



# Municipal Environmental and Economic Governance (MEG) Project

## 2017 Semi-Annual Progress Report

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## GENERAL PROJECT AND PHASE INFORMATION

The **Municipal Environmental and Economic Governance (MEG) Project** is an intervention supported and financed by the Government of Switzerland and implemented by the United Nations Development Programme (UNDP) in Bosnia and Herzegovina.

The Project envisages a 12-years engagement, with three Project phases. The first Project phase consists of a five-month Entry Phase (July – December 2015) and a four-year Main Phase (June 2016 - May 2020), with the total budget amounting to CHF 12 million (CHF 493,022 for the Entry Phase and CHF 11,450,000 for the Main Phase).

The Project's overall goal is as follows: ***Local governments, assigned with appropriate competences and finances, have improved their democratic governance, 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 sectors.***

In order to achieve this overarching goal, the Project will engage across a number of thematic areas contributing towards the following three outcomes:

- **Outcome 1: Supported local governments apply effective development management systems characterised by stronger oversight of the legislative and greater accountability towards the citizens.**
- **Outcome 2: Citizens and businesses in target localities benefit from good quality services provided by LGs in the economic and environmental sectors.**
- **Outcome 3: Improved regulatory framework at higher and local government levels and pro-active networking accelerate sector-specific reforms and enable more effective local public service delivery.**

Within its 1<sup>st</sup> phase, the Project will support local governments and their utilities in improving quality and accessibility of public services and infrastructure, as well as enhancing the partners' internal organizational capacities. Ultimately, the mission of the intervention is to enable local structures, both executive and legislative, to operate across an improved level of regulatory, administrative, technical and organisational performance. This will, among other measures, require the development of technical expertise for a series of local actors and the deployment of innovative and inclusive tools for ensuring transparency and public participation in decision making. Local governments will thus be better equipped, and informed, in responding to the needs and priorities of at least 700,000 citizens in the project catchment area, to include the most vulnerable.

The Project will also strengthen local governments' capacities to provide business-oriented public services and deliver measures conducive to employment. A constructive and sustainable engagement with both public and private actors is expected to create new jobs and attract new investments.

The Project's territorial focus is in the country's north-west (NW) corner (including the Una-Sana Canton and the Prijedor region) and its north-east (NE), encompassing the wider Dobož-Tuzla area. The project works with 18 partner local governments<sup>1</sup> competitively selected during the preparatory phase from a group of 31.

The main project partners are: the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina (MOFTER); the Ministry of Development, Entrepreneurship and Crafts (FMRPO) and the Ministry of Agriculture, Water Management and Forestry (FMPVS) of Federation of Bosnia and Herzegovina; the Ministry for Administration and Local Self-Government (MULS) and the Ministry of Agriculture, Forestry and Water Management (MPSV) of Republika Srpska; and the two Entity local government associations (AMCs).

<sup>1</sup> Northwest cluster: Bijać, Bosanska Krupa, Cazin, Gradiška, Kostajnica, Kozarska Dubica, Prijedor, Sanski Most, Velika Kladuša. Northeast cluster: Dobož, Gračanica, Gradačac, Kalesija, Prnjavor, Teslić, Tešanj, Tuzla and Žepče.

## STRATEGIC REVIEW AND OUTLOOK

The MEG project continues to add layers on its already very complex and exceptionally focused intervention implemented within an everchanging operating environment with many prospective pitfalls, as the Project moves into execution on the ground. As a result, the first six months' reporting period of 2017 was largely used on reassuring commitments from all stakeholders and planning in smallest details the implementation of all focused technical support necessary for upcoming project delivery through: i) design of specific individual local governments' action plans, ii) engagement and deployment of critical technical assistance with LGs, municipal councils, citizens, and especially water utility companies, and iii) continuation of data collection and management.

The Project channelled its efforts in preparing **technical blueprints of assistance** to all partners in the project – LGs, water utilities and citizens, on improving local government management and administrative performance, and water supply and sewage services. Considering a rather aspiring agenda set for the Project's first phase, it was crucially important to get all project stakeholders and partners onboard in the process of designing operational plans and agreeing on everyone's roles, responsibilities and activities that would lead to successful Project implementation.

Upon developing series of outputs such as methodologies, guidelines and tools, and learning from direct consultations with stakeholders, as well as findings yielded from various thorough assessments and analysis done in the previous reporting period, the Project initiated a plethora of activities aimed at achieving goals set for the First phase. During this reporting period, many of those activities were related to ensuring mutually beneficial partnership and dialogue based on-the-ground implementation of agreed activities under all expected outcomes. All planned project activities were disseminated to public in order to increase transparency to local constituencies, get the necessary buy-in from municipal/city councils and non-government organizations, and thus put the pressure on local executive authorities to deliver.

An initial step undertaken in the beginning of 2017 was to **deliver results of evidential findings of performance management analysis** to each LG management, and eventually **agree on a common baseline** against which technical assistance will be carried out and performance measured towards the end of the year. Initially there was a lot of reluctance towards accepting negative findings and results, as they proved that many local governments were not where they thought they would be when the exercise was initiated. The LG management was given time to comment and provide additional input to support their stance, but after several weeks they were not able to produce evidence so no result has changed from original findings, thus confirming original scores.

As a result of this initial exercise with LGs and water utilities, the entire Project partner community realized that **interventions and support that will be coming through MEG project initiative was more than necessary**, leaving them with no options but to put their full capacities at disposal and work towards reaching jointly set targets and goals. This will also mean that in addition to Project partners, a more active participation needs to be sought from stakeholders at cantonal, federal, Entity and state levels, to ensure their partaking in helping identify overlaps and complementariness with other resources. The overwhelmingly encouraging reaction to the Project puts great burden on the team to deliver across all areas of Project focus, and raise cognizance of MEG project across all areas of interventions with the local governments.

The Project is presently riding on respectable interest that was spurred in non-government organizations who are, by participating actively in Project organized citizen participation workshops, increasingly understanding how to make sure their voice is amplified and heard by their elected representatives, as they are the end users and have the power to actually make the desired change. This puts pressure not only to government organizations, but also on the Project itself, to push through reforms that some local powerhouses might not be in favour of.

The Project continues to nourish its already large *instrumentarium*, adding to this **depository of available tools and methodologies for potential future interventions** with local and even higher-level governments.

Likelihood of dissemination of quality Project outputs outside just project partner LGs is expected to increase in the coming period, especially after both Entity Association of Cities and Municipalities expressed their willingness to serve as multipliers and promoters of positive Project results and deliverables to all their members throughout the country.

