MUNICIPAL ENVIRONMENTAL GOVERNANCE PROJECT

Municipal Environmental Governance (MEG) Project, Phase II

2025 Annual Progress Report

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UNDP Contact person:	Goran Štefatić, MEG Project Manager
Approved by:	Aida Laković Hošo, EG Sector Leader
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Switzerland.

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LIST OF ABBREVIATIONS

AMC	Association of Municipalities and Cities
BiH	Bosnia and Herzegovina
CAF	Common Assessment Framework
CAF4LGs	Common Assessment Framework for Local Governments
CSA FBIH	Civil Service Agency of the Federation of Bosnia and Herzegovina
CSA RS	Civil Service Agency of the Republika Srpska
CSO	Civil Society Organization
CzDA	Czech Development Agency
EIPA	European Institute for Public Administration
EUD	European Union Delegation
FBIH	Entity of the Federation of Bosnia and Herzegovina
FMAWMF	Federal Ministry of Agriculture, Water management and Forestry
FOPIP	Financial and Operational Performance Improvement Plans
LG	Local Government
ISBMC	Information System for Benchmarking of Municipal Companies
MEG	Municipal Environmental Governance Project
NRW	Non-Revenue Water
PARCO	Public Administration Reform Coordinator's Office
PSA	Public Services Agreement
RS	Entity of Republika Srpska
RS MAFWM	Ministry of Agriculture, Forestry and Water management of Republika Srpska
Sida	Swedish International Development Agency
SDC	Swiss Agency for Development and Cooperation
UNDP	United Nations Development Programme
WUC	Water Utility Company

GENERAL PROJECT AND PHASE INFORMATION

The second phase of the Municipal Environmental Governance (MEG) Project is supported and financed by the Government of Switzerland, Sweden, the Government of the Czech Republic, and the European Union, and implemented by the United Nations Development Programme (UNDP) in Bosnia and Herzegovina. MEG envisages a 12-years engagement, with three phases. The first Project phase, completely financed by the Government of Switzerland in the value of USD 12,000,000, consisted of a five-month Entry Phase (July – December 2015) and a four-year Main Phase (June 2016 – May 2020), ended in March 2021. The second Project phase duration was originally planned for the period April 2021 to March 2025 but was extended to March 2026 to secure seamless transition to the 3rd Phase. Resources for this intervention phase are allocated from the Government of Switzerland (USD 6,830,000), Sweden (USD 1,006,252.69), as well as contribution from the EU in the amount of USD 2,104,291.83 through IPA II funds, signed in May 2022. In addition, the Government of Czech Republic increased their original contribution to the total of USD 720,558.81. Finally, Governments of BIH provided parallel contribution of USD 2,351,566.06 through joint infrastructure projects.

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

To achieve this overarching goal, the Project will engage across several thematic areas and three outcomes:

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

Democratic local governance policy dialogue and policy changes, together with regulatory improvements in water supply and wastewater management services, will provide for more effective, equitable and sustainable delivery of essential local services, alongside changes in collective and individual practices. Within its second phase, the Project will continue to support local governments (LGs), and their water utility companies (WUCs), in improving quality and accessibility of public services and infrastructure. Ultimately, the mission of the intervention is to enable government structures, both executive and legislative, to operate across an enhanced level of regulatory, administrative, technical, and organizational performance, making LGs better equipped and informed in responding to the needs and priorities of approximately 1,000,000 citizens in the Project catchment area, to include the most vulnerable.

The Project's territorial focus in the second Phase is spread throughout BiH, comprising of 31 partner LGs from Northern, Central and Southern parts of the country[1]. In addition to 10 "old", the 21 "new" LGs were competitively selected by the Project through public call in July 2021. However, two LGs (Bužim and Gacko) were removed from Project activities due to lack of management commitment to Project activities.

The Project is implemented in partnership with the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina (MoFTER), Federal Ministry of Justice (FMoJ), Ministry of Administration and Local Self-Government of Republika Srpska (MULS RS), Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina (FMPVS), Ministry of Agriculture, Forestry and Water Management of Republika Srpska (MPSV RS), both Associations of Municipalities and Cities (AMC) and associations and networks of professionals in the water sector.

[1] Bihać, Bosanska Krupa, Bosanski Petrovac, Busovača, Bužim, Čapljina, Čelinac, Čitluk, Doboj Istok, Gacko, Gračanica, Gradiška, Ilijaš, Istočno Novo Sarajevo, Laktaši, Ljubuški, Mostar, Mrkonjić Grad, Odžak, Orašje, Prijedor, Prnjavor, Šamac, Sanski Most, Široki Brijeg, Srbac, Tešanj, Teslić, Tomislavgrad, Trebinje and Žepče.

STRATEGIC REVIEW AND OUTLOOK

In parallel with closing down on MEG2's implementation, preparation of the MEG3 Project Document was undertaken and, after extensive and participative consultations, received **approval from all donors in late 2025.** To ensure continuity and a smooth transition from one phase to another, MEG2 was formally extended until **March 1, 2026**. However, EU4MEG was not approved by the European Union for extension beyond its original timeframe, meaning its activities concluded as initially planned without continuation into the next phase.

In 2025, progress continued in the implementation of the Water Services Improvement Program in FBiH, supported by ongoing financial and technical assistance. Key advancements were made in **strengthening the regulatory and institutional framework**, including steps toward the adoption of the Law on Water Services and the practical application of pricing methodologies in partner local governments.

During 2025, the Project continuously provided support to the relevant entity ministries in advancing the **draft Laws on Water Services**, which had been prepared in both entities at the end of 2023, toward the process of adoption by the FBIH Government and RS Government. Progress in these processes varied and was occasionally interrupted due to political circumstances affecting both entities. In the RS, the process was temporarily delayed due to negotiations and efforts to harmonize the draft Law on Water Services with several members of the AMC RS. In addition, changes in the government (appointment of new minister for water management) following the Presidential elections additionally added to delays. In the FBIH, progress was slowed by attempts to further align the draft legislation with certain cantons, as well as by the pending opinions of Federal Ministry of Justice (FMoJ) and the Federal Ministry of Finance (FMF), which have not been provided since February 2025. Despite these challenges, the Project continued to provide technical and advisory support to the relevant ministries to facilitate the legislative process and maintain momentum toward establishing a strengthened regulatory framework for water service provision.

Efforts also focused on improving the operational sustainability of water service providers through the **development of benchmarking system**, with full system rollout and capacity building planned at the outset of the next phase of the MEG project.

During 2025, the **CAF for LGs in BIH model** continued to be further developed and applied in practice across most of the remaining local governments (LGs). This process has been implemented **in cooperation with the Civil Service Agency of the Federation of BiH (CSA FBIH)** and the **CSA RS, in collaboration with the RS AMC**. Through the implementation of these processes at the local level, the application of the CAF and the CAF for LGs models provided additional inputs for the further improvement of the methodology. At the same time, the process enabled a more detailed understanding of how CAF is implemented in LGs in practice. Concrete results of these activities include an improved CAF for LGs model and the development of practical manuals and guidance materials to provide additional support to LGs in applying these approaches.

The Project continued to actively foster strategic, performance-based management, including transparent planning, implementation, and reporting with partner LGs. Furthermore, the Project continued its comprehensive support to enhance the institutional, operational, and financial capacities of partner WUCs. Under the framework of **Public Service Agreements (PSAs),** efforts focused on **strengthening the contractual relationships between WUCs and LGs** to ensure clear roles, responsibilities, and service delivery commitments. Investments in improving regulatory frameworks and water utility companies' (WUCs) performance will enable partner LGs to fulfill their obligations and provide higher-quality water services to their residents.

The preparation of the final phase of the MEG Project (MEG3) was informed by the results, lessons learned, and achievements of the previous two project phases, as well as extensive consultations conducted with local governments, water utilities, entity and cantonal institutions, professional associations, and development partners during this monitored period. As the final phase of the intervention, MEG3 will be strategically oriented towards consolidating and institutionalizing reforms in local governance and water service delivery, ensuring their long-term sustainability beyond Project support. The Project adopts a performance-based and policy-driven approach, focusing on strengthening governance systems, advancing regulatory reforms, promoting digital transformation, enhancing institutional capacities, and supporting differentiated pathways for municipalities according to their level of development. At the same time, it aims to strengthen national ownership, peer learning mechanisms, and the transfer of knowledge, tools, and methodologies to domestic institutions and stakeholders.

INTRODUCTION, CONTEXT AND RISKS

The MEG Project entered its second phase on April 1, 2021, immediately after Phase One ended. Switzerland remained the lead donor, providing flexible funding, while Sweden and the Czech Republic joined later in 2021 with earmarked contributions. Encouraged by strong results, the Czech Republic doubled its support in 2022 to advance water governance and sustainability. In May 2022, the European Union launched EU4MEG under the IPA II mechanism. Though structured as a separate initiative, EU4MEG is fully integrated into MEG's broader framework, reinforcing systemic reforms and expanding impact.

The MEG Project builds on lessons from its first phase, using evolving insights to **strengthen partner LGs** and **improve institutional and regulatory frameworks**. This approach drives more effective, results-oriented service delivery and supports the transition of municipal councils and executive bodies toward stronger regulatory, administrative, and technical structures. By enhancing the human capacities and embedding transparent, data-driven tools, LGs are expected to be better positioned to respond to community priorities.

Citizen surveys further ensure democratic, development-focused decision-making. Continuous technical assistance and performance management support reinforce the sustainability of Water Utility Companies (WUCs), with PSAs clarifying roles and ensuring **long-term service improvements**. Partnerships with AMCs, government agencies, and thematic groups, extend Project impact beyond partner LGs.

Policy changes in the water sector, including **tariff methodologies, benchmarking, and regulatory alignment with EU standards**, are expected to improve financial sustainability and accountability of WUCs. By institutionalizing performance-based management and strengthening oversight, these reforms will reduce vulnerabilities, enhance efficiency, and build trust with citizens. Over time, such systemic improvements will ensure that WUCs operate on a sustainable footing, delivering reliable services while contributing to broader governance cohesion and resilience.

Risks and Mitigations

The final implementation of MEG2 faces several risks that could affect the pace and quality of reforms. One of the most significant risks is **legislative delay and political resistance**, particularly around the adoption of draft Laws on Water Services in both FBiH and RS. Prolonged delays weaken reform momentum, reduce donor confidence, and limit utilities' ability to align with EU standards. To mitigate this, the Project must continue providing technical and advisory support, assist in inclusive consultations, and leverage donor diplomacy to encourage political alignment.

Divergent positions among cantons, municipalities, and associations create **stakeholder engagement risks**, which fragment governance and slow adoption of harmonized frameworks. The implications include weakened legitimacy of reforms and stalled progress. To address this, MEG will continue facilitating dialogue platforms, transparently incorporating stakeholder feedback, and using regional study visits to showcase successful practices.

Financial sustainability challenges also pose a risk, as utilities often lack sufficient financing mechanisms for infrastructure investments and face resistance to cost-reflective tariffs. Without adequate funding, service quality may decline and modernization efforts stall. Mitigation measures include promoting blended financing models, strengthening transparent tariff methodologies, and supporting LGs in accessing external funds.

