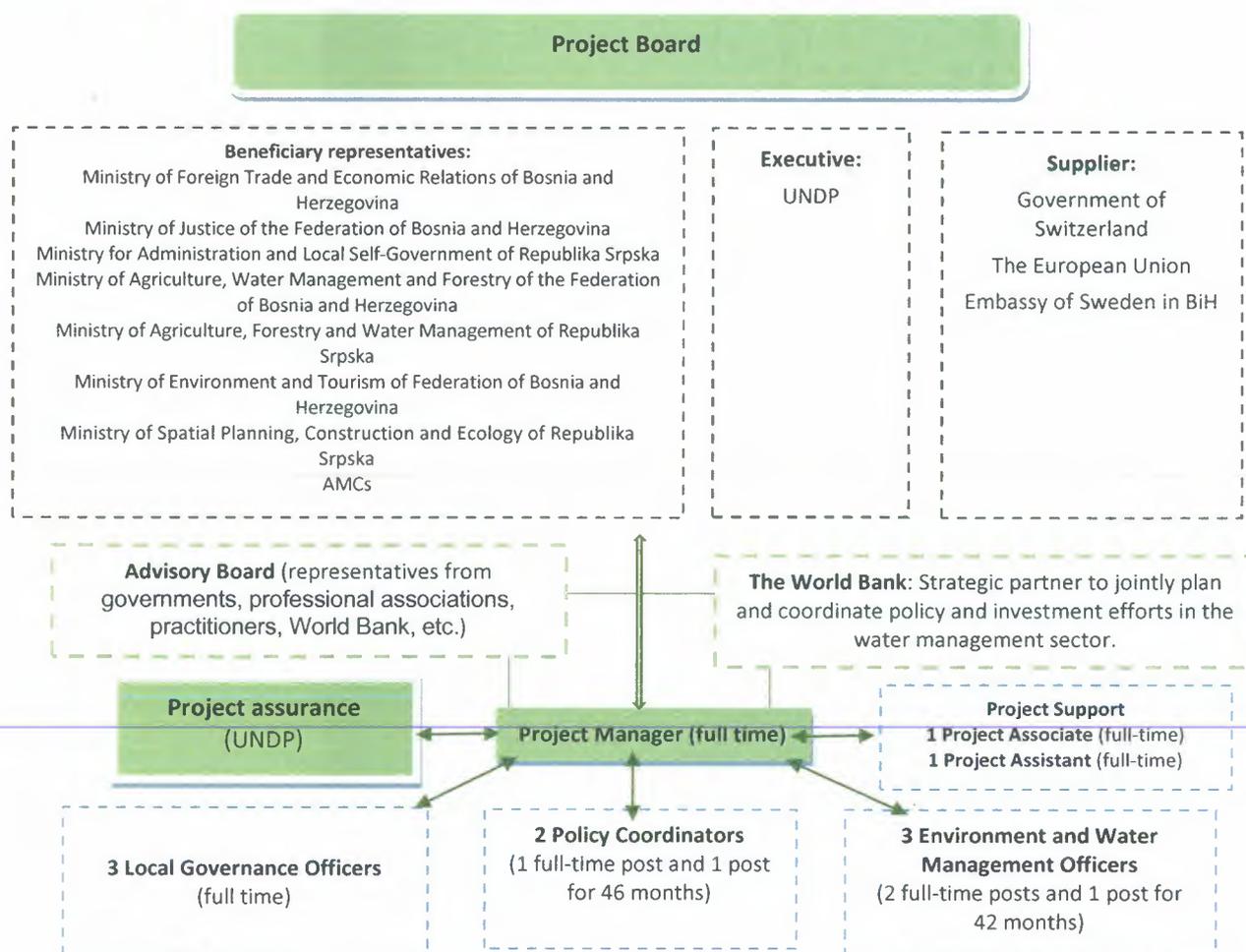
EXPECTED OUTPUT GEN2	ACTIVITIES	PLANNED SUB-ACTIVITIES	Planned Budget by Year				RESPONSIB LE PARTY	PLANNED BUDGET		
			Y1	Y2	Y3	Y4		Funding Source	Budget Description	Amount
OUTPUT 1: Local governance in Bosnia and Herzegovina capacitated and democratized to provide more effective and efficient public services for the citizens, particularly water supply and wastewater management services.	1. State, entity, and cantonal governments set in place a more conducive policy and regulatory environment that affirms result-oriented local governance and improved water supply and wastewater management services.	1.1. Conduct thematic surveys or policy papers to prepare the ground for home-grown performance-based good local governance system inspired by global good practices.					UNDP	Government of Switzerland	71200 International Consultants 71300 National Consultants 71400 Monthly pay SB 4/1 (3 LG Field Officers) Y1 6 months, Y2-4 1 months 71400 Monthly pay SB 4/1 (1 Policy Officer), Y1-Y4 71600 Travel 72100 Contractual service Companies 72800 Information Technology 74200 Audio Visual &Print Prod Costs 75700 Training, Workshops	1,362,710.10
		1.2. Higher level governments design policy and regulatory frameworks enabling reforms that advance water supply and wastewater management services					UNDP/ Entity AMCs	Government of Switzerland/ Government of Sweden/ EU	71300 National Consultants 71400 Monthly pay (1 Policy Officer) Y1 10 months, Y2-Y4 71600 Travel 74200 Audio Visual &Print Prod Costs 75700 Training, Workshops	548,150.00
		<b>Sub-total Activity 1</b>								<b>2,675,860.10</b>

2. Local governments improve their performance, are more accountable and provide high quality services, in particular in the water sector, in a climate-smart, disaster-resilient, inclusive and sustainable way.	2.1. Partner local governments actively engaged in the participatory validation and introduction of a standard result-oriented local governance model					UNDP/ Entity AMCs	Government of Switzerland	71300 National Consultants 71400 monthly pay SB 4/1 (3 LG Field Officers) Y1 6 months, Y2-Y4 1 month 72100 Contractual Services-Companies	236,450.00
	2.2. Partner local government have acquired adequate capacities and tools to effectively plan and deliver public policies and services, guided by a result-oriented approach					UNDP/ partner LGs	Government of Switzerland  Partner LGs parallel	71300 National Consultants 71400 Monthly pay SB 4/1 (3 LG Field Officers) Y2-Y4 10 months 71400 Monthly pay SB 4/1 (3 EWM Field Officers) Y3- Y4 2 months 71600 Travel 72100 Contractual Services-Companies 74200 Audio Visual &Print Prod Ccsts 75700 Training, Workshops	3,567,268.41  3,090,000.00 LGs parallel
<b>Sub-total Activity 2</b>									<b>6,657,268.41</b>
3. Water supply and wastewater management services are provided more efficiently and sustainably and benefit citizens, particularly the most vulnerable.	3.1: Local government capacities and frameworks entailing sustainable partnerships with their water utilities enhanced to enable more effective, efficient and inclusive water supply and wastewater service delivery					UNDP	Government of Switzerland/ Government of Sweden/ EU	71300 National Consultants 71400 Monthly pay SB 4/1 (2 EWMS Officers) Y1 - Y4 6 months 72100 Contractual Services-Companies	618,651.77
	3.2: Financial and operational performance and sustainability of water utilities improved					UNDP	Government of Switzerland/ Government of Sweden/ EU	71300 National Consultants 71400 Monthly pay SB 4/1 (3 EWMS Officers) Y1, Y3 and Y4 6 months. Y2 9 months 71600 Travel 72100 Contractual Services-Companies 75700 Training, Workshops	1,348,400.00

	<b>Sub-total Activity 3</b>								1,967,051.77
Project Management and Evaluation	Project Manager Chief Governance Specialist Project Associate Programme            Operation Support Project Assistant Rent Office material- supplies Equipment - IT and furniture Communication costs (mobile and fixed lines) Miscellaneous (bank charges and etc) Travel costs - Daily Subsistence Allowance Running costs - Fuel and vehicle maintenance Operational Support Monitoring and Evaluation HACT Assessment and assurance activities (HACT MA, spot checks, F&IC Audit)					UNDP	Government of Switzerland/ Government of Sweden/ EU	70000 Operational support 71300 National Consultants 61100 Monthly pay National professionals. 71400 Monthly pay 71600 Travel 73100 Rent 74100 Audit costs 74200 Audio visual production 72100 Contractual service Companies 74100 Audit	1,392,737.78
								<b>General Management Support and Levy</b>	<b>770,267.94</b>
								<b>TOTAL:</b>	<b>12,162,136.00</b>

## VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

The Project institutional structure comprises the **Project Board**, the **Project Assurance** and the **Project Manager with the Project Team**, interacting in a broader Project context with partners and all interested stakeholders. A snapshot of the broader Project institutional structure is presented in *Annex V*.



The **Project Board**<sup>70</sup> will be the group responsible for making, by consensus, management decisions for the Project when guidance is required by the Project Manager, including recommendation for approval of Project plans and revisions. Based on the approved annual work plan, the Project Board supervises the overall implementation progress and authorizes any major deviation therefrom. It provides strategic guidance, as well as gives final approval to selected strategic and operational issues. The Project Board approves the selection criteria and the list of partner local governments. It ensures that required resources are committed and arbitrates on any conflicts within the Project or negotiates a solution to any problems between the Project and external bodies. The Project Board will meet at least twice per year, or as necessary when raised by the Project Manager. Members of the Project Board will be representatives of: the Embassy of Switzerland in Bosnia and Herzegovina, the Delegation of the European Union to Bosnia and Herzegovina, the Embassy of Sweden in Bosnia and Herzegovina, the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, the Ministry of Justice of the Federation of Bosnia and Herzegovina, the Ministry for Administration and Local Self-Government of Republika Srpska, the Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina, the Ministry of Agriculture, Forestry and Water Management of Republika Srpska, AMCs representing local governments and finally UNDP (with no voting rights). Representative of the World Bank can be invited to join the meetings of the Project Board in observing capacity.

<sup>70</sup> The Project will seek to ensure complementarity with the governance structures set in place by the water sector operation of the WB, for maximized coordination and policy dialogue among stakeholders.

The project will establish an **Advisory Board** (comprising representatives from public, civic and private stakeholders who have interest and can contribute to the Project work) as an inclusive body whose specific responsibilities will include: promoting the importance of good local governance in the country; serving as a forum for cooperation and dialogue on local governance and water services-related activities among governments, professional associations and practitioners; enabling coordination and exchange on Project-related strategic, thematic and operational issues among relevant stakeholders; enabling exchange of expert opinions; proposing recommendations and remedies to possible barriers for consideration by the Project Board, including for the success of policy processes, etc. The World Bank will also be a part of the Advisory Board, with a more prominent role as Project's consultative partner for policy recommendations, policy dialogue and preparation of key outputs, as per the Joint Vision. Participation and contributions in the Advisory Board will be on voluntary basis.

The **Project Assurance** role supports the Project Board by carrying out objective project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed. Project Assurance has to be independent of the Project Manager. The role of Project Assurance will be performed by the UNDP Rural and Regional Development Sector Leader.

The **Project Team** will comprise the National Project Manager and core team members. The Project Team will be secretariat to the Project Board. A more detailed description of the main functions and responsibilities of the team and key consultancies is presented in *Annex IV* of the Project document.

The **Project Manager** has the authority to run the Project on behalf of UNDP. The Project Manager will have the responsibility to ensure that the Project produces the required results that can achieve the benefits defined in this document. S/he will be responsible for day-to-day management and will ensure that the Project produces the results specified, to the required corporate standards and within the constraints of time and cost.

The Project will have its main office in Sarajevo, as well as will establish field presence once the partner local governments are selected (utilizing UNDP field presence in Bihać, Banja Luka, Doboje and Mostar) to ensure proximity to target localities.

The Project will also be supported on part-time basis by other UNDP staff based in Sarajevo, namely the Rural and Regional Development Sector Leader and Associate, the Programme Operations Support Staff, and Chief Technical Advisor.

The Project will deploy both national and/or international expertise in relevant fields as the need arises. External goods and service providers will be engaged following a competitive process to deliver technical assistance, training, and other relevant capacity development actions and provision of goods/services.

Besides cost of staff and short-term experts, the project office costs required for the implementation of the Project will include travel and subsistence costs, depreciation costs, rental costs or lease, maintenance and repair costs, consumables and supplies, IT and telecommunication services, energy and water, costs of facility management contracts, including security fees and insurance costs, detailed in the *Annex VII*.

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## ***IX. LEGAL CONTEXT***

This programme document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement (SBAA) between the Government of Bosnia and Herzegovina and UNDP, signed on 07 December 1995. All references in the SBAA to “Executing Agency” shall be deemed to refer to “Implementing Partner.”

Bosnia and Herzegovina and the United Nations Sustainable Development Cooperation Framework for the period 2021-2025 (endorsed by the Council of Ministers of Bosnia and Herzegovina and UN on 16 December 2020), as well as the UNDP Country Programme Document 2021-2025 represent the basis for the activities of UNDP in the country.

This programme will be implemented by UNDP in accordance with its financial regulations, rules, practices and procedures.

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## **X. RISK MANAGEMENT**

1. *UNDP as the Implementing Partner will comply with the policies, procedures and practices of the United Nations Security Management System (UNSMS.)*
2. *UNDP as the Implementing Partner will undertake all reasonable efforts to ensure that none of the project funds are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml). This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.*
3. *Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).*
4. *UNDP as the Implementing Partner will: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.*
5. *In the implementation of the activities under this Project Document, UNDP as the Implementing Partner will handle any sexual exploitation and abuse ("SEA") and sexual harassment ("SH") allegations in accordance with its regulations, rules, policies and procedures.*
6. *All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.*
7. *UNDP as the Implementing Partner will ensure that the following obligations are binding on each responsible party, subcontractor and sub-recipient:*
  - a. *Consistent with the Article III of the SBAA [or the Supplemental Provisions to the Project Document], the responsibility for the safety and security of each responsible party, subcontractor and sub-recipient and its personnel and property, and of UNDP's property in such responsible party's, subcontractor's and sub-recipient's custody, rests with such responsible party, subcontractor and sub-recipient. To this end, each responsible party, subcontractor and sub-recipient shall:*
    - i. *put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;*
    - ii. *assume all risks and liabilities related to such responsible party's, subcontractor's and sub-recipient's security, and the full implementation of the security plan.*
  - b. *UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the responsible party's, subcontractor's and sub-recipient's obligations under this Project Document.*
  - c. *In the performance of the activities under this Project, UNDP as the Implementing Partner shall ensure, with respect to the activities of any of its responsible parties, sub-recipients and other entities engaged under the Project, either as contractors or subcontractors, their personnel and any individuals performing services for them, that those entities have in place adequate and proper procedures, processes and policies to prevent and/or address SEA and SH.*

- d. *Each responsible party, subcontractor and sub-recipient will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, subcontractors and sub-recipients in implementing the project or programme or using the UNDP funds. It will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.*
- e. *The requirements of the following documents, then in force at the time of signature of the Project Document, apply to each responsible party, subcontractor and sub-recipient: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. Each responsible party, subcontractor and sub-recipient agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at [www.undp.org](http://www.undp.org).*
- f. *In the event that an investigation is required, UNDP will conduct investigations relating to any aspect of UNDP programmes and projects. Each responsible party, subcontractor and sub-recipient will provide its full cooperation, including making available personnel, relevant documentation, and granting access to its (and its consultants', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with it to find a solution.*
- g. *Each responsible party, subcontractor and sub-recipient will promptly inform UNDP as the Implementing Partner in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.*

*Where it becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, each responsible party, subcontractor and sub-recipient will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). It will provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.*

- h. *UNDP will be entitled to a refund from the responsible party, subcontractor or sub-recipient of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of this Project Document. Such amount may be deducted by UNDP from any payment due to the responsible party, subcontractor or sub-recipient under this or any other agreement. Recovery of such amount by UNDP shall not diminish or curtail any responsible party's, subcontractor's or sub-recipient's obligations under this Project Document.*

*Where such funds have not been refunded to UNDP, the responsible party, subcontractor or sub-recipient agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to such responsible party, subcontractor or sub-recipient for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document.*

*Note: The term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors and sub-recipients.*

- i. *Each contract issued by the responsible party, subcontractor or sub-recipient in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract*

*execution, and that the recipient of funds from it shall cooperate with any and all investigations and post-payment audits.*

- j. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project or programme, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.*
- k. Each responsible party, subcontractor and sub-recipient shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to its subcontractors and sub-recipients and that all the clauses under this section entitled "Risk Management Standard Clauses" are adequately reflected, mutatis mutandis, in all its sub-contracts or sub-agreements entered into further to this Project Document.*

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## **XI. ANNEXES**

### **Annex I: Project Quality Assurance Report**

**Quality Assurance report is available on the following link**

<https://intranet-apps.undp.org/ProjectQA/Forms/Design?fid=8202&year=2021&ou=BIH&pid=00094439&fltr=PROJECT>

### **Annex II. Social and Environmental Screening**

*Social and Environmental Screening Template [English], including additional Social and Environmental Assessments or Management Plans as relevant. (NOTE: The SES Screening is not required for projects in which UNDP is Administrative Agent only and/or projects comprised solely of reports, coordination of events, trainings, workshops, meetings, conferences, preparation of communication materials, strengthening capacities of partners to participate in international negotiations and conferences, partnership coordination and management of networks, or global/regional projects with no country level activities).*

*Social and Environmental Screening document is enclosed in pdf. format*

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**Annex III. Risk Analysis**

General Risks	Risk Category	Likelihood	Consequence	Risk Management
Political instability	Political	Medium	Delay/failure in policy/regulatory agenda advocated for by the Project.	<ul style="list-style-type: none"> <li>Careful monitoring of the political context by the Project team.</li> <li>Joint decisions on the new approaches with the Project Board.</li> </ul>
Insufficient commitment of policymakers to local governance reforms	Political	High	Delay/failure in policy agenda advocated for by the Project.	<ul style="list-style-type: none"> <li>Apply an inclusive and consensus-based approach, resting on the spirit of cooperation and guided by the interests of local government.</li> <li>The Project will leverage country-wide voices by local governments – through the AMCs and utilities’ associations and interact with political leaderships stressing on the benefits gained from democratizing local governance.</li> </ul>
Reluctance to behavioural change at the local level	Organisational	Medium	This may slow down the speed of professionalizing local administrations and their public utility companies	<ul style="list-style-type: none"> <li>The Project will ensure continual, flexible and long-term sensitization and awareness raising activities as accompanying approaches in all interventions and will make sure that motivation for engagement and positive change is within the main selection criteria for partner local governments and their water utilities.</li> </ul>
Depopulation / migration of the population	Economic / Societal / Human	High	The risk of people leaving their community can have devastating effects not only on the human capital at the local level, but also on local economies, public services and social life.	<ul style="list-style-type: none"> <li>The Project will focus on improving democratic environment, quality of services and quality of life for people in target localities.</li> </ul>
Insufficient trust between citizens and their (local) government	Political / Societal	Medium	Undermine the efforts to engage citizens with local public life and encourage active citizens in decision-making	<ul style="list-style-type: none"> <li>The Project will encourage active engagement and facilitate awareness-raising among citizens, providing wider opportunities for citizen participation in local democracy.</li> <li>Active citizen participation, transparency and inclusiveness will be embedded within the Good Local Governance Principles, thus improve the system conditions for citizen engagement in public affairs.</li> </ul>
Natural hazards and disease outbreaks	Natural	Medium / High	Affects human lives and wellbeing, damages public infrastructure, reduces public financial resources.	<ul style="list-style-type: none"> <li>The Project will have a flexible approach, including reprogramming of activities to respond to the emerging needs, should there be for shifting from the agreed course of actions.</li> <li>The Project will develop basic tools and approaches to integrate identified measures and enable implementation of activities in times of such events.</li> </ul>

General Risks	Risk Category	Likelihood	Consequence	Risk Management
				<ul style="list-style-type: none"> <li>The Project will also support local governments to look at risks of floods, landslides, and other natural disaster hazards, and assess how those have the potential to rupture water distribution and waste water systems or lead to contamination of the water-supply network, and consequently – to the risks of outbreak of diseases, all in line with CEDRIG Operational.</li> </ul>