## INTRODUCTION

The MEG Project will facilitate **improvements in institutional and regulatory frameworks**, as well as **advancing the internal organisational capacities** of all partner LGs and their water utility companies. This will ideally enable more result-oriented and efficient local service delivery on all levels. Ultimately, the supply side of the local governance system (LG legislative and executive bodies, i.e. councils) will operate on improved regulatory, administrative, technical and organisational frameworks, with strengthened capacities of LG council thematic commissions, use innovative tools ensuring transparent and result-oriented decision-making processes, and thus be able to respond more adequately to the recognized needs and priorities of their constituency and socio-economic stakeholders within target localities.

In addition, capacity of LG leaderships will be strengthened, thus enabling **democratic and development-led decision-making**, with visible positive impacts in the environmental and economic sectors. Importantly, the demand side of the local governance system (citizens, businesses, civil society organizations, non-governmental organisations) will be capacitated and actively and productively engaged in local public affairs and scrutiny of LG performance.

The MEG Project will strive to further enhance the performance of its partner LGs to deliver public services to citizens and businesses within target localities. Specifically, the tailored Project assistance will result in **enhanced operational, effective and efficient work of public utility companies**, which in partnership with LGs, secure sustainable service delivery, particularly in the water sector. Integral to this process are **improved contractual frameworks** (Public Service Agreements – PSAs) in the water-supply and waste-water services related to both urban and remote rural areas within LGs, which will for the first time provide clear description of roles and responsibilities for both the owners (LGs) and public service delivery institutions (public utility companies).

Moreover, LGs are expected to **tangibly improve the business enabling environment** by introducing a more business-oriented policy design and delivery, improved administrative services and productive public-private dialogue systems, which will eventually contribute to positive economic growth and job creation at the local level. These achievements will be directly reinforced by improved quality and availability of municipal environmental and economic infrastructure.

The MEG project will support its partner stakeholders in upgrading their existing **regulatory framework at both local and higher government levels**, which will enable better and efficient service delivery in the environmental and economic sectors. Entity sector-related laws and by-laws will be adjusted to enable better regulated and adequately funded local service delivery in the environmental and economic sectors, with focus on water-supply and waste-water services, and business enabling environment. In addition, taking into consideration the specific governance structure of BiH, cantonal/Entity level regulatory framework should be improved, particularly with regards to Law on Utility Services.

These processes will be closely supported by **stronger and pro-active thematic organisations**, and the Associations of Municipalities and Cities in both Entities. Project knowledge and best practices will be widely disseminated through constant networking, thus enabling spill-over effects not only with target partner LGs, but also beyond.

Further support will be offered to professional networks that exist and function within environmental and economic sectors, due to their instrumental role in efforts to improve local good governance practices in general, and public service delivery.

## UPDATE ON CONTEXT AND STAKEHOLDERS ANALYSIS

Despite the last year's local elections results and an underwhelming 40% change in partner LGs management (mayor and/or council), which initially slowed down the implementation of activities at the local level, the Project team carried out a number of significant activities and managed to get all newly elected officials onboard, thus enabling a positive situation on the ground for concrete technical assistance in accordance with the Project scope.

On January 31, 2017, all 18 MEG partner LG's recently elected mayors and municipal appointees came together for an official event in Sarajevo, where they all signed individual Letters of Agreements, thus formally ensuring MEG project's ownership and commitment to the Project from the highest level.

The Project board (PB) members (MOFTER, FMRPO, FMPVS, MPVS RS, MULS RS, both AMCs) met for the second time on April 14, 2017, to review the progress made in 2016 and approve the MEG 2017 Annual Work Plan (AWP), with detailed activities list aimed at achieving project goals and deliverables in this period. All present PB members praised the path on which the Project is treading and approved the work plan for the following 12 months, while remaining fully engaged in steering the Project and continuing to be available for a number of foreseen bi-lateral contacts and engagements with the Project team.

As per the approved MEG 2017 AWP, the Project intensified its engagement with partner LGs and all stakeholders in the monitored period. This resulted in increase of Project's positive image and public profile, spurring interest even from LGs that are not a part of the Project. In the first six months of 2017, the Project focused on reaffirming a closer relationship with LG management, but also initiated active relationships with municipal councillors and citizens through specifically designed workshops and seminars.

As expected and noted in the previous report, minor delays in project implementation were experienced in the municipality of Velika Kladuša. Namely, the mayor of Velika Kladuša, Mr. Fikret Abdić, is not too keen on following up with any project that his municipality is engaged in unless they are large investment or infrastructure projects, or simply pure donations for fulfilling his visions. Similar issues with this LG are being reported by some other UNDP projects as well. MEG coordinators in Velika Kladuša are trying their best to maintain a continued presence on all Project organized events and deliver on their tasks, but they can only do so much without a more serious management involvement. In the coming period, the Project will have to devote more attention to Velika Kladuša in order to prevent them from falling behind on agreed Project activities, but the final outcome will still largely depend on political will of Velika Kladuša's leadership.

## OUTCOMES ACHIEVED FOR 2017

The MEG Project Document and its Annual Work Plan envisioned no major outcomes being reached for this reporting period, as majority of activities leading to tangible results would only be measurable towards the end of the year, considering reporting cycles of partner authorities. Even so, the MEG project team worked intensively on delivering several products that will be critical in meeting all project goals and reaching its envisaged outcomes.

The following general and operational activities under three Project Outcomes were successfully implemented:

- As a result of the Project team meeting with all newly elected official representatives (mayors and councillors) in person and presenting them with information on MEG project, the Project got reassurances for their full support and confirmations to working together towards reaching the Project goals;
- Initiated provision of specific technical assistance based on the comprehensive and in-depth analysis of complexity of needed intervention in all partner LGs, which was conducted through a detailed, on-the-ground and evidence-based analysis in the area of municipal operational performance management;

- Collected certifiable documentation, operational information and technical background data that enabled setting a common baseline for all individual partner LGs and water utility companies. Tangible progress made towards improvements in good governance performance during 2017 in all LGs will be measured against this common set baseline, and will serve as foundation for planning performance based grant awards for financial support to LG qualified projects in 2018.
- Completed comprehensive assessment reports for identifying legal gaps in two focus sectors – environmental and economic, with implementable and targeted recommendations that will be used for advocating future improvements in legal framework on all levels.

**OUTCOME 1 – Supported local governments apply effective development management systems characterised by stronger oversight of the legislative and greater accountability towards the citizens**

This outcome continues to be the main crosscutting theme with all other project activities, and as such took majority of the team's time and effort in planning and making sure that the foundation under this Outcome sets clear guidance to other project activities as well.

Building on in-depth assessments of LG performance management systems comprised of 104 indicators, which was a first step in assessing the level of assistance needed for LGs to improve their internal organizational and operational services and how these improvements could be measured, the Project prepared **individual tailor-made action plans for each specific partner LG**. These action plans were designed to target identified shortcomings and set path for technical assistance in very specific areas of LG's performance management systems improvements. Importantly, all LG representatives (mayors and councillors) accepted all negative and positive findings in these assessment reports and recognized actual need for assistance in certain areas of their administration work.

