



Bosnia and
Herzegovina


Your Excellency,

November 30, 2010
UNDP Reference: BiH10/00073177

**Subject: Annual Report for Electrification of Areas of Accomplished Return Project (EAAR)
and the Request for the Transfer of the Second Installment**

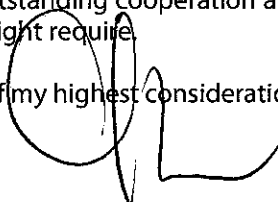
I am pleased to provide you with annual report for the UNDP's Electrification of Areas of Accomplished Return (EAAR) project, co-funded by the Government of the Kingdom of Norway in the amount of USD 1,193,585.00. The report is submitted in line with the Article IV of the Third-Party Cost-Sharing Agreement between the Norwegian Ministry of Foreign Affairs and the UNDP, signed in December 2009 and it encompasses the implementation period from 01 January to 30 November, 2010. Please kindly note that these reporting timelines were agreed during the annual consultations meeting held between the EAAR project team on one side and Mr. Kjetil Køber and Ms. Christina Ø Eikeland on 23 September, 2010 at UNDP BiH. Hence, the next annual review report will encompass the period from 01 December, 2010 to 30 November, 2011.

The annual report encloses the narrative description of the attainments accomplished within the above-mentioned time frame. In that regard it is my pleasure to inform you that the project activities have proceeded as planned and that the full cooperation has been established with all partners to the benefit of **88** returnee families who will, after many years, receive electricity to their homes. The report also includes the review of the project's financial status and the annual work plan for 2011. In terms of financial delivery please note that the report in matter does not include full project management costs for 2010, which will be calculated after the completion of the UNDP's financial year on 17 December.

In light of the above, I would like to use this opportunity to ask for the transfer of the second instalment for the project in matter to UNDP's account in the amount of **NOK 2,696,400** in line with the Article II of the cost sharing agreement referred to here-above.

I take this opportunity to thank you for the outstanding cooperation and support and rest assured that we are available for any further clarification you might require.

Your Excellency, please accept the assurance of my highest consideration.



Yuri Afanasiev
Resident Representative
UNDP BiH

H.E. Mr. Jan Braathu
Ambassador
The Royal Norwegian Embassy in Sarajevo

Annual Review Report

Country: Bosnia and Herzegovina
No. and Title: 00073177 - Electrification of Areas of Accomplished Return (EAAR)
Reporting period: 01 January – 30 November, 2010

United Nations Development Assistance Framework Outcome(s):

Outcome 2 – Government develops and implements policies and practices to ensure inclusive and quality health, education, housing, social protection and employment.

Expected UNDP Country Programme Outcome(s):

Government coordinates, monitors, reports on and revises employment, education, housing, health, social protection and cultural policies to be more evidence-based, rights-based and socially inclusive.

Expected UNDP Programme Outputs:

- Municipalities and local development organizations in selected municipalities have increased capacity to plan and implement policies for sustainable local economic development and poverty reduction.

Expected Project Output:

- Restoration of electricity supply in priority returnee areas selected by UNDP and MHRR.

Implementing Agency:

UNDP

I Background

Bosnia and Herzegovina (BiH) has progressed over recent years from a post-war recovery state to a potential EU accession candidate. It has maintained a constant high GDP rate up until the recent global economic crisis, its banking system is considered one of the best in Southeast Europe and inflation has been maintained in the single digits. However, on its way to full transition from a planned to a free market economy the country is still facing significant challenges which primarily pertain to the inefficiency of the institutions in charge of creating a positive business environment, lack of labor skills as well as deficient infrastructure. UNDP's Regional Disparity Assessment¹ shows that significant disparities exist among different regions within the country in regard to potential and realized local development. In order to assist the local authorities tap potentials as efficiently as possible UNDP has developed a range of interventions aligned with development priorities on state, entity and municipal levels. Specific focus is at those regions with high numbers of returnees which due to a lack of access to basic infrastructure remain socially excluded and unable to benefit from income generation initiatives. In this regard, a lack of electricity supply to returnee households due the war-time devastation of power supply grids has been recognized as one of the major obstacles deterring people from returning to their original households.