**Annex IV. Project Board Terms of Reference and TORs of key management positions**

*Project Board Terms of Reference are enclosed as a pdf. file.*

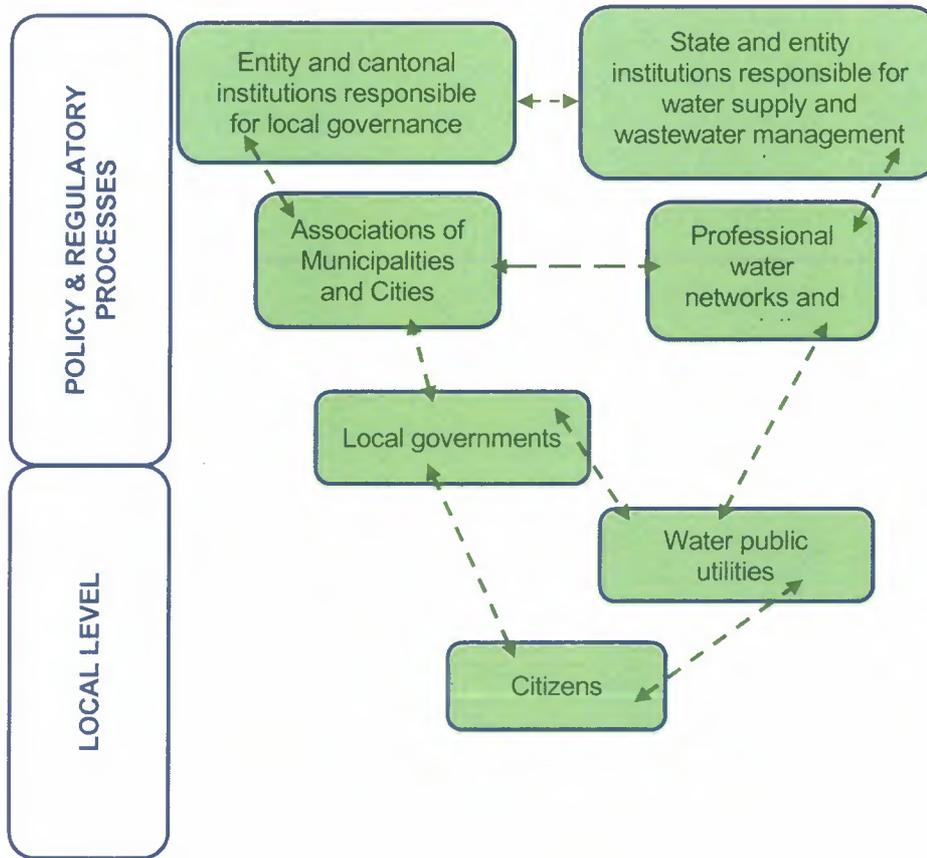
The following **team members will be engaged as part of the MEG II Project:**

- 1) Project Manager (1 national expert, 48 months)
- 2) Policy Coordinators (2 national experts – 1 for 48 months + 1 for 46 months)
- 3) Local Government Officers (3 national experts – 3 for 48 months)
- 4) Environment and Water Management Officers (3 national experts for 48 months)
- 5) Project Associate (1 national expert, 48 months)
- 6) Project Assistant (1 national expert, 48 months)

<b>Project Manager</b>	<ul style="list-style-type: none"> <li>- Overall management of the Project, leadership, conceptual guidance and technical advice to the implementation team and Project counterparts (ensuring transfer of experience and lessons learned from the 1<sup>st</sup> phase of the MEG Project);</li> <li>- Ensure Project monitoring, reporting and quality assurance based on the principles of result-based management and using relevant monitoring and risk management tools;</li> <li>- Ensuring strategic synergies and coordination with other relevant interventions in government and water management sectors;</li> <li>- Provide policy advice and technical guidance in the course of Project implementation;</li> <li>- Establish and maintain partnership and advocacy with relevant institutional partners and other stakeholders, and liaise with the EU;</li> <li>- Support knowledge management and gender equality mainstreaming throughout activities, work plans, budgets, reports, and analyses.</li> </ul>
<b>Policy Coordinators (LG and Water utilities)</b>	<ul style="list-style-type: none"> <li>- Lead and steer the process of participatory design for regulatory framework(s) changes in the governance and environmental sectors, towards better local public services delivery;</li> <li>- Lead and steer the design, implementation and quality assurance of the Project assistance for partner local governments and water utilities;</li> <li>- Ensure guidance in setting the good local governance benchmarks in LGs and water utilities;</li> <li>- Steer the overall Project on-budget support to partner LGs;</li> <li>- Pro-active support to partnerships, networking and advocacy in the Project implementation, as well as in the broader UNDP local governance/local development programme;</li> <li>- Identify and utilise opportunities for synergies with other relevant local level development initiatives;</li> <li>- Ensure gender equality mainstreaming within the Project.</li> </ul>
<b>Local Government Officers</b>	<ul style="list-style-type: none"> <li>- Ensure coordination and implementation of Project support activities for partner Local governments in designated area of responsibility;</li> <li>- Provide proactive support to partnerships, networking and advocacy in the Project implementation, as well as in the broader UNDP local governance programs;</li> <li>- Provide contribution to setting the good governance benchmarks, from the LG management viewpoint;</li> <li>- Design and deliver customised TA to relevant LG departments and provide guidance and advice to LG staff and elected officials;</li> </ul>

	<ul style="list-style-type: none"> <li>- Ensure gender equality mainstreaming within the Project.</li> </ul>
<b>Environment and Water Management Officers</b>	<ul style="list-style-type: none"> <li>- Deliver analytical support and expert guidance in introducing measures for financial and operational improvement of water utilities, advancing their technical and management capacities;</li> <li>- Ensure overall monitoring and measuring of performance of water utilities against the set short- and long-term development targets and governance benchmarks.</li> <li>- Provide expert opinion related to developing and implementing Public Service Agreements (PSA);</li> <li>- Design and deliver customised TA to relevant LG communal departments and provide guidance and advice to LG staff and elected officials;</li> <li>- Provide contribution to setting the good local governance benchmarks, from the water management viewpoint;</li> <li>- Provide assistance with implementation of infrastructure projects in targeted locations;</li> <li>- Ensure gender equality mainstreaming within the Project.</li> </ul>
<b>Project Associate</b>	<ul style="list-style-type: none"> <li>- Support to formulation of Project strategies and implementation;</li> <li>- Support to project financial monitoring and management;</li> <li>- Provide administrative and operational support to Project implementation, ensuring quality of business processes;</li> <li>- Provide support to knowledge building and sharing;</li> <li>- Support to the Project team effective mainstreaming of gender equality.</li> </ul>
<b>Project Assistant</b>	<ul style="list-style-type: none"> <li>- Provide overall technical and logistical support to Project activities;</li> <li>- Support to Project team in implementation of Project business activities;</li> <li>- Support to the Project team effective mainstreaming of gender equality.</li> </ul>

Annex V. Project Institutional Structure



Arrow legend:

-----> Exchange of information, interaction and cooperation

## Annex VI. Schematic Overview of the Governance Structure of Bosnia and Herzegovina

The document was developed by the Directorate for European Integration of Bosnia and Herzegovina in 2012. In addition, there are 145 local governments within each entity.

### Schematic overview of levels of governance in Bosnia and Herzegovina

#### Bosnia and Herzegovina

- a) foreign policy
  - b) customs policy
  - c) monetary policy
  - d) financial and international obligations of BiH (immigration, refugees and asylum)
  - e) international and inter-entity criminal law enforcement and relations with Interpol
  - f) criminal and international communications facilities
  - g) inter-entity transportation
  - h) air traffic control, additional responsibilities as agreed by the Entities
- All governmental functions and powers not expressly assigned in the Constitution of BiH shall be those of the Entities. (Article III (3) a) of the Constitution of BiH)

#### Parliamentary Assembly of BiH

- a) enacts legislation and carries out the responsibilities
- b) decides on the revenues for the operations of the Institutions of BiH and international obligations of BiH
- c) approves budget of the Institutions of BiH
- d) other matters necessary for carrying out its duties and obligations

**House of Representatives**

Acts of the Parliamentary Assembly of BiH:

- laws
- rules of procedure
- declarations
- decisions
- resolutions
- other acts

**Central Bank of BiH**

Currency issuance and monetary policy;

Central Bank, the Central Bank

(Autonomously issues acts that flow the force of law)

- regulations
- instructions

#### Presidency of BiH

- a) conducts foreign policy
  - b) appoints ambassadors and representatives of BiH
  - c) represents BiH and seeks membership in international
  - d) negotiates, announces and ratifies treaties
  - e) executes decisions of the Parliamentary Assembly of BiH
  - f) proposes, upon the recommendation of the Council of Ministers, an annual budget to the Parliamentary Assembly
  - g) reports on expenditures to the Parliamentary Assembly
  - h) performs other functions to carry out its assigned duties
- Acts of the Presidency of BiH:
1. normative acts
  2. legislative proposals
  3. resolutions of the policy
  4. resolutions of the Parliamentary Assembly decisions on state symbols
  5. nomination and appointments of government officials
  6. permits to the armed forces
  7. rules of procedure and other regulations of internal organization
  8. other acts within its powers
2. declarative acts
  3. general instructions
  4. other acts

#### Council of Ministers of BiH

- carries out policies and enforces decisions that fall within the framework of BiH competencies (Article III (1) of the Constitution of BiH), the inter-entity coordination and cooperation (Article III (4) of the Constitution of BiH) and additional responsibilities (Article III (5) of the Constitution of BiH)
- Acts of the Council of Ministers:
- decisions
  - conclusions and statements
  - drafts and proposals of laws
  - resolutions
  - strategic documents
  - programs
  - agreements
  - other acts

**Economic Committee and Internal Policy Committee**

**General Secretariat**

Legislation - Directorate for Economic Planning - Directorate for Economic Planning - Directorate for Economic Planning - Directorate for Economic Planning

#### Constitutional Court

- The Constitutional Court is established by the Constitution of BiH and the Entities. The Constitutional Court consists of nine members, five from the Entities and four from the Federation of BiH (including special parallel representation with the Constitution of BiH)
- a) has appellate jurisdiction over issues under the Constitution and law
  - b) has jurisdiction over issues referred by any court in BiH on whether a law is compatible with the Constitution, the European Convention on Human Rights or the scope of agreement rule of public international law
  - c) has jurisdiction over issues referred by any court in BiH on whether a law is compatible with the Constitution, the European Convention on Human Rights or the scope of agreement rule of public international law
- Acts of the Constitutional Court:
- rules (for judgments, proceedings and other issues)
  - resolutions (on motions for annulment, on motions for annulment of proceedings and on interim measures)
  - judgments (on motions for annulment, on motions for annulment of proceedings and on interim measures)
  - rulings and conclusions (in both proceedings and interim matters)

**Council of BiH**

Criminal, administrative and appellate jurisdiction, adopts rules of Procedure and Rules of Evidence

**Prosecutor's Office of BiH**

Prosecutor General, Chief Prosecutor and deputies, No. 15

**High Judicial and Prosecutorial Council of BiH**

Autonomous body for ensuring an independent, impartial and professional judiciary, in charge of appointment of judges and prosecution in BiH and conducting disciplinary proceedings

#### Other important institutions and bodies of BiH

- (regulated by law or special regulation)
- Agency for Air Navigation Services of BiH
  - Agency for the Prevention of Corruption and Coordination of Fight against Corruption
  - Archives of Bosnia and Herzegovina
  - Agency for Civil Service of BiH
  - Civil Service Board of BiH
  - Commission for Accounting and Auditing of BiH
  - Commission for Conciliations of BiH
  - Commission for Conciliations of Youth Issues in BiH
  - Commission for Real Property Claims of Displaced Persons and Refugees
  - Coordination Board of the Supreme Audit Institutions
  - Council for Standardization of BiH
  - Deposit Insurance Agency
  - Election Commission of BiH
  - Export Credit Agency of BiH
  - Foreign Trade Chamber of BiH
  - Foreign Trade Chamber of BiH (electronic power)
  - Institute for Execution of Criminal Sentences, Detention and other Measures of BiH pronounced by the Court of BiH
  - Intelligence and Security Agency of BiH
  - Office of the Attorney General of BiH
  - Office of the Coordinator for the Public Administration Reform
  - Official Gazette of BiH, public company, gazette publishing organization
  - State Commission for Cooperation with UNESCO
  - State Commission for Cooperation with UNESCO
  - State Commission for Intellectual Management of the BiH Border
  - State Electricity Regulatory Commission

#### Ministries and administrative organizations within the Ministries

1. Ministry of Foreign Affairs
2. Ministry of Foreign Trade and Economic Relations
3. Ministry of Health Protection Administration of BiH
4. Ministry of Infrastructure and Coordination
5. Ministry of Communications and Transport
6. Directorate of Civil Aviation of BiH
7. Railway Regulatory Board of BiH
8. Ministry of Finance and Treasury
9. Central Harmonization Unit
10. Ministry of Human Rights and Refugees
11. Gender Equality Agency
12. Directorate for Compensation of Police Bodies of BiH
13. State Investigation and Protection Agency
14. Agency for Forensic Testing and Expertise
15. Agency for Education and Professional Training
16. Police Support Agency
17. Directorate for Cooperation with INTERPOL, EUROPOL, SECI, CENTER
18. Agency for Identification Documents, Register and Data Exchange of BiH
19. Demining Commission and Mine Action Center of BiH
20. Ministry of Defense

#### Independent administrative organizations (listed in the Law on Ministries and Other Bodies of BiH)

1. Agency for Statistics of BiH
2. Institute for Accreditation of BiH
3. Institute for Metrology of BiH
4. Institute for Intellectual Property of BiH
5. Institute for Standardization of BiH
6. Civil Service Agency of BiH
7. Foreign Investment Promoter Agency of BiH
8. Agency for Investment and Development of BiH
9. Communications Regulatory Agency of BiH
10. Insurance Agency of BiH
11. Agency for Postal Traffic of BiH
12. Personal Data Protection Agency of BiH
13. Market Surveillance Agency of BiH
14. Agency for Development of Higher Education and Secondary Education of BiH
15. Agency for Development of Vocational Education and Secondary Education of BiH
16. Agency for Vocational, Elementary and Secondary Education of BiH
17. Agency for Medical Products and Medicinal Devices of BiH
18. Food Safety Agency of BiH
19. Competition Council of BiH
20. Instructed Trust Authority of BiH
21. Office for Auditing of the Financial Operations of the Institutions of BiH
22. Information and Recognition of Documents in the Field of Higher Education
23. Ombudsman for Consumer Protection in BiH
24. State Regulatory Agency for Radiation and Nuclear Safety
25. Procurement Review Body of BiH (public procurement)
26. Return Fund of BiH

#### Administrative and professional associations

- administrative and professional associations
- independent administrative associations
- independent professional associations
- independent administrative associations
- independent professional associations



## Schematic overview of levels of governance in Bosnia and Herzegovina

### The Federation of Bosnia and Herzegovina

The Federation of Bosnia and Herzegovina is one of the two entities composing the State of BiH, and has all powers, competences and responsibilities which do not, according to the Constitution of BiH, fall within the exclusive competence of the institutions of BH (Article 11.1.1) of the FBiH Constitution) Exclusive competences of the Federation of BiH: a) citizenship b) economic policy, planning and reconstruction and land use policy at the FBiH level c) finance and financial institutions and fiscal policy d) combating terrorism, inter-cantonal crimes, drug trafficking and organized crime e) electronic frequencies for radio, TV and other purposes, in accordance with the BH Constitution f) energy policy and the infrastructure g) financing of FBiH authorities by taxation, borrowing or other means Joint competences of the FBiH and Cantons: 1) human rights h) healthcare c) environmental policy d) communications and transport infrastructure, in accordance with the BH Constitution e) social policy f) implementing regulations on citizenship, passports and movement of foreign citizens g) tourism h) natural resources (exercise jointly, separately or coordinated by the FBiH) mutual consultation done on an ongoing basis when enacting laws and regulations concerning the entire FBiH, the FBiH acts with respect for Cantonal prerogatives, for diverse situations in the Cantons and for the need for flexibility in implementation; Inter-Cantonal Council – coordination of inter-Cantonal matters) Responsibility of the Cantons: The Cantons shall have all the competences not expressly granted to the FBiH authorities (Article III.4.1) of the FBiH Constitution) a) establishing and controlling police forces (identical FBiH uniforms with Cantonal insignia) b) education c) cultural policy d) housing policy e) regulating and provision of public services f) regulating local land use, including zoning g) promoting local business and charitable activities h) regulating local energy production facilities and ensuring the availability thereof i) policy concerning RTV facilities, including decisions concerning regulation and provision thereof j) implementing social policy and providing social services k) Cantonal tourism policy and developing tourism resources l) financing Cantonal authorities by taxation, borrowing or other means

#### Parliament of FBiH

- elects the FBiH President and two Vice-Presidents
- requests decisions by the Constitutional Court on the removal of the President or one of the Vice-Presidents
- approves appointment of the Government
- passes laws
- authorizes Cantons to conclude international agreements, if approved by the Parliamentary Assembly of BH
- approves international agreements with previous consent of the Parliamentary Assembly of BH
- adopts the budget, passes taxation legislation and secures the financing
- exercises other competences as conferred upon it

#### House of Representatives | House of Peoples

- Acts of the Parliament of FBiH:
- Constitution of FBiH
  - laws
  - Budget of FBiH
  - annual balance sheet of FBiH budget
  - resolutions
  - recommendations
  - decisions and conclusions
  - authentic interpretation of laws and other acts
  - approving consolidated text of laws and other acts

#### President of FBiH

- Represents FBiH
- appoints the Government, heads of diplomatic missions, judges of the FBiH Constitutional Court
  - conducts consultations concerning the appointment of Ombudsmen and judges
  - signs decisions of the Parliament
  - signs and ratifies international agreements on behalf of the FBiH
  - grants reprieves and pardons;

The President in agreement with both Vice-Presidents and upon consultation with the Prime Minister or a nominee for that office, appoints the Government confirmed by the House of Representatives.

The President may remove the Government with consent of the Vice-Presidents. The President removes ministers upon the proposal of the Prime Minister.

Two Vice-Presidents carry out the assigned responsibilities, act on behalf of the President and cooperate with the President when required

- Acts of the President:
- decisions on law promulgation
  - decisions (on removals of ministers or the prime minister, on granting pardons)
  - administrative decisions

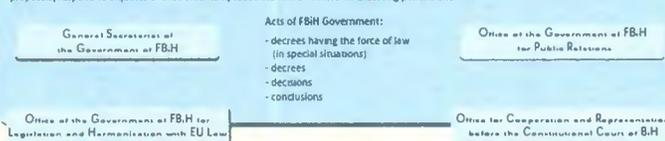
#### The Government of FBiH

(Prime Minister and 16 ministers are accountable to the Parliament and to the President and Vice-Presidents)

The Prime Minister – executes and enforces policies and laws and court rulings, proposes removal of the President, proposes and makes recommendations concerning legislation, prepares budgetary proposals.

Deputy Prime Ministers – serve as ministers, assist the Prime Minister in implementing and enforcing laws and policies, decide whether to seek the opinion of the Constitutional Court, stand in for the Prime Minister.

Ministers – implement policies and enforce laws, propose and make recommendations concerning legislation, direct, coordinate and supervise the activities of their respective Ministries, issue acts, instructions, directions, regulations to facilitate the implementation of laws, analyze budgetary proposals, respond to inquiries of the Parliament, assist the Prime Minister in executing policies and laws



Administrative tasks within the competences of the FBiH are carried out by FBiH ministers, administrative bodies and institutions (enforcement of laws and other regulations, administrative surveillance, adoption of implementing legislation, preparation of regulations, monitoring situation in relevant areas, other administrative and technical tasks).