Finally, **technological and operational risks** may arise from delays in operationalizing systems such as Information System for Benchmarking of Municipal Companies (ISBMC) due to technical issues, hardware procurement, or limited uptake by WUCs. This could reduce the effectiveness of monitoring, accountability, and citizen engagement tools so the mitigation measures would require strong technical support to hosting institutions, phased roll-outs with pilot testing, and incentives for municipalities to actively promote usage.

Update on Context and Stakeholders Analysis

The **2025 presidential elections in Republika Srpska** brought significant government overhaul that disrupted continuity in policymaking related to water sector. Following the removal of sitting president and the extraordinary elections that led to reshuffling of ministerial portfolios which shifted priorities toward political consolidation. The then minister of water management was appointed as Prime Minister of RS in September 2025 and his position was filled by a new person. Although institutional priorities did not change, this transition delayed ongoing legislative processes, particularly in complex areas such as water governance, where consensus across multiple institutions was required. As a result, the adoption of key water sector legislation, which was supported by the Project, was **halted despite strong technical justification** and sector needs.

These delays underscore the **fragility of reform momentum in politically fragmented environments**. While MEG and its partners continue to advocate for systemic improvements, the stalled law highlights the need for sustained donor engagement and institutional resilience. Policy changes in the water sector, such as tariff methodologies, benchmarking, and regulatory alignment, remain critical for improving the financial sustainability of WUCs. Once adopted, these reforms are expected to reduce vulnerabilities, enhance efficiency, and build citizen trust, ensuring that utilities operate on a sustainable footing and contribute to broader social cohesion across municipalities.

The stakeholder environment of the MEG Project continues to evolve, with several actors playing pivotal roles in advancing reforms. **Civil service agencies** remain essential for embedding technical and administrative improvements into institutional practice, though their limited capacity and competing mandates can slow implementation. MEG's targeted training and advisory support help strengthen their role as reliable reform enablers. **Associations of municipalities and cities** provide collective advocacy and peer-learning platforms, amplifying local government voices and helping align positions on sensitive reforms such as water tariffs and governance standards. However, divergent interests among members can fragment consensus, which MEG mitigates through inclusive dialogue, study visits, and support for professional subcommittees. At the entity and cantonal level, **ministries** are the primary drivers of legislative and regulatory change, particularly around water services laws and benchmarking systems. Political resistance and administrative bottlenecks remain risks, but continuous advisory support and donor engagement sustain reform momentum. Finally, **LGs and WUCs** are the frontline implementers, directly responsible for service delivery and citizen engagement. Their adoption of tools such as eCitizen, PMS, and ISBMC demonstrates tangible progress in transparency and accountability, though uneven capacity across municipalities requires tailored technical assistance and Mid-term Action Plans to ensure consistency.

OUTCOMES ACHIEVED FOR 2025

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

Through implementation at the local level, the application of the CAF and the CAF for LGs models provided additional inputs for further improvement of CAF for LGs methodology. At the same time, the process enabled a more detailed understanding of how CAF could be better implemented in LGs in practice. The significance of this activity is particularly reflected in the fact that the implementation was carried out within the framework of cooperation agreements with the **Civil Service Agencies (CSAs)** and the **entity Associations of Municipalities and Cities (AMCs).**

Through the implementation of these processes at the local level, the application of the CAF and the CAF for LGs models provided additional inputs for the further improvement of the CAF for LGs methodology. At the same time, the process enabled a more detailed understanding of how CAF is implemented in LGs in practice. Both the **CAF Supporting Tool and Manual** were developed to guide LGs in applying the framework. **Financial support** was provided for priority projects identified in improved CAF action plans to the 10 LGs that first piloted the framework and were essential in its real-life application and acceptance.

In addition, the process has been further promoted and popularized in the field, including beyond the partner LGs, through forums and activities organized by the entity AMCSs. These efforts have contributed to strengthening awareness and interest among local governments for applying CAF-based quality management and governance improvement tools.

The progress also continued in the implementation of the **Water Services Improvement Program** in FBIH, supported by ongoing financial and technical assistance. Key advancements were made in strengthening the regulatory and institutional framework, including steps toward the adoption of the Law on Water Services and the practical application of pricing methodologies in MEG partner LGs. The implementation of the Water Services Improvement Program in Republika Srpska was primarily reflected in activities related to the regulatory framework, particularly those undertaken by the line ministry to further develop the draft Law on Water Services.

During 2025, the Project continued to support the relevant entity ministries in **advancing the Draft Laws on Water Services** toward adoption by FBIH Government and RS Government. While progress was made through consultations, legal reviews, and coordination with key stakeholders, the legislative process experienced delays due to institutional procedures, the need for additional opinions, and differing positions among stakeholders, including certain cantons in FBIH and local governments in RS.

Despite these challenges, the **Project maintained technical and advisory support to the ministries**, facilitating dialogue and incorporating stakeholder comments into the draft legislation. In RS, consultations with local governments led to adjustments to several provisions of the draft law, while in FBIH the process focused on collecting institutional opinions and addressing cantonal concerns.

In parallel, the ministries initiated additional analytical work, with the support of the MEG 2 Project, including a broader assessment of the implementation of existing Water Laws and analyses related to water supply decisions in selected local governments. These activities also supported the preparation of background materials for future by-laws envisaged under the draft legislation.

Although the adoption of the laws was not finalized during 2025, the ministries continued to demonstrate leadership in advancing the reform process, and key analytical and preparatory activities were completed in early 2026, providing a foundation for further regulatory development in the water services sector.

In April 2025, a study visit to Croatia was organized for members of working groups developing the water services regulatory framework in FBiH and RS. The program enabled participants to **learn about Croatia's practices in legal reforms, utility management, pricing systems, infrastructure financing, and alignment with EU standards**. It gave participants from BIH practical insight into Croatia's water sector reforms aligned with EU requirements. It clarified key legislative and institutional changes needed for EU accession and highlighted priorities for improving water service management in BiH.

Throughout 2025, the Project dedicated significant time and effort to reach consensus with all relevant stakeholders (line ministries and water agencies) on the structure and design of the **Information System for Benchmarking of Municipal Companies (ISBMC)**. This process resulted in the acceptance of the concept note *"Development of a Country-Wide Harmonized Benchmarking System for Water Utilities in BiH."* With this agreement in place, the Project was able to proceed with developing the application, which is expected to be completed by the end of March 2026. The ISBMC application serves as a benchmarking platform for evaluating indicators and indexes related to water service provision. To enable direct data entry by individual water utilities and local governments, it is built as a web-based application.

Institutionalization of the ISBMC is still ongoing and depends on the readiness of the hosting institutions and the procurement and installation of required servers and equipment within the Adriatic Sea Watershed Agency (AVPJ), the Sava River Watershed Agency (AVPS) in the Federation of Bosnia and Herzegovina, and Vode Srpske in Republika Srpska. To mitigate the impact of delays and the late engagement of partner institutions, the MEG Project has provided a **60-month warranty period** for the application including system operationalization in a cloud environment, tech support, bug fixes, and installation to host servers.

The MEG 2 Project supported the RS Ministry of Administration and Local Self-Government in analyzing the **implementation of the Law on Communal Police** and in preparing amendments to the Law, which were adopted by the National Assembly of RS in March 2025. The amendments aim to improve the efficiency of communal police by introducing higher fines, clarifying competencies, regulating the number of officers in relation to population size, and strengthening preventive and monitoring mechanisms. Following the adoption of the Law, the Project also supported the Ministry in organizing regional trainings for municipal police officers, which were implemented during 2025 and early 2026 in several locations across RS, strengthening the capacities of municipal police for more effective enforcement and support to local service delivery, including in water services management.

OUTCOME 2 – Local governments improve their performance, are more accountable and provide high quality services, in particular in the water sector, in a climate-smart, disaster-resilient, inclusive and sustainable

This year, activities focused on the finalization of the **Performance Management System (PMS)** and the **Common Assessment Framework (CAF),** alongside continued efforts in **anti-corruption, eCitizen implementation, and the citizen satisfaction survey**s. These interventions provided partner LGs with targeted technical assistance, contributing to strengthened governance, improved service delivery, and financial support for the most agile and best-performing LGs.

In addition, the process has been further promoted and popularized in the field, including beyond the partner LGs, through forums and activities organized by the AMCs. These efforts have contributed to **strengthening awareness and interest** among local governments for applying CAF-based quality management and governance improvement tools.

The final technical support cycle supported activities on the **exit evaluation**. Apart from identifying the best-performing LGs, the final independent evaluation of progress demonstrated that the MEG provided TA ensured that **significant progress has been made within all LGs** even in this monitored period, when there were no financial rewards planned. The evaluation verified that all LGs achieved **average PMS implementation of 68.1%**, and **average progress against their 2022 baseline of 28.41%**. These results show that all partner LGs improved quality of provision of public services towards citizens, increased transparency, enhanced internal administrative processes and strengthen communication with their WUCs.

In the area of anti-corruption, the Project strengthened local frameworks to enhance **integrity systems and promote transparency**. Activities included **guidance on LG grant methodology, technical support in monitoring and reporting on integrity plans, and capacity-building** for 29 LGs to manage and prevent conflicts of interest. Existing mechanisms for corruption reporting, whistleblower protection, and public procurement were assessed and supported with tailored technical assistance.

The implementation of **Mid-term Action Plans (MAPs),** tailored for each partner local government and based on PMS evaluation, continued throughout 2025 with focused technical assistance. These efforts delivered tangible results in **embedding the PMS across LGs**, strengthening governance structures and service delivery. Support was directed toward four key areas: (1) decision-making and the role of councils, (2) transparency and accountability of local governments, (3) efficiency and effectiveness of operations, and (4) citizen participation. Results and scores regarding MAP implementation in every LG were also used as a foundation for awarding partner LGs with additional Project funding[2] to support their infrastructure projects.

The Project successfully progressed with the use of its flagship C2G communication platform – **eCitizen** (www.ecitizen.ba). Full-scale implementation across partner LGs was closely monitored, with continuous functional upgrades and promotional activities that significantly expanded usage among both registered and unregistered citizens. Today, the platform connects **over 18,500 users across 41 municipalities**, providing a practical and accessible channel for citizen engagement. This not only strengthened transparency and accountability but also **reinforced trust between citizens and LGs**, positioning eCitizen as a cornerstone of modern, participatory service delivery in Bosnia and Herzegovina.

The Project also followed up with the regular **annual citizen satisfaction surveys** conducted by partner LGs. Results from previous years were consolidated and analyzed, highlighting trends and insights to inform evidence-based decision-making and strengthen local governance and service delivery.

[2] Please refer to Annex 3 - List of CAF and MAP Infrastructure Projects, supported by MEG funds

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

The MEG Project has significantly advanced the implementation and monitoring of Public Service Agreements (PSAs) and LG decisions to enhance WUCs' organizational, operational, and financial capacities. A major milestone in 2025 was the implementation of signed PSAs by **28[3] out of 29 partner LGs**, leading to improved water service provision, particularly for vulnerable populations.

As an additional result, in collaboration with their Centers for Social Welfare, 27 LGs implemented monthly water bill subsidies for **1,969 socially vulnerable citizens**. In the previous year, local governments also **allocated approximately 268,277 KM** from their municipal budgets to support these subsidies.