The unavailability of electricity in the areas of return has been recognized by the Bosnia and Herzegovina (BiH) authorities as one of the major obstacles hindering the implementation of the state strategy for return as well as Annex VII of the Dayton Peace Agreement. Today there are close to 3,000 households in over 100 municipalities all over BiH where pre war inhabitants had returned to their homes at least five years ago but have been living deprived of electrical power ever since. The plans created in 2008 estimated that the forthcoming years will see the reconstruction of additional 40,000 returnee households out of which 18,300 are situated in the areas without a functional electrical network. The overall financial needs for the re-establishment of the electricity supply in the priority returnee areas are estimated at approximately 40,000,000 KM. To fully deal with the problem this figure would need to be doubled. On the other hand, the current pace of the reconstruction of the electric network is slow due to insufficient implementation capacities on the part of local authorities to cover the existing needs. A report issued by the BiH Council of Ministers indicates that if the current tempo is not enhanced some households will need to wait as much as 30 years from now to be connected to a source of electrical supply. UNDP BiH decided to address the problem by providing necessary assistance to the Government. To that end UNDP designed its Electrification of Areas with Accomplished Return Project (EAAR) seeking to attain the main objectives which is the restoration of electrical supply for at least 220 returnee households which will also lead to increased interest for return in the project areas. Apart from that the project also envisaged provision of technical assistance to the Ministry of Human Rights and Refugees and local authorities for better management and coordination of electrification activities financed from the state budget.

II Project Activities

EAAR project is implemented and managed through the following two project activities:

Activity 1 Restoration of electricity supply to the households

This activity includes implementation of the activities required for the execution of the works in accordance with agreed time schedule, such as tendering for goods and services needed for the restoration of electrical supply to returnee families, contract management, monitoring of the works and reporting.

¹ Sabanovic, Edin; Catovic, Nedim; Hodzic-Kovac, Envesa; Nixon, Nicola. "UNDP'S Regional Disparity Assessment" (Sarajevo, 2010)

Activity 2 Project Management

This activity ensures proper management and monitoring of the project activities as well as tight control of the usage of funds.

III Progress Achieved

Activity 1 Restoration of electricity supply to the households

Selection of Priority Locations

As defined in the project document the priority return locations in which the restoration of electricity would be performed by UNDP in 2010, had been unanimously confirmed by all stakeholders at the first Project Board Meeting held on February 16, 2010. The locations were selected in accordance with the list of priorities submitted by MHRR which was formulated on the basis of the applications received from municipalities through a public call conducted in 2009. Hence, the list of priority locations submitted by MHRR to UNDP included 4 municipalities:

1. Municipality of Srebrenica, 26 households
2. Municipality of Visegrad, 24 households
3. Municipality of Foca, 27 households
4. Municipality of Rogatica, 11 households.

Field Visits

In order to determine to which extent the data submitted by MHRR as a part of the documentation for the above mentioned four targeted municipalities corresponded to the factual situation UNDP, MHRR, municipalities and power utility companies conducted extensive joint field visits in the period from February – April 2010. Such a long period of time for the field visits was required due to the fact that most of the selected locations are relatively remote and with extremely difficult access during the winter time conditions. The survey confirmed the existence of discrepancies between the initial list of beneficiaries submitted by MHRR and the presence of returnees in the areas where electrification works were planned to be implemented. As a result, the final list of beneficiaries was adjusted, in cooperation with respective municipalities, in order to fully reflect the situation on the ground. The field visits also served to clearly indicate that apart from those beneficiaries who had already returned to their prewar households there were many others who submitted their request to return but cannot do so because of the lack of access to the electricity. Consequently, it is reasonable to expect that they will come back to their prewar households as soon as this precondition was attained. Concretely, in the municipalities of Srebrenica, Foca and Rogatica **20 additional families** will return to their place of origin as direct result of this project.

Preparation and signing of Memorandums of Understanding with implementing partners

In order to provide clear framework of cooperation and facilitate collaboration between the parties UNDP has signed Memorandums of Understanding (MoUs) with each implementing partner. The MoUs with the four municipalities, signed in April 2010, determined their responsibility to provide, free of charge, all necessary maps, permits and consents necessary for unrestricted preparation of project documents as well as civil and electric engineering works. The municipalities also assumed the responsibility to conduct land survey and prepare cable run, as the main precondition for the commencement of the construction works.

MoU with Power Utility Company of Republika Srpska was signed in June 2010. It laid basis for the project activities during the current year given the fact that all four municipalities encompassed by the project in 2010 are situated in this entity. The MoUs with other two electric utility companies in BiH, namely Power Utility Company BiH and Power Utility Company HZHB, were signed in November 2010 as a part of preparation activities for the project continuation in 2011. In accordance with these documents the three electric utility companies are responsible to prepare, free of charge, final project documentation consisting of specification of necessary construction works, materials and equipment, bill of quantities as well as technical description of and dynamic plan for electric engineering works for selected micro locations. They will also conduct, still free of charge, all necessary testing, professional supervision and reconnection of households to the power network.