Perform administrative tasks independently and within the limits provided by the Constitution, law and other legislation, FBiH and Cantonal administration may adopt regulations only when there is explicit law authorization to do so and within the limits provided for in that law:

- regulations - directions - instructions and orders

#### Constitutional Court of FBiH

- resolves disputes between Cantons, the FBiH government, municipalities and cities and any of the FBiH institutions
- at an official request, determines whether a law proposal is in accordance with the Constitution
- at an official request, determines whether a Cantonal constitution, proposed a law or law is in accordance with the FBiH Constitution
- at an official request, determines whether a FBiH or Cantonal regulation is in accordance with FBiH Constitution
- protects the right to local self-governance
- decides on constitutional issues presented by the Supreme Court or a Cantonal court, that arise in the course of a proceeding
- decides on issues concerning immunity

- The Constitutional Court passes:
- verdicts
  - rulings
  - opinions
  - orders on interim measures

#### Cantons

All Cantons have constitutions that are consistent with FBiH Constitution and may establish Cantonal councils in order to coordinate policies and activities

a) The Cantonal Legislative Body adopts laws and other legislation

- adopts the constitution through a 2/3 majority vote
- passes regulations within Cantonal competence

\* adopts the budget, adopts taxation laws, ensures financing

b) Cantonal Government (Prime Minister and Ministers constitute the Cantonal Government, they are appointed by the Cantonal legislative body; all decisions of the Government are taken by simple majority)

- Cantonal policies and laws and the responsibilities assigned by the FBiH
- budgetary proposals
- supervision over the cantonal police
- other duties as may be assigned by Constitution or Cantonal law

#### Cities

Local self-government – has a statute which must be in accordance with the Constitution of BiH, the Cantonal Constitution and Cantonal legislation; a city is responsible for: finances and tax policies in accordance with FBiH and Cantonal legislation, joint infrastructure, urban planning, public transportation and other responsibilities assigned to it.

The City Council (an equal number of councilors from each municipality; no less than 15 and no more than 31 councilors) – adopts the city statute through a 2/3 majority vote, elects the mayor, adopts the city budget, enacts regulations and carries out other responsibilities specified in the statute.

The Mayor appoints city officials, executes and enforces city policies and regulations, reports to the city council and to the public

#### City of Sarajevo

Local self-government, the competences, organization and decision-making are defined by the Cantonal Constitution, laws and the City Statute, in accordance with FBiH

#### City of Mostar

Local self-government; organization and decision-making are regulated by a law and the City Statute; the city areas are determined in the Statute; the Mayor is elected by 2/3 majority of elected councilors; which is regulated in the Statute

#### Municipalities

Local self-government – each municipality has a statute which is consistent with FBiH Constitution, the Cantonal Constitution and the Cantonal legislation; the Municipal Council and the Municipal Mayor are directly elected.

The Municipal Council – adopts the statute through a 2/3 majority vote, adopts the municipal budget, enacts regulations within municipal competence.

The Municipal Mayor – appoints civil servants and officials, municipal policy, reports to the Council and to the public

#### Independent FBiH institutions

1. FBiH Statistics Institute
2. FBiH Hydrometeorology Institute
3. FBiH Archives
4. FBiH Development Programming Institute
5. FBiH Commodity Reserves Directorate
6. FBiH Agrapodology Institute
7. FBiH Agriculture Institute Sarajevo
8. FBiH Agro-Mediterranean Institute Mostar
9. FBiH Geology Institute

#### Other important institutions and bodies (regulated by law or special regulation)

- Audit Office for the institutions of FBiH
- BH Post, public company, Ltd. Sarajevo
- BH Telecom, joint-stock company Sarajevo
- Elektroprivreda BH, public company, joint-stock company Sarajevo
- Elektroprivreda HZHB, public company, joint-stock company Mostar
- FBiH Agency for Quality and Accreditation of Healthcare
- FBiH Attorney's Office
- FBiH Banking Agency
- FBiH Bar Association
- FBiH Chamber of Commerce
- FBiH Civil Service Agency
- FBiH Concession Commission
- FBiH Development Bank
- FBiH Employment Institute
- FBiH Environment Protection Fund
- FBiH Gender Centre
- FBiH Institute for Health Insurance and Reinsurance
- FBiH Insurance Supervision Agency
- FBiH Judicial and Prosecutorial Training Centre, public institution
- FBiH Notary Chamber
- FBiH Pension and Disability Insurance Institute
- FBiH Privatization Agency
- FBiH Public Health Institute
- FBiH Railways, public company, Ltd. Sarajevo
- FBiH Securities Commission
- FBiH Securities Register
- HT joint-stock company Mostar (telecom)
- Radio-television of FBiH
- Regulatory Commission for Electricity in FBiH
- Service for Joint Affairs of the Institutions and Bodies of FBiH

#### Federal Ministries

1. FBiH Ministry of Interior
  - FBiH Police Administration
2. FBiH Ministry of Justice
  - Institute for Public Administration
3. FBiH Ministry of Finance
  - FBiH Tax Administration
  - Finance Police
4. FBiH Ministry of Energy, Mining and Industry
  - FBiH Metrology Institute
  - FBiH Directorate for Defence Industry
5. FBiH Ministry of Transport and Communications
  - FBiH Directorate for Civil Aviation
  - FBiH Directorate for Building, Managing and Maintaining Motorways
6. FBiH Ministry of Labour and Social Policy
7. FBiH Ministry of Displaced Persons and Refugees
8. FBiH Ministry for Affairs Related to Veterans and Disabled Veterans of the Defence-Liberation War
9. FBiH Ministry of Health
10. FBiH Ministry of Education and Science
11. FBiH Ministry of Culture and Sports
  - Institute for Protection of Monuments
12. FBiH Ministry of Trade
13. FBiH Ministry of Physical Planning and Forestry
  - FBiH Forestry Administration
14. FBiH Ministry of Agriculture, Water Management and Forestry
15. FBiH Ministry of Development, Entrepreneurship and Crafts
16. FBiH Ministry of Environment and Tourism

#### Independent FBiH administration:

1. FBiH Administration of Civil Protection
2. FBiH Administration for Geodetic and Property Legal Affairs
3. FBiH Administration for Inspection Affairs

#### Supreme Court of FBiH

The highest court of appeals of the FBiH, its jurisdiction determined by law

#### Cantonal Courts

The jurisdiction is determined by law; appellate jurisdiction over municipal courts and first-instance jurisdiction over matters not within the competence of the municipal courts

#### FBiH Prosecutor's Office

Prosecutor's Office and Cantonal prosecutor's offices, jurisdiction is determined by specific law

#### Municipal Courts

May be established for the territory of one or several municipalities; jurisdiction over all civil and criminal matters except in cases determined by constitution or law; established by law and funded by the Cantons

#### Judicial Police FBiH

The competences and organization are regulated by law



## Schematic overview of levels of governance in Bosnia and Herzegovina

### Cantons in the Federation of Bosnia and Herzegovina

Responsibility of the Cantons: The Cantons shall have all the competences not expressly granted to the FBiH authorities (Article III.4 (1) of the FBiH Constitution) establishing and controlling police forces (identical FBiH uniforms with Cantonal insignia)  
 b) education c) cultural policy d) housing policy e) regulating and provision of public services f) regulating local land use, including by zoning g) promoting local business and charitable activities h) regulating local energy production facilities and ensuring the availability thereof  
 i) policy concerning RTV facilities, including decisions concerning regulation and provision thereof j) implementing social policy and providing social services k) Cantonal tourism policy and developing tourism resources  
 l) financing Cantonal authorities by taxation, borrowing or other means

Joint competences of the FBiH and Cantons: a) human rights b) healthcare c) environmental policy e) communication and transport infrastructure, in accordance with the BiH Constitution e) social policy  
 f) implementing regulations on citizenship, passports and movement of foreign citizens g) tourism h) natural resources



## Schematic overview of levels of governance in Bosnia and Herzegovina

### The Republika Srpska

The Republika Srpska is one of the two entities of Bosnia and Herzegovina and is competent for:

- integrity and constitutional order of RS - security and state of emergency - constitutionality and legality - human rights and freedoms - property, property relations and obligations - companies and economic relations - banking and tax system - economic, scientific, technological development - demographic and social development - agriculture and village - use of space - development policy and measures - commodity reserves - control of legal entities - statistics and collection of data of general interest - organisation of administrative bodies and of public service system - work relations, safety at work, employment - social policy - health protection - system of education - cultural policy - physical culture and sports - protection of environment - public information - international cooperation - financing - other relations relevant for RS (Article 68 of the RS Constitution)

All State functions and powers shall belong to the Republic, with exception of those which were by the Constitution of Bosnia and Herzegovina explicitly transferred to its institutions

#### National Assembly

- 1) decides on the Constitution 2) enacts laws, other regulations and general enactments 3) development plan, urban plan, budget and annual balance sheet
- 4) territorial organisation 5) calls for referendum in RS
- 6) public loan and contracting debts of RS 7) calls elections for Assembly deputies and for the President
- 8) elects, appoints and dismisses officials 9) exerts control over the work of the Government and other bodies
- 10) grants amnesty 11) carries out other activities in accordance with the Constitution and law
- elects delegates from RS to the House of Peoples of the Parliamentary Assembly of BiH
- ratifies agreements - declares state of emergency

#### Council of Peoples

- Acts of the National Assembly:
- Constitution
  - laws
  - spatial plans
  - budget
  - annual balance sheet of the budget
  - declarations
  - resolutions
  - recommendations
  - decisions
  - conclusions
  - authentic interpretations

#### President of RS

- 1) represents the Republic
  - 2) proposes a candidate for the Prime Minister
  - 3) proposes candidates for the president and judge of the Constitutional Court
  - 4) promulgates laws by decree
  - 5) grants pardons
  - 6) decorations and awards
  - 7) performs other tasks in accordance with the Constitution,
- in accordance with the Constitution of BiH and law, performs tasks related to safety and international relations
  - appoints heads of missions of RS in foreign countries, and nominates ambassadors and other representatives of BiH from RS
  - forms advisory bodies falling within his competence
  - requests that the Government present its position on certain issues of importance for RS and may convene a session of the Government and put on the agenda issues falling under its competence

#### Vice-Presidents

Two vice-presidents replace the President and assist in performing entrusted tasks

#### Senate

The advisory body of the highest institutions of RS

Acts of the President of RS:

- decisions on promulgation of laws
- decrees with the force of law (state of emergency)
- decisions (heads of representation offices)
- decisions (on pardons, appointments)
- administrative decisions

#### Government of RS

- 1) proposes laws, other regulations and general enactments
  - 2) proposes the development plan, urban plan, budget and the annual balance sheet
  - 3) ensures implementation and enforcement of laws, other regulations and general enactments
  - 4) passes decrees, decisions and other enactments necessary for the enforcement of law
  - 5) gives opinion on drafts of laws, other regulations and general enactments submitted to the National Assembly by another proposer
  - 6) defines principles of internal organisation of ministries and other administrative bodies and organisations, appoints and recalls officials at ministries, other bodies and administrative organisations
  - 7) guides and co-ordinates the work of ministries and other bodies and administrative organisations
  - 8) carries out supervision of the work of ministries and other bodies and administrative organisations, and annuls or cancels their enactments which are in contravention of law or some other regulation
  - 9) carries out other tasks in accordance with the Constitution and law
- the Government decides on establishment of RS missions abroad

#### Acts of the Government:

- decrees
- decisions
- guidelines
- instructions
- rulings
- conclusions
- other acts in accordance with the law

#### General Secretariat of the Government

Ministries and RS administration are independent in exercising their competencies prescribed by the Constitution and law and implement laws and other regulations and general enactments of the National Assembly, the Government and the President, decide in administrative matters, carry out supervision and other administrative tasks prescribed by the law (monitoring, policy management, normative activities, public services management, technical tasks). The establishment and competencies are regulated by law and certain tasks can be entrusted to local governments, public enterprises, public institutions and other organisations. The Ministries, Republika Srpska Administrations and Republika Srpska administrative organisations legislate only when specifically authorised to do so by law or a Government regulation

- rulebooks - orders - directions

#### The Constitutional Court of RS

- decides on:
- 1) conformity of laws, other regulations and general acts with the Constitution
  - 2) conformity of regulations and general enactments with the law
  - 3) conflict of jurisdictions between bodies of legislative, executive and judicial branch
  - 4) conflict of jurisdiction between RS, city and municipality
  - 5) conformity of programmes, statutes and other general enactments of political organisations with the Constitution and the law
- monitors, gives opinions and proposals for adopting laws for the purpose of ensuring constitutionality, legality and protection of freedoms and rights
  - decides on the compliance of laws, other regulations and enactments of the National Assembly with the provisions of the Constitution on the protection of vital interests of the constituent peoples
  - decides on issues concerning immunity

#### Acts of the Constitutional Court:

- decisions
- rulings

#### The Supreme Court of RS

Ensures a uniform enforcement of law

#### Municipality and City

- In accordance with the Constitution and law, municipality:
1. enacts a development program, urban planning, budget and annual balance sheet
  2. regulates and provides performance of communal activities
  3. regulates the use of urban construction sites and business premises
  4. takes care of construction, maintenance and use of local roads, streets and other public facilities of importance to the municipality
  5. needs of citizens in the areas of culture, education, health and social welfare, physical culture, public information, handicrafts, tourism and catering services, environment protection and other areas
  6. enacts laws, other regulations and general enactments of the RS whose execution is entrusted to the municipality, provide for the execution of regulations and general enactments of the municipality
  7. establishes and regulates agencies, organisations and services to meet the needs of the municipality
  8. perform other tasks as established by the Constitution, the law and the statute of the municipality

The system of local self-government and territorial organisation are regulated by law, as well as revenues and delegated tasks

Acts of bodies of local self-government (Municipal Assembly, Mayor, Administrative Service) (decisions and other general enactments are published in the Official Gazette).

- statute - rules of procedure - decisions
- rulebook - orders - rulings
- directions - conclusions - recommendations
- resolutions

#### Other important institutions and bodies (regulated by law or special regulations)

- Agency for intermediary, IT and Financial Services, Inc. Banja Luka
- Agency for Management of Seized Assets
- Agency for Peaceful Settlement of Disputes
- Bar Association of RS
- Elektroprivreda RS, mixed holding, parent company, Inc. Trebinje
- Fund for Professional Rehabilitation and Employment of Disabled Persons
- Radio-Television of Republika Srpska
- RS Agency and the Council for Traffic Safety
- RS Agency for Accreditation and Health Care Quality Improvement
- RS Banking Agency
- RS Central Securities Registry, joint-stock company, Banja Luka
- RS Chamber of Commerce
- RS Civil Administration Appeals Board
- RS Gender Centre
- RS Government Service for Joint Affairs
- RS Guarantee Fund, Inc. Banja Luka
- RS Head Office for Public Sector Auditing
- RS Health Insurance Fund
- RS Insurance Agency
- RS Investment-Development Bank, Inc. Banja Luka (Development and Employment Fund, Fund for Development of the Eastern Part of RS, Housing Fund, Shares Fund, Restitution Fund, Real Estate and Claims Fund)
- RS Judicial and Prosecutorial Training Centre, public institution
- RS Notary Chamber
- RS Ombudsman for Children
- RS Postal Services, Inc. Banja Luka
- RS Public Attorney's Office
- RS Public Fund for Child Protection
- RS Public Health Institute, public institution
- RS Railways, Railways Company
- RS Regulatory Commission for Energy
- RS Securities Commission

#### Ministries

1. Ministry of Administration and Local Self-Government
2. Ministry of Justice
3. Ministry of Finance
4. Ministry of Education and Culture
5. Ministry of Internal Affairs
6. Ministry of Health and Social Welfare
7. Ministry of Family, Youth and Sports
8. Ministry of Industry, Energy and Mining
9. Ministry of Trade and Tourism
10. Ministry of Labour and Protection of Veterans and Disabled Persons
11. Ministry of Transport and Communications
12. Ministry of Science and Technology
13. Ministry of Agriculture, Forestry and Water Management
14. Ministry of Spatial Planning, Civil Engineering and Ecology
15. Ministry of Refugees and Displaced Persons
16. Ministry of Economic Relations and Regional Cooperation

#### The RS Administrations

1. RS Administration for Geodetic and Property Affairs
2. RS Tax Administration
3. RS Administration for Inspection Activities
4. RS Administration for Child Protection
5. RS Foreign Exchange Inspectorate
6. RS Administration for Games of Chance

#### The RS Administrative Organisations

1. RS Legislation Secretariat
2. RS Civil Service Agency
3. Water Agency for Sava River District
4. Water Agency for Trepinja River District
5. Forestry Agency
6. Agency for Agricultural Payments
7. Agency for Provision of Professional Services in Agriculture
8. Agency for Breeding and Selection in Livestock Farming
9. RS Secretariat for Religions
10. RS Statistics Institute
11. RS Educational Research Institute
12. RS Standardisation and Metrology Institute
13. RS Centre for War Crime Research
14. RS Directorate for Commodity Reserves
15. RS Directorate for Production and Trade of Armaments and Military Equipment
16. RS Directorate for Civil Aviation
17. RS Directorate for Reconstruction and Civil Engineering
18. RS Institute for Protection of Cultural, Historical and Natural Heritage
19. RS Hydrometeorology Institute
20. RS Archives
21. RS Institute for Spatial Planning
22. RS Institute for Construction
23. RS Institute for Geological Survey
24. RS Centre for Provision of Free Legal Aid
25. Adult Education Institute

#### Courts of RS

Judicial branch of the government, autonomous and independent, adjudicate on the basis of the Constitution and laws; the establishment, jurisdiction and procedures are specified by law; Basic and District courts, District commercial courts and The Higher Commercial Court

#### Court police of RS

Regulated by law; the President of the Supreme Court manages the court police and is responsible for lawful management

#### Public Prosecutor's Office

An independent body, performs its function on the basis of the Constitution and law; the establishment, organisation and jurisdiction are regulated by the law; The Republika Srpska Prosecutor and District Prosecutors' Offices

#### Special Prosecutor's Office for Suppression of Organized Crime and Most Severe Cases of Economic Crimes

Located in the District Prosecutor's Office in Banja Luka

#### Advocacy

Autonomous, independent legal aid service; organization and operation are regulated by law



## Schematic overview of levels of governance in Bosnia and Herzegovina

### The Brcko District of Bosnia and Herzegovina

A unit of local self-government with its own institutions, laws and regulations, and with powers and status definitively prescribed by the awards of the Arbitral Tribunal for the Dispute over the Inter-Entity Boundary in the area of Brcko

- under the sovereignty of BiH - subject to the responsibilities of the institutions of BiH - the territory of BD is jointly owned by (a condominium of) the Entities - the relationship between BD and the institutions of BiH and the Entities may be further regulated by law adopted by the Parliamentary Assembly of BiH - the Constitutional Court of BiH has jurisdiction to decide in any dispute relating to the protection of status and powers of the BD that may arise between Entities, BD and BiH under the Constitution of BiH and the awards of the Arbitral Tribunal (Any such dispute may also be referred by a majority of the councilors of BD Assembly, including at least one-fifth of the elected councilors from among each of the constituent peoples) (Amendment 1 to the BiH Constitution [Official Gazette of BiH, No. 25/09])

The Constitution of BiH, laws and decisions of the institutions of BiH are directly applicable throughout the territory of BD and the laws and decisions of BD must be in conformity with them; the competences of BD public authorities are: a) economy b) finances c) public property d) public services/infrastructure e) culture f) education g) health care h) environmental protection i) social welfare j) judiciary and legal services k) police l) housing issues m) urbanism and physical planning n) other competences necessary for the functioning of BD

#### Brcko District Assembly

Determines general policy for BD;

- adopts the statute and the rules of procedure
- adopts the budget
- adopts laws
- adopts decisions and resolutions
- decides on public loans and indebtedness
- elects and dismisses the Speaker and Deputy Speaker of BD Assembly and the Mayor, and gives its consent to the appointment of officials in accordance with relevant regulations
- controls the work of the Government and the entire administration of BD and manages BD revenues and expenditures
- evaluates the performance of the Mayor and other officials at least once a year
- reviews annual financial reports
- instigates procedure before the Constitutional Court of BiH
- performs other functions in accordance with this Statute and the law

General acts of BD Assembly:

- Statute
- rules of procedure
- laws of BD
- budgets of BD
- decisions
- declarations
- resolutions
- recommendations and conclusions
- authentic interpretation of laws and other general acts of BD Assembly

#### The Brcko District Government

The BD Government consists of the Mayor, the Deputy Mayor, the Government Chief Coordinator and the Heads of Departments, it meets at least once a week, the Government members discuss all issues that fall within the BD Government's competencies and pass decisions by a simple or qualified majority of the present members of the BD Government; reports to the BD Assembly on all issues of public interest, submits work reports and work programmes

#### The Mayor

The Mayor is elected by the BD Assembly, organizes the departments of BD Government to cover all functions and powers of BD; the Mayor has no more than six (6) advisers, selects Deputy Mayor, the Government Chief Coordinator and Heads of Departments, presides over BD Government and schedules and chairs the sessions; the Mayor is accountable to the Assembly for implementing laws and orderly management and administration of BD, in accordance with the law, appoints, promotes and dismisses all public administration employees, submits draft laws and proposals to BD Assembly; proposes the budget and produces financial reports of BD, performs other duties in accordance with the Statute and the law.