The Project also supported the application of a standardized tariff-setting methodology, with 26 LGs officially adopting water tariffs based on this framework, ensuring long-term financial sustainability, including the Municipality of Gacko, which adopted the tariff-setting methodology in the previous year. As a result, during this reporting period, 13 partner LGs **introduced new water service tariffs** calculated in line with the Methodology: Bosanska Krupa, Čapljina, Gračanica, Istočno Novo Sarajevo, Laktaši, Odžak, Sanski Most, Srbac, Teslić, Tešanj, Tomislavgrad, Trebinje and Žepče. Even though this is a PSA requirement, some LGs still did not introduce this methodology in their localities, quoting "lack of political will" for failing to do so, meaning that the Mayor could not secure majority of votes in local Assemblies for introducing new water tariffs. Finally, although Gacko being excluded from the MEG project, the municipality **independently continued implementing the PSA agreement** without the support of the Project.

In the reporting period, 9 LGs (Laktaši, Srbac, Prijedor, Doboj Istok, Prnjavor, Tešanj, Žepče, Široki Brijeg and Tomislavgrad) went a step further by **amending their existing Decisions on Water Supply and Sewerage Systems**, fully aligning them with the PSA agreements and their respective annexes. This legislative adjustment ensured that the provisions of the PSAs were **formally integrated into local regulatory frameworks**, strengthening legal basis for sustainable water service provision and consistent support for socially vulnerable citizens.

Beyond financial and social measures, the Project **enhanced WUCs' technical and managerial capacities** through targeted TA. This included improving staff optimization plans, advancing digital consumer engagement, strengthening non-revenue water (NRW) management, and promoting energy efficiency. While NRW reduction efforts showed mixed results, partly due to the lack of funding, the Project successfully helped **28 WUCs lower their NRW percentages**, demonstrating progress in water network management.

Additionally, labor force optimization efforts led to a **12.53% reduction in staffing levels since 2021**, contributing to **improved financial performance**. The Project also improved bill collection efficiency, with the average collection period **decreasing significantly** from initial 196 days in 2021 to 97 by the end of 2025, underscoring the Project's continued impact on **strengthening water service management** across partner LGs.

OUTPUTS AND PERFORMANCE ACCORDING TO YEARLY PLAN OF OPERATIONS 2025

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

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

Regarding this Output, 2025 can be considered one of the most operational years within the second phase of the MEG Project implementation. The year was **marked by the implementation of the CAF and CAF for LGs** models in BIH within MEG partner LGs that had not previously been included in the pilot phase. The

[3] Only Municipality of Čelinac did not sign the PSA with their WUC, mainly due to their stance that this type of contract is unnecessary for normal business operations

significance of this activity in 2025 is particularly reflected in the fact that the implementation was carried out within the framework of cooperation agreements with the CSAFBIH, CSA RS and the AMC FBIH and AMC RS.

The introduction of CAF at the local government level has marked a significant achievement by **embedding a culture of self-evaluation, performance-driven management, accountability, and inclusivity** directly into LG operations. Partner LGs have been capacitated to conduct regular self-assessments, prepare and implement improvement plans, and report on progress, thereby strengthening institutional ownership and citizen-oriented service delivery. Importantly, these local-level practices are not isolated but directly linked to higher-level policy frameworks, as entity ministries and authorities increasingly recognize CAF as a standardized tool for monitoring, coordination, and reform continuity. In this way, CAF serves as both a **practical instrument for local governance and a policy anchor for higher-level institutions**, ensuring that governance reforms are harmonized across tiers and reinforce broader trajectory toward evidence-based and sustainable governance.

Concrete results of these activities include an **improved CAF for LGs model** and the development of **practical manuals and guidance materials** to provide additional support to LGs in applying these approaches. Thus, it can be considered one of the most operational years within the second phase of the Project implementation.

In parallel, the group of institutions involved in the process of introducing CAF to LGs, dedicated the year to consultations, additional analyses, and the provision of expert inputs, which resulted in a series of operational meetings and working sessions where elements of the final version of the CAF for LGs in BIH model and the manual for its implementation were reviewed and discussed. In October 2025 the implementation manual for CAF for LGs and the improved version of the CAF for LGs model were officially presented.

The European Institute of Public Administration (EIPA) awarded the MEG Project and its partner local institutions (PARCO and three CSAs[4]) with the **Golden Case Award** during its 10th Annual Meeting. This recognition highlighted MEG's innovative governance model, which combines experience from performance-based management, by showcasing measurable improvements in accountability and efficiency. This award positioned Project's efforts as a leading example of modernized, citizen-focused governance within the European public administration community.


EUPAN
EIPA
GOLDEN CASE 2025
10th European CAF Users' Event
under the Polish Presidency of the Council of the EU
"Smart Governance: People-Centred, Efficiency-Driven"
10th April 2025, Warsaw, Poland
Certificate for Outstanding Achievement
is proudly awarded to
Civil Service Agency BiH (BiH CSA)/ Civil Service Agency of Federation of BiH (FBiH CSA) / Civil Service Agency Republic of Srpska (RS CSA) /Public Adminstration Reform Coordinator's Office (PARCO) /UNDP
in recognition of its outstanding achievement as a one of the best practices and exemplary use of the Common Assessment Framework (CAF) to drive quality, innovation, and continuous improvement in public administration.
Your initiative stands as a source of inspiration, reflecting the values of excellence, transparency, participation, and results orientation.
Anita Noskowska-Piątkowska, Head of Civil Service in Poland
Marco Ongaro, Director-General, European Institute of Public Administration
Marta Kuzawińska, Director of the Civil Service Department, Chancellery of the Prime Minister of Poland
Gracia Vara Arribas, Head of the European CAF Resource Centre, European Institute of Public Administration

The award also underscored the commitment of local institutions that embraced reforms and demonstrated ownership of the process. Their collaboration with MEG fostered peer learning, inter-municipal cooperation, and systemic improvements that extended beyond individual municipalities. Ultimately, the Golden Case 2025 award reinforced MEG's role in advancing sustainable governance and resilient communities, while providing international visibility for Bosnia and Herzegovina's progress in aligning with European standards.

<u>Output 1.2. – Higher level governments capacitated to design policy and regulatory frameworks that advance water supply and wastewater management services</u>

In 2025, progress continued on strengthening the regulatory environment for water services in both the Federation of BiH (FBiH) and Republika Srpska (RS). **Draft Laws on Water Services**, finalized in December 2023, remained central to reform efforts. MEG facilitated consultations across entities and cantons, incorporating justified comments into draft legislation and preparing explanatory notes for those not accepted.

The Project's view is that, while higher-level authorities in Bosnia and Herzegovina have demonstrated progress in drafting legislation, followed through necessary processes, and engaging in consultations, they remain only **partially capacitated to design coherent policies and lead reforms**, as persistent institutional

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[4] Civil Service Agency of Bosnia and Herzegovina, Civil Service Agency of FBIH and Civil Service Agency of Republika Srpska

bottlenecks, political resistance, and limited technical and human continuity remain to impede the full adoption and sustained implementation of regulatory frameworks in the water services sector.

In FBiH, the **Methodology for determining minimum water service prices** was continually applied in partner municipalities demonstrating its practical applicability, while consultations with cantons produced a mix of supportive and critical positions regarding the draft Law. However, legislative adoption was slowed by institutional bottlenecks, particularly the lack of formal opinions from the Federal Ministries of Justice and Finance. The most significant challenge came from **West Herzegovina Canton**, which opposed provisions granting the FBiH Government authority to regulate tariffs and establish expert bodies. Visits to West Herzegovina Canton by UNDP and the Embassy of Switzerland sought to facilitate dialogue and overcome resistance, though without immediate progress. Despite delays caused by pending ministerial opinions, the Ministry of Agriculture, Water Management and Forestry resumed efforts to collect required inputs, demonstrating commitment to advancing the process.

In RS, progress was hindered by negotiations with local governments and associations, who **raised concerns about tariff responsibilities and the proposed Water Services Agency**. In addition to these matters, the further postponement of the consideration of the Law on Water Services by the RS Government was also influenced by the broader political situation, including the fact that the process of appointing the RS Government was on two occasions linked to the procedure for the appointment of the President of the RS.

In parallel, the entity ministries also directed their activities toward the preparation of an **analysis of water supply decisions in five selected LGs per entity**, as well as, in the FBiH, the development of background materials for the **by-laws envisaged under the Draft Law on Water Services**.

Despite these obstacles, MEG provided continuous technical and advisory support to both entity ministries, ensuring that reform processes remained active and that draft laws were refined in line with stakeholder feedback. Additional consultations with local governments and associations helped address concerns about financial responsibilities, including compensation mechanisms for utilities when tariffs are not approved. These discussions resulted in amendments to the draft law, reflecting responsiveness to stakeholder concerns and strengthening the credibility of the reform process. Unfortunately, despite these efforts, 2025 passed without a formal position being adopted by either of the entity governments.

Institutional Strengthening

Beyond legislation, the Project advanced institutional reforms aimed at securing the operational sustainability of water services. In FBiH, a working group established with the Association of Employers in Communal Utilities (UPKP FBIH) prepared **models for registering municipal infrastructure assets**, a critical step toward clarifying ownership and accountability.

These efforts are laying the foundation for a comprehensive benchmarking system that will allow ministries, agencies, and municipalities to monitor service quality, compare performance across utilities, and identify areas for improvement. Once fully operational, the benchmarking system will serve as a cornerstone of evidence-based regulation and oversight.

In April 2025, the MEG Project organized a **study visit to the Republic of Croatia** for members of the working groups tasked with drafting the regulatory framework for water services in FBiH and RS. The program provided participants with **first-hand exposure to Croatia's experience in reforming its water services sector in line with European Union requirements.** Discussions covered a wide range of topics, including amendments to legislative frameworks, organizational reforms of public water supply companies, tariff methodologies, financing mechanisms for infrastructure projects, and the costs of implementing EU wastewater treatment standards. Many of these issues are already reflected in the draft entity laws on water services, while others will need to be addressed as Bosnia and Herzegovina advances toward EU accession.

The program was attended by **21 civil servants (14 women and 7 men),** who gained practical insights into how **Croatia successfully aligned its water sector with EU standards**. The visit helped participants better understand the legislative, institutional, and financial changes required for Bosnia and Herzegovina, while also **identifying areas where additional technical support and capacity building are needed**. By translating lessons learned into actionable steps, the study visit strengthened the working groups' ability to guide future reforms and reinforced the importance of regional knowledge exchange in advancing sustainable water service management.

Information System for Benchmarking of Municipal Companies (ISBMC)

Following extensive consultations with all stakeholders, the concept note titled *Development of a Country-Wide Harmonized Benchmarking System for Water Utilities in BiH* was unanimously accepted, enabling the start of application development.

ISBMC was designed as a web-based platform to evaluate indicators and indexes related to water service provision, with full support for the languages and scripts used in Bosnia and Herzegovina. The ISBMC application is structured around three core elements:

- **Variables** – systematically recorded data such as water abstraction or invoiced volume, collected directly from utilities and local governments.
- **Indicators** – calculated values derived from variables, such as non-revenue water percentage, which measure specific aspects of utility performance.
- **Indexes** – composite values derived from selected indicators, providing an overall assessment of utility performance.

To ensure sustainability, the MEG Project supported hosting institutions, Adriatic Sea Watershed Agency (AVPJ), Sava River Watershed Agency (AVPS) in FBiH, and Vode Srpske in RS, in defining technical specifications for procuring the necessary hardware and equipment. Once technical conditions are finalized, the ISBMC application will be **installed on institutional servers**, with all relevant documentation and source code formally handed over.