Expressed in financial terms the services provided by municipal authorities and electric utility companies in 2010, amount to approximately 35,000 USD per municipality or **140,000 USD in total**. The breakdown of these costs is presented in the table below:

| Estimated Contribution by Local Electric Utility Companies Per One Municipality in 2010 | | |
|--|--------------------------|-------------------------------------|
| <i>Type of Service</i> | <i>Responsible party</i> | <i>Estimated Contribution (USD)</i> |
| a. Preparation of technical project documentation; b. Professional supervision c. Electric engineering works | Electric utility company | 28,000 |
| a. Securing maps, permits and consents b. Land surveyor | Municipality | 7,000 |
| Total contribution per municipality | | 35,000 |
| Total contribution for 4 municipalities | | 140,000 |

Tendering and contracting for civil works and supply of electric material and equipment

Following the completion of all technical documentation by Electric Utility Company RS, tendering procedures for civil works and supply of electric equipment were completed by UNDP in the period March – July 2010. As a result contracts were signed for all 4 municipalities with the following details:

| Municipality | Civil Works | Purchase of Electric Equipment |
|---------------------|---|---|
| Srebrenica | Contract signed: 26 August; Starting date: 21 September; Completion date: 21 November | Contract Signed: 30 August Completion Date: 30 November |
| Visegrad | Contract signed: 6 September; Starting date: 1 October; Completion date: 1 December. | Contract Signed: 7 September Completion Date: 30 November |
| Foca | Contract signed: 14 September; Starting date: 15 October; Completion date: 15 December; | Contract Signed: 21 September Completion Date: 30 November |
| Rogatica | Contract signed: 27 September; Starting date: 15 October; Completion date: 15 December; | Contract Signed: 23 September Completion Date: 30 November |

Implementation

The implementation of civil and electrical works as well as the procurement of the equipment is occurring in accordance with the contracting arrangements laid out here above. Prior to final completion of the activities and the connection of individual users to newly built electrical grid technical control and testing will need to be performed by local electric utility company.

Additional achievements

- a. Growing interest for return is directly linked to the success of the reconstruction of electricity in selected returnee areas. This is confirmed by the fact that the implementation of the project activities in 2010 resulted in **increased number of applications for return and reconstruction of households in the targeted areas.**
- b. As a direct result of the intensified cooperation and face to face discussions among local partners within the framework of EAAR, the problems which hampered the implementation of electrification activities managed simultaneously by MHRR in the same or parts of the country were successfully resolved and the implementation pace was accelerated. For example, UNDP served as successful intermediary between MHRR, Municipality of Rogatica and Power utility Company of RS in order to resolve the issue of the lack of funds for financing the works in micro location of Pokrivenik. An agreement was reached by which the Power Utility Company of Republika Srpska will provide its own funding in order to fill out the gap and continue with the works. Such a solution increased the impact of the UNDP's intervention in the same municipality. Similar examples of enhanced cooperation were recorded for the electrification projects in the municipality of Bjeljina. UNDP also succeeded in successfully negotiating acceleration of activities in politically sensitive municipalities such as Foca or Visegrad.
- c. The good results attained by UNDP were recognized by the local authorities and consequently the Commission for Refugees and Displaced Persons agreed to support the project with their own funds in the amount of 403,398.16 USD.
- d. It was revealed during the implementation of another UNDP's project, namely Value Chains for Employment, that there are two returnee villages in the municipalities of Pale (RS) and Pale – Praca (FBiH) where people returned to their pre-war households several years ago and have been leaving without electricity ever since without appearing on the list of priorities maintained by MHRR. The reason for this omission is their failure to apply to public call issued by MHRR simply because they did not know that such an opportunity existed. EAAR team took necessary action to inform the local representatives of the existing possibilities to obtain assistance and began the process of negotiation with electric utility companies, two municipalities and local entrepreneurs in order to attain a possible cost-sharing agreement and bring the electricity to the villages. The negotiation process is still ongoing. In case of successful completion this intervention will result in restoring connection to electric grid for additional **35** households.