During 2017, the Project will be committed to work directly on delivering **visible and tangible improvements in LG performance management**, which will then be measured against performance-based incentive methodology, and based on achieved results, eventually reward the progress through grant assistance for priority projects in the environmental and economic sectors.

Measurable progress made along this outcome will encompass advancement made in utility companies as well, as it leads to a new environment where local governments and citizens will be given tools to measure and quantify actual positive changes made in their localities.

**OUTCOME 2 – Citizens and businesses in target localities benefit from good quality services provided by LGs in the environmental and economic sectors.**

The supply of quality drinking water and improved waste water services, a shared responsibility of local authorities and their public utility companies, continues to be a key MEG deliverable under this Outcome.

To improve the overall water utilities' performance, during the first half of 2017 the Project delivered a comprehensive on-site assistance program for all partner water utility companies, aimed at enhancing their **organizational, operational and financial capacities**. The support package is being delivered across 15 mutually agreed thematic areas:

1. Level of operational autonomy of the water utility, related to clear recognition and delegation of specific responsibilities regarding establishment of effective and efficient water services provision,
2. Organizational structure, focused on structural response to tasks for an efficient water utility, having all needed organizational parts in place,
3. Staffing, objective of enhancement of staff recruitment and capacity building, introducing full-time equivalent principle for all employees,
4. Consumer relations, establishing proper data collection, data analysis and informed decision making based on analysis of data related to consumers' complaints, remarks, proposals (with clearly defined responsibilities assigned),



5. Network mapping, as a support tool in evidencing all infrastructure in place, introducing effective measurement program, establishment of proper pressure zones, support to non-revenue water (NRW) and network reconstruction and maintenance,
6. Effective network zoning, defining the most appropriate District Metering Areas (DMAs) that will allow for improved NRW management but also for optimizing pressure in the whole network,
7. Metering program, to be established in defined DMAs to secure water balance evaluations per DMA,
8. Non-revenue water management, focused to detection and decrease of both administrative and real losses (at present high burden at many water utilities in BiH),
9. Tariff policy, introducing tariff setting, based on several key principles as cost recovery, affordability but also principle of economic efficiency requesting cost-effective operations,
10. Revenues collection and administration, aiming at an improved collection rate and eventually adjusted invoicing periods and invoice structure,
11. Accounting procedures and MIS, targeting accounting based on defined cost centers in line with the services provided, thus allowing clear separation of costs and tariffing that meets cost recovery principle; improved accounting software environment including enhanced financial reporting and establishment of management information system that include performance indicators evaluations and monitoring,
12. Budgeting and business planning, with major objective to enable water utilities to effectively plan optimization of their operations and thus minimize related costs,
13. Financial management, aimed at establishing procedures for monitoring implementation of all work orders and public procurement activities,
14. Assets management, starting from updating and completing the fixed assets books, evaluating realistic depreciation costs, but also establishment of investment maintenance fund that will secure prevention of presently existing deterioration of network facilities,
15. Water quality and quantity, with support to water utilities in securing sufficient amounts and quality of water to its consumers (but having in mind that the first priority for new water amounts needed is to decrease existing leaks and not to invest into new water abstractions if having high non-revenue water).

**OUTCOME 3 – Improved regulatory framework at higher and local government levels and proactive networking accelerate sector-specific reforms and enable more effective local public service delivery.**

The Project will support local and other government institutions in improving their regulatory frameworks, with specific focus on service delivery in economic and environmental sectors. In addition, the Project will support selected cantonal and Entity ministries in improving their policy design and delivery capacity.

To be able to target its assistance in the two focus sectors, and following elaborate consultations with all relevant stakeholders made in the first quarter of 2017, the Project completed **legal analysis of local economic development condition and water utilities**, for each Entity in BiH.

These assessments contain a **set of detailed recommendations for bridging identified legal gaps**, which will be used by the Project to prepare its own **Advocacy Strategy**, which will aim at improvements in current legal framework governing environmental and economic public services delivery at all government levels.

As proven relevant, the Project continues to contribute to on-going policy and regulatory discussions and reforms on all government levels, with focus on the economic and environmental sectors. The pace of discussions is expected to pick up with the eventual advancement of BiH on the EU accession path and the entering in negotiations on the EU *acquis communautaire* in these sectors.

## OUTPUTS AND PERFORMANCE ACCORDING TO YEARLY PLAN OF OPERATIONS

June 2017 marks a full year of MEG project operations execution, excluding the preparatory phase. Following the official Project Board approval of MEG 2017 Annual Work Plan, the Project team initiated implementation of all agreed projected activities, to be able to meet a rather ambitious agenda. The following represents a detailed review of activities undertaken during the first six months of 2017 under three major Project outcomes.

### OUTCOME 1 – Supported local governments apply effective development management systems characterised by stronger oversight of the legislative and greater accountability towards the citizens

#### Output 1.1. – Local government performance management systems are established and functional

The Project designed *individual workplans* for each partner LG. These workplans were developed on the basis of recommendations for bridging gaps identified as per 104 indicators in the **Performance Management Assessment Reports (PMARs)**, and taking into consideration additional 15 **Performance-Based Financial Support Methodology (PBFMSM)** criteria. The validation of the proposed individual LG plans was a time-consuming exercise, subject to wider discussions in order to get as much input as possible. The Project subsequently presented individual workplans to LGs, and allowed sufficient time for comments and suggestions by partner LGs. Most LGs responded by the set date, and final individual workplans were ready by the end of March. The individual workplans involved relevant technical assistance (TA) to LG administration, LG economic and environmental departments, and Municipal/City councils.

All comprehensive PMARs have been finalised and presented, along with relevant findings and recommendations for improvement, in front of the Mayor, Council Speaker, LG administration representatives and number of LG councillors in each individual partner LG and allowed 10 days for their feedback related to each of the 104 performance sub-indicators. Surprisingly, despite the low overall grades, the feedback was very positive, and there was a limited number of objections to specific sub-indicator scores. Even after the 10 days validation period, majority of the objections could not be supported with new evidence, so the individual sub-indicator scores and the final report, remained intact and were accepted by the respective LGs. All final PMARs have been validated by partner LGs.

Another related activity was a detailed assessment in each locality that resulted in **identification of the currently available partnership community structures** (i.e. local Partnership Groups (PG), Economic Council (EC) etc.) and validating assessment data such as official meeting records, EC or LPG initiatives etc.

During the reporting period, the Project initiated TA and capacity building activities for LG Administration, Municipal Councils, Economic Departments, Environmental Departments and Citizen Participation in the decision-making processes. For this purpose, during month of May and June, the Project team designed and developed a total of **28 general training modules**, based on which a tailor-made training and focused TA was prepared for each partner LG respectively. Total of **210 tailor-made workshops** is planned for MEG partner LGs until the end of 2017, solely under this activity.