In the meantime, MEG continues to use the ISBMC platform to **collect data from its partner WUCs and advance benchmarking activities**, laying the foundation for a harmonized, transparent, and evidence-based performance monitoring system across Bosnia and Herzegovina's water utilities.

Capacity building of Project partners

The Project provided support to the Ministry of Administration and Local Self-Government of the Republic of Srpska in conducting an **analysis of the implementation of the RS Law on Communal Police** through a Working Group appointed by the Ministry. Additionally, support was provided the Ministry in the preparation of **amendments to the Law on Communal Police**, which were adopted by the National Assembly of RS in March 2025 during the 13th regular session. These amendments were necessary to improve the efficiency of communal police and ensure a higher level of public order in RS.

The Project support for this process is also linked to the fact that the draft Law on Water Services **envisions specific roles and responsibilities for communal police** in order to ensure better and more efficient delivery of water services to citizens, as well as to enhance accountability in their use.

After this Law came into force, the Ministry requested support from the Project in the preparation and delivery of training for communal police officers. These trainings were conducted regionally during 2025 in: Trebinje (F 5 M 17), Bijeljina (F8, M17), East Sarajevo (F7, M21), Banja Luka (F5 M 21) and Kozarska Dubica (F 7, M 18).

OUTCOME 2 – Local governments improve their performance, are more accountable and provide high quality services, in particular in the water sector, in a climate-smart, disaster-resilient, inclusive and sustainable way

Output 2.1. - Partner local governments actively engaged in the participatory validation and introduction of a standard result-oriented local governance model

Support to Strengthening Integrity Pillars and Anticorruption in Partner LGs

In the area of anti-corruption, the Project strengthened integrity systems and transparency in its partner LGs with key activities including **guidance on grant methodology**, technical support for **monitoring integrity plans**, capacity-building **to prevent conflicts of interest**, **improvements in public procurement practices, and support for implementing the Law on Protection of Whistleblowers**. These measures reinforced internal controls and advanced the fight against corruption at the local level. As a result, all partner LGs achieved greater institutional capacity, transparency, accountability, and public trust.

Legislative frameworks and Integrity Plans were reviewed by the Project and developed and distributed entity-specific grant management guidelines for LGs in the FBiH and the RS (*"Smjernice za upravljanje transferima u JLS u FBiH" and "Smjernice za upravljanje grantovima u JLS u RS"*). The Project further supported LGs in **enhancing public procurement systems** through rulebook reviews, needs assessments, technical assistance, and tailored model rulebooks, complemented by five regional workshops and an online session that improved staff skills in applying procedures, managing conflicts of interest, and safeguarding whistleblowers, resulting in stronger procurement practices, contract management, and internal procedures.

Findings and recommendations focus on strengthening internal regulatory frameworks and institutional capacities, including functional and accessible whistleblower, conflict-of-interest, and public procurement mechanisms. Clear roles, structured adoption processes, targeted post-adoption support, and continued Project assistance will be critical to ensure alignment with legal requirements, integration with existing internal acts, and sustainable, effective implementation of integrity and procurement practices at the local level.

Citizen satisfaction survey organization and Introduction of digital tool for regular annual citizen surveys

During the first quarters of 2024 and 2025, all partner LGs completed their **Annual Citizen Satisfaction Surveys (CSS) using the eCitizen Digital Survey Module** except for the City of Mostar whose management didn't want to conduct the survey. The module enabled both annual and *ad hoc* surveys and additionally offers QR code access for citizens in local service centers. Following each survey, partner LGs ensured follow-up by **publishing results on official websites**, presenting findings to the Mayor's Office, developing action plans with corrective measures, and formally presenting results to the council/assembly. This represents a significant step toward sustainable digitalization, automatic production of the Master Report, and enhanced transparency and responsiveness in addressing citizen feedback.

Moreover, based on their CSS results, local governments addressed identified underperforming services and prepared appropriate corrective measures, which were discussed and agreed upon with responsible departments, institutions, and councils, and transparently publicized on their official websites.

At the end of 2025, the Project prepared a consolidated analysis of CSS results covering both phases of MEG Project, i.e. from 2017 to 2024. The analysis **reviewed and standardized the data, conducted a detailed examination of trends and performance across key sectors such as water supply, wastewater management, and public administration services, and identified areas for improvement**. A clear, visually engaging report was produced, and individual presentations with overall results and tailored recommendations were shared with each LG to support evidence-based decision-making and inform future Project activities.

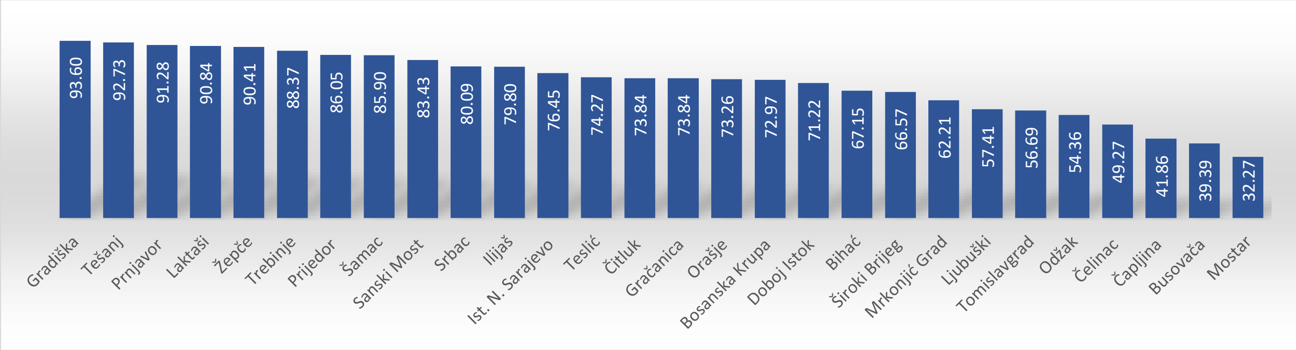
<u>Output 2.2. - Partner local governments have acquired adequate capacities and tools to effectively plan and deliver public policies and services, guided by a result-oriented approach</u>

Performance Management System (PMS) – Exit Evaluation and Data Consolidation

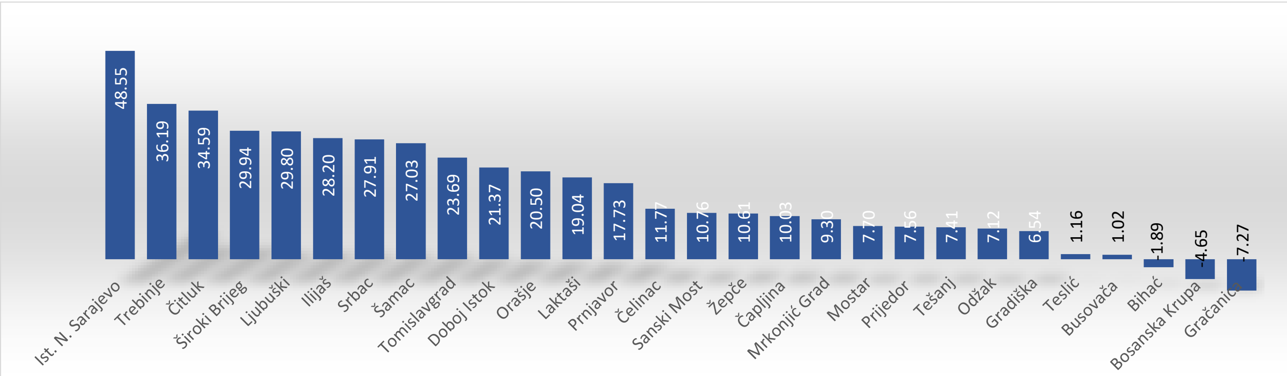
The Project ensured the final provision of tailored technical assistance to all partner LGs (except for Bosanski Petrovac[5]) for full implementation of the PMS, preparing them for the **PMS exit evaluation** that was completed in June 2025. **This evaluation compared the 2022 entry and 2025 exit results,** and LGs were evaluated based on two aspects: **the percentage of PMS establishment and the overall progress achieved (2025 vs 2022).** Following the evaluation, results were presented at five regional meetings to all partner LGs.

Percentage of PMS implementation:

[5] The Mayor of Bosanski Petrovac decided not to participate in the PMS exit evaluation, as the Municipal Council had not been functioning effectively and was not adopting the annual budget in a timely manner, which affected overall administrative processes. This stands in contrast to the entry evaluation, during which Bosanski Petrovac, despite being a small local community with limited capacities, achieved very good results.



Progress achieved (2025 vs 2022):



The best performing LGs, assessed based on both **PMS establishment** and **progress achieved between 2022 and 2025**, were awarded **financial support for strategically important projects** aimed at enhancing public service delivery, with all projects successfully completed by **mid-February 2026**.

Common Assessment Framework (CAF) Implementation in Partner LGs

By the first quarter of 2025, ten MEG partner LGs (Prijedor, Tešanj, Prnjavor, Teslić, Orašje, Gračanica, Žepče, Šamac, Bihać and Laktaši) **introduced the CAF model in their localities** and developed corresponding Action Plans (APs) for improvement. In most cases, this represented the first or second cycle of CAF implementation at the local level, supported by a dedicated CAF Supporting Tool for LGs comprising 43 indicators that fully integrate all PMS indicators. This ensured that CAF served as a mechanism for institutional self-assessment, structured improvement planning, and benchmarking among LGs. **The CAF self-assessment reports and action plans of ten partner LGs were improved to better define strategic priorities and enhance the efficiency of local governance and public services.** The improvements were based on a detailed analysis of existing reports, planning documents, and performance indicators, identifying gaps and areas needing stronger measures. Amendments included refining, adding, or redefining activities to align with the PMS and CAF standards, ensuring local ownership through active involvement of CAF managers and working groups. The result is harmonized, strategically focused documents ready for effective implementation and future self-assessments.

Each of the ten LGs that piloted the CAF methodology received **financial support of USD 50,000**[6], provided they participated at a minimum of **60%**, for a single priority project aimed at enhancing institutional efficiency and public service delivery.

At the same time, in cooperation with the Civil Service Agency of the FBiH (CSA FBiH) and the Associations of Cities and Municipalities (AMCs) of both the RS and the FBiH, **the Project continued efforts on institutionalizing and promoting CAF across LGs**. With the support of the RS AMC and the RS CSA, additional 11 partner LGs introduced CAF, while the CSA FBiH supported its introduction in 16 LGs. By the end of 2025,

[6] Please refer to Annex 3 - List of CAF and MAP Infrastructure Projects, supported by MEG funds

CAF had been implemented in a total of 26 MEG partner LGs[7]. A particularly successful mechanism for expanding interest in CAF was peer-to-peer workshops, through which MEG partner LGs shared their experience with around 50 non-MEG partner LGs in BiH.

Concrete results are already visible: the **City of Bihać achieved the status of *CAF Effective User***, while the City of Bosanska Krupa initiated the same process. Collaboration with the CSA FBiH supported the institutionalization and sustainability of CAF, including implementation of the third CAF cycle, integration into their revised **Human Resources Development Strategy 2022–2027[8]**, and the **creation of a CAF Working Group**. At the same time, digital sustainability was promoted through the development of CAF video modules and expanded use of educational online platform for self-assessment and learning.