Deputy Mayor (assists, represents and acts in the absence of the Mayor), Government Chief Coordinator (coordinates activities of multiple BD Government Departments, public administration bodies and other institutions and has competences in accordance with the law) and Heads of Departments (no more than twelve 12 Heads of Departments with executive authorities envisaged by law)

Public administration bodies within their competencies: a) enforce laws and other regulations b) monitor the situation and propose measures in relevant areas c) decide in administrative matters d) perform administrative surveillance e) prepare regulations in relevant areas f) perform other activities determined by law

Acts of the Mayor:

- decisions
- rulebooks
- organizational plan
- directions
- instructions
- orders

Acts of the BD Government:

- draft laws
- decisions
- rulebooks
- conclusions
- rules of procedure

Public Administration

- Departments of BD Government
- Office of the Mayor
- BD Finance Directorate
- Office for Public Property Management
- Office of the Coordinator for Brcko District in the Council of Ministers of BiH
- other administrative bodies when provided by the law

In accordance with the Statute, law and other regulations adopt:

- general acts (normative legal acts)
- individual (administrative acts)
- substantive acts (administrative and technical actions)

#### Brcko District Courts

Have jurisdiction to decide whether any law, regulation or other legal act of an institution of BD is in conformity with the Statute, as well as whether a regulation or another legal act of an institution of BD is in conformity with BD law;

Decide on conflict of competencies in accordance with the Statute

Independent and impartial;

Establishment, organization and jurisdiction of BD Courts are provided by law;

Adjudication in accordance with the BiH Constitution, the awards of the Arbitral Tribunal, laws of BiH, the Statute and laws of BD

The Appellate Court

The Basic Court

#### Brcko District Prosecutor's Office

Independent from the Judiciary and BD Police; its establishment, organization and competences are provided by law;

prosecutes offenders in criminal proceedings and performs other functions impartially in accordance with the Constitution and laws of BiH, BD Statute and the Laws

#### Public Companies

The work of each public company is supervised by a Steering Board that is accountable to BD Assembly, Director of a public company is appointed by the Steering Board;

certain competences of BD Government and public administration may be delegated to the public companies by law;

public companies are independent from BD Government and the public administration

#### BD Finance Directorate

Competences are regulated by law, responsible for collection of all BD revenues, investment of BD funds, preparation of the proposed annual budget in accordance with instructions of the Mayor, reporting to BD Assembly on revenues and finances of BD

Tax Administration  
collecting revenues

The Treasury  
budget and expenditures

#### Office of the Mayor

Affairs of the Mayor, Deputy Mayor and the Chief Coordinator, public relations of the BD Government; administrative and technical tasks for the Government, legal affairs, the public administration reform, handling the appeals and complaints, inspection affairs, second instance administrative procedure, employment procedure in public administration bodies, legislation, European integration, principles, rules and ethical standards for public servants,

#### Office of the Mayor, Government Secretariat, Legislative Office, Inspection Services, Appellate Commission, Employment Board, Administrative Inspection

#### Other important institutions and bodies (established by law or special regulation)

- Archives of BD
- Commission for Concessions of BD
- Economic Chamber of BD
- Employment Bureau of BD
- Guarantee Development Fund of BD
- Health Insurance Fund of BD
- Office for Audit of the Public Administration and Institutions of BD
- Securities Commission of BD (Central Registry of the Securities)

#### Office of the Coordinator for Brcko District in the Council of Ministers of BiH

Represents the interests and institutions of BD, reports and is accountable to the Mayor; the Office is headed by the Coordinator or who is assisted by one or more Deputy Coordinators, functions of the Coordinator are regulated by law

#### Office for Public Property Management

Responsible for management and disposal of public property situated in BD in accordance with the law; reports and is accountable to the Mayor; its status, functions and authorities are regulated by law

#### Court Police of BD

Established and regulated by BD law; the President of the Judicial Commission is responsible for its management while the Chief of the Court Police is responsible for operative control and daily affairs

#### Departments of the BD Government

- Department of Professional and Administrative Affairs
- Department of Physical Planning and Property Affairs
- Department of Economic Development, Sports and Culture
- Department of Public Affairs
- Department of Utilities
- Department of Health and Other Services
- Department of Education
- Department of Agriculture, Forestry and Water Management
- Department of Public Register
- Department for Dislocated Persons, Refugees and Housing issues
- Department of Public Safety

Heads of Departments, in exercising their competencies when provided by law, issue:

- decisions
- rulebooks

#### Judicial Commission

An independent body, its organization, composition and manner of operation are provided by BD law; it ensures the independence of BD judiciary, the Legal Aid Agency, Public Attorney's Office and BD Prosecutor's Office; provides training; adopts and implements the Code of Ethics, and conducts disciplinary proceedings against judges and prosecutors in BD; appoints and dismisses the Public Attorney and his or her deputies, appoints and dismisses administrative staff; drafts and submits laws that relate to organization and operation of BD Judiciary, and regulates practice of lawyers and notaries in the District; appoints and regulates the notary practice in the District; prepares and proposes budget to be allocated to BD Judiciary, other matters determined by BD law

#### Police of the BD

Regulated by law, its employees are public servants; the Police has a Chief and one Deputy, the Chief is appointed by the Mayor with consent of the Assembly based on professional criteria, the cooperation with the police forces of BiH and Entities is regulated by BD law or based on agreement

#### Legal Aid Agency

An independent institution, providing legal advice and representation in criminal and civil matters to the BD residents of low income; the establishment, organization and competences are provided in the BD

#### Public Attorney's Office

Independent institution; its establishment, organization and competences are provided by law; it protects BD assets, rights and legality (advisory opinions, civil actions and representation of BD), undertakes legal action when the Mayor, the Speaker or one of their deputies establishes existence of an issue concerning the status and powers of BD (including the initiation of proceedings before the Constitutional Court of BiH); The Public Attorney initiates court actions against BD institutions and public officials that violate the Statute



**Annex VII. MEG II Project Budget**

PLANNED ACTIVITIES	PLANNED BUDGET (USD) TOTAL	YEAR 1 (1 Apr 21 - 31 Mar 22)	YEAR 2 (1 Apr 22 - 31 Mar 23)	YEAR 3 (1 Apr 23 - 31 Mar 24)	YEAR 4 (1 Apr 24 - 31 Mar 25)
	Amount (USD)	Amount (USD)	Amount (USD)	Amount (USD)	Amount (USD)
<b>Outcome 1: State, entity, and cantonal governments set in place a more conducive policy and regulatory environment that affirms result-oriented local governance and improved water supply and wastewater management services.</b>	<b>1,910,860.10</b>	<b>392,796.54</b>	<b>549,538.56</b>	<b>791,162.50</b>	<b>177,362.50</b>
Output 1.1. Relevant entity institutions advance capacities to design and implement gender-responsive policy frameworks that enable performance-oriented local governance system.	<b>1,362,710.10</b>	<b>310,296.54</b>	<b>334,288.56</b>	<b>643,962.50</b>	<b>74,162.50</b>
Activity 1.1.1. - Conduct thematic surveys or policy papers to prepare the ground for home-grown performance-based good local governance system inspired by global good practices.	45,000.00	45,000.00	-	-	-
Activity 1.1.2. - Support inclusive grass-root design of the draft GLG framework.	188,200.00	82,612.50	36,862.50	34,362.50	34,362.50
Activity 1.1.3. - Facilitate inclusive policy process to identify the scope of desired policy changes and translate them into policy measures	151,000.00	42,600.00	65,000.00	43,400.00	-
Activity 1.1.4. - Support capacity development of institutions to implement and monitor the impacts from delivery of the policy measures	978,510.10	140,084.04	232,426.06	566,200.00	39,800.00
Output 1.2. Higher level governments capacitated to design policy and regulatory frameworks that advance water supply and wastewater management services.	<b>548,150.00</b>	<b>82,500.00</b>	<b>215,250.00</b>	<b>147,200.00</b>	<b>103,200.00</b>
Activity 1.2.1. - Facilitate policy process to identify the scope of reforms in the water supply and wastewater management sector	40,000.00	25,000.00	15,000.00	-	-
Activity 1.2.2. - Translate the identified priorities into draft regulatory frameworks and set in place critical capacities for their follow-up implementation and oversight	508,150.00	57,500.00	200,250.00	147,200.00	103,200.00
<b>Outcome 2: Local governments improve their performance, are more accountable, inclusive and gender-responsive, and provide high quality services, in particular in the water sector.</b>	<b>3,803,718.41</b>	<b>401,584.21</b>	<b>1,023,834.21</b>	<b>944,150.00</b>	<b>1,434,150.00</b>
Output 2.1. Municipal Councils, local administrations and citizens in partner localities understand and institutionalise the GLG Framework.	<b>236,450.00</b>	<b>149,300.00</b>	<b>29,050.00</b>	<b>29,050.00</b>	<b>29,050.00</b>

Activity 2.1.1. - Support awareness raising and promotion of the GLG Framework	170,950.00	88,300.00	27,550.00	27,550.00	27,550.00
Activity 2.1.2. - Support entry-point self-evaluation and target setting of the GLG Framework, alongside with survey of citizen satisfaction with public services in partner local governments.	65,500.00	61,000.00	1,500.00	1,500.00	1,500.00
Output 2.2. Partner local government have acquired adequate capacities and tools to effectively plan and deliver public policies and services, guided by a result-oriented approach.	<b>3,567,268.41</b>	<b>252,284.21</b>	<b>994,784.21</b>	<b>915,100.00</b>	<b>1,405,100.00</b>
Activity 2.2.1. - Support all partner local governments to advance their capacities and modernise tools and systems for improved performance and public service delivery.	1,239,318.41	252,284.21	434,234.21	283,900.00	268,900.00
Activity 2.2.2. - Support annual performance evaluation and target setting for the new annual policy cycle in all partner local governments.	106,650.00	-	35,550.00	35,550.00	35,550.00
Activity 2.2.3. - Award best performing partner local governments through financial incentives for public service delivery, including in the water supply and wastewater management area.	2,221,300.00	-	525,000.00	595,650.00	1,100,650.00
<b>Outcome 3: Citizens, including the most vulnerable, benefit from improved water supply and wastewater management services provided in a more efficient, accountable, and sustainable manner.</b>	<b>1,967,051.77</b>	<b>185,250.00</b>	<b>674,135.95</b>	<b>689,415.82</b>	<b>418,250.00</b>
Output 3.1: Local government capacities and frameworks entailing sustainable partnerships with their water utilities enhanced to enable more effective, efficient, inclusive, and sustainable water supply and wastewater service	<b>618,651.77</b>	<b>44,700.00</b>	<b>241,685.95</b>	<b>274,065.82</b>	<b>58,200.00</b>
Activity 3.1.1. - Support PSAs development, institutionalization, and implementation in partner local governments.	566,151.77	37,200.00	226,685.95	259,065.82	43,200.00
Activity 3.1.2. - Support affordability survey and introduction of a gender-sensitive water supply and wastewater services subsidy system for users in social need.	26,250.00	3,750.00	7,500.00	7,500.00	7,500.00
Activity 3.1.3. - Support fixed assets book completion and revalorization of fixed assets, as well as adoption of water tariff setting procedure and gender-sensitive employment policy for water utilities	26,250.00	3,750.00	7,500.00	7,500.00	7,500.00
Output 3.2: Financial and operational performance of water utilities improved.	<b>1,348,400.00</b>	<b>140,550.00</b>	<b>432,450.00</b>	<b>415,350.00</b>	<b>360,050.00</b>

Activity 3.2.1. - Support to enhancing organisational structure and staffing of water utilities	477,600.00	50,200.00	149,500.00	166,600.00	111,300.00
Activity 3.2.2. - Support improvements of technical and management capacities of water utilities	491,300.00	37,100.00	174,200.00	140,000.00	140,000.00
Activity 3.2.3. - Support upgrading water utilities' financial management capacity	379,500.00	53,250.00	108,750.00	108,750.00	108,750.00
<b>ACTIVITY4 - Project Management and Evaluation</b>	<b>1,392,737.78</b>	<b>334,184.45</b>	<b>362,184.45</b>	<b>334,184.45</b>	<b>362,184.45</b>
Sector and programmatic quality assurance and support	392,928.00	98,232.00	98,232.00	98,232.00	98,232.00
Project Manager, Associate and Assistant	386,400.00	96,600.00	96,600.00	96,600.00	96,600.00
Operational Support	76,128.00	19,032.00	19,032.00	19,032.00	19,032.00
Travel, transportation, and subsistence costs, vehicle running costs	225,600.00	56,400.00	56,400.00	56,400.00	56,400.00
Equipment consumables and supplies	21,600.00	5,400.00	5,400.00	5,400.00	5,400.00
Rental and utility costs, lease, maintenance and repair costs	167,681.78	41,920.44	41,920.44	41,920.45	41,920.45
IT telecommunication, and communication services	24,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Mid-term and final Evaluation	56,000.00		28,000.00		28,000.00
HACT Assessment and assurance	28,000.00	7,000.00	7,000.00	7,000.00	7,000.00
Miscellaneous (bank charges, media announcements, etc.)	14,400.00	3,600.00	3,600.00	3,600.00	3,600.00
<b>Subtotal - direct programme costs</b>	<b>9,074,368.06</b>	<b>1,313,815.19</b>	<b>2,609,693.15</b>	<b>2,758,912.77</b>	<b>2,391,946.95</b>
<b>INDIRECT COSTS - GMS at 8% of subtotal of direct programme costs (Switzerland and SIDA)</b>	557,725.14	105,105.22	144,800.77	151,062.28	156,756.88
<b>INDIRECT COSTS - GMS at 7% of subtotal of direct programme costs (EU)</b>	147,196.26	-	55,977.84	60,944.40	30,274.02
<b>UN Coordination levy - 1% (Switzerland)</b>	65,346.53	11,372.91	17,275.61	17,888.35	18,809.66
<b>TOTAL BUDGET</b>	<b>9,844,636.00</b>	<b>1,430,293.31</b>	<b>2,827,747.38</b>	<b>2,988,807.80</b>	<b>2,597,787.50</b>

<b>Direct CONTRIBUTION - Government of BIH - Local Governments</b>	<b>3,855,000.00</b>		<b>772,500.00</b>	<b>1,537,500.00</b>	<b>1,545,000.00</b>
<b>OVERALL TOTAL</b>	<b>13,699,636.00</b>	<b>1,430,293.31</b>	<b>3,600,247.38</b>	<b>4,526,307.80</b>	<b>4,142,787.50</b>

<b>MEG II - Sources of Funding (ODA)</b>	<b>TOTAL USD</b>	<b>%</b>
Government of Switzerland	6,600,000.00	<b>67%</b>
European Union	2,250,000.00	<b>23%</b>
Government of BIH - Local Governments	3,855,000.00	
Government of Sweden	994,636.00	<b>10%</b>
	<b>13,699,636.00</b>	<b>100%</b>

**MEG II PROJECT BUDGET DETAILS**

<b>Activities for Output 1.1. Relevant entity institutions advance capacities to design and implement gender-responsive policy frameworks that enable performance-oriented local governance system.</b>	<b>Description</b>	<b>USD 1,362,710.10 + USD 765,000 BiH Gov</b>
1.1.1. - Conduct thematic surveys or policy papers to prepare the ground for home-grown performance-based good local governance system inspired by global good practices.	<ul style="list-style-type: none"> <li>- Country-wide consultations on Good Local Governance</li> <li>- Support to analysis of GLG consultation results</li> <li>- Digital tool (web portal) for consultation process</li> </ul>	<ul style="list-style-type: none"> <li>USD 15,000</li> <li>USD 12,000</li> <li>USD 18,000</li> </ul>
1.1.2. - Support inclusive grass-root design of the draft GLG framework.	<ul style="list-style-type: none"> <li>- Working Groups consultations with partner LGs to test-simulate application of the draft GLG</li> <li>- Support AMCs structures in facilitation processes</li> <li>- Advocacy campaigns and promotion</li> <li>- Local Governance Officers – 27 months</li> </ul>	<ul style="list-style-type: none"> <li>USD 8,000</li> <li>USD 93,250</li> <li>USD 10,000</li> <li>USD 76,950</li> </ul>
1.1.3. - Facilitate inclusive policy process to identify the scope of desired policy changes and translate them into policy measures	<ul style="list-style-type: none"> <li>- Technical assistance to policy process facilitation, including support to organisation of working groups / consultations meetings</li> <li>- Capacity development support to key stakeholders</li> <li>- Advocacy campaigns and promotion</li> </ul>	<ul style="list-style-type: none"> <li>USD 72,000</li> <li>USD 69,000</li> <li>USD 10,000</li> </ul>
1.1.4. - Support capacity development of institutions to implement and monitor the impacts from delivery of the policy measures	<ul style="list-style-type: none"> <li>- Introduction of Public digital platform</li> <li>- Good local governance public financial incentives</li> <li>- Learning event to support implementation and monitoring of policy measures</li> <li>- Capacity development support to key stakeholders</li> <li>- Policy Officer – 48 months</li> </ul>	<ul style="list-style-type: none"> <li>USD 249,710.10</li> <li>USD 510,000 +</li> <li>USD 765,000 BiH Gov</li> <li>USD 25,000</li> <li>USD 57,000</li> <li>USD 136,800</li> </ul>
<b>Activities for Output 1.2. Higher level governments capacitated to design policy and regulatory frameworks that advance water supply and wastewater management services.</b>	<b>Description</b>	<b>USD 548,150</b>
1.2.1. - Facilitate policy process to identify the scope of reforms in the water supply and wastewater management sector	<ul style="list-style-type: none"> <li>- Technical assistance to policy process facilitation, including support to organisation of working groups / consultations meetings</li> </ul>	USD 40,000.00
1.2.2. - Translate the identified priorities into draft regulatory frameworks and set in place critical capacities for their follow-up implementation and oversight	<ul style="list-style-type: none"> <li>- Working Groups / Consultations meeting</li> <li>- Technical assistance in facilitation, public consultations and formulation of regulatory and policy frameworks</li> <li>- Technical assistance in the area of water tariff methodology regulatory and institutional framework, benchmarking system for water utilities and needs-based capacity development of institutions in the process</li> </ul>	<ul style="list-style-type: none"> <li>USD 10,000</li> <li>USD 150,000</li> <li>USD 150,000</li> </ul>

	<ul style="list-style-type: none"> <li>- Learning event to support implementation and monitoring of policy measures</li> <li>- Advocacy campaigns and promotion</li> <li>- Policy Officer – 46 months</li> </ul>	<p>USD 47,050</p> <p>USD 20,000</p> <p>USD 131,100</p>
<b>Activities for Output 2.1. Municipal Councils, local administrations and citizens in partner localities understand and institutionalise the GLG Framework</b>	<b>Description</b>	<b>USD 236,450</b>
2.1.1. - Support awareness raising and promotion of the GLG Framework	<ul style="list-style-type: none"> <li>- Support AMCs structures in awareness raising and promotion of the GLG</li> <li>- Technical assistance in the process of supporting promotion of the GLG</li> <li>- Local Governance Officers – 27 months</li> </ul>	<p>USD 76,000</p> <p>USD 18,000</p> <p>USD 76,950</p>
2.1.2. - Support entry-point self-evaluation and target setting of the GLG Framework, alongside with survey of citizen satisfaction with public services in partner local governments	<ul style="list-style-type: none"> <li>- Entry-point evaluation and target setting process</li> <li>- Support to the annual citizen satisfaction with public services surveys</li> <li>- Deployment of a digital survey tool (including eCitizen solution)</li> </ul>	<p>USD 27,000</p> <p>USD 13,500</p> <p>USD 25,000</p>
<b>Activities for Output 2.2. Partner local government have acquired adequate capacities and tools to effectively plan and deliver public policies and services, guided by a result-oriented approach.</b>	<b>Description</b>	<b>USD 3,567,268.41 + USD 3,090,000 BiH Gov</b>
2.2.1. - Support all partner local governments to advance their capacities and modernise tools and systems for improved performance and public service delivery	<ul style="list-style-type: none"> <li>- Technical assistance for improved performance and public service delivery - new partner LGs</li> <li>- Light technical assistance for improved performance and public service delivery - LGs from the 1st MEG Phase</li> <li>- Technical support and solutions that advance information systems and data analytics, introduce public digital performance dashboards based on the GLG Framework and the results</li> <li>- Scaling up of the eCitizen digital solution for inclusive public service delivery</li> <li>- Local Governance Officers – 75 months</li> </ul>	<p>USD 410,000</p> <p>USD 82,000</p> <p>USD 250,000</p> <p>USD 283,568.41</p> <p>USD 213,750</p>
2.2.2. - Support annual performance evaluation and target setting for the new annual policy cycle in all partner local governments	<ul style="list-style-type: none"> <li>- Technical assistance to support annual performance evaluation and target setting for the new annual policy cycle in all partner local governments</li> <li>- Local Governance Officers – 9 months</li> </ul>	<p>USD 81,000</p> <p>USD 25,650</p>
2.2.3. - Award best performing partner local governments through financial incentives for public service delivery, including in the water supply and wastewater management area.	<ul style="list-style-type: none"> <li>- Award ceremonies</li> <li>- Financial support to implementation of priority projects - partner LGs from the 1st MEG Phase/first 3 best performing</li> </ul>	<p>USD 5,000</p> <p>USD 660,000 USD + USD 990,000 BiH Gov</p> <p>USD 1,400,000 + USD 2,100,000 BiH Gov</p>