The Project prepared detailed support specification for training design and delivery. Support will be provided in 5 areas: *Local Governance, Municipal Councils, Citizen Participation, Economic and Environmental departments*, respectively. The TA is divided in several lots to ensure adequate (tailor-made), timely (quick deployment) and effective assistance in each partner LG.

**Citizen Participation workshops** were initiated in Prijedor, Kozarska Dubica and Gradiška, where a total of 17 participants (7F, 10M) actively participated in the first round of training. Also, the first training for Doboj city councillors took place on 29 June, where 14 councillors (4F, 10M) underwent the first out of four foreseen trainings prepared specifically for MCs.

Within the PMAR detailed assessment of the partnership community structures i.e. local Partnership Groups (PGs), Economic Councils (ECs) and other relevant structures, and validation of the assessment data (official

meetings records, EC or PG initiatives) revealed that **many of the LGs have lost their partnership groups and ECs**. This means that MEG project will have to put in significant effort to revitalize these structures and make them functional in the forthcoming period.

### **Good Local Governance (GLG) Framework**

First draft of the Good Local Governance (GLG) Framework for BiH that is incorporating set of universal LG performance benchmarks, has been developed by MEG project. It merges comments and suggestions by key resource persons and stakeholders that emerged during one-on-one initial , as well as wider-consultation process, involving Associations of Municipalities and Cities (AMCs), relevant Entity authorities (FBiH Ministry of Justice and RS Ministry of Local Self Government), respective cantonal bodies (Ministries of Justice and Administration), MEG and non-MEG LGs and other UNDP projects. Process started in Sarajevo on 17 March, and was followed by individual meetings and consultation workshops in Banja Luka on 20 and 21 March, and Doboj on 22 March. The workshops have been well received and attended by 72 participants (27F, 45M).

As a result of these activities, the Project developed a first draft of the GLG framework **consisting of eight main principles**: 1) Adhere to rule of law and act with integrity, 2) Be open and transparent, 3) Stimulate active citizen participation and engagement in local public affairs, 4) Have a sustainable development vision informing all policies, strategies and plans, 5) Provide services effectively, efficiently and equitably, 6) Continuously improve the capacity of the local government to do better, 7) Ensure sound financial management and robust internal control, and 8) Be accountable to all stakeholders.

It is envisaged that the framework will be subjected to further consultations during the Project tenure. In the meantime, the Project will continue collecting, filtering and incorporating the best practices available globally as well as country-wide. Instead of organizing three main annual events of consultations on the GLG framework, and with the aim of enhancement of expected deliverables, it has been decided to conduct wider local-level consultations regarding the GLG framework in each partner LG. The working groups have been established as direct result of the project activities, and they will work **on strengthening the citizen position in the processes of decision-making and monitoring of the government performance**.

### **Output 1.2. – Citizens are more responsible and enjoy greater role in decision-making and monitoring of government performance**

The Project finalized Citizen Satisfaction Surveys in 18 partner LGs and presented results to LGs, in form of long and short reports. **Individual Comprehensive long reports** were made for LG administration and LG councillors - as they identify all areas that from the citizens' perspective need improvements, and a shorter version which is easier to digest and targets general public. Seventeen partner LGs (all apart from Prnjavor) have published citizen satisfaction survey results on their websites. All of them have discussed the survey results, identified gaps and proposed potential solutions during their internal management meetings. Survey tools and methodology have been transferred to partner LGs for their future use, while follow-up training sessions will be offered to municipal employees that will be in charge of the subsequent annual surveys.

In order to **ensure greater transparency of the survey results and to encourage government accountability**, the Project initiated presentations to Councils/Assemblies of Citizen Satisfaction Survey results, as a part of the Baseline Package (Citizen Satisfaction Survey Report, Performance Management Assessment Report and Performance-based Financial Support Methodology and Annual Support Protocol). By the end of June, the presentations were done in Doboj (14 June), Bosanska Krupa (19 June), Prijedor (21 June), Cazin (28 June), Sanski Most (29 June), Kozarska Dubica (30 June), Teslic (30 June). Presentations to remaining Councils/Assemblies will be done in the coming period.

### **Performance-based Financial Support Methodology (PBFSM)**

MEG Project designed its own Performance-based Financial Support Methodology (PBFSM) that will be used to **measure progress of the partner LGs** based on which adequate financial assistance will be made available to each individual partner LG. The Methodology consists of **15 project-related indicators** that will be used to measure progress of the partner LGs during the period of March 2017 – March 2018, and based on which

adequate financial assistance will be made available to each individual partner LG. The Methodology itself ensures that all the 15 indicators are SMART (Specific, Measurable, Agreed-upon, Realistic and Time-related) and that the process is transparent.

The Methodology was presented to all partner LGs on 30 and 31 March in Doboj and Prijedor, respectively. All MEG coordinators became well acquainted with the Methodology and were enabled to inform their LG management of the PBFSM specifics accordingly.

The **baseline data for 15 indicators** was collected by the 31 March, and after extensive consultation process with each individual LG to ensure that all possible means of verification are duly submitted by LG and considered by the Project, the **baseline results were agreed and finalized** by end of April. From that date onwards, individual LG progress will be measured on a quarterly basis, starting with the first self-assessment in July 2017. This approach will enable each partner LG to monitor and evaluate their specific progress, and to take-on corrective actions in a timely and efficient manner if and when appropriate.

**OUTCOME 2 – Citizens and businesses in target localities benefit from good quality services provided by LGs in the environmental and economic sectors.**

**Output 2.1. – Local governments, through institutionalized partnerships with their utilities and based on oversight by Municipal Councils and the citizens, secure sustainability of service delivery, with focus on the water sector**

Two local water sector consulting firms - “Una Consulting” Bihac and “Institute for Water Management” (“Zavod za vodoprivredu”) Sarajevo, guided and supervised by the delegated UNDP experts, were contracted to provide specific technical expertise to all partner local communities’ utility companies. These consultant companies have been hired for a period of 12 months (October 2016 - October 2017) and through provision of direct technical assistance they will be working together with the public utility companies’ representatives and staff, on activities of **strengthening their internal financial and operating capacities**. Within each of the **15 target areas for potential performance improvements** the following progress was achieved during the reporting period:

1. Level of operational autonomy of the water utility – need for regulating the healthier relationship between the local government, as the founder of the utility, and the company itself, as the operator was addressed through the mechanisms of the **Public Services Agreement (PSA)** between the two. PSAs in its essence **regulate mutual rights and obligations, roles and responsibilities, and stipulate objectives, tasks, measures and activities related to provision of public water supply services and wastewater disposal** in their areas of responsibility. PSA gives special attention to the issue of **subsidizing public water supply and wastewater disposal services** by institutions owned by LG, the **public water supply services pricing methodology**, as well as to the issue of **updating the inventory and calculating depreciation of fixed assets** in the ownership of LG, entrusted to the public utility company for management and maintenance. During the reporting period all 9 LGs in Lot 1 agreed on the PSA and got approvals by the local councils/assemblies, while 4 LG-s signed PSAs (Gradiška, Cazin, Sanski Most and Kostajnica). The same stands for 4 (Doboj, Kalesija, Teslić and Žepče) out of 9 LGs in Lot 2. During this reporting period, PSAs were signed by mayor and Director of WUC in 3 LGs. In remaining three Municipalities (Tešanj, Prnjavor and Gradačac), PSA text was agreed among LG and WUC representatives and it is expected that the Assembly will give permission for the signing during the next reporting period.
2. Organizational structure – draft **employment systematization document** (based on full-time equivalent positions) that includes and formally defines all important positions for the efficient work, such as customers’ relations, effective non-revenue water management, was prepared for all 18 water utilities. 4 LGs per each lot (Cazin, Kostajnica, Sanski Most, Velika Kladaša, and Gračanica, Kalesija, Teslić, Žepče) have adopted such organizational structure. Creation of enabling environment for the future regular updates of systematization, aiming continuous efficiency improving, is

initiated. What follows is the monitoring process of established organizational structure efficiency that will provide inputs for eventually needed changes in accordance with the achieved results.

3. Staffing – draft proposal for the **long-term rationalization of work positions**, harmonized with the applicable legislation, is prepared for all 18 water utilities. 8 of them adopted it while others are expected in the next reporting period. The same utilities also adopted updated work positions' descriptions based on full-time equivalent principle, so as to have made decisions on criteria for performance evaluations of employees and associated **incentives and disincentives**. Same results are expected for remaining water utilities during next reporting period.
4. Consumer relations – during the reporting period the procedures and brief operational plan for consumer relations are drafted for all 18 water utilities and adopted in 10 of them (Bihać, Cazin, Kostajnica, Prijedor, Sanski Most, V. Kladuša and Gračanica, Kalesija, Teslić, Žepče). Procedures for **feedback collection on satisfaction with the provided services**, analysis and selected performance indicators are also drafted for all 18 water utilities and adopted in said 10 WUCs. In addition, the simple software module for keeping records of customer relations and filing of complaints was prepared and delivered to all 18 WUCs.
5. Network mapping – all 18 water utilities obtained electronic base maps that could be used for network mapping, and **primary and secondary water supply and sewage network have been mapped**. Delegated utility staff for mapping and GIS development, where there is such capacity, were trained for further mapping and GIS development. Additional training has been provided for utilities that could not provide adequate personnel for first training. 9 WUCs are already involved in mapping of tertiary network and house metering connections.
6. Effective network zoning – District Metering Areas (DMA) are defined for all 18 water utilities, using prepared electronic maps. Definition is based on IWA (International Waterworks Association) recommendations, in order to allow for **the most effective measurements and non-revenue water management**. WUC staff is trained on DMA definition and on isolating it from other DMAs, which will enable WUCs to improve their capacities for tackling NRW.
7. Metering program – simple-to-use **database for metering data**, as well as training on **flow and pressure measurements**, both theoretical and practical (with actual flow and pressure measurements within one of defined DMAs) was delivered to all 18 WUCs.
8. Non-revenue water management – operational plan for non-revenue water management, with **detailed action plan with realistic timeline for targeted achievements** and with defined responsibilities for each of the activities delegated to WUC staff was drafted for all 18 WUCs. Simple registry/database of leaks is created and delivered to all water utilities. Training to the delegated NRW team for all 18 water utilities on water balance evaluation, both theoretical and practical was delivered. Training on sound leak detection, both theoretical and practical (hands-on practical training within one of defined DMAs) is ongoing and will be finalized for all water utilities during the next reporting period. Identified equipment (district water meters, mobile ultrasonic flow meters, equipment for the detection of the leakages, etc.) will be procured through MEG project.
9. Tariff policy – tariff setting methodology, based on meeting key principles like cost recovery, affordability and economic efficiency, represents integral part of the PSA, and is expected to be **practically implemented during 2018. Transparent procedures on subsidizing payments** for services for population in need (socially vulnerable groups) are drafted and adopted together with the PSA, and at the time of this report preparation, together with municipal Centers for social welfare, several LGs made decisions on **implementation of subsidies system for people in need**, mostly for amount of 3m<sup>3</sup> per person per month.
10. Revenues collection and administration – all debts and revenues for all 18 WUCs were analyzed by the **type of service provided and maturity** and relevant recommendations given accordingly.

Procedures leading to increased collection were drafted and their implementation will be initiated with the next reporting period.

11. Accounting procedures and MIS – internal accounting rulebooks, including Rulebook on accounting policies, Rulebook on Financial operations, Rulebook on operations with cash and Rulebook on data archiving, were **prepared or upgraded** for all 18 WUCs, as well as **tailored chart of accounts**. Cost centers that will allow not only separation of costs and revenues for each service provided, but will also enable costs' optimization, were defined for all partner WUCs.
12. Budgeting and business planning – training for management and leaders of each sector on the **fundamentals of budgeting and business planning** (including preparation of the individual cost centers' budgets and the consolidated budget) was delivered. Trainees will now prepare Business Plans, including investment plans for which they will seek support by MEG project. WUCs have been advised to ensure that projects included in the investment plan are part of municipal strategy.
13. Financial management – procedures for **implementation of Public procurement law** are drafted and delivered, and prepared for implementation in all water utilities. The same is valid for procedures for internal work orders.
14. Assets management – responsibilities regarding updating **inventory of all fixed assets and their revaluation**, were defined and presented as a part of the PSA. All WUCs were supported in initial update of their inventory of all fixed assets, and their revaluation where needed. Update of complete fixed assets book was initiated and should be completed before end of 2017. Part of this activity is also creation of the "*Depreciation Fund*", whereas these funds can only be used for investment maintenance, i.e. detection of leakages and repairs and replacements of pipes and other infrastructural components). This Fund is expected to be established in all WUCs by the end of 2017.
15. Water quality and quantity – during the reporting period existing **Studies on protection of water sources** (where they already exist) were reviewed for 10 water utilities (B. Krupa, Gradiška, K. Dubica, Kostajnica and Doboje, Gradačac, Tešanj, Teslić, Tuzla, Žepče) and recommendations for their upgrade and improvements were provided. Technical advice will be given for eventual insufficient water quantities and potential large-scale investments, and WUCs will be supported in revision of their plan for well protection.