These efforts culminated in a **joint conference organized by the two Associations on 4 December 2025** in Jahorina, which gathered around 100 participants from ministries, agencies and LGs across BIH. The conference provided a platform for presenting best practices in CAF implementation, discussing future development needs, and sharing regional experiences, particularly examples from the Republic of Croatia, thereby further positioning CAF as an important management tool for strengthening performance, accountability and service delivery in local governments in BiH.

Building on all previous efforts and experiences, the Project finalized the **CAF Supporting Tool** and developed a **CAF Manual** to guide local governments in its effective implementation.

Close Monitoring and Broad Promotion of eCitizen Implementation

Support for the eCitizen platform continued, with quarterly monitoring of modules usage, user engagement, and performance, alongside wide promotion of the digital platform. Data analysis and quality checks identified opportunities to improve citizen access, service delivery, and overall platform effectiveness.

In 2025, the Project systematically followed up on the level of use of each eCitizen module, collecting feedback from beneficiary partner LGs. The findings **indicate high overall satisfaction with the system**, particularly its usability and the effectiveness of pervious capacity-building activities, which supported strong adoption of core modules. However, partial use of advanced functionalities persists due to **limited awareness, resource constraints, and implementation complexities**, especially among new LGs. The Project also addressed *ad hoc* queries from citizens and LGs and ensured timely and appropriate communication, which in several cases led to **improved responsiveness and increased use of the eCitizen platform**. In response to identified gaps, the Project implemented a **broad promotion campaign** in the second half of the year covering all beneficiary LGs, alongside continued capacity-building, and system improvements, supported by an integrated media strategy including social media outreach, Google Ads, promotional videos, and success stories.

For the 29 current MEG partner LGs, the **eCitizen platform** has enhanced case and complaint management, serving **13,674 users** handling **2,229 complaints** (32.5% resolved), **552 questions** (284 answered), and conducting **110 surveys**.

In the upcoming period, efforts will focus on expanding and enhancing key eCitizen, primarily the **Register of Administrative Procedures**, as a new module. Priority was given to integrating the system with LG internal systems, official websites, and other local platforms, and further developing mobile application. Strengthening interoperability, introducing new digital services such as authentication and payments, and enhancing mobile access will improve usability and drive broader adoption of the eCitizen platform.

Public services provision, including water supply and waste-water management

Almost all infrastructure projects supported by MEG Project based on the achieved results in 2nd cycle of Grant Methodology are successfully finalized in 2025, while due to delays in construction, few remain to be

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[7] Gradiška, Tešanj, Prnjavor, Laktaši, Žepče, Trebinje, Prijedor, Šamac, Sanski Most, Srbac, Ilijaš, Istočno Novo Sarajevo, Teslić, Gračanica, Orašje, Bosanska Krupa, Doboj Istok, Odžak, Bihać, Široki Brijeg, Mrkonjić Grad, Čitluk, Tomislavgrad, Čelinac, Čapljina, and Bosanski Petrovac. The remaining three partner LGs - Mostar, Ljubuški and Busovača, stated they would introduce CAF process later on, as they were not ready to form a team and dedicate their time in requested timeframe.

[8] https://hrm.adsfbih.gov.ba/blog/preview/94

completed in 2026. Total value of the infrastructure projects nominated by eight partner LG s totaled **USD 4,322,529.95, and LGs participated with their own funds in total amount of USD 3,292,529.97.** LG contribution in overall project financial structure was **76,17%.** These projects will bring improved quality of water services for **5,754 direct beneficiaries,** while approximately **32,000 inhabitants** will have indirect benefits from these infrastructure projects. Details on infrastructure projects are presented in the following table.

LG	Project title	Total value (USD)	MEG Project contribution (USD)	LG contribution (USD)	LG contribution (%)	Number of Direct beneficiaries	Number of Indirect beneficiaries
Istočno Novo Sarajevo	Construction of the sewerage system MZ Tilava and settlement Ivanić	**482,972.64**	180,000.00	302,972.64	*62.73%*	800	3,500
Ilijaš	Improvement of sewerage system in Municipality Ilijaš	**475,369.90**	160,000.00	315,369.90	*66.34%*	450	18,000
Srbac	Extension of Water Services in Municipality Srbac	**450,173.35**	140,000.00	310,173.35	*68.90%*	450	2,500
Šamac	Construction of the water supply system for local community Gajevi	**304,898.66**	120,000.00	184,898.66	*60.64%*	389	0
Široki Brijeg	Construction of water supply network in MZ Ljubotići	**419,091.30**	100,000.00	319,091.30	*76.14%*	598	0
Prnjavor	Improvement of water services	**1,065,549.18**	130,000.00	935,549.18	*87.80%*	485	2,500
Tešanj	Construction of the water supply system Jablanica – Kardaglije, Phase 1	**367,213.78**	110,000.00	257,213.78	*70.04%*	2,358	0
Gradiška	Construction of the sewerage mains and reconstruction of the streets in the settlement Tekija	**757,261.16**	90,000.00	667,261.16	*88.12%*	224	5,500
TOTAL		**4,322,529.97**	**1,030,000.00**	**3,292,529.97**	**76.17%**	**5,754**	**32,000**

Activities under Outcome 2 are supported by Switzerland. Details for utilization are available in the attached budget.

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

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

The Project sustained its role in delivering **inclusive and strategically oriented technical assistance**, carefully tailored to the specific needs expressed by each WUC, while maintaining a strong emphasis on supporting the implementation and monitoring of previously adopted Public Service Agreements (PSAs) and local government decisions aimed at strengthening the environment for planned improvements in WUCs' organizational, operational, and financial capacities.

Throughout this reporting period, particular attention was given to fulfilling key obligations, including the provision of **subsidies for vulnerable groups**, registration of all fixed assets utilized in water service delivery, adoption of tariffs aligned with established methodology, conducting regular affordability surveys, and the advancement of employment policy practices. During the reporting period, the Project carried out a comprehensive review of existing municipal decisions on subsidizing socially vulnerable groups. Building on the findings of this analysis and the good practices identified within local governments, the Project organized a **Water Services Subsidy System Training** for all participating LGs and their WUCs. The training was designed to strengthen the capacities of municipal administrations and utility providers to develop and implement more inclusive, transparent, and sustainable subsidy mechanisms.

As a direct outcome, the Project prepared the **Guidelines for a Gender-Sensitive Water Services Subsidy System,** with a particular focus on enhancing the inclusion of socially vulnerable populations. The Guidelines offer practical recommendations for local governments on identifying eligible beneficiaries, improving targeting methods, and integrating gender and social inclusion considerations into subsidy policies. The document was distributed to all participating municipalities and utilities for practical application and further refinement of their local subsidy frameworks.

Finally, adoption of PSAs and other related supplemental decisions promoted the practical implementation of **water subsidies for socially vulnerable categories.** During the reporting period, 27 out of 29[9] partner local governments, in cooperation with their Centers for Social Welfare, defined modalities and provided monthly water bill subsidies to citizens in need. In 2025, a total of **1,969 individuals** from socially vulnerable and excluded categories received regular subsidies, representing a **decrease of 408 compared to 2024** (2,377 beneficiaries). This reduction reflects the routine procedures of the Centers for Social Welfare, which annually reassess the eligibility of vulnerable persons and issue updated administrative decisions. Subsidy entitlements may end due to changes in socio-economic status, employment, acquisition of alternative income, loss of vulnerable status, relocation, or the death of the beneficiary. In total partner LGs allocated approximately 268,277 KM from their municipal budgets to support these subsidies during 2025. Average quantity of subsidized water consumption ranges from 3-5m^3 per person per month.

During the reporting period, in close cooperation with partner municipalities within the Bosna River watershed, secon**dary and tertiary watercourses requiring priority cleaning from plastic and other waste were identified and cleaned**. Activities were carried out across nine partner local governments: Busovača, Doboj Istok, Gračanica, Ilijaš, Istočno Novo Sarajevo, Šamac, Tešanj, Teslić, and Žepče.

In total, **18 kilometers of riverbanks and streams were cleaned of plastic and other debris** (*see table below*). Additionally, **21 illegal dumpsites** were removed, and approximately **3,650 m^3 of waste** was transported to safely managed regional landfills.

LG	Project Description	River(s)	Length cleaned (meters)
Busovača	Cleaning of river flows and remediation of illegal dumpsites	Kozica, Ivančica	3,800
Doboj Istok	Cleaning of river flows	Klade, Samarić, Sofići	2,800
Gračanica	Cleaning of river flows in the City of Gračanica	Sokoluša, Lohinjska rijeka	4,000
Ilijaš	Cleaning of the Bosna and Misoča rivers	Misoča	1,400
Ist. Novo Sarajevo	Cleaning of the Tilava river	Tilava	1,350
Šamac	Cleaning of the riverbed and remediation of illegal dumpsites in the Municipality of Šamac	Bosna	750
Tešanj	Cleaning of river flows in the Municipality of Tešanj	Tešanjka	450
Teslić	Cleaning of river flows of the Velika Usora river	Velika Usora	1,500
Žepče	Cleaning of river flows in the Municipality of Žepče	Bosna, Liješnica	2,000
		TOTAL	**18,050**

<u>Output 3.2 - Financial and operational performance of water utilities improved</u>

During the reporting period, the Project continued to quarterly collect and analyze a list of almost **100 KPIs from 28 WUCs** and to provide capacity building assistance to all partner WUCs across formerly defined 17 key thematic improvement areas, with especial focus on the following topics:

i. **Assistance to local governments** through on demand support and regular technical support. The aim of this exercise was to increase awareness of LGs' responsibilities for implementation of PSA obligations, to discuss improvements and depoliticization of water services provision achievements with specific focus on implementation of the tariff methodology. Identification of the best practices and organization of Water Services Subsidy System training sessions. In addition, the Project in cooperation with Association of the Utility Companies FBiH (UPKP FBiH) supported activities of the Expert Working Group, tasked with preparation of the document *Best Practices in Resolving the Status*

[9] Čelinac did not sign PSA while Mrkonjić Grad did sign the PSA with its WUC but failed to implement this PSA obligation in this monitored period

of Municipal Infrastructure Assets and Their Recording in Business Books. The document was developed as a practical guidance tool for local governance and public utility companies, presenting different models of asset management and accounting treatment of municipal infrastructure in accordance with the existing legal and financial framework.

ii. **Monitoring of staff optimization plans implementation** confirmed successful execution of draft WUCs' long-term labor force rationalization plans harmonized with current legislation and implementation of more accurate staff mapping. This resulted in creation of cost centers that are independent and do not generate revenue from basic water services, which enabled WUC management to efficiently implement optimization plans during this reporting period.

iii. **Monitoring and reducing non-revenue water,** where technical assistance provided to partner WUCs has begun to show tangible results. Most utilities have successfully reduced NRW, and eight of them have achieved **levels below 40%,** an excellent improvement compared to the baseline. In parallel, the procurement of equipment for the water utility companies has been completed. The specific needs were identified in close cooperation with partner WUCs, prioritizing their most urgent requirements: armatures, fittings, and mechanical water meters, water pumps, and equipment for remote/radio water metering.

iv. **Water tariff policy** support was provided in collection and revenue administration, billing cycle, accounting procedures and MIS, financial management.

v. **Inventory and fixed assets cycle** where focus was on continuous education of partner WUCs' and LGs' employees in use and application of the **QGIS software** and related attribute tables for more accurate identification of individual WUCs fixed assets.