Preparation for the Next Stage

In order to avoid any delays in project implementation in 2011, UNDP started very early with the preparation process for the second stage of the project by identifying, together with other stakeholders, the list of priority locations for the next year. The list was finally formulated and presented at the Project Board meeting held on October, 2010 and it includes the following municipalities:

| | Municipality | Locations |
|----|--------------|---|
| 1. | Čajniče | MZ Zaborak - Đakovići |
| 2. | Stolac | MZ Riđice – Festići, Burmazi, Kula-Gleđevci |
| 3. | Goražde | MZ Sadba – Donje Selo |
| 4. | Nevesinje | MZ Luka – Ćesim |
| 5. | Gacko | MZ Nadanići - Bodežišta |

Upon official confirmation of the list by MHRR, which also included confirmation that no works have been initiated or planned at the same locations by any other stakeholder, the initial contacts with municipalities were established in order to agree on the final content of the Memorandums of Understanding. It is expected that all pending administrative arrangements in the new targeted areas will be completed during the winter season so that the actual tendering, contracting and implementation could start as early as in spring 2011.

Activity 2 Project Management

Project document between UNDP and Ministry for Human Rights and Refugees BiH (MHRR) was signed on January 2010, defining project goals and objectives, planned outputs, work plans, time schedules and use of inputs. In order to include all stakeholders and coordinate project implementation Project Board (PB) was established, and initial meeting was held in February 2010. Members of the PB are representatives of the MHRR, representatives of the 3 national electric utility companies and UNDP. Project Board meeting are held regularly on a three monthly bases.

Annual review meeting was held between EAAR team and Mr. Kjetil Køber and Ms. Christina Ø Eikeland on September 23, 2010. At this occasion the representatives of the Norwegian Government were informed of the project's goals and attainments, implementation modalities, risks and issues and budget.

IV Key Risks and Constraints

- The areas of project implementation are those with the history of ethnic cleansing and return is still politically sensitive issue, which in some cases, such as Foca, impacts the speed of project implementation because more time is required for successful negotiation of responsibilities. UNDP seeks to resolve these problems through constant presence in the field and the presentation of the EAAR activities in the context of its assistance to poverty reduction in whole of BiH.
- State government elections took place in October 2010, and as a result there will be a new Minister of Human Rights and Refugees which might affected the implementation of project responsibilities on the part of this institution.
- Local partners, municipalities, power utility companies and subcontractors, fail to execute in line with UNDP time agenda due to the lack of planning capacities and skills which affects delivery of the results in the field. UNDP is resolving this problem by providing additional technical expertise.

V Lessons learned

- Negotiations with local authorities and power utility companies have to be started at the end of the previous year for the next year in order to ensure inclusion of EAAR project activities in their annual plans.
- UNDP has been recognized by local authorities as political impartial organization. Thanks to that fact the EAAR project have succeed to overcome some difficulties related to return policy in some areas.
- Estimation of costs as well as the number of households given in municipalities' applications has to be checked and revised through the field visits. The project annual work plan and budget should be based on the updated data.

VI Financial status

As of 30 November, 2010, UNDP disbursed USD 180,191.81 and obligated through signed contracts USD 222,897.67. This amount represents 85% of the total donation made available by the Government of the Kingdom of Norway for the EAAR in 2010, which is equal to USD 478,073.70, using the UN exchange rate of 5.59 which was applicable on the date of the receipt of the donation by UNDP in December, 2009. Detailed breakdown of expenses is attached to this report.

Annual work plan for 2011 and 2012

The annual work plan for 2011 and 2012 is attached to this document.



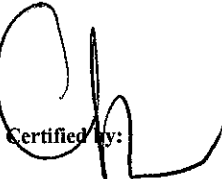
Financial Report

Reference: Third-Party Cost-Sharing Agreement signed on December 3, 2009

Award: 00058775 Electrification of Areas of Accomplished Return **Department:** B0542 Bosnia & Herzegovina- Sarajevo