## **Output 2.2. – Citizens and businesses in target localities benefit from good quality services provided by LGs in the economic and environmental sectors**

### ***Public Private Dialogue (PPD)***

Improving public services delivery in the economic sector requires various interventions, but the Project is concentrating especially on Public Private dialogues (PPDs). PPD is the proven key to good governance and development, and **functional PPD represents a prerequisite for the development of business enabling environment**.

While defining precise support to partner LGs, the Project completed an in-depth review of existing public-private dialogue platforms and coordination mechanisms in all partner LGs. Based on collected data, it became clear that the **Economic Council is the leading/most present model of PPD platform in partner LGs**. However, it is fully functional in only five partners LGs.

Accordingly, the Project defined its support through three levels:

- 1) PPD guide, document based on review findings and best practices (locally and regionally),
- 2) Tailored training for 18 MEG partners LGs, and
- 3) Technical assistance (TA) for 8 selected LGs (Cazin, Velika Kladuša, Kostajnica, Kozarska Dubica, Doboje, Gračanica, Tuzla, and Kalesija). Selection of LGs is based on the finding of assessments (initial BFC assessment, validation of BFC criteria and review of PPD indicators).

Training sessions for MEG partner LGs are planned for period of August/September 2017, and will address the following topics: Purpose, structure, and principles of the PPD; PPD participants - Who should participate in the PPD, the obligations and the role of the participant; Sustainability, i.e. PPD platform; Monitoring and evaluation of PPD, i.e. measuring impact assessment; How to improve PPD work of existing PPD platforms.

During the reporting period, on the request of municipality of Gradiška, the Project provided TA on **development of the questionnaire for business sector satisfaction survey**. They will use this as another PPD tools that would enable better communication with the private sector.

### ***Value chain (VC) assessment***

To support partner LGs in designing and applying adequate labour market and business-conducive public measures, which stimulate the emergence and strengthen economic development, the Project initiated **value chains performance assessment** in partner LGs. During this reporting period, detailed assessment of existing value chains in 6 LGs (Doboj, Gračanica, Gradiška, Tuzla, Prijedor, and Žepče) were completed using internal project resources. Assessment reports contain a brief economic profile of the target LGs, description of leading value chain and existing support for them, as well as recommendations for the economic development efforts. Assessment of VCs in the remaining twelve LGs will be completed by the end of 2017.

### ***Assistance on development of incentive grant scheme***

Within the activity of providing assistance to LGs in designing and delivering business incentives and employment-conducive measures, the Project held 13 meetings/consultations with relevant LG representatives on the subject and methodology of future assistance. **Lack of knowledge and experience on the setup of incentive grant scheme** has been identified as a priority for intervention. To respond to this expressed need, the Project defined support through: Training on grant scheme, Individual TA (in process of definition incentive grant scheme), and Financial contribution (incentive grant schemes)

Based on collected inputs from partner LGs, the Project developed a Incentive Grants Scheme Training Program, which will be delivered through 11 workshops, consisted of following modules:

- Basic principles of establishing incentives grant scheme and relevant accompanying documents,
- Defining basic incentive grant scheme parameters,
- Developing a set of incentive grant scheme documents,
- Application process and evaluation in accordance with set parameters,
- Management, monitoring, and evaluation of the incentive grant scheme,
- Evaluation of the incentive grant scheme short-term and long-term effects.

During the reporting period, three workshops were held in Banja Luka (June 14), Doboj (June 21) and Bihać (June 22), with total of 54 participants (20F, 34M).

### ***Expert support to market intelligence in the wood sector***

Initial gap analysis identified significant gaps between services provided by LGs and needs of private companies, and they relate to i) lack of professional training and business consulting and ii) current analysis of industrial sectors.

Lack of information and capacities for identification of prospective export market and competitive advantages/disadvantages of BiH wood processing industry was identified by the Foreign Trade Chamber of Bosnia and Herzegovina (FTCBH) as the key gap for all wood producers in BiH. Thus, FTCBH officially approached MEG project with a **request for support and extended an invitation** to take active member participation in a working group dedicated to drafting the *“Export Growth and Development Strategy for the Wood processing industry in Bosnia and Herzegovina, for the period 2018-2022”*.

With the aim to minimize identified gaps and respond to request for support from FTC BH, **considering that the wood industry is the leading industry in most of MEG partner LGs**, the Project engaged an expert for wood processing industry market research and product placement to provide specific technical input to the working group. The reports prepared in this exercise will be shared with all partner LGs to strengthen market intelligence of the private sector in this area, but also to improve their own capacities related to attraction of

investment, business promotion, planning of business infrastructure, etc. The market data will be distributed to the private sector primarily through the PPD platform, thematic sessions of the Economic Council but also through LG`s websites, thematic bulletin, or newsletter.

### **Output 2.3. – Quality and availability of municipal environmental and economic infrastructure is improved**

In line with the Project`s mandate in disaster risk reduction, the Project team designed and administered a **compliance assessment of risk reduction and emergency preparedness of two partner LGs** (Doboj and Tuzla). These two LGs were selected as, according to available data, they represent the two LGs with the highest risk from natural hazards. The compliance assessment looked at civil protection capacities, hazard risk reduction protocols, planning procedures in effect, the status of preparations for emergencies, etc.

The assessment looks at the framework for the implementation of disaster risk reduction principles and the organisation of protection and rescue capabilities in the cities of Doboj and Tuzla. The preliminary findings point to a multifaceted structure of administrative division of competences in BiH, which is also reflected in the protection and rescue system. A **lack of vertical coherence between laws and bylaws** from state to local level prevents a continuous dialogue and hampers exchange of information.

The assessment looked at the performance of the two local government systems during the recent emergencies and **found numerous shortcomings caused by a lack of a clear command and control chain, poor regulations, and a chronic shortage of funds**. The assessment report with actionable recommendations, against which MEG project will plan its future activities, will be completed by the end of 2017.

### **OUTCOME 3 – Improved regulatory framework at higher and local government levels and proactive networking accelerate sector-specific reforms and enable more effective local public service delivery.**

#### **Output 3.1. – Constraints in the regulatory framework related to service delivery in economic and environmental areas are addressed in a participatory and on-demand manner at local and higher government levels with the engagement of AMCs.**

Project continued activity of preparing legal assessments of rules and regulations affecting local environmental and economic sectors. To that end, a number of meetings were held with representatives of Entity, Cantonal and municipal institutions, both Entity associations of municipalities, NGOs, development agencies, employers` organizations and other key stakeholders thereby completing intensive and complex consultative and information gathering process. Following the consultation process, the Project completed legal analyses/assessments separately for areas of public utility services (water supply and wastewater treatment) and local economic development, likewise for each of the Entities separately. Legal assessments identify and detail current legal gaps in these two sectors while formulating specific recommendations for each of them.