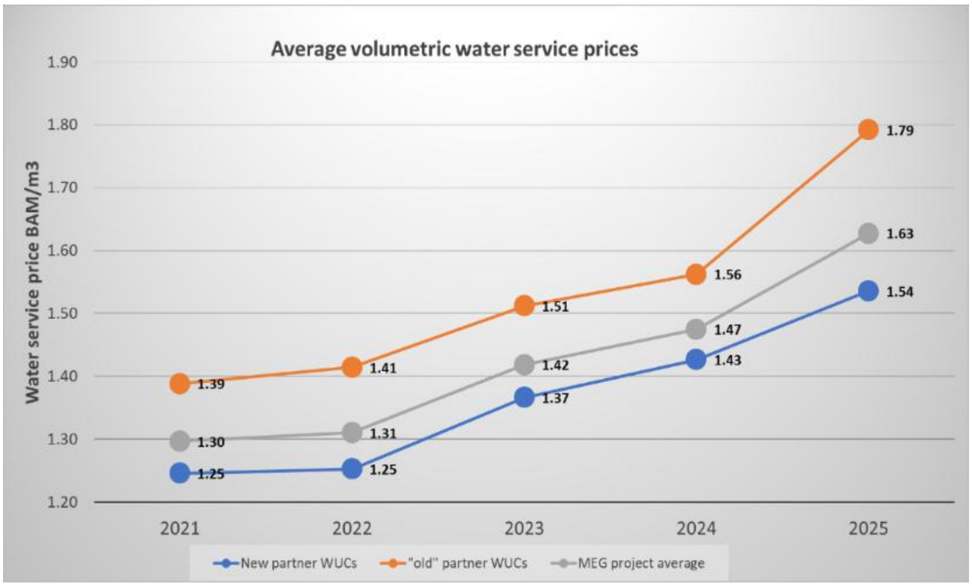
The main achievement in 2025 was that **14 out of 28 partner LGs adopted amended water service tariffs calculated in line with established tariff methodology**. Also, it should be noted that majority of those activities were implemented by partner WUCs and LGs employees with limited support and overview of the Project team. Direct incentive for these changes were decision of the FBiH government on minimum wage in the Federation of BiH adopted on 30.12.2024 and published in *Official Gazette FBiH* No. 104/24 from 31.12.2024 and decision of the Republika Srpska government on minimum wage in Republika Srpska, published in *Official Gazette RS* No. 6/25 from 29.01.2025. Adoption of this decisions and increase of the minimum wages created significant financial burden for all WUCs in BiH. Following table demonstrates the magnitude of increases.

Entity	2024 Minimum Wage	2025 Minimum Wage	Change per worker per month
FBIH	619 BAM net	1,000 BAM net	**+381 BAM**
RS	700 BAM net (flat approach)	900–1,300 BAM net (depending on education level)	**+200 to +600 BAM**

As an integral part of PSA, **Water tariff setting methodology** for determining the lowest basic price of water services, was **adopted by 28 LGs.** During this reporting period, **14 partner LGs adopted new water service tariffs** calculated in line with the Methodology: Bosanska Krupa, Čapljina, Gračanica, Istočno Novo Sarajevo, Laktaši, Mrkonjić Grad, Odžak, Sanski Most, Srbac, Teslić, Tešanj, Tomislavgrad, Trebinje and Žepče. Remaining 14 partner WUCs change their tariffs during 2024 or generate sufficient revenues from other business activities (utility companies that also provide other services) to absorb the financial shock of the minimum wages increase.

However, as result of the MEG Project efforts, five partner LGs: Trebinje, Gradiška, Tešanj, Teslić and Žepče, changed their water tariffs in line with tariff methodology **for the third time over the last four years** demonstrating that **applying methodology is becoming a standard practice in partner LGs and WUCs**. This is a significant progress toward long term sustainability of the water services.

In general, volumetric tariffs for water services **increased 20,32%** compared to 2021 baseline. The highest tariff increases were recorded in the Municipality of Odžak (43.33%), the City of Gračanica (42.58%), and the Municipality of Istočno Novo Sarajevo (41.18%). The City of Gradiška now has the highest volumetric tariff at 2.45 BAM/m³, while the lowest tariff 1.07 BAM/m³ is applied in the Municipality of Mrkonjić Grad. The fixed component of water service tariffs also increased significantly and currently ranges from 2.5 to 4.5 BAM per connection per month.



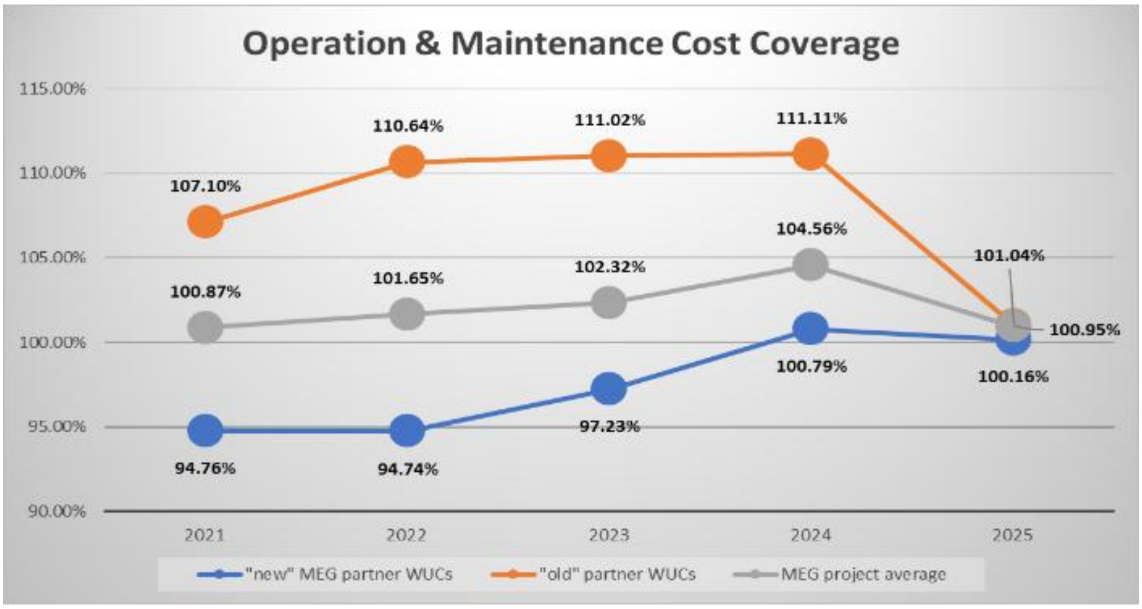
Despite these substantial tariff adjustments, the financial position of partner WUCs did not improve as expected, primarily due to **high share of employee-related costs** within total expenditures. Employee-related expenses continue to make up a substantial portion of overall company costs, representing approximately 50–60%. By the end of 2025, the 28 partner WUCs employed a total of 1,359 staff, nine fewer than in 2024. As a result of ongoing water network expansion and an increasing number of connections, the staffing ratio reached 5.052 employees per 1,000 water supply connections by the end of 2025, coming very close to the Project's target of five employees per 1,000 connections. Compared to the 2021 baseline, this ratio represents a **12.53% reduction**.

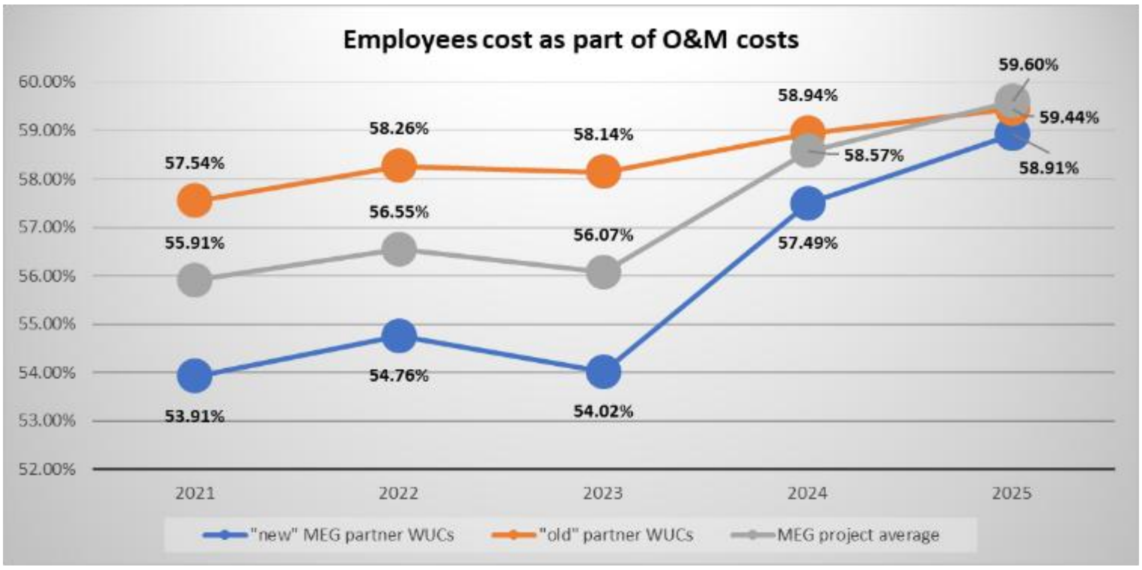
Optimizing staffing levels within WUCs remains a **key priority**, as it represents one of the most significant opportunities to enhance financial performance and reduce operating costs. Project-supported measures including targeted advocacy, a hiring moratorium, the introduction of cost centers, staff optimization processes, and improved organizational structures have all contributed to a steady reduction in average staffing levels. Notably**, 13 of 28 participating WUCs** have already reached (or fallen below) the international benchmark of **four employees per thousand connections**, while an additional nine WUCs have met or fallen below the level of five employees per thousand connections. The highest staffing ratios were reported in Trebinje (11.52) and Mostar (8.65).