	<ul style="list-style-type: none"> <li>- Financial support to implementation of priority projects - new partner LGs/first 5 best performing</li> <li>- Study visits/ learning events for best performing LGs</li> <li>- Advocacy campaign and promotion</li> <li>- Environment and Water Management Field Officer – 12 months</li> <li>- Local Governance Officers – 6 months</li> </ul>	<p>USD 90,000 USD 15,000 USD 34,200 USD 17,100</p>
<b>Activities for Output 3.1. Local government capacities and frameworks entailing sustainable partnerships with their water utilities enhanced to enable more effective, efficient, inclusive, and sustainable water supply and wastewater service</b>	<b>Description</b>	<b>USD 618,652.77</b>
<i>3.1.1. - Support PSAs development, institutionalization, and implementation in partner local governments</i>	<ul style="list-style-type: none"> <li>- Technical assistance to partner LGs and utilities</li> <li>- Support to priority river sections cleaning</li> <li>- Environment and Water Management Field Officers – 12 months</li> </ul>	<p>USD 30,000 USD 399,351.77 USD 136,800</p>
<i>3.1.2. - Support affordability survey and introduction of a gender-sensitive water supply and wastewater services subsidy system for users in social need</i>	<ul style="list-style-type: none"> <li>- Technical assistance to partner LGs and utilities</li> </ul>	USD 26,250
<i>3.1.3. - Support fixed assets book completion and revalorization of fixed assets, as well as adoption of water tariff setting procedure and gender-sensitive employment policy for water utilities</i>	<ul style="list-style-type: none"> <li>- Technical assistance to partner LGs and utilities</li> </ul>	USD 26,250
<b>Activities for Output 3.2. Financial and operational performance of water utilities improved.</b>	<b>Description</b>	<b>USD 1,348,400</b>
<i>3.2.1. - Support to enhancing organisational structure and staffing of water utilities</i>	<ul style="list-style-type: none"> <li>- Technical assistance to partner utilities</li> <li>- Environment and Water Management Field Officers – 60 months</li> </ul>	<p>USD 306,600 USD 171,000</p>
<i>3.2.2. - Support improvements of technical and management capacities of water utilities</i>	<ul style="list-style-type: none"> <li>- Technical assistance to partner utilities</li> <li>- Environment and Water Management Field Officers – 18 months</li> </ul>	<p>USD 440,000 USD 51,300</p>
<i>3.2.3. - Support upgrading water utilities' financial management capacity</i>	<ul style="list-style-type: none"> <li>- Technical assistance to partner utilities</li> <li>- Environment and Water Management Specialist</li> </ul>	<p>USD 203,500 USD 176,000</p>
<b>ACTIVITY4</b>	<b>Description</b>	<b>USD 1,392,737.78</b>

<i>Project Management and Evaluation</i>	- Sector and programmatic quality assurance and support	USD 392,928
	- Project Manager, Associate and Assistant	USD 386,400
	- Operational Support	USD 76,128
	- Travel, transportation, and subsistence costs, vehicle running costs	USD 225,600
	- Equipment, consumables, and supplies	USD 21,600
	- Rental and utility costs, lease, maintenance, and repair costs	USD 167,681.78
	- IT, telecommunication, and communication services	USD 24,000
	- Mid-term and final Evaluation	USD 56,000
	- HACT Assessment and assurance activities	USD 28,000
	- Miscellaneous (bank charges, media announcements, etc.)	USD 14,400
<b>Indirect costs + UN Coordination levy</b>		<b>USD 770,267.94</b>

**Annex VIII. Detailed Stakeholders' Analysis**

Stakeholder	Interest in/commitment to the project	Identified challenges	Capacity for change (contribution to the project)	Actions to strengthen capacity of stakeholder address their interests
<b>The Ministry of Foreign Trade and Economic Relations</b>	State-level partner institution holding the closest mandate related to the Project's scope and objectives. Carries responsibilities, among others, for water management and economic development policies. Particularly interested in introducing policy and regulatory changes to improve business environment.	Has no competencies for local service delivery in the environmental and economic sectors.	Participates in the Project steering.	Raising capacities for design and implementation of result-oriented policies and methodologies in environmental and economic sectors with positive effects on local service delivery.
<b>Entity and cantonal governments</b>	Have the power to decide on the framework of decentralisation in their respective entity and in the Federation of Bosnia and Herzegovina – between the entity, the canton and LGs. Interested in effective performance and financial stability of LGs to decrease need for the support from higher level governments. Cantonal governments are particularly interested in improving public service delivery in the environmental sector since they share responsibilities with LGs.	Interested in the concentration of power within their jurisdiction. May have a restraining power in terms of introducing regulatory amendments related to decentralising local services (and therefore – financial resources) in the environmental sector to LGs.	Line ministries at cantonal and entity levels can certainly be change drivers and have positive influence in regard to introducing decentralised regulatory frameworks. Can advocate for necessary policy and regulatory changes. Can provide institutional stewardship over the good local governance framework development process and work on incremental policy changes that ensure positive impact on the local governance system. Can analyse performance of local governments and then translate the performance outcomes into adequate policies and measures that further local governance in the country.	Technical assistance will be reinforced by built-in and customised capacity development of institutions that will be responsible for the implementation and oversight of the changes. Policy process is not linear and will offer a reality-grounded and flexible approach capable to accommodate the policy and political complexities of the governance system in the country. To reinforce the positive influence of entity and cantonal governments on introducing decentralised regulatory frameworks, they need to be engaged from the outset, as well as motivated to scale-up good practices that effectively improve quality of life for the citizens. Can be further positively motivated to engage in policy and regulatory processes by organized bottom-up pressure by local governments and the private sector. The entity and cantonal governments will be provided with customized capacity development that will enable them for implementation and oversight of these changes. Relevant institutions at entity government level will be supported to set in function, implement as well as analyse the impacts of the introduced policy measures.
<b>Ministry of Justice of the Federation of</b>	The Ministry holds broad competencies and responsibilities regarding local	The Ministry, and particularly "Institute for Public	The Ministry has decision-making power and can influence policy and legislative processes and lead	As the policy agenda for performance-oriented local governance will be entirely

Stakeholder	Interest in/commitment to the project	Identified challenges	Capacity for change (contribution to the project)	Actions to strengthen capacity of stakeholder address their interests
Bosnia and Herzegovina	governments in that entity. Has the oversight over the implementation of the local governance legal framework, has decision-making power, and leads public consultation processes. Has interest in the coordination of decentralization policies in the Federation of Bosnia and Herzegovina.	Administration”, which is directly responsible for local government matters, has very limited human capacities. The actual responsibility for the management of local government matters rests with the ten cantons.	public consultation processes. The policy dialogue will be led by entity-based inter-institutional policy bodies including the Ministry of Justice as the one holding a responsibility in the area of local governance. Can engage, as necessary, in the process of drafting, consulting and adopting regulatory changes. Employees are committed and reliable Project partners.	owned and driven by institutions and key stakeholders, the Project will adopt an approach that enables policy-makers to be in the driving seat of the policy process. The Ministry may also be supported to analyse performance of local governments and then translate the performance outcomes into adequate policies and measures that further local governance. May be supported to set in function, implement and analyse the impacts of the introduced policy measures. These may be directly connected with financial incentive schemes to further stimulate performance-orientation of local governments.
Ministry for Administration and Local Government of Republika Srpska	Has direct responsibility and policy-making role in local government matters in Republika Srpska. Actively engaged and very committed partner in numerous local governance projects, with an instrumental support for Project results. Interested in effective performance of local governments.	In addition to current unfavourable political climate for legislative changes, the Ministry, and particularly its relevant department has insufficient human and budget resources to effectively handle the broad spectrum of local government challenges and tasks.	The Ministry can influence policy and legislative processes, provide access to local communities and steer public policy-making debates. Has adequate expertise within relevant ministry departments. Can contribute to the process of renewal of the relevant legal framework. Employees are committed and reliable Project partners for municipality-related initiatives.  The policy dialogue will be led by entity-based inter-institutional policy bodies including the Ministry for Administration and Local Self-Government as the one holding a responsibility in the area of local governance.	As the policy agenda for performance-oriented local governance will be entirely owned and driven by institutions and key stakeholders, the Project will ensure that policy-makers are in the driving seat of the policy process. The Ministry may also be supported to analyse performance of local governments and then translate the performance outcomes into adequate policies and measures that further local governance. May be supported to set in function, implement and analyse the impacts of the introduced policy measures. These may be directly connected with financial incentive schemes to further stimulate performance-orientation of local governments.
Ministry of Environment and Tourism & RS Ministry of Physical Planning, Civil Engineering and Ecology of the Federation of Bosnia and Herzegovina	Project partners, specifically in relation to the broader environment sector. Have direct responsibility and policy-making role related to environment and utilities.	Often insufficient sector-related coordination with relevant entity institutions, as well as with local and cantonal (in the Federation of Bosnia and Herzegovina) institutions, which makes policy- and regulatory changes burdensome.	Engagement in the process of drafting, consulting and adopting regulatory changes. Important role in identifying and applying adequate approaches to improving the regulatory frameworks related to environmental governance, as well as delivering incentivized policies with stronger consideration of the sub-national government levels. Has relatively good sector-related capacity.	Raising capacities for design and implementation of result-oriented policies and methodologies in the environmental sector. Promotion of smooth sectoral coordination among all relevant institutions responsible for the environmental sector.

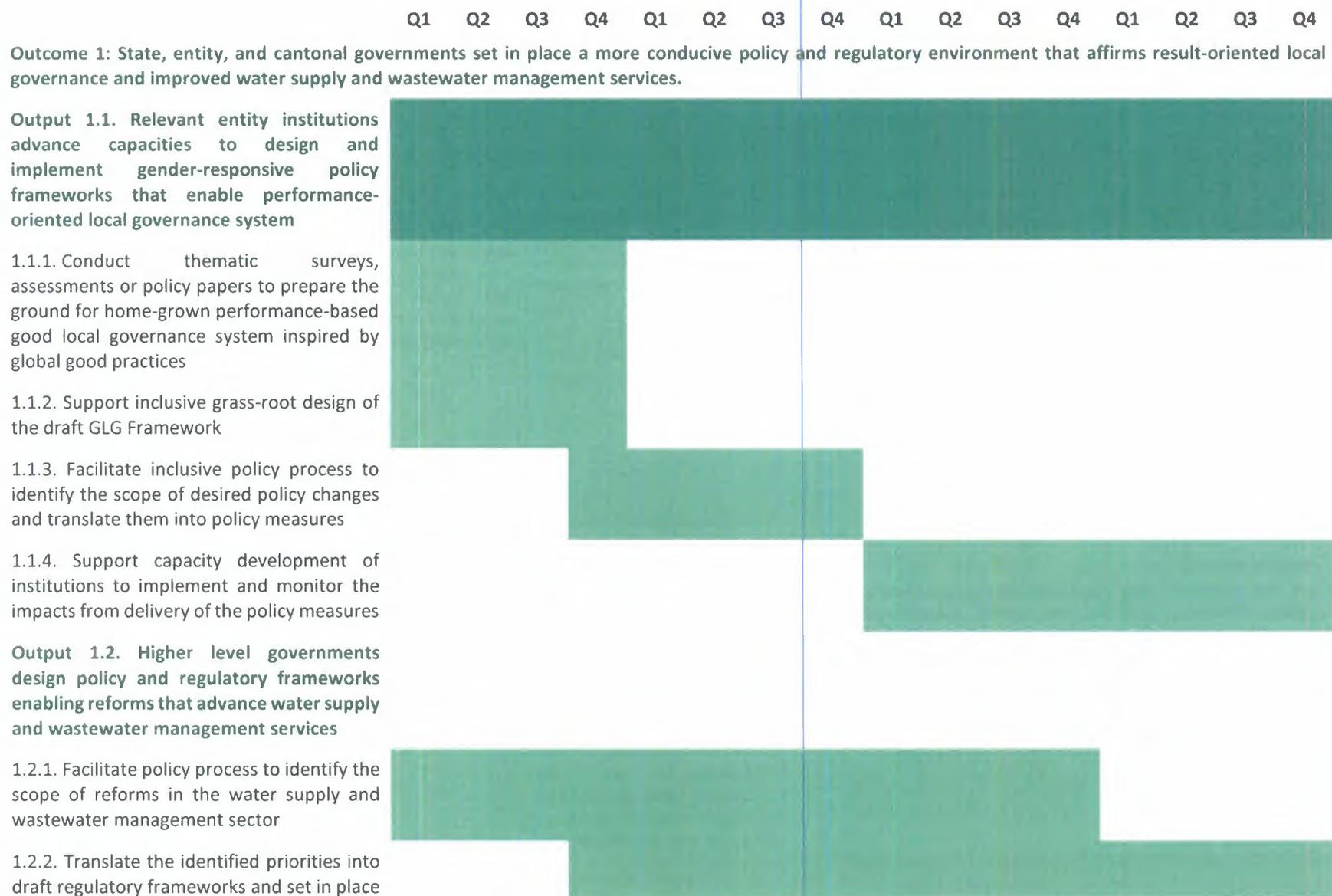
Stakeholder	Interest in/commitment to the project	Identified challenges	Capacity for change (contribution to the project)	Actions to strengthen capacity of stakeholder address their interests
<b>Ministry of Agriculture, Water Management and Forestry &amp; RS Ministry of Agriculture, Forestry and Water Management of the Federation of Bosnia and Herzegovina</b>	Project partners, specifically in relation to the water management sector. Have direct responsibility and policy-making role related to water management and provision of water services. Interested in effective performance of local governments and service delivery in the water sector.	Often insufficient coordination with relevant entity institutions, as well as with local and cantonal (in the Federation of Bosnia and Herzegovina) institutions, which makes policy- and regulatory changes burdensome.	Participate in the Project steering. Engagement in the process of drafting, consulting and adopting regulatory changes. Important role in identifying and applying adequate approaches to improving the regulatory frameworks related to water management, as well as delivering incentivized policies with stronger consideration of the sub-national government levels. Have relatively good sector-related capacity.	Raising capacities for design and implementation of result-oriented policies and methodologies in the water sector. Promotion of smooth sectoral coordination among all relevant institutions responsible for the water management across government levels.
<b>Ministry of Finance of Republika Srpska</b>	Responsible for implementation of the enacted legislation, establishing of the centralized control on public income and expenditures - Treasury, planning of Budget etc.	May be less interested to take an active role in the common local governance performance measurement framework development process.	The common local governance performance measurement framework may be translated into specific by-laws and instructions for local governments. Policy-makers may use the good local governance performance framework to introduce targeted public financial incentives to encourage and award best performance at the local level (e.g. through the Local Development Financing Mechanisms, etc.) as well as support underperforming local governments to reach minimum standards, etc.	Will be supported to participate in an inclusive policy dialogue, which aims to identify, design and affirm adequate legislative, strategic and/or financial measures that will not only bring about and institutionalise a performance-oriented vision in the local governance system, but will also introduce a set of incentive mechanisms to help its effective roll out.
<b>Ministry of Finance Federation of Bosnia and Herzegovina</b>	Has direct responsibility for drafting legislation in the field of finance.	May be less inclined to take an active role in the common local governance performance measurement framework development process. The lack of commitment may be justified with numerous budgetary issues that are normally treated as top priority. As Covid-19 health crises quickly translated into global economic crises, this will eventually result in diminished revenue collection at all levels of government, which will put even more pressure on the Ministry.	The common local governance performance measurement framework may be translated into specific by-laws and instructions for local governments. Policy-makers may use the good local governance performance framework to introduce targeted public financial incentives to encourage and award best performance at the local level (e.g. through the Local Development Financing Mechanisms, etc.) as well as support underperforming local governments to reach minimum standards, etc.	Will be supported to participate in an inclusive policy dialogue, which aims to identify, design and affirm adequate legislative, strategic and/or financial measures that will not only bring about and institutionalise a performance-oriented vision in the local governance system, but will also introduce a set of incentive mechanisms to help its effective roll out.

Stakeholder	Interest in/commitment to the project	Identified challenges	Capacity for change (contribution to the project)	Actions to strengthen capacity of stakeholder address their interests
<b>Relevant sector-related institutions at cantonal and entity levels</b>	Responsible for local governance and sector-related legal and policy frameworks. Have main role in revision of relevant legal frameworks and have important political function with regard to its adoption. Inspired by positive examples, some cantonal ministries are a powerful driving force beyond introduction of decentralised local services, including through improved regulatory framework.	Not champions for easily transferring tasks and finances to local governments.	If equipped with relevant administrative and policy-delivery capacities, as well as motivated to introduce effective and efficient regulatory frameworks, line ministries at cantonal and entity levels can certainly be change drivers.	Rising administrative and policy-delivery capacities and motivation to introduce effective and efficient regulatory frameworks. Can be further positively motivated to engage in policy and regulatory processes by organised bottom-up pressure by LGs and the private sector.
<b>Entity Associations of municipalities and cities (AMCs)</b>	Both entities' Association of Municipalities and Cities have the mandate to legitimately represent the voice of local governments and play an important role in various advocacy processes, country-wide sharing of practices and provision of services to their members.	Both Associations' professional service departments still lack sufficient human and technical capacity to allow them to perform their functions in the most effective manner and mobilise wide support of their members.	Participate in the Project steering. Both AMCs play an important role in decision making processes. Can have a strong supportive role in advocacy and decision-making with regard to regulatory advancement for more effective local service. Can instigate policy dialogue to identify, design and affirm adequate legislative, strategic and/or financial measures that will bring and institutionalise a performance-oriented vision in the local governance system. Have the potential to consolidate voice of local governments and trigger collective action to advance the framework or solve common issues.	Technical and expert support for policy facilitation, formulation, public consultations and advocacy campaigns to be led by the Associations of Municipalities and Cities will be provided. Support will be offered in such a way to ensure informed and inclusive decision-making that voices local governments.
<b>Professional thematic organizations and networks</b>	Increasingly active and have an important role in both regulatory-reform related processes, as well as in sharing of best practices.	Insufficiently well developed and still not much active in policy or regulatory changes.	Thematic associations in the environment and water governance sector are becoming more proactive. Can advocate for improvement of the sector-related regulatory framework at both higher and local government levels, as well as to ensure dynamic networking and exchange of ideas and good practices.	Capacities, advocacy and influential powers need to be strengthened and actualised for impacts at scale.
<b>Local governments (Municipal council/assemblies, the Mayor, administration)</b>	Core Project partners and beneficiaries. Generally committed and key players with regard to local service delivery and infrastructure, with important implications for the quality of life of the citizens and overall socio-economic local development. Main recipients of the Project financial, knowledge and technical support. Interested in overall progress and stability and improving of living conditions	LGs lack sufficient financial resources to deliver vital local services to the citizens. This issue will possibly be magnified with the Covid-19 economic and financial aftermath. LGs will be facing severe lack of revenues and inability to finance programs and activities that	Have a high degree of decision-making power at the local level. Government leadership will be actively engaged in the participatory validation and introduction of a standard result-oriented local governance model. Engagement of the Municipal Councils is instrumental for fostering local democracy and embracing the good governance performance framework. "Old" partner local governments can review and validate the draft good local governance framework	The initial consultation and validation by partner local governments will be organised through a series of participatory practical workshops engaging both elected officials and local government officers from first Project phase partners. The assistance will include: (i) technical support and capacity development (ii) public digital performance dashboards (iii) facilitation of annual performance evaluation, ensuring