After analysis of relevant regulatory framework was completed, Project has started drafting internal advocacy strategy for legislative reforms in water and economic sectors, which will identify legal changes (priorities as well as achievable and concrete legal reforms), roadmap and partners for their achievement. This advocacy strategy is expected to be completed in July after which Project will start implementing specific activities set therein.

#### **Output 3.2. – Economic and environmental sector related policy delivery capacities of higher government level institutions are increased and policies are result-oriented**

The Project initiated previously agreed technical assistance to the FBiH Ministry of Development, Entrepreneurship and Crafts (FMRPO) in the process of revising the **Law on Incentives for Small Business in the Federation of BiH**. First, a comparative analysis of regulations and practices from EU and neighbouring countries was prepared, which served as a basis for work with the working group tasked with drafting the new law. Consultations with representatives of private sector and development agencies were conducted



resulting in conclusions on the implementation of the existing law to date and recommendations for corrective measures in future law and practice. Finally, the Project provided expert assistance directly to the working group by way of preparing segments of a draft law that are in line with recommendations from the consultation process and **fully harmonized with the Small Business Act for Europe**.

The Project will continue to provide technical assistance to FMRPO on the preparation and adoption of this law, which is expected to have a positive impact on the operations of SMEs and consequently, on local economic development in whole.

### **Output 3.3. – Thematic professional networking spurs knowledge exchange and innovation in public service delivery**

Based on the demand of the FBiH Association of Municipalities and Cities (AMC), the Project provided support to the FBiH AMC's Secretariat in addressing initiatives and queries submitted by local governments from the Federation of BiH, and professional assistance to the work of the FBiH AMC's Commission for Economic Development and Finances. Expert who was hired to provide this assistance, commenced her work in mid-March and was at FBiH AMC Secretariat's disposal until June. Expert provided skilled technical advices and inputs for number of queries coming from local governments mainly related to **municipal public finances and implementation of Federal legislation pertaining to public debt and guaranties**.

## **GENDER EQUALITY**

A prominent role during the Project conception was afforded to gender issues. Recognized as one of major effort in implementation, the Project team used report from the International Gender Advisor, who prepared a Gender Equality Mainstreaming Concept document. Recommendations from this document have been embedded in everyday activities, in effort to address recognized gender-sensitive issues and deploy best practices, tools and approaches during the Project implementation.

In the monitored period, the team focused on the following:

- Empowerment of women seems to be accepted by partner LG management. Through proactive lobbying, MEG project advocated for inclusion of women as MEG project coordinators. Currently, in 7 out of 18 LGs, women are designated to serve as main points of contact for all MEG project related activities.
- MEG workshops and seminars, which are organized for both citizens and councilors, are actively advocating for a positive change in equal gender representation in all newly established municipal bodies and working groups. In addition, specific attention and efforts are being given on the issue that all future introduced policies must consider gender aspect, and be in line with basic gender-responsive principles.
- Project continues to collect sex-disaggregated data throughout various project activities, workshops, seminars, etc. Total number of trained women from different levels of local governments on various aspects of local governance, until June 30, 2017 amounted to 58, or 36% of all trained government staff under MEG project.

## FINANCES AND MANAGEMENT

As at June 30, 2017, level of MEG budget utilization versus the set Project targets plan **was at 27%** and amounted in total to **CHF 368,102.90**.

		BUDGET 2017 - CHF		
Designation		Planned	Realized	%
<b>PART 2</b>	<b>Local Office [LO] of Contractor</b>	<b>30,828.34</b>	<b>5,689.32</b>	<b>18%</b>
<b>PART 3</b>	<b>Project Implementation</b>	<b>395,191.03</b>	<b>181,604.56</b>	<b>46%</b>
<i>PART 3a</i>	<i>Long-term experts</i>	<i>309,111.53</i>	<i>136,203.22</i>	
<i>PART 3b</i>	<i>Short-term experts (Consultants)</i>	<i>2,952.00</i>	<i>1,729.61</i>	
<i>PART 3c</i>	<i>Local support</i>	<i>83,127.50</i>	<i>43,671.73</i>	
<b>PART 4</b>	<b>Administrated Project funds</b>	<b>930,327.31</b>	<b>180,809.02</b>	<b>19%</b>
<b>Outcome 1</b>		<b>225,254.02</b>	<b>74,994.29</b>	<b>33%</b>
	<i>Output 1.1</i>	<i>217,700.00</i>	<i>70,678.32</i>	
	<i>Output 1.2</i>	<i>7,554.02</i>	<i>4,315.97</i>	
<b>Outcome 2</b>		<b>663,782.83</b>	<b>83,756.06</b>	<b>13%</b>
	<i>Output 2.1</i>	<i>575,914.41</i>	<i>69,087.33</i>	
	<i>Output 2.2</i>	<i>59,245.00</i>	<i>12,624.57</i>	
	<i>Output 2.3</i>	<i>28,623.42</i>	<i>2,044.16</i>	
<b>Outcome 3</b>		<b>35,089.21</b>	<b>16,374.50</b>	<b>47%</b>
	<i>Output 3.1</i>	<i>23,280.23</i>	<i>11,800.48</i>	
	<i>Output 3.2</i>	<i>4,598.98</i>	<i>4,574.02</i>	
	<i>Output 3.3</i>	<i>7,210.00</i>	<i>0.00</i>	
	<i>Media/PR/visibility (entire Project)</i>	<i>6,201.25</i>	<i>5,684.17</i>	<b>92%</b>
<b>TOTAL CHF</b>		<b>1,356,346.67</b>	<b>368,102.90</b>	<b>27%</b>

Although the level of utilized funds might seem low when compared with the planned budget for 2017, the expenditures are consistent with planned schedules and in accordance with the MEG Annual Work Plan. Majority of planned activities in 2017 will deliver outputs and yield results in 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2017, and the Project expects high level of budget utilization at the end of the year. Additionally, during the reporting period, the Project did not experience any major differences between planned financial resources and actual expenditures, although careful attention was placed on significant changes in the value of USD against local currency.

First half of 2017 was *procurement-heavy* especially when it comes to hiring consultants for specific technical assistance to meet the agreed ambitious agenda with our partner local governments. This will continue into the 3<sup>rd</sup> quarter of 2017 when completion of procurement activities related to technical assistance to water utility companies and required hardware and software is expected. It should be noted that engagement of mostly local service providers rather than international ones allowed for quicker and more cost-efficient delivery of technical assistance to partner LGs and WUCs.

For detailed data on budget spending and information per each budget line activity, please refer to **MEG Financial Report for January – June 2017**, annexed to this document.