Operational & Maintenance cost coverage

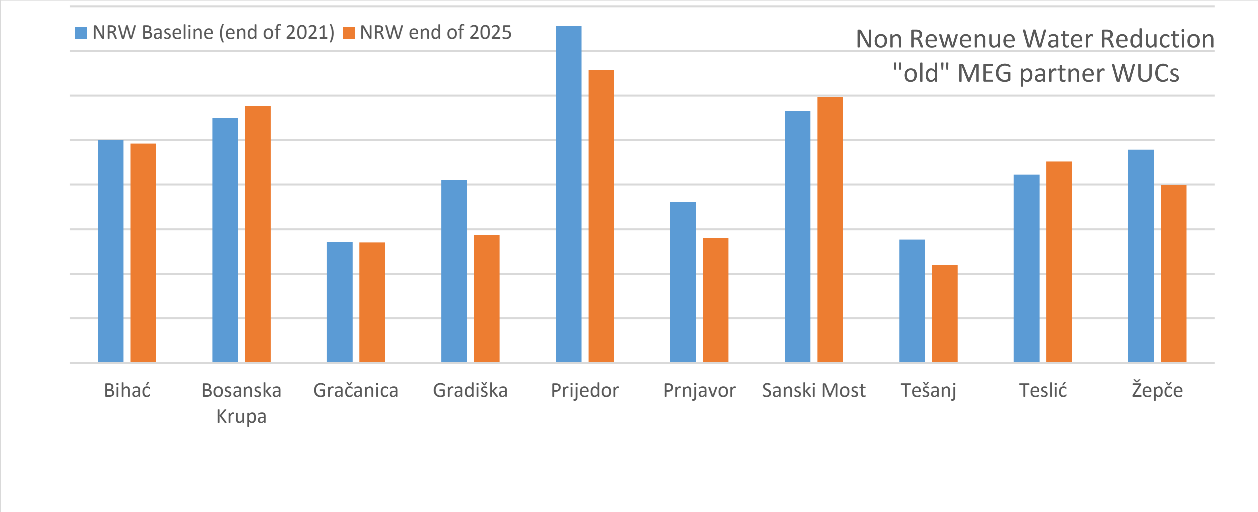
By the end of 2025, the **coverage of operations and maintenance (O&M) costs** decreased for all MEG partner WUCs. The main reason was the rise in employee expenses resulting from the minimum wage increase. However, with the adoption of new tariffs at the end of 2024 and throughout 2025, this financial impact was effectively absorbed. As a result, the average O&M cost coverage remained above 100%.

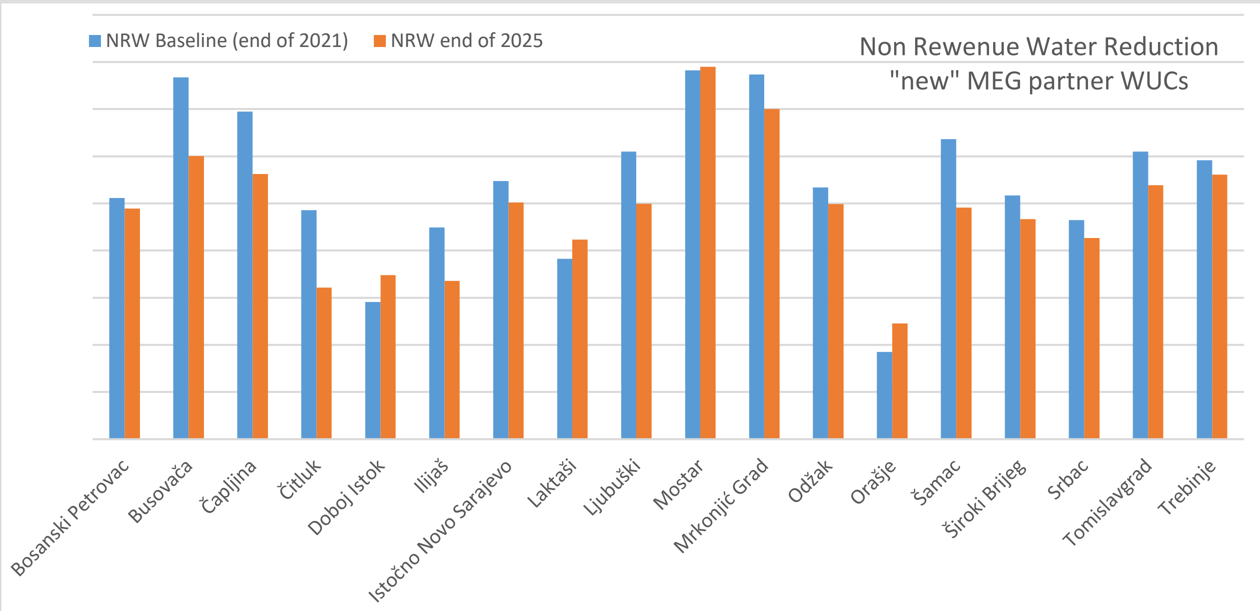
Despite strict measures promoted by the MEG Project including a moratorium on new hiring, the introduction of cost centers, staff optimization, and improved organizational structures, all of which led to a real reduction in the number of employees, the **share of workforce costs has continued to rise** over the past four years **due to wage increases**. A shortage of skilled workers has further intensified pressure on water utilities to **raise salaries** in order to retain existing employees and attract new, qualified personnel.





The 2021 baseline NRW average value for 28 WUCs was 51.37% and by the end of 2025 the average value of NRW was 48.54% (calculated as average value of individual NRW percentages). This brings the achieved **NRW reduction to 5.50% from the 2021 baseline**.





Even though that majority of participating MEG WUCs reduced their NRW percentage, NRW for Mostar nullifies the progress achieved for other 27 WUCs. However, if Mostar WUC is excluded from this calculation, the average value of NRW (calculated as average value of the individual NRW percentages) was **45.55% and it is 9.8% lower than 2021 baseline**.

MEG project's target for 2025 was **12% reduction of NRW against 2021 baseline**. This smaller result of 9.8% reduction is a consequence of several reasons. The main reason is the fact that the biggest WUCs (Prijedor, Trebinje and Mostar) have the largest NRW losses due to the size of network and previous, mostly inadequate technical solutions. Also, their ability to reduce NRW without major financial interventions in infrastructure is extremely limited.

The 2021 baseline was developed using several assumptions and internal WUC data, which later proved to be **significantly underestimated**. Consequently, the projected NRW reduction targets were set too optimistically. In the initial phase of Project support, more accurate measurement and improved water balance calculations led to an apparent increase in average NRW levels. NRW reduction activities focused on establishing district metering zones and prioritizing the reduction of physical water losses through targeted reconstruction of water supply network segments with the highest NRW rates, but due the limited financial sources results was highly limited.

It was also observed that **authorized but unbilled consumption** continues to contribute substantially to overall NRW levels. This includes water used for street cleaning, irrigation of green areas, watering of public sports fields, cleaning of the potable water treatment plants and similar activities. It is estimated this consumption contribute up to **10 to 15% to overall NRW losses**.

On the other side, there are a several WUCs that significantly reduced non-revenue water and demonstrated that **changes and progress are possible**. Champion of NRW reduction among MEG partner WUCs is Tešanj with reported NRW of 21.99%, Orašje (24.58%), Gračanica (27.02%), Prnjavor (28.04%) and Gradiška (28.67%).

In general, lack of incentives (electric energy prices, water taxes), difficult access to finance and competition among different local needs (investment in renewable energy) accompanied with outdated and inadequate technical solutions that require significant investments for reconstruction of water supply system, significantly contribute to these modest results.

Asset Management, Financial and Operational Performance Improvements

As the result of PSA implementation and comprehensive Project TA, partner WUCs continued to demonstrate positive trends in **better asset management and increase in infrastructure maintenance and investments**.

By the end of 2025, **28 MEG partner WUCs invested 1,943,405 BAM** in measurement equipment and water meter maintenance, while **3,513,625 BAM was directed to maintenance investments of equipment and infrastructure.** In total, 5,457,030 BAM was directed to the different maintenance and improvements expenditures, and amount of **maintenance expenditures increased by 17.71%** compared to 2024 expenditures (4,635,810 BAM).

Day's sales outstanding (DSO) or **average invoice collection period was 132 days and is lower compared to 146 days in 2023 and 196 days by the end of December 2021**. There are some individual WUCs that negatively affect the combined DSO average. For example, Mostar WUC had 352 DSO in 2021 but 679 by end of 2023. Such increase happened during 2023 when Mostar WUC lost few court appeals and as a result had an increase of total debt for more than 5 million KM. Without Mostar WUC, the **average DSO by end of 2025 is only 84 days** and represents significant progress achieved during the reporting period. By the end of 2025, 19 partner WUCs **reached their optimum bill collection period**, e.g. **below 90 days**.

In all partner LGs, access to controlled and safe **water supply services increased from 74.64% to 81.67%** (2021 vs 2025), and access to **sewage services increased from 28.97% to 36.90%** (2021 vs 2025). This positive progress is result of finalization of several ongoing infrastructure Projects in MEG partner LGs and better accounting and customer data base procedures, resulting from Project provided TA.

Capacity Building and International Engagement

During the reporting period, the MEG Project participated in **World Water Week 2025**, a leading global event on water governance organized by SIWI under the theme **"Water for Climate Action"**. The conference gathered around 15,000 participants from over 190 countries. The Project was showcased in an online session titled **"Local Action, Global Lessons: How the MEG Project Builds Resilience of Water Supply Systems in Bosnia and Herzegovina"** on 26 August 2025. The session presented key MEG achievements and featured contributions from the UNDP Resident Representative and partner local governments and WUCs (Šamac, Široki Brijeg, Ilijaš, and Prnjavor), who shared practical reform experiences. Participation provided an opportunity to present BiH's water governance practices to a global audience and promote approaches to climate-resilient water service management.

The Project advanced its initiative to support **young professionals** from partner WUCs, building on activities launched earlier and strengthened professional networks, enhanced technical knowledge, and increased visibility of young experts in the water sector. Three thematic workshops covered around ten topics on water supply, drainage, wastewater management, and utility operations, complemented by study visits to Čapljina, Mostar, and Gradiška. More than **100 young professionals, including 50 women**, participated in these events, demonstrating MEG's commitment to gender balance. The network also organized a technical visit to the Tomislavgrad wastewater treatment plant, gathering over **30 staff from across** the country to discuss operational challenges and solutions, laying the groundwork for a **Community of Practice**. Regional visibility was further strengthened through participation at the Danube Water Conference 2025 in Vienna, where the young professionals' network presented its subcommittee work and MEG-related activities, fostering knowledge exchange and recognition at the regional level.

At the beginning of 2025, with the support of the MEG Project, **subcommittees of young professionals were formally established within the two professional water utility associations in Bosnia and Herzegovina**, Association of Water Utilities of Republika Srpska (UVRS) and the Association of Communal Utilities of the FBIH (UPKP FBiH). These subcommittees provide a structured platform for young experts to actively participate in professional networks, contribute to sector discussions, and further develop their technical and leadership capacities.

The Water Service Academy BiH (WSA BiH) was implemented between September and December 2025 as a first step toward strengthening professional capacities in Bosnia and Herzegovina's water services sector. Designed and delivered in cooperation with the **Brno University of Technology, the Academy combined lectures, workshops, field visits, and an international study tour into three training cycles.** The program began with consultations and field sessions in Doboj, Teslić, and Gradačac, continued with a five-day study visit to Brno for 20 young professionals, and concluded in Sarajevo with a final assessment and closing conference. In total, **34 participants received certificates, supported by a comprehensive Study Book covering 20 thematic areas.** By integrating European standards, innovative technologies, and modern service management practices, the Academy strengthened participants' technical knowledge while building a network of emerging and experienced professionals. This initiative laid the foundation for a more resilient and skilled workforce, essential for the future sustainability of Bosnia and Herzegovina's water sector.

The Project responded to partner WUCs' request for **continued QGIS support** by providing site visits, evaluations, and tailored assistance to strengthen practical use across organizational units, including field operations. In parallel, training sessions were organized for WUC and LG staff, with **76 participants** earning certificates. To ensure lasting impact, a **practical manual and video materials** were developed, enabling staff to apply QGIS effectively in daily operations

Activities under Outcome 3 are supported by Switzerland, Sweden, Czech and EU funds. Details for utilization are available in the attached budget.