Stakeholder	Interest in/commitment to the project	Identified challenges	Capacity for change (contribution to the project)	Actions to strengthen capacity of stakeholder address their interests
	to fulfil expectations of their constituencies.	traditionally were financed from the budget. Capital investments may be put on hold in the coming few years. Already limited and inadequate social benefits may also be under jeopardy. In some occasions, depending on the power relations and interests, local governments can have a strong restraining influence, if influence of party politics prevails over concrete needs of population.	and extract lessons learnt which can then feed into the broader policy making process on performance-based local governance system. local governments will also play an important role in providing co-funding from municipal budgets. local governments are interested in development of the good local governance framework and strive to learn from each other. LGs are willing to improve their performance and improve citizen perception when it comes to their accountability and efficiency.	presentation of the results to the municipal councils and citizens. The Project will also apply a pro-active incentive approach to stimulate and award good performance at the local level, while helping rooting of whole-of-local-government improvements. Improvement of municipal and higher government level regulatory frameworks related to service delivery for more effective, efficient, accountable and adequately funded services.
<b>Water utilities</b>	Core Project partners and beneficiaries. Have a key role in provision of water, wastewater and other municipal services at the local level. Interested in improvement of utilities' performance and attraction of more funding for infrastructure, but also in fulfilling expectations of local political leaders for employment of politically suitable persons.	Have insufficient technical, organizational and financial capacity, and often lack proper equipment and expertise to manage effectively water supply and sanitation services. Can have a restraining power, particularly in terms of staff optimisation or resistance to introduction of modern utility management due to inherited old routines.	Generally keen to improve their operations and the quality of their service delivery. Can support partner local governments to ensure sustainability of local service delivery, particularly in the environmental sector.	Advancing their financial, technical and management capacities, organizational structure and staffing, accompanied by a clear definition of their mandate for infrastructure maintenance and regular replacement, and adequate financial resources. Gradual implementation of staff optimisation. Support to preparation of technical documentation for infrastructure projects. Work directly with utilities in all core partner LGs, as well as - indirectly - with utilities from neighbouring municipalities or beyond in terms of sharing knowledge and best practices.
<b>Civil Society Organizations (CSOs)</b>	Represent interests of citizens and vulnerable groups. Provide services and participate in decision making. Have interest to advance local democracy, increase transparency, improve services, and improve the quality of life in general. Would benefit from common local governance performance framework that would guide their efforts and assist them define their action plans, provide comparison with other LGs, and provide a	CSOs still lack considerable recognition among citizens and have a weak role in policy making. They are often seen either as donor-driven or as an extended hand of political parties. Community-based organisations, with few exceptions, generally lack basic capacities about participatory policy formulation, partnership	Can take an active role in the initial consultation and validation process to be organised through a series of participatory practical workshops engaging both elected officials and local government officers to represent citizens' voice. Can have a role with regard to activating citizens and being local agents to support the development efforts of local governments. Can be engaged in discussions at the municipal level, thus contributing to more transparent and inclusive policy design and service delivery.	The good local governance performance framework may not only stimulate local governments to continuously improve their performance and improve accountability, but also enable public oversight of local government work and stronger interaction between citizens and their governments. In the long-term, the framework may help gradually transform local governance by affirming future models and new ways of work, which can be mirrored by adequate progressive local governance policies and

Stakeholder	Interest in/commitment to the project	Identified challenges	Capacity for change (contribution to the project)	Actions to strengthen capacity of stakeholder address their interests
	tool to hold LGs accountable for their actions.	formulation and monitoring of delivery of public policies and services. Many of them lack a strong constituency and not many are concerned with municipal governance.		legal frameworks and greater and more informed involvement of CSOs.
<b>Private Sector / Businesses</b>	Producing goods and services on a profit-making base. Highly interested in improved business friendly environment as well as efficient and reliable governmental services.	Strong links between influential businesses and politics. Organized in informal interest groups, influence decision-making processes in municipalities in favour of their business. Very limited, if any, organised dialogue between businesses and LGs.	Have strong potential to contribute to local development, economic growth and improved governmental services if their smooth functioning is enabled.	Support to productive public-private dialogue. Provision of reliable public infrastructure and efficient governmental (support) services.
<b>Citizens</b>	Have the role of consumers / users of services at the local level. They are directly interested in improvements in provision of administrative and public services, and better infrastructure. They should have the most benefits from improved accountability and participation.	Insufficiently engaged and inadequately included in public policy design and delivery. Generally dissatisfied with the quality of public services and being ignored by their political representatives.	If empowered to play a pro-active role in governance processes could be a genuine change driver. MEG initiated Citizen Participation workgroups have proven to be a good model of establishing better communication between municipal councillors, local employees, CSOs and citizens to jointly work on common issues.	Common local governance performance measurement framework may not only stimulate local governments to continuously improve their performance and improve accountability, but also enable public oversight of local government work and stronger interaction between citizens and their governments. Project will also conduct annual surveys of citizen satisfaction with public services to establish the baselines and understand citizens perceptions, as well as identify concrete weaknesses in public service that citizens believe need improvement. ECitizen will continue to be used as a tool for enhancing communication between administration, municipal council and citizens.
<b>Media</b>	Provide information on the work of public institutions and help the public to shape its opinion.	Pay little attention to the issues of decentralization and municipal governance. Most of them work under direct influence of political parties or are co-financed from public funds.	Have the potential to strongly influence and shape public opinion and report on Project achievements.	Engage local and national media in policy processes and build regular interaction with them in the course of the Project implementation, based on the Project communication concept.

**Annex IX. Project Timeline and Sequencing**



critical capacities for their follow-up implementation and oversight

**Outcome 2: Local governments improve their performance, are more accountable, inclusive and gender-responsive, and provide high quality services, in particular in the water sector.**

**Output 2.1. Municipal Councils, local administrations and citizens in partner localities understand and institutionalise the good local governance framework**

2.1.1. Support awareness raising and promotion of the GLG Framework.

2.1.2. Support entry-point self-evaluation and target setting of the good local governance framework, alongside with survey of citizen satisfaction with public services in partner local governments

**Output 2.2. Partner local government have acquired adequate capacities and tools to effectively plan and deliver public policies and services, guided by a result-oriented approach**

2.2.1. Support all partner local governments to advance their capacities and modernise tools and systems for improved performance and public service delivery

2.2.2. Support annual performance evaluation and target setting for the new annual policy cycle in all partner local governments

2.2.3. Award best performing partner local governments through financial incentives for

public service delivery, including in the water supply and wastewater management area

**Outcome 3: Citizens, particularly the most vulnerable, benefit from improved water supply and wastewater management services, provided in a more efficient, accountable and sustainable manner.**

**Output 3.1: Local government capacities and frameworks entailing sustainable partnerships with their water utilities enhanced to enable more effective, efficient and inclusive water supply and wastewater service delivery**

3.1.1. Support PSAs development, institutionalization and implementation in partner local governments.

3.1.2. Support affordability survey and introduction of a gender-sensitive water supply and wastewater services subsidy system for users in social need

3.1.3. Support fixed assets book completion and revalorization of fixed assets, as well as adoption of water tariff setting procedure and gender-sensitive employment policy for water utilities.

**Output 3.2: Financial and operational performance of water utilities improved**

3.2.1. Support to enhancing organisational structure and staffing of water utilities

3.2.2. Support improvements of technical and management capacities of water utilities

3.2.3. Support upgrading water utilities' financial management capacity

**Annex X. Joint Vision for Advancing the Water Supply and Wastewater Management Services Reform in Bosnia and Herzegovina 2021-2028**

OVERARCHING GOAL: Sustainable and effective water supply and wastewater management services contribute to enhanced quality of life for citizens in BiH				
<p><b>Indicator 1:</b> Existence of country-wide harmonized regulatory framework fully aligned with EU Water Directives and functional institutional setup at relevant government levels which enable sustainable and quality water supply and wastewater management services</p> <p><b>Baseline:</b> No (2020)</p> <p><b>Target:</b> Yes (2026)</p>	<p><b>Indicator 2:</b> % of the population with access to safe drinking water (connected to controlled public water supply systems) and % of the population connected to the public sewerage system<sup>71</sup></p> <p><b>Baseline 2.a:</b> 75% in BiH (2019)</p> <p><b>Target 2.a:</b> 85% in BiH<sup>72</sup> (2028)</p> <p><b>Baseline 2.b:</b> 41% in BiH (2019)</p> <p><b>Target 2.b:</b> 50% in BiH (2028)</p>	<p><b>Indicator 3:</b> % of local governments with adequate governance arrangements to enable effective and sustainable water services<sup>73</sup></p> <p><b>Baseline:</b> 5-10% (2020)</p> <p><b>Target:</b> 40% (2028)</p>	<p><b>Indicator 4:</b> % of population connected to wastewater treatment plants</p> <p><b>Baseline:</b> 15% (2019)</p> <p><b>Target:</b> 35% (2028)</p>	<p><b>Indicator 5:</b> Amount of financial support leveraged annually for investments in the sector (through public finances, ODA, IPA, IFIs, etc.)</p> <p><b>Baseline:</b> EUR 15-20 million / year (estimate)</p> <p><b>Target:</b> At least EUR 70 million / year (2028)</p>
KEY INTERVENTION AREAS:				
Modernization of the regulatory and institutional environment in the sector	Enhanced operational frameworks for effective, efficient and inclusive service delivery at the level of local governments and water utilities		Improved water supply and wastewater management infrastructure (investments)	
<ul style="list-style-type: none"> <li>Support establishment of entity coordination mechanisms to steer the modernization process (SDC/UNDP, EU/UNDP, WB)</li> <li>Provide TA and capacity development support to the coordination mechanisms (SDC/UNDP)</li> <li>Prepare a concept for country-wide harmonized reform of legal and institutional framework in the sector (EU/UNDP, with inputs by WB)</li> <li>Support the introduction of a tariff methodology at the entity level:                             <ul style="list-style-type: none"> <li>Support adoption of the Decree on the Minimum Water Tariff in the FBiH (public consultations, TA for the proposal finalization) (UNDP/Goal Waters, SDC/UNDP)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Support strengthening of local government capacities of (executive and legislative) to ensure performance-based management of local public services in up to 40 local governments (SDC/UNDP, with possible contribution by WB for additional local governments)</li> <li>Support institutionalization / implementation of Public Service Agreements in up to 40 local governments (PSA) (SDC/UNDP, with possible contribution by WB for additional local governments)</li> <li>Support improvement of financial and operational performance of water utilities, including cost-reflective tariff system, asset management, non-revenue water management, human resources management and development, financial management, cost centres-based accounting, etc.</li> </ul>		<ul style="list-style-type: none"> <li>Conduct stock-taking analysis to determine up-to-date information on progress in the sector as of 2010 (EU/UNDP)</li> <li>Review available public financing for infrastructure investment projects in the sector (WB)</li> <li>Update overall assessment of needs in the sector (in particular for wastewater treatment) (EU?)</li> <li>Assist revising of the methodology and updating of the pipeline of mature projects in the sector to leverage additional financing (SDC/UNDP)</li> <li>Implemented priority infrastructure investments                             <ul style="list-style-type: none"> <li>Support to the implementation of Sarajevo Water Project on reconstruction of water supply network in six local governments (EU/EBRD)</li> </ul> </li> </ul>	

<sup>71</sup> Setting of terminal values for relevant SDG indicators is ongoing as part of the emerging SDGs Framework in BiH.

<sup>72</sup> These targets could be higher, provided the operations of numerous rural water supply systems presently providing water without regular quality control are adequately regulated in the given timeframe.

<sup>73</sup> Measured by a set of indicators related to the existence of valid public service agreements (PSA), relevant local government capacities, as well as utilities' financial, organizational and operational performance and sustainability (i.e. number of employees per thousands of consumers, operational costs coverage rate, days sales outstanding, current ratio, non-revenue water, population service coverage, affordability and other).

<ul style="list-style-type: none"> <li>- Support establishment of regulatory bodies at the cantonal / FBiH level (TA, capacity development, coordination) (UNDP/Goal Waters, SDC/UNDP?)</li> <li>- Support the design and adoption of the Decree on the Minimum Water Tariff in the RS (TA, public consultations) (UNDP/Goal Waters, SDC/UNDP)</li> <li>- Support establishment of a regulatory body(ies) in the RS (TA, capacity development, coordination) (UNDP/Goal Waters, SDC/UNDP)</li> <li>• Support regulatory changes in the sector, ensuring broad-based consultations with relevant institutional partners and other stakeholders (TA, Regulatory Impact Assessment - RIA, design / amendments of laws and bylaws) (SDC/UNDP, with possible contribution by WB)</li> <li>• Develop and institutionalize a country-wide harmonized benchmarking system for management of water services by local governments and utilities (EU/UNDP, with possible contribution by WB)</li> <li>• Introduce a performance-based financing model for investment projects in the sector (WB)</li> <li>• Support development and adoption of policy and regulatory framework on rural water supply systems (WB)</li> <li>• Devise and institutionalize a model for continuous capacity development in the sector (i.e. building on the local government training system, professional associations, water agencies) (SDC/UNDP, with possible contribution by WB)</li> </ul>	<ul style="list-style-type: none"> <li>- “Light” package support to up to 10 local governments / utilities (SDC/UNDP with possible contribution by WB for additional local governments)</li> <li>- “Full” package support to up to 30 local governments / utilities (EU/UNDP, SDC/UNDP, with possible contribution by WB for additional local governments)<sup>74</sup></li> <li>• Support introduction of a subsidy system for users in need (SDC/UNDP, with possible contribution by WB for additional local governments)</li> </ul>	<ul style="list-style-type: none"> <li>- Support to the implementation of Banja Luka Water Project on expansion and rehabilitation of water supply and sewage network (EU/EBRD)</li> <li>- Support to the implementation of 10-20 infrastructure projects (WB)</li> <li>- Support to the implementation of XX infrastructure projects (SDC/UNDP)</li> <li>- Support to the implementation of 20-30 infrastructure projects (EIB/WatSan)</li> </ul>
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<sup>74</sup> Partner local governments will be selected from the among the pool of the current MEG partners and those cities and municipalities that are investing in new major infrastructure using different financial mechanisms currently available in the country (WatSan, EBRD, WB). The selection of partner local governments should be ideally completed in the first quarter 2021 in close coordination among different initiatives.

## Title: Municipal Environmental Governance Project (Phase II)

Output ID 00098539

### Project Board Members (3)

Role	Full Name	Title, Organization	Contacts
Senior Beneficiary	TBC	Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina	
Senior Beneficiary	TBC	Ministry of Justice of the Federation of Bosnia and Herzegovina	
Senior Beneficiary	TBC	Ministry for Administration and Local Self-Government of Republika Srpska	
Senior Beneficiary	TBC	Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina	
Senior Beneficiary	TBC	Ministry of Agriculture, Forestry and Water Management of Republika Srpska	
Senior Beneficiary	TBC	Ministry of Environment and Tourism of Federation of Bosnia and Herzegovina	
Senior Beneficiary	TBC	Ministry of Spatial Planning, Construction and Ecology of Republika Srpska	
Senior Beneficiary	TBC	Associations of Municipalities and Cities RS	
Senior Beneficiary	TBC	Associations of Municipalities and Cities FBiH	
Senior Supplier	TBC	Government of Switzerland	
Senior Supplier	TBC	The European Union	
Senior Supplier	TBC	Embassy of Sweden in BiH	
Executive	Adela Pozder-Čengić	Rural and Regional Sector Leader UNDP BiH	Adela.Pozder-Čengić@undp.org + 387 33 293 400 Zmaja od Bosne bb, 71000 Sarajevo,

			Bosnia and Herzegovina
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## Project Board Terms of Reference

### Overall Responsibilities

The Project Board is ultimately responsible for making sure that the project remains on course to deliver the desired results. It is responsible for making by consensus management decisions for the project\*:

- at designated decision points during the implementation of the project (see specific responsibilities below);
- when guidance is required by the Project Manager; and,
- when project tolerances (normally in terms of time and budget) have been exceeded.

The Project Board reviews and approves the annual work plans (AWP) and authorizes any major deviation from these plans. It ensures that the required resources are available, arbitrates on any conflicts within the project and negotiates a solution to any problems between the project and external bodies. In addition, it approves the appointment and responsibilities of the Project Manager. It may also decide to delegate its Project Assurance responsibilities to a staff of UNDP and/or the Implementing Partner.

### Composition and Organization

The Board contains three roles:

1. The Executive is ultimately responsible for the project. He/she has to ensure that the project remains focused on achieving its objectives and is cost-effective. The Head of the Implementing Partner (or his/her nominee) and the UNDP Resident Representative (or his/her nominee) will co-chair the group.
2. The Senior Suppliers represent the interests of the parties providing funding and/or technical expertise to the project. Their primary function within the Board is to provide guidance regarding the technical feasibility of the project. They are accountable for the quality of the resources (funding or technical assistance) provided by the suppliers. Therefore, they must have the authority to commit or acquire the resources required.
3. The Senior Beneficiaries represent the interests of those who will ultimately benefit from the project. They monitor the accomplishments and outputs of the project against the agreed requirements.

Members of the Project Board will be representatives of: the Embassy of Switzerland in Bosnia and Herzegovina, the Delegation of the European Union to Bosnia and Herzegovina, the Embassy of Sweden in Bosnia and Herzegovina, the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, the Ministry of Justice of the Federation of Bosnia and Herzegovina, the Ministry for Administration and Local Self-Government of

Republika Srpska, the Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina, the Ministry of Agriculture, Forestry and Water Management of Republika Srpska, AMCs representing local governments and finally UNDP (with no voting rights). Representative of the World Bank can be invited to join the meetings of the Project Board in observing capacity.

### **Specific Responsibilities**

- Delegate any Project Assurance function as appropriate.
- Agree on the Project Manager responsibilities, as well as the responsibilities of the other members of the Project team.

### **During Project implementation**

- Provide project and policy implementation oversight.
- Provide overall guidance and direction to the project, ensuring it remains within specified constraints.
- Approve annual work plans and budgets; and based on the approved annual work plans (AWP) authorize any major deviation from the approved work plans and budgets.
- Conduct meetings at least twice a year to review Project Progress Reports and provide direction and recommendations to ensure agreed deliverables are produced satisfactorily according to plans.
- Monitor progressive achievement of project objectives and provide guidance on long term sustainability of the project's achievements.
- Provide high-level quality assurance for project results and input and advice to on-going risk analysis.
- Invite representatives of other project beneficiaries to inform on their specific activities and needs.
- Provide overall guidance and direction to the project.
- Address project issues as raised by the Project Manager.
- Provide guidance and agree on possible management actions to address specific risks.
- Agree on Project Manager's tolerances within the AWP.
- Provide ad-hoc direction and advice for exception situations when project manager's tolerances are exceeded.

### **On Project Closure**

- Review and approve the Final Project Review Report, including Lessons-learned.

### **Meetings**

The Project Board meets:

- On a **semi-annual** basis to review and approve the regular project reports.

- At any other time a meeting is requested by one of its members, the Project Manager or the Project Assurance because guidance is required, tolerances have been exceeded, or a particular issue or risk requires the intervention of the Project Board.

## **Project Assurance Responsibilities**

Project Assurance is the responsibility of each Project Board member. However, the role can be delegated by the Project Board. When this happens, the Project Assurance person supports the Project Board by carrying out objective and independent project oversight and monitoring functions. The Project Assurance function has to be independent of the Project Manager; therefore the Project Board cannot delegate any of its assurance responsibilities to the Project Manager. The process of Project Assurance is independent of the Project Manager and will continue to be performed by the UNDP.

The following list includes the key elements that need to be checked for assurance purposes throughout the project.