Year: January - November 2010

| Project | Activity | Impl Agent | Fund | Donor | Account | Expenditure | Unliquidated Obligations | |
|---|-------------------------------|------------------------|-------|-------|--------------------------------------|-------------------|--------------------------|-------------------|
| 00073177 | 1. Restoration of electricity | UNDP | 30000 | NOR | 71300 Local Consultants | 2,547.11 | | |
| | | UNDP | 30000 | NOR | 72100 Contractual Services-Companies | 110,232.03 | 204,266.92 | |
| | | UNDP | 30000 | NOR | 75100 Facilities & Administration | 184.28 | 7,710.26 | |
| | | Activity Total: | | | | | 112,963.42 | 211,977.18 |
| 00073177 | 2. Project Management | UNDP | 30000 | NOR | 71400 Contractual Services - Individ | 44,252.69 | 10,400.00 | |
| | | UNDP | 30000 | NOR | 71600 Travel | 2,233.07 | | |
| | | UNDP | 30000 | NOR | 72100 Contractual Services-Companies | 1,494.46 | | |
| | | UNDP | 30000 | NOR | 72200 Equipment and Furniture | 1,409.89 | | |
| | | UNDP | 30000 | NOR | 72400 Communic & Audio Visual Equip | 701.76 | | |
| | | UNDP | 30000 | NOR | 72500 Supplies | 156.93 | | |
| | | UNDP | 30000 | NOR | 72800 Information Technology Equipmt | 0.00 | | |
| | | UNDP | 30000 | NOR | 73100 Rental & Maintenance-Premises | 4,917.04 | | |
| | | UNDP | 30000 | NOR | 73400 Maint, Oper of Transport Equip | 1,583.04 | | |
| | | UNDP | 30000 | NOR | 74200 Audio Visual&Print Prod Costs | 6,242.40 | | |
| | | UNDP | 30000 | NOR | 74500 Miscellaneous Expenses | 325.43 | | |
| | | UNDP | 30000 | NOR | 75100 Facilities & Administration | 3,911.68 | 520.49 | |
| | | Activity Total: | | | | | 67,228.39 | 10,920.49 |
| | | Year Total: | | | | | 180,191.81 | 222,897.67 |
| Opening balance 2010 | | | | | | 478,073.70 | | |
| Income during 2010 | | | | | | 0.00 | | |
| Expenditure by 30 November 2010 | | | | | | 180,191.81 | | |
| Unliquidated Obligations by 30 November 2010 | | | | | | 222,897.67 | | |
| Closing balance at 30 November 2010 | | | | | | 74,984.22 | | |

Certified by: 

 (Signature)

Yuri Afanasiev, Resident Representative

 (Name and title)

 (Date)

JK

EAAR Work Plan 2011/2012
Name of the Project: Electrification of Areas of Accomplished Return
Project #: 00073177

| Planned Activities | 2010 | | | | | | | | | | | | 2011 | | | | | | | | | | | | 2012 | | | | | | | | | | | |
|--|--|-----|-----|--------------|-----|-----|---------------|-----|-----|----------------|-----|------|---------------|-----|------|----------------|-----|-----|---------------|-----|-----|----------------|-----|------|---------------|-----|------|----------------|-----|-----|---|--|--|--|--|--|
| | Activity 1 | | | Sub-activity | | | First quarter | | | Second quarter | | | Third quarter | | | Fourth quarter | | | First quarter | | | Second quarter | | | Third quarter | | | Fourth quarter | | | | | | | | |
| | Nov | Dec | Jan | Nov | Dec | Jan | Jan | Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec | | | | | | |
| Restoration of Electricity | Preparation of list of priorities | X | X | X | | | | | | | | | | | | | X | X | X | | | | | | | | | | | | | | | | | |
| | Preparation and signing of MoUs with municipalities | | X | X | | | | X | X | X | | | | | | | | | | X | X | X | | | | | | | | | | | | | | |
| | Joint field visits to selected municipalities | | | | | | | X | X | X | | | | | | | | | | X | X | X | | | | | | | | | | | | | | |
| | Finalizing lists of beneficiaries | | | | | | | X | X | X | | | | | | | | | | X | X | X | | | | | | | | | | | | | | |
| | Preparation of technical project documentation | | | | | | | X | X | X | | | | | | | | | | X | X | X | | | | | | | | | | | | | | |
| | Tendering procedure | | | | | | | | | | X | X | | | | | | | | X | X | | | | | | | | | | | | | | | |
| | Selection of contractors | | | | | | | | | | X | X | | | | | | | | X | X | | | | | | | | | | | | | | | |
| | Signing of contracts with contractors and procurement of material | | | | | | | | | | X | X | | | | | | | | X | X | | | | | | | | | | | | | | | |
| | Construction works; delivery of material and equipment, electric engineering works | | | | X | X | X | | | | | | | | | | X | X | X | | | | | | | | | | X | X | X | | | | | |
| | Follow up on works (construction and electric engineering works) | | | | X | X | X | | | | | | | | | | X | X | X | | | | | | | | | | X | X | X | | | | | |
| Technical reception and connection of households | | | | X | X | X | | | | | | | | | | X | X | X | | | | | | | | | | X | X | X | | | | | | |
| Activity 2 Project Management | Project Board meeting | | | | | | | | | | X | | | | | | | | | X | | | | | | | | | X | | | | | | | |
| | Monitoring | | | | X | X | X | | | | X | X | X | | | | | | | X | X | X | | | | | | | X | X | X | | | | | |
| | Preparation of annual donor report | | | | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Preparation of final donor report | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | X | | | | | |