## LESSONS LEARNED

During this reporting period, the Project team was faced with considerable amount of occasions from which numerous lessons were erudite. These experiences will help improve implementation during this phase of project lifecycle. Some major lessons are worth mentioning:

- As noted in the previous reporting period, technical support provided to 18 LGs, their administration, councils and citizens, 18 water utility companies, and a number of associated institutions at various levels of government, had to be **tailor made for each individual stakeholder**. No action plan was the same, i.e. there was no *“one plan fits all”* approach. Each assistance package was carefully designed, discussed and agreed upon with all beneficiaries, and only then could the Project initiate specific and focused support. All stakeholders received this kind of attention extremely well, as many of them praised the level of details and consideration that the Project is providing to improving their performance, especially where initial assessment reports proved it to be necessary.
- Project-based technical assistance needs to be **well dosed and realistic** if we want to achieve sustainable results in the field. The assistance needs to be well thought through and cleverly designed to allow sufficient time for LGs to see the benefits from introducing new tools and mechanisms, and to take ownership of the process. Only in that way can we have sustainable results by the end, as well as beyond the Project life.
- During the process of preparation of **Good Local Governance (GLG) framework** all relevant national and Entity ministries expressly participated in one-on-one interviews with the MEG project team and provided valuable written feedback. However, lack of motivation and interest of the two Entity Associations of Municipalities and Cities to play a more active role in definition and implementation of the GLG Framework for all their members is evident. So far, the cooperation is declarative and not substantial.
- **Presentations of Performance Based Assessments findings for each LG** have been received very well by the LG management. Even negative evaluation results were eventually recognised by the key municipal representatives as valid and realistic. The perception of majority of Mayors and Council Speakers was that the performance management assessment reports with findings and recommendations were well-designed and extremely accurate. In some cases, LGs objected to specific evaluation score and were given time to provide additional evidences. In very few instances did they manage to provide substantial means of verification that would eventually result in higher performance scores. In the end, this exercise made them understand the importance of functional mechanisms and evidences, i.e. documentable proof that the existing practice can be tangibly verified.
- When working with partners from the public sector, implementation of certain project activities often tends to be **postponed or delayed**, compared to what was originally planned and agreed with. One of the reasons for this is **delay or disruption of certain processes and procedures by beneficiaries/partners themselves**, which consequently results in delays of Project activities that are dependent on these procedures to be conducted by the Project partners. A better way to prevent these or similar problems in the future will be to familiarize Project staff beforehand with all details of beneficiaries’ internal procedures, assessing potential risks, and accordingly carefully plan dynamics of project implementation activities, thus leaving enough manoeuvring room for avoiding potential roadblocks.
- The biggest challenge when working with water utilities is **sustainability of achieved results**, which is heavily depending on acceptance of ownership of all procedures and principles introduced, and introducing them into regular business practice. These challenges are especially visible with potential improvement areas in **organizational structure and staffing**, but also with **tariff policy, assets**

**bookkeeping and management.** Reluctance towards setting standards for number of employees per capita served is higher with larger utilities, where this number is usually exceeded.

- The **ownership of water system infrastructure** is differently understood, recorded and accounted for in participating local communities, which is frequently creating problems in maintenance of that infrastructure. Quite often it is not recorded in anyone's fixed assets book - neither municipal nor water utility, and completely disables accounting for depreciation, which should be aimed for regular investment maintenance. This issue is being addressed with the Project prepared Public Services Agreements. However, for the overall water sector health it would be better if the ownership, bookkeeping and maintenance of these assets is resolved by clear regulations and legal guidance. This will be one of Project's main goal in the coming period.
- Current education system does not provide practical training on any topics necessary for successful water utility management, i.e. DMA definition or non-revenue water management. Sectorial approach towards resolving this issue is needed, initially starting with **exchange of best practices, extended trainings** organized and similar educational trainings.
- There is a prevailing general view within BiH municipalities that the **water tariff should be kept at a low level**, because the population would not be able to afford higher water usage invoices. However, this view is not justified with affordability surveys. Through PSAs, MEG project specifically addressed this issue of subsidizing people in need, in order to eliminate the affordability argument as general excuse for the entire population. Implementing PSA proscribed recommendations will allow for executing the principle of **full water cost recovery** that still needs to be accompanied with the principle of economic efficiency, which should control (or limit) the costs at the other side of the equation.
- **Politics has very high influence on all public utilities**, regardless of whether utility is from the FBiH or RS. Politically induced changes in company management may pose serious threat for project implementation in terms of timely implementation of scheduled activities. Knowing that the next year is general election year, it could be expected that funding joint projects in 2018 might be aimed at gaining political points for the current political establishment. It will be vital to unobtrusively draw LG management's attention to MEG project goals and make sure that infrastructure projects qualified for MEG grants are coming from existing LG Development Strategies.

## LIST OF ABBREVIATIONS

AMC	Association of Municipalities and Cities (FBiH and RS)
BFC	Business Friendly Certification
BiH	Bosnia and Herzegovina
CSO	Civil Society Organisations
EU	European Union
FBiH	Federation of Bosnia and Herzegovina Entity
FMRPO	Federal Ministry of Development, Entrepreneurship and Crafts
FMPVS	Federal Ministry of Agriculture, Water Management and Forestry
FOPIP	Financial and Operational Improvement Programme
FTC BiH	Foreign Trade Chamber of Bosnia and Herzegovina
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GLG	Good Local Governance Methodology
GOV-WADE	Governance Project in Municipal Water and Environmental Development
LG	Local Government(s)
MEG	Municipal Environmental and Economic Governance Project
MOFTER	Ministry of Foreign Trade and Economic Relations
MPVS RS	Ministry of Agriculture, Water Management and Forestry of Republika Srpska
MULS RS	Ministry of Public Administration and Local Government of Republika Srpska
NE	North-East
NRW	Non-Revenue Water
NW	North-West
PBSFM	Performance Based Financial Support Methodology
RS	Entity of Republika Srpska
SBA	Small Business Act
SME	Small and Medium-Sized Enterprises
SDC	Swiss Agency for Development and Cooperation
UNDP	United Nations Development Program

## ANNEXES

### **MEG Project Media Presence Report**

Until June 30, 2017, MEG project has had a considerable presence in the media. Most importantly, presence in the local media within all of its partner localities, who generally get more attention than national channels by the local community. In total, MEG project related information and news were present in **165 media mentions** – 3 TV, 1 radio, 8 news agencies, 27 printed newspapers, and 126 on web.

For additional data on media presence and information per each published news, please refer to **MEG 2017 Media Presence Report**, annexed to this document.

### **Good Local Governance (GLG) Framework for Bosnia and Herzegovina**

The main **objective of a good local governance framework for Bosnia and Herzegovina (BiH)**, which is being developed under MEG Project, is intended to ensure that services provided by the LGs are delivered in the most effective and efficient and equitable manner, while always acting in the public interest. By doing so, the legitimacy of the Local Government institution is expected to improve as well.

For additional data on the proposed methodology, please refer to the latest version of **Good Local Governance Methodology for BiH**, annexed to this document.