- Maintenance of thorough liaison throughout the project between the members of the Project Board.
- Beneficiary needs and expectations are being met or managed
- Risks are being controlled
- Adherence to the Project Justification (Business Case)
- Projects fit with the overall Country Programme
- The right people are being involved
- An acceptable solution is being developed
- The project remains viable
- The scope of the project is not "creeping upwards" unnoticed
- Internal and external communications are working
- Applicable UNDP rules and regulations are being observed
- Any legislative constraints are being observed
- Adherence to monitoring and reporting requirements and standards

## **During the implementation of the project**

- Ensure that funds are made available to the project.
- Ensure that project outputs definitions and activity definition including description and quality criteria have been properly recorded in the Atlas Project Management module to facilitate monitoring and reporting.
- Ensure that risks and issues are properly managed, and that the logs in Atlas are regularly updated.
- Ensure that critical project information is monitored and updated in Atlas, using the Activity Quality log in particular.
- Ensure that Project Quarterly Progress Reports are prepared and submitted on time, and according to standards in terms of format and content quality.

- Ensure that CDRs and FACE are prepared and submitted to the Project Board and Outcome Board.
- Perform oversight activities, such as periodic monitoring visits and “spot checks”.
- Ensure that the Project Data Quality Dashboard remains “green”

### **When the project is being closed**

- Ensure that the project is operationally closed in Atlas.
- Ensure that all financial transactions are in Atlas based on final accounting of expenditures.
- Ensure that project accounts are closed, and status set in Atlas accordingly.

### **Note on Project Tolerance**

No project ever goes 100% according to the initial plan. Even with a good plan, some things will go a little slower than planned or cost a little more; other things will go faster or cost a little less. Although the Project Board agrees on a plan with the Project Manager at the beginning of the year, it does not want the Project Manager to be constantly running back to it, saying “I have spent a small amount more than we had planned this week” or “I am a day late this week”. On the other hand, the Project Board does not want progress to deviate wildly from the plan without being told and being able to react.

So where is the dividing line between deviations that are permissible without Project Board intervention and deviations that require the intervention of the Project Board? The dividing line is called tolerance. Tolerance is a permissible deviation from the project plan that does not require bringing the deviation to the attention of the Project Board.

The tolerances for the project are normally reviewed and recommended for approval during the LPAC meeting. Subsequently, the Project Board may want to agree with the Project Manager on a tolerance for each deliverable once the AWP has been produced.

When it appears that the tolerance granted by the Project Board to the Project Manager for the project as a whole or a particular deliverable has been exceeded or is likely to be exceeded, the Project Board needs to convene and agree on the measures to be taken.

Separate tolerance figures should be given for:

- time (to deliver outputs/activities)
- cost (of project/activities)
- scope (of project)

Tolerance figures need not be the same for over and under cost and time. A tolerance of, say + 5% to - 20% may be more realistic than +/- 10%. In addition, it may be more realistic to quote tolerances as “real” figures rather than percentages – for example, ten days or a defined amount of money. The setting of these tolerances is done as part of the work planning (AWP).

The PM will need to refer to the Project Board as soon as it will appear that:

- total budget requirements are more than 10% higher than planned.
  - delivery is more than 25% bellow targets.
  - the implementation of any of the project activities is delayed by more than 3 months.
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**MUNICIPAL ENVIRONMENTAL GOVERNANCE (MEG) PROJECT, PHASE II**  
**Local Project Appraisal Committee Consultations**



**MEMO**  
**(21 May to 14 July 2021)**

**Introduction:**

Municipal Environmental Governance (MEG) Project, Phase II, build on and scales up the experiences of the first Project Phase, implemented in the period May 2016 – March 2021 by UNDP BiH and supported by the Government of Switzerland.

Consultation process related to the design and preparation of the MEG Project Phase II started in late 2019, upon completion of the Project Review Report, and intensively continued until July 2020. This highly participatory process involved all project partners and stakeholders from the local and entity governments, including representatives of entity Associations of Cities and Municipalities, Mayors, local government's staff and policy makers from higher government levels. The consultations, directly or indirectly, were also held with the representatives of the international community, such as the World Bank, European Investment Bank, Swiss State Secretariat for Economy BRD and the European Bank for Reconstruction and Development. Recommendations and given suggestions for the Project Phase II concept were based on the sound knowledge, diverse experience and profound expertise of numerous participants and contributors.

Furthermore, from the late 2019 and throughout the 2020, a regular and intense consultations were held with representatives of donors, firstly with the Government Switzerland, and later with the Government of Sweden and the European Union, on the scope of action and overall strategy as well as with the purpose to include all relevant inputs and feedbacks into the Project document.

**Project brief and general information**

The Project overall goal is to contribute to the democratisation of local governance in Bosnia and Herzegovina and more equitable, effective, and efficient public services for the citizens, particularly water supply and wastewater management services. Good local governance policy dialogue and policy changes, together with regulatory improvements in the area of water supply and wastewater management services, will provide for more effective, fair and sustainable delivery of essential local services. The intervention envisages three outcomes:

**Outcome 1:** State, entity and cantonal governments set in place a more conducive policy and regulatory environment that affirms result-oriented local governance and improved water supply and wastewater management services.

**Outcome 2:** Local governments improve their performance, are more accountable, inclusive and gender-responsive, and provide high quality services, in particular in the water sector.

**Outcome 3:** Citizens, including the most vulnerable, benefit from water supply and wastewater management services provided in a more efficient, accountable, and sustainable manner.

The intervention is an integral part of a wider set of reform and investment interventions in Bosnia and Herzegovina guided by the Joint vision for advancing the water supply and wastewater management services reform in Bosnia and Herzegovina 2021-2028, supported by i) the water-sector programme for Bosnia and Herzegovina of the World Bank titled "Water Supply and Sanitation Sector Modernization Project", ii) the pre-accession assistance by the European Union in the sector environment, iii) the WatSan programme co-financed by the European Investment Bank (EIB), iv) individual projects in the water supply and wastewater management sector in the country supported by the European Bank for Reconstruction and Development (EBRD), v) Development cooperation support by the Government of Sweden, as well as vi) the policy dialogue and technical assistance in the water sector provided by the Swiss State Secretariat

for Economy (SECO), through Water supply Project in Zenica and Tuzla, Wastewater projects in Zenica and Gradiška and World Bank's "Water Supply and Sanitation Sector Modernization Project".

The Project paves the way for attracting large-scale infrastructure investments at the local level based on the improved policy and regulatory frameworks, as well as local governments' capabilities to manage the investments sustainably and effectively.

The financing of partner local governments' priority development and infrastructure projects with the Project funds will be conditional to the approval by the donors (EU, Sweden, Switzerland) and UNDP, based on progress in the reforms of the water sector regulatory framework, as defined in the Water Alliance milestones. This should in turn encourage local governments and AMCs to actively advocate with entity level government institutions for reforms in the water sector and support the Project's efforts in the area. Furthermore, in line with the good governance principles, the MEG project will in no case carry out a public procurement process for any priority projects' related actions on behalf of any partner local government within the MEG II Project.

### **Consultation with External partners**

Consultations with large number of partners started during the preparation for the Review Report of the Project's Phase I in 2019, and continued throughout the 2020, in order to collect recommendations for preparation of Phase II Proposal. Given the nature of the intervention, inter-linked activities and actions, as well as its large scope, this process was especially important as it assessed the needs of the stakeholders, requirements of the wider set of reforms in Bosnia and Herzegovina and ensured effective and comprehensive inputs.

### **List of partners who have been consulted:**

Representatives of the Government Switzerland, Government of Sweden and the European Union, as well as the members of the Phase I Project Board were involved in all consultations and provided operational and advisory guidance in these processes. Furthermore, The Project Board meetings held during 2020 were an opportunity for the Project Board members to provide any additional inputs, give feedback and approval of the Phase II design.

### **Institutions:**

Public Administration Coordination Office (PARCO)  
RS Ministry of Agriculture, Forestry, and Water Management  
FBiH Ministry of Agriculture, Water Management and Forestry

### **Associations and Agencies**

Association of Municipalities and Cities of Republika Srpska  
Association of Municipalities and Cities of the Federation of Bosnia and Herzegovina  
Republika Srpska Association of Water Utilities  
Agency for Watershed of the Adriatic Sea

### **Other key partners**

Local government representatives (practitioners and expert officers) from MEG I partner local governments  
Majors from MEG I partner local governments

Below is the snapshot of the meetings held and general recommendations and conclusions

<b>Stakeholders and participants</b>	Local government representatives (practitioners and expert officers, MEG I Project Coordinators) Participants: Dragan Mišić, Teslić; Svetozar Vučković, Prijedor; Nebojsa Savanović, Prijedor; Danijela Miletić, Gradiška; Aida Hodžić, Gračanica; Nejra Naimkadić, Gračanica; Hamzaliya Hojkuric, Tešanj; Esmā Hergić, Bosanska Krupa; Amer Mezetović, Sanski Most; Milenko Pavlović, Chairperson of the City Assembly in Gradiška; Zlata Ibrahimpašić, Secretary of the City Council of Bihać
<b>Meeting date:</b>	21 May 2020
<b>Recommendations and conclusions</b>	<ul style="list-style-type: none"> <li>• Aquasan network has been recognized as a positive example and a movement that has potential in future policy efforts, as well as exchange between local governments in the water sector;</li> <li>• Although challenging, the cooperation with higher government levels is of key importance for sustainable change in the local governance system.</li> <li>• Result-oriented approach helps measure results and award best performers (including from higher government levels) based on achievements instead of on political influence. Participants stressed that it is very important to define the performance indicators and targets in collaboration with the administration and citizens.</li> <li>• Associations of Municipalities and Cities in both entities can be more active in leading joint policy efforts. The voice of AMCs can be a powerful factor in embedding municipalities and cities' interest in new legislation and they should be at the front of policy dialogue related to change in the local governance system.</li> <li>• Project results need to be institutionally/formally anchored (regulations, decision, legal and policy frameworks, etc.), to ensure not only sustainability of results, but also ground for scaling for system change.</li> <li>• The MEG II Projects concept seems ambitious, particularly in relation to the policy outcomes and the policy dialogue with higher levels of government.</li> <li>• The piloted performance-based grant system and the broader performance management system grounded on a set of public service indicators catalysed shift in mindset and culture at the local level, brought a new type of motivation for local governments to improve their performance and valorised local governance in a new democratic manner.</li> <li>• Lessons learned from MEG I are precious and need to be shared, particularly with less developed local governments.</li> <li>• The Chairperson of the AMCs in the Federation of Bosnia and Herzegovina – the mayor of the Municipality of Sanski Most, also as partner local government within the MEG Project, expressed readiness to support future policy efforts. Participants support the approach to engage the AMCs' thematic commissions in regulatory amendments and policy dialogue.</li> <li>• Participants stressed numerous times on the importance to involve higher government levels in the MEG II Project and that the approach to invite country-wide policy dialogue that promotes performance-based local governance is the right direction. Financing from higher government levels for local service delivery remain among the key challenges and application of transparent and disciplined development management processes (as already the practice at the local level), is of ultimate importance for quality development planning and predictability of financial resources at the local level.</li> <li>• Although the MEG I has also been designed as an ambitious intervention, local governments are very satisfied with the knowledge acquired and the changes induced.</li> <li>• Regular review of local government progress and outcomes across a variety of areas linked to the legal mandates and principles of local government proved very useful and may be considered as a country-wide model for all municipalities and cities, as well as by higher government level institutions.</li> </ul>
<b>Stakeholders and participants</b>	Mayors from MEG I partner local governments Participant: Zoran Adžić, City of Gradiška; Suad Huskić, Municipality of Tešanj, Faris Hasanbegović, Municipality of Sanski Most
<b>Meeting date:</b>	21 May 2020

**Recommendations and conclusions**

- It is necessary to involve Associations of municipalities and citizens in all the steps of the process as the primary stakeholder, followed by the relevant ministries.
- It is important to precisely define the proper level of government for each specific issue
- Standardization and measurable quality are the most important progress achieved through MEG Project.
- It is evident that the influence of Associations of municipalities and cities is getting weaker lately.
- MEG II is supposed to assist the establishment of the best possible version of communication between higher levels of government and the local governments.
- There cannot be comprehensive development planning without improvement of relations between different government levels.
- Reaching a critical mass of municipalities that will be able to act upon the request and initiate the establishment of the standard is essential. The question is if 10 + 30 is that number. It would be important to include different profiles of local governments, differing by the level of development and financial capacities.
- It is good idea to have a benchmarking, KPI, for water services.
- It is crucial to involve the higher levels of government in those processes because they need to understand them but also involve them in financial decision-making processes which eventually might be quite risky.
- The possible lack of interest shown by the higher levels of government could be counterproductive for the project.
- There is a high probability that higher levels of government would not accept financial mechanisms as described in proposal therefore the partial financial contribution should be considered as an option.
- The introduction of the correct benchmarking requires a critical number of participants.
- Commitment to reforms and new standards is a key issue. Local governments should be ready to change existing models of functioning and set up its own goals. Sanski Most is motivated to participate in MEG II.
- Gradiska municipality has shown its commitment to reform the public administration through its participation in MEG Project.
- MEG has taught us all to focus on the citizens and entrepreneurs and realize our role of serving them.
- Gradiska municipality has achieved, through its commitment, hard work and enormous effort, huge progress within the MEG Project, moving from seventeenth position on a scale measured according to PMS evaluation process in 2016, up to the first position in the 2nd cycle of grant methodology measured in 2019. MEG Project has taught them to establish success indicators for themselves so they could define direction upon they want to move and achieve success.
- MEG Project has taught LGs to change the operating paradigm thus opening so many other possibilities and chances to participate in other projects.
- Every moment is the right moment for reforms, because we all have to improve constantly, move on our way towards EU and attract grants.
- It is necessary to move step by step and not go backwards after improvements.
- 1:3 ratio is a big challenge, when talking about keeping the level defined by MEG I. Some water utility companies are overindebted while the others do have respectable financial capacities and therefore, they will not be motivated by small amounts of grants.
- The public companies and public properties management level is very low in Bosnia and Herzegovina. We have managed to improve the management capacities in public companies throughout MEG I Project.
- The size and quality of the award will define the size and the quality of LGs which will join the Project. 30 LGs is perhaps not the right number.
- MEG I is one of the best projects Tešanj municipality participated in and Tešanj is motivated to join MEG II as well.

<b>Stakeholders and participants</b>	<b>Associations of Municipalities and Cities</b> <b>Participants:</b> Aco Pantić, Association of Municipalities and Cities of Republika Srpska; Amir Kupusija, Association of Municipalities and Cities of the Federation of Bosnia and Herzegovina
<b>Date</b>	<b>22 May 2020</b>
<b>Recommendations and conclusions</b>	<ul style="list-style-type: none"> <li>• MEG II Project is ambitious, but it has the support from local governments.</li> <li>• The Project is complementary to the mission and vision of both AMCs and they are interested to take part and support the future work of the MEG II Project.</li> <li>• Both AMCs can contribute to the public administration reform process and their role in the MEG II Project is very important.</li> <li>• AMCs are best positioned to coordinate reforms in the local governance domain.</li> <li>• MEG II Project concept already includes all the elements which pre-condition successful policy process, in the best interest of local governments. More focus should be placed on engagement of the AMC Presidencies in the policy dialogue.</li> <li>• AMCs are very interested to continue to support good local governance and benchmarking, which will professionalise local administrations and will improve local service delivery. The Project may consider the previous positive experiences through the BEACON scheme (awarding winners approximately BAM150.000 - 200.000). It was terminated five years ago due to the lack of finances.</li> <li>• AMCs recommended to connect the MEG II Project with the existing strategic documents, particularly the AMCs strategic plans, the strategies for training of local government elected officials and employees, the Local government Development Strategy of Republika Srpska (2017-2021). The MEG II Project should also take into consideration that the new package of local government strategic documents will be developed in 2021.</li> </ul>
<b>Stakeholders and participants</b>	Policy/makers from higher government levels Participant: Nedžib Delić, Public Administration Coordination Office (PARCO)
<b>Date</b>	22 May 2020
<b>Recommendations and conclusions</b>	<ul style="list-style-type: none"> <li>• The PARCO representative sees the MEG II Project concept as completely compatible with and contributing to the public administration reform strategic framework, especially in relation to public service provision.</li> <li>• The MEG II Project concept strongly contributes to supporting the local government level in the broader reform process. PARCO is interested to see direct and concrete support provided to local governments, as well as the benefits the Project will provide for the citizens.</li> <li>• The PARCO representative advised to consider the SIGMA benchmarking system in the process of development of the good local governance framework, as well as to ensure synergies with the efforts of the Public Administration Project financed and implemented by GIZ.</li> </ul>
<b>Stakeholders and participants</b>	Policy/makers from higher government levels Participants: Nenad Đukić, RS Ministry of Agriculture, Forestry, and Water Management; Dragan Kelečević, RS Association of Water Utilities
<b>Date:</b>	14 July 2020
<b>Recommendations and conclusions (video recording)</b>	<a href="https://undp.sharepoint.com/teams/BIH/MEG/General/Forms/AllItems.aspx?id=%2Fteams%2FBIH%2FMEG%2FGeneral%2FMEG%20II%20ProDoc%20files%2FConsultation%20with%20partners%2F2020%2D07%2D14%2014%2E02%2E12%20Planiranje%20%2E%20faze%20MEG%20projekta%20%2D%20Online%20sastanak%2096372532694%2Fzoom%5F0%2Emp4&amp;parent=%2Fteams%2FBIH%2FMEG%2FGeneral%2FMEG%20II%20ProDoc%20files%2FConsultation%20with%20partners%2F2020%2D07%2D14%2014%2E02%2E12%20Planiranje%20%2E%20faze%20MEG%20projekta%20%2D%20Online%20sastanak%2096372532694">https://undp.sharepoint.com/teams/BIH/MEG/General/Forms/AllItems.aspx?id=%2Fteams%2FBIH%2FMEG%2FGeneral%2FMEG%20II%20ProDoc%20files%2FConsultation%20with%20partners%2F2020%2D07%2D14%2014%2E02%2E12%20Planiranje%20%2E%20faze%20MEG%20projekta%20%2D%20Online%20sastanak%2096372532694%2Fzoom%5F0%2Emp4&amp;parent=%2Fteams%2FBIH%2FMEG%2FGeneral%2FMEG%20II%20ProDoc%20files%2FConsultation%20with%20partners%2F2020%2D07%2D14%2014%2E02%2E12%20Planiranje%20%2E%20faze%20MEG%20projekta%20%2D%20Online%20sastanak%2096372532694</a>
<b>Stakeholders and participants</b>	Policy/makers from higher government levels

	Participants: Hazima Hadžović and Amer Husremović, FBiH Ministry of Agriculture, Water Management and Forestry; Damir Mrđen, Agency for Watershed of the Adriatic Sea; Amir Kupusija, FBiH Association of Municipalities and Cities
<b>Date:</b>	14 July 2020
<b>Recommendations and conclusions (video recording)</b>	<a href="https://undp.sharepoint.com/teams/BIH/MEG/General/Forms/AllItems.aspx?viewid=0b23a49c%2Df16b%2D4470%2D891d%2D5b0163e9e24d&amp;id=%2Fteams%2FBIH%2FMEG%2FGeneral%2FMEG%20II%20ProDoc%20files%2FConsultation%20with%20partners%2F2020%2D07%2D14%2011%2E07%2E59%20Planiranje%20%2E%20faze%20MEG%20projekta%20%2D%20Online%20sastanak%2092071982421">https://undp.sharepoint.com/teams/BIH/MEG/General/Forms/AllItems.aspx?viewid=0b23a49c%2Df16b%2D4470%2D891d%2D5b0163e9e24d&amp;id=%2Fteams%2FBIH%2FMEG%2FGeneral%2FMEG%20II%20ProDoc%20files%2FConsultation%20with%20partners%2F2020%2D07%2D14%2011%2E07%2E59%20Planiranje%20%2E%20faze%20MEG%20projekta%20%2D%20Online%20sastanak%2092071982421</a>

## Conclusion

LPAC Consultations resulted in finalization of the MEG Phase II Project document. The support was given to the overall project proposal, proposed institutional structure and management arrangements by the relevant partner and stakeholders. A total of 29 expression of interest letters were received from the local governments in Bosnia and Herzegovina, while all partners at the local level from the Phase I expressed their interest in continuation of the activities under the Phase II. The donor representatives, especially the Government of Switzerland led the entire process of the Project document write up.

## Annex 1. Social and Environmental Screening Template

The completed template, which constitutes the Social and Environmental Screening Report, must be included as an annex to the Project Document at the design stage. Note: this template will be converted into an online tool. The online version will guide users through the process and will embed relevant guidance.

### Project Information

Project Information	
1. Project Title	Municipal Environmental and Economic Governance (MEG) Project
2. Project Number (i.e. Atlas project ID, PIMS+)	Award: 00094439; Output: 00098539
3. Location (Global/Region/Country)	BiH
4. Project stage (Design or Implementation)	Implementation
5. Date	

### Part A. Integrating Programming Principles to Strengthen Social and Environmental Sustainability

#### QUESTION 1: How Does the Project Integrate the Programming Principles in Order to Strengthen Social and Environmental Sustainability?

##### *Briefly describe in the space below how the project mainstreams the human rights-based approach*

The Project does not explicitly work in the area of human rights. However, its activities promote a human rights approach through improving access of public services, jobs and livelihoods. Thus, the project promotes social and economic rights of the population within target 18 local governments. The project respects the main human rights principles, such as: non-discrimination, participation, empowerment, and good governance. The Project will seek to enhance social inclusion in all stages of the public policy cycle, as well as in accessing public services. This means that the Project will work with all actors of local democracy to sensitize and make them more responsive to the issue of social inclusion. It will also support LGs to devise their policies and service delivery in a manner that allows marginalized groups of society to gain access to public services - particularly those related to water supply, as well as to have equal opportunities when it comes to employability and access to labour market. The socially excluded groups are: unemployed women and youth and long-term unemployed people; persons with disabilities; returnees and internally displaced persons; Roma.

##### *Briefly describe in the space below how the project is likely to improve gender equality and women's empowerment*

The aspect of gender equality has been encompassed by the analysis conducted in the preparatory phase and during the project design phase. Consequently, the project proposes concrete measures to ensure gender equality through implementation of all project activities. The project's logical matrix provides framework to track changes for collecting data against sex-disaggregated indicators where possible and relevant. In order to ensure adequate mainstreaming of the gender equality aspect across the Project activities, a Gender Equality Mainstreaming Concept will be developed at the outset of the Project launch. The Project will employ International Gender Advisor who will ensure that gender equality principle is mainstreamed throughout the entire Project life-cycle.

##### *Briefly describe in the space below how the project mainstreams sustainability and resilience*

The project focuses on improving environmental governance. The project recognizes the importance of considering disaster risk reduction and climate change as an integral part of its development efforts, and will apply risk-informed and climate-smart development choices which take into consideration the increase in disaster risk and extreme weather events. The project's risk log includes potential environmental impact as a risk with low probability. As a mitigation measure, the project envisages a flexible approach, including reprogramming of activities to respond to the eventual emerging needs.

**Briefly describe in the space below how the project strengthens accountability to stakeholders**

Project will work directly with local governments to encourage them to understand the importance of transparency and accountability and be willing to open the process to citizens and socio-economic stakeholders. These important considerations will inform the Project's approach and efforts to facilitate effective and productive citizen participation in local policy design and delivery.

**Part B. Identifying and Managing Social and Environmental Risks**

QUESTION 2: What are the Potential Social and Environmental Risks? <i>Note: Complete SESP Attachment 1 before responding to Question 2.</i>		QUESTION 3: What is the level of significance of the potential social and environmental risks? <i>Note: Respond to Questions 4 and 5 below before proceeding to Question 5</i>		QUESTION 6: Describe the assessment and management measures for each risk rated Moderate, Substantial or High
<i>Risk Description (broken down by event, cause, impact)</i>	<i>Impact and Likelihood (1-5)</i>	<i>Significance (Low, Moderate, Substantial, High)</i>	<i>Comments (optional)</i>	<i>Description of assessment and management measures for risks rated as Moderate, Substantial or High</i>
Duty-bearers do not have the financial capacity to meet their obligations in the Project	I = 1; P: 2	Low		The environmental assessments were conducted during the previous project phase in the areas of institutional, operational and financial capacities and possible improvements in the sector of water utilization and wastewater management in selected local governments. In order to mitigate this identified Social and Environmental risk, timely planning of necessary co-financing for the project, taking into account LG financial capacities and budgetary cycles, is envisaged.
QUESTION 4: What is the overall project risk categorization?				
			Low Risk	<input checked="" type="checkbox"/> The project includes activities of no or very low risk of adverse social and environmental impacts
			Moderate Risk	<input type="checkbox"/>
			Substantial Risk	<input type="checkbox"/>
			High Risk	<input type="checkbox"/>

**QUESTION 5: Based on the identified risks and risk categorization, what requirements of the SES are triggered?  
(check all that apply)**

Question only required for Moderate, Substantial and High Risk projects.

<b><i>Is assessment required? (check if "yes")</i></b>	<input type="checkbox"/>		<b>Status? (completed, planned)</b>
<i>if yes, indicate overall type and status</i>		<input type="checkbox"/>	Targeted assessment(s)
		<input type="checkbox"/>	ESIA (Environmental and Social Impact Assessment)
		<input type="checkbox"/>	SESA (Strategic Environmental and Social Assessment)
<b><i>Are management plans required? (check if "yes")</i></b>	<input type="checkbox"/>		
<i>if yes, indicate overall type</i>		<input type="checkbox"/>	Targeted management plans (e.g. Indigenous Peoples Plan, Resettlement Action Plan, others)
		<input type="checkbox"/>	ESMP (Environmental and Social Management Plan)
		<input type="checkbox"/>	ESMF (Environmental and Social Management Framework)
<b><i>Based on identified risks, which Principles/Project-level Standards triggered?</i></b>			<b>Comments (not required)</b>
<b><i>Overarching Principle: Leave No One Behind</i></b>			
<b><i>Human Rights</i></b>	<input type="checkbox"/>	N/A	
<b><i>Gender Equality and Women's Empowerment</i></b>	<input type="checkbox"/>	N/A	
<b><i>Accountability</i></b>	<input type="checkbox"/>	N/A	
<b><i>1. Biodiversity Conservation and Sustainable Natural Resource Management</i></b>	<input type="checkbox"/>	N/A	
<b><i>2. Climate Change and Disaster Risks</i></b>	<input type="checkbox"/>	N/A	
<b><i>3. Community Health, Safety and Security</i></b>	<input type="checkbox"/>	N/A	
<b><i>4. Cultural Heritage</i></b>	<input type="checkbox"/>	N/A	
<b><i>5. Displacement and Resettlement</i></b>	<input type="checkbox"/>	N/A	
<b><i>6. Indigenous Peoples</i></b>	<input type="checkbox"/>	N/A	
<b><i>7. Labour and Working Conditions</i></b>	<input type="checkbox"/>	N/A	
<b><i>8. Pollution Prevention and Resource Efficiency</i></b>	<input type="checkbox"/>		

### SESP Attachment 1. Social and Environmental Risk Screening Checklist

Checklist Potential Social and Environmental Risks		
<p><b>INSTRUCTIONS:</b> The risk screening checklist will assist in answering Questions 2-6 of the Screening Template. Answers to the checklist questions help to (1) identify potential risks, (2) determine the overall risk categorization of the project, and (3) determine required level of assessment and management measures. Refer to the <a href="#">SES toolkit</a> for further guidance on addressing screening questions.</p>		
<b>Overarching Principle: Leave No One Behind</b>		<b>Answer (Yes/No)</b>
<b>Human Rights</b>		
P.1	Have local communities or individuals raised human rights concerns regarding the project (e.g. during the stakeholder engagement process, grievance processes, public statements)?	No
P.2	Is there a risk that duty-bearers (e.g. government agencies) do not have the capacity to meet their obligations in the project?	Yes
P.3	Is there a risk that rights-holders (e.g. project-affected persons) do not have the capacity to claim their rights?	No
<i>Would the project potentially involve or lead to:</i>		
P.4	adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups?	No
P.5	inequitable or discriminatory impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups, including persons with disabilities?	No
P.6	restrictions in availability, quality of and/or access to resources or basic services, in particular to marginalized individuals or groups, including persons with disabilities?	No
P.7	exacerbation of conflicts among and/or the risk of violence to project-affected communities and individuals?	No
<b>Gender Equality and Women's Empowerment</b>		
P.8	Have women's groups/leaders raised gender equality concerns regarding the project, (e.g. during the stakeholder engagement process, grievance processes, public statements)?	No
<i>Would the project potentially involve or lead to:</i>		
P.9	adverse impacts on gender equality and/or the situation of women and girls?	No
P.10	reproducing discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?	No
P.11	limitations on women's ability to use, develop and protect natural resources, taking into account different roles and positions of women and men in accessing environmental goods and services?  <i>For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their livelihoods and well being</i>	No

P.12	exacerbation of risks of gender-based violence? <i>For example, through the influx of workers to a community, changes in community and household power dynamics, increased exposure to unsafe public places and/or transport, etc.</i>	No
<b>Sustainability and Resilience:</b> Screening questions regarding risks associated with sustainability and resilience are encompassed by the Standard-specific questions below		
<b>Accountability</b>		
<i>Would the project potentially involve or lead to:</i>		
P.13	exclusion of any potentially affected stakeholders, in particular marginalized groups and excluded individuals (including persons with disabilities), from fully participating in decisions that may affect them?	No
P.14	grievances or objections from potentially affected stakeholders?	No
P.15	risks of retaliation or reprisals against stakeholders who express concerns or grievances, or who seek to participate in or to obtain information on the project?	No
<b>Project-Level Standards</b>		
<b>Standard 1: Biodiversity Conservation and Sustainable Natural Resource Management</b>		
<i>Would the project potentially involve or lead to:</i>		
1.1	adverse impacts to habitats (e.g. modified, natural, and critical habitats) and/or ecosystems and ecosystem services? <i>For example, through habitat loss, conversion or degradation, fragmentation, hydrological changes</i>	No
1.2	activities within or adjacent to critical habitats and/or environmentally sensitive areas, including (but not limited to) legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?	No
1.3	changes to the use of lands and resources that may have adverse impacts on habitats, ecosystems, and/or livelihoods? (Note: if restrictions and/or limitations of access to lands would apply, refer to Standard 5)	No
1.4	risks to endangered species (e.g. reduction, encroachment on habitat)?	No
1.5	exacerbation of illegal wildlife trade?	No
1.6	introduction of invasive alien species?	No
1.7	adverse impacts on soils?	No
1.8	harvesting of natural forests, plantation development, or reforestation?	No
1.9	significant agricultural production?	No

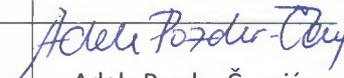
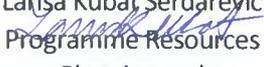
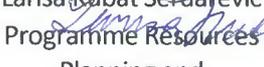
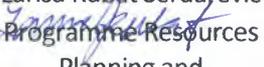
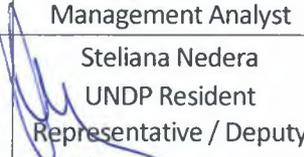
1.10	animal husbandry or harvesting of fish populations or other aquatic species?	No
1.11	significant extraction, diversion or containment of surface or ground water? <i>For example, construction of dams, reservoirs, river basin developments, groundwater extraction</i>	No
1.12	handling or utilization of genetically modified organisms/living modified organisms?	No
1.13	utilization of genetic resources? (e.g. collection and/or harvesting, commercial development)	No
1.14	adverse transboundary or global environmental concerns?	No
<b>Standard 2: Climate Change and Disaster Risks</b>		
<i>Would the potentially involve or lead to:</i>		
2.1	areas subject to hazards such as earthquakes, floods, landslides, severe winds, storm surges, tsunamis or volcanic eruptions?	No
2.2	outputs and outcomes sensitive or vulnerable to potential impacts of climate change? <i>For example, through increased precipitation, drought, temperature, salinity, extreme events</i>	No
2.3	direct or indirect increases in vulnerability to climate change impacts or disasters now or in the future (also known as maladaptive practices)? <i>For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population's vulnerability to climate change, specifically flooding</i>	No
2.4	increases of greenhouse gas emissions, black carbon emissions or other drivers of climate change?	
<b>Standard 3: Community Health, Safety and Security</b>		
<i>Would the potentially involve or lead to:</i>		
3.1	construction and/or infrastructure development (e.g. roads, buildings, dams)? (Note: the GEF does not finance projects that would involve the construction or rehabilitation of large or complex dams)	No
3.2	air pollution, noise, vibration, traffic, injuries, physical hazards, poor surface water quality due to runoff, erosion, sanitation?	No
3.3	harm or losses due to failure of structural elements of the project (e.g. collapse of buildings or infrastructure)?	No
3.4	risks of water-borne or other vector-borne diseases (e.g. temporary breeding habitats), communicable and noncommunicable diseases, nutritional disorders, mental health?	No
3.4	transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	No
3.8	adverse impacts on ecosystems and ecosystem services relevant to communities' health (e.g. food, surface water purification, natural buffers from flooding)?	No
3.2	influx of project workers to project areas?	No

3.3	engagement of security personnel to protect facilities and property, or to support project activities?	No
<b>Standard 4: Cultural Heritage</b>		
<i>Would the project potentially involve or lead to:</i>		
4.1	activities adjacent to or within a Cultural Heritage site?	No
4.2	significant excavations, demolitions, movement of earth, flooding or other environmental changes?	No
4.3	adverse impacts to sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	No
4.4	alterations to landscapes and natural features with cultural significance?	No
4.5	utilization of tangible and/or intangible forms (e.g. practices, traditional knowledge) of Cultural Heritage for commercial or other purposes?	No
<b>Standard 5: Displacement and Resettlement</b>		
<i>Would the project potentially involve or lead to:</i>		
5.1	temporary or permanent and full or partial physical displacement (including people without legally recognizable claims to land)?	No
5.2	economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	No
5.3	risk of forced evictions?	No
5.4	impacts on or changes to land tenure arrangements and/or community based property rights/customary rights to land, territories and/or resources?	No
<b>Standard 6: Indigenous Peoples</b>		
<i>Would the project potentially involve or lead to:</i>		
6.1	areas where indigenous peoples are present (including project area of influence)?	No
6.2	activities located on lands and territories claimed by indigenous peoples?	No
6.3	impacts (positive or negative) to the human rights, lands, natural resources, territories, and traditional livelihoods of indigenous peoples (regardless of whether indigenous peoples possess the legal titles to such areas, whether the project is located within or outside of the lands and territories inhabited by the affected peoples, or whether the indigenous peoples are recognized as indigenous peoples by the country in question)?  <i>If the answer to screening question 6.3 is “yes”, then the potential risk impacts are considered significant and the project would be categorized as either Substantial Risk or High Risk</i>	No
6.4	the absence of culturally appropriate consultations carried out with the objective of achieving FPIC on matters that may affect the rights and interests, lands, resources, territories and traditional livelihoods of the indigenous peoples concerned?	No
6.5	the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	No

6.6	forced eviction or the whole or partial physical or economic displacement of indigenous peoples, including through access restrictions to lands, territories, and resources? <i>Consider, and where appropriate ensure, consistency with the answers under Standard 5 above.</i>	No
6.7	adverse impacts on the development priorities of indigenous peoples as defined by them?	No
6.8	risks to the physical and cultural survival of indigenous peoples?	No
6.9	impacts on the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices? <i>Consider, and where appropriate ensure, consistency with the answers under Standard 4 above.</i>	No
<b>Standard 7: Labour and Working Conditions</b>		
<i>Would the project potentially involve or lead to: (note: applies to project and contractor workers)</i>		
7.1	working conditions that do not meet national labour laws and international commitments?	No
7.2	working conditions that may deny freedom of association and collective bargaining?	No
7.3	use of child labour?	No
7.4	use of forced labour?	No
7.5	discriminatory working conditions and/or lack of equal opportunity?	No
7.6	occupational health and safety risks due to physical, chemical, biological and psychosocial hazards (including violence and harassment) throughout the project life-cycle?	No
<b>Standard 8: Pollution Prevention and Resource Efficiency</b>		
<i>Would the project potentially involve or lead to:</i>		
8.1	the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	No
8.2	the generation of waste (both hazardous and non-hazardous)?	No
8.3	the manufacture, trade, release, and/or use of hazardous materials and/or chemicals?	No
8.4	the use of chemicals or materials subject to international bans or phase-outs? <i>For example, DDT, PCBs and other chemicals listed in international conventions such as the <a href="#">Montreal Protocol</a>, <a href="#">Minamata Convention</a>, <a href="#">Easel Convention</a>, <a href="#">Rotterdam Convention</a>, <a href="#">Stockholm Convention</a></i>	No
8.5	the application of pesticides that may have a negative effect on the environment or human health?	No
8.6	significant consumption of raw materials, energy, and/or water?	No

**Annex 1**

**Project document – COMPLIANCE AND QUALITY ASSURANCE CHECKLIST:**

Project document CHECKLIST		Check if relevant/ mark with "NA" if irrelevant	Name, function and signature of the responsible person
	Project output and results are aligned with UNDAF/CPD outcomes and indicators	X	 Amra Zorlak, M&E Analyst
	Project is aligned with the UNDP Strategic Plan, SDGs and contributes to the EU accession agenda	X	
	Social and Environmental Screening is attached to the project	X	
<b>Local Project Appraisal Committee meeting:</b>	Date: 14 July 2020	X	 Adela Pozder Čengić, RRD Sector Leader
<b>Implementing partner</b>	Name and brief description: <i>UNDP</i>	N/A	 Larisa Kubat Serdarević Programme Resources Planning and Management Analyst
<b>Responsible party/s</b>	Describe the project responsible partner/s (if relevant):	N/A	 Larisa Kubat Serdarević Programme Resources Planning and Management Analyst
<b>Management Arrangements</b>	The project document envisages a clear and adequate management structure and appropriate legal instruments.	X	 Larisa Kubat Serdarević Programme Resources Planning and Management Analyst
<b>ATLAS proposal/project setting</b>	Proposal/Award: BIH10/00094439 Output project: BIH10/00098539	X	 Larisa Kubat Serdarević Programme Resources Planning and Management Analyst
<b>Estimated budget and Source of Funding</b>	The project has a clear and feasible budget, including definition of required co-financing by UNDP.	X	 Larisa Kubat Serdarević Programme Resources Planning and Management Analyst
<b>Signing of the project document</b>	Signature of the Project Document on behalf of UNDP	X	 Steliana Nedera UNDP Resident Representative / Deputy Resident Representative

Annex 1

Project document – COMPLIANCE AND QUALITY ASSURANCE CHECKLIST:



Project document CHECKLIST		Check if relevant/ mark with "NA" if irrelevant	Name, function and signature of the responsible person
<b>Project title:</b>	<b>Municipal Environmental Governance Project (Phase II)</b>		
<b>Sector:</b>	Rural and Regional Development		
<b>Donor/s:</b>	Government of Switzerland (SDC) European Union (EU) Government of Sweden (Sida)		
<b>Implementation modality:</b>	National Implementation Modality (NIM) <input type="checkbox"/> CO support to National Implementation (NIM) <input type="checkbox"/> Direct Implementation Modality (DIM) x	X	 Adela Pozder Čengić, RRD Sector Leader
	In case of DIM – status of the Request for DIM to RBEC:	N/A	
<b>Donor submission status:</b>	Third-party Cost Sharing Agreement with Government of Switzerland (SDC) signed on 26 March 2021 by representatives of donor and on 26 March 2021 by UNDP.	X	
<b>Joint programme:</b>	YES <input type="checkbox"/> Partner UN Agencies:	NO X	N/A
	Fund Management modality:		
<b>The project concept/draft has been shared with the STEP UP Team and other CO/UN colleagues:</b>	The project draft has been shared with and discussed among the STEP UP Team and other CO/UN representatives, to ensure cross-sectoral thinking and integrated approach to programming	<input type="checkbox"/>	 Adela Pozder Čengić, RRD Sector Leader
<b>The project document complies with corporate quality programming standards:</b>	The project meets corporate quality standards for project design and is developed in the UNDP project document template	X	 Amra Zorlak, M&E Analyst
	Quality assurance assessment has been performed prior to the LPAC meeting and its findings were discussed by LPAC members (quality assurance link: <a href="https://intranet-apps.undp.org/ProjectQA/Forms/Design?fid=8202&amp;year=2021&amp;ou=BIH&amp;pid=00094439&amp;fltr=PROJECT">https://intranet-apps.undp.org/ProjectQA/Forms/Design?fid=8202&amp;year=2021&amp;ou=BIH&amp;pid=00094439&amp;fltr=PROJECT</a> )	X	 Amra Zorlak, M&E Analyst