GENDER EQUALITY, DIVERSION AND INCLUSION, CLIMATE CHANGE

Gender equality, diversity, and inclusion were promoted throughout several Project activities, particularly through the **Young Water Professionals initiative**. During the reporting period, more than **100 young professionals participated in project-supported workshops, study visits, and networking activities, including 50 women**, demonstrating the Project's commitment to balanced participation and the strengthening of women's roles in the water sector.

Furthermore, the establishment of **Young Professionals subcommittees within sector associations** with both a chairwoman and a chairman reflect the Project's continued efforts to promote gender-balanced leadership and inclusive participation in professional water sector networks.

In addition, the Project continued to work with LGs and WUCs in extending the monthly **water bills subsidies** and increasing the number of social categories that would be included in the scheme. Some LGs were initially sceptic on how it would work in real life, would it be too expensive, would people apply for it, etc. However, good track record from the first Project phase and concrete results on the field, as well as information exchange with other LGs and WUCs, enabled smoother acceptance from new partner LGs. As of the end of this monitored period, total of **1,969 citizens from socially vulnerable categories are being regularly subsidized in 27 partner LGs.**

During the reporting period, the Project also conducted a comprehensive analysis of the **existing municipal decisions on subsidizing socially vulnerable categories** across partner LGs. The analysis reviewed the eligibility criteria, beneficiary categories, and implementation mechanisms currently applied by local governments in order to identify opportunities for improving the inclusiveness and effectiveness of the subsidy schemes. Based on the findings of this analysis, the Project developed Guidelines for improved and more inclusive water services subsidy system, providing **recommendations on how LGs can expand support to additional vulnerable and sensitive population groups**, beyond those formally recognized under existing social protection legislation. The Guidelines aim to support LGs in designing **more flexible and inclusive subsidy mechanisms**, enabling them in the future to extend support to a broader range of vulnerable citizens, while maintaining transparent and financially sustainable subsidy schemes.

Topics such as climate change and water safety, the impacts of climate change on the operation of water utilities, flood and drought risk identification tools, mitigation measures, and management approaches for reducing risks and protecting water resources were comprehensively addressed throughout the **three training cycles of the Water Academy**. These topics were delivered through lectures, practical sessions, and field-based learning activities organized as part of the program.

In addition, these thematic areas were consolidated in the **Study Book** and training presentations developed within the Water Academy, ensuring that the knowledge generated through the curricula is documented and accessible for future use. The materials produced will also serve as a resource for the next phase of the MEG Project, supporting further capacity development of LGs and WUCs in **strengthening climate resilience and sustainable water services management.**

For MEG3, the **CEDRIG (Climate, Environment, and Disaster Risk Integration Guidance)** plan was prepared in parallel with the drafting of the Project Document, ensuring that resilience considerations were embedded into every stage of design. Building on lessons from MEG2, the process involved a structured risk assessment of climate variability, environmental pressures, and disaster risks that could affect municipal service delivery and infrastructure investments. Using the CEDRIG methodology, the team identified vulnerabilities in water supply and wastewater systems, governance structures, and community preparedness, and then translated these findings into practical mitigation measures. The plan emphasized mainstreaming resilience into municipal planning, strengthening institutional capacities to anticipate and respond to shocks, and aligning interventions with EU and national policy frameworks. This approach positions MEG3 as a forward-looking initiative that enhances both service reliability and social cohesion, while reinforcing the long-term resilience of partner municipalities and their utilities.

FINANCES AND MANAGEMENT

Throughout 2025, several donor agreements were amended to extend the project duration and adjust budgets. In February 2025, SIDA approved a no-cost extension until 31 December 2025 with reallocations. This was followed in March 2025 by Amendment No. 1 with Switzerland and in May 2025 by Addendum No. 1 with the EU, both extending implementation to the same date. The EU's final tranche was received in June 2025.

In October 2025, Switzerland increased its contribution by USD 230,000 through Amendment No. 2, with funds transferred later that month. Subsequently, SIDA approved an additional extension until 28 February 2026 in November 2025, and Switzerland formalized this through Amendment No. 3 in December 2025.

Finally, under EU4AGRI, Amendment No. 2 with the Czech Republic enabled the transfer of USD 112,108.74 to MEG II, while an exchange of letters on 29 December 2025 extended the project until 28 February 2026.

As of December 31, 2025, the total Project costs in 2025 stood at **USD 5,886,135.86**, inclusive with Government BiH parallel financing, General Management Services and levy. This sum accounts for **37.77%** of the overall Project budget since its inception. Total Project expenditures in 2025 and its distribution by the donors, are given bellow:

Switzerland	**USD 2,259,792.26**	*64% of the total expenses for 2025*
Sweden	**USD 237,674.10**	*7% of the total expenses for 2025*
Czech Republic	**USD 354,628.57**	*10% of the total expenses for 2025*
EUD	**USD 682,564.87**	*19% of the total expenses for 2025*
Total	**USD 3,534,659.80**	
Government of BIH parallel expenditures[10]	*USD 2,351,566.06*	
Overall total	***USD 5,886,135.86***	

Overall Project spending stands at 93% in 2025 compared to the total budget for 2025 (excluding GMS and levy). All planned activities were successfully implemented, and expected outputs and milestones were achieved across all components. Financial resources were managed carefully, with savings and reallocations used to support ongoing activities and ensure the budget was fully utilized in line with project objectives.

Regarding Outcome 1 – "State, entity, and cantonal governments set in place a more conducive policy and regulatory environment that affirms result-oriented local governance and improved water supply and wastewater management services" – 93% of the 2025 planned financial resources for the Outcome 1, totaling USD 974,878.13, were utilized. The high level of activity implementation is largely due to the successful execution of activities under the Good Local Governance – Public Financial Incentives budget line, as well as the implementation of the Benchmarking System for Water Utility Companies (WUCs). In addition, the funds allocated for the activity supporting AMC structures in awareness-raising and the promotion of Good Local Governance (GLG), specifically for the Associations of Municipalities and Cities (AMCs) in both entities, were fully utilized as planned.

In the context of Outcome 2 – "Local governments improve their performance, are more accountable, and provide high-quality services, particularly in the water sector, in a climate-smart, disaster-resilient, inclusive, and sustainable way", a total of USD 855,368.18 was disbursed, representing 92% of the planned 2025 budget for this outcome. Of this amount, 58% was spent on infrastructure projects supported through carefully

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[10] Costs related to Governments of Bosnia and Herzegovina (GOV BiH) are implemented in parallel and are not recorded through UNDP financial records.

managed Letters of Agreement (LoAs), while the remaining 42% was used for final payments for technical services provided by contracted service providers and consultants.

With respect to Outcome 3 – "Water supply and wastewater management services are provided more efficiently and sustainably and benefit citizens, particularly the most vulnerable", 90% of the projected 2025 budget for this outcome, totaling USD 1,046,580.37, has been disbursed. The largest share of funds was spent on river and riverbed cleaning works funded by the European Union, the Water Academy for young professionals funded by the Czech Republic and the procurement of necessary technical equipment for all partner public water utility companies funded by the Embassy of Switzerland.

As for project management costs, the 2025 planned budget has been exceeded, with a total of USD 395,641.88 utilized under this category, corresponding to 106% of the planned allocation.

Percentagewise, **93% of the total planned budget for 2025**, has been utilized. Percentages of the project budget utilization by outputs and donors are given in the **Table 1.**

Designation		Budgeted period 2025	Realized period 2025	%
Outcome 1		1,046,489.01	974,878.13	**93%**
	Output 1.1	778,878.55	740,254.16	95%
	Output 1.2	267,610.46	234,623.97	88%
Outcome 2		930,225.96	855,368.18	**92%**
	Output 2.1	69,974.40	25,860.40	37%
	Output 2.2	860,251.56	829,507.78	96%
Outcome 3		1,161,149.42	1,046,580.37	**90%**
	Output 3.1	388,538.42	357,912.26	92%
	Output 3.2	772,611.00	688,668.11	89%
Project Management and Evaluation		**372,900.49**	**395,641.88**	**106%**
TOTAL USD		**3,510,764.88**	**3,272,468.55**	93%
GMS + levy		**281,135.00**	**262,191.25**	93%
TOTAL OVERALL		**3,791,899.88**	**3,534,659.80**	93%

***Table 1** - percentages per Outcome and Output for the 2025.*

- **Output 1.1** – This activity stands at **95% implementation in 2025**. The budgeted funds for the Public Digital Platform were carried over to 2026 as the procurement and delivery of servers planned for the Civil Agency of the Federation of Bosnia and Herzegovina and the Agency for Civil Administration of Republika Srpska were delayed due to market conditions.
- **Output 1.2** – Within this Output the implementation percentage stands at **88%** in 2025 reflecting a slightly lower level of expenditure due to the final deliverable of the contractual service provider FINIT not being completed by year-end. As a result, a contract amendment was signed to extend the duration with the final task scheduled for delivery and payment in January 2026.
- **Output 2.1** – In 2025, this activity reached **37 %** implementation against the planned budget for 2025. The budgeted funds for support to AMCs were not utilized as initially contracted and planned, since the activities under AMC support were implemented at a lower cost than budgeted. In addition, the Civil Service Agency of the Federation of Bosnia and Herzegovina did not utilize 16% of the total allocated budget and returned the unspent funds to UNDP, which did not affect the successful implementation of the agreed project activities.
- **Output 2.2** – This activity reached **96% implementation in 2025**. Infrastructure projects were implemented in line with the planned budget. During the year, all contracted tasks were successfully completed in cooperation with the contractual service providers King ICT d.o.o. and CEDES d.o.o., representing a high level of budget utilization under this output.
- **Output 3.1** – For this output, **92%** of the budgeted amount was utilized. In 2025, the sub- activity related to priority river section cleaning was successfully implemented, representing the majority of expenditures under Output 3.1. Activities were carried out across nine partner local governments: Busovača, Doboj Istok, Gračanica, Ilijaš, Istočno Novo Sarajevo, Šamac, Tešanj, Teslić, and Žepče. In addition, the project provided emergency support to flood-affected areas in Konjic and Jablanica, aimed

at mitigating the humanitarian and environmental crisis in these local communities, with funding provided by the EU donor.

- **Output 3.2** – Under this output, the **Water Academy** for young professionals was successfully established and implemented. The overall budget utilization for this output reached **89%**, reflecting effective planning and implementation of activities. The slightly lower implementation rate resulted from delays in procurement procedures for the necessary equipment for all partner public water utility companies. By the end of 2025, **72% of the equipment had been delivered and paid for in accordance with the contracts**, while the remaining portion is scheduled for delivery in 2026.

Designation	Budgeted period 2021-2026	Realized period 2021-2026	%	Budgeted period 2021-2026 SWISS(USD)	Realized period 2021-2025 SWISS(USD)	% SWISS(USD)	Budgeted period 2021-2026 SIDA(USD)	Realized period 2021-2025 SIDA(USD)	% SIDA(USD)	Budgeted period 2021-2026 CzDA(USD)	Realized period 2021-2025 CzDA(USD)	% CzDA(USD)	Budgeted period 2021-2025 EU(USD)	Realized period 2021-2025 EU(USD)	% EU(USD)
Outcome 1	**1,732,025.78**	**1,607,293.09**	**93%**	**1,247,943.02**	**1,145,960.07**	**92%**	**229,649.51**	**229,623.80**	**100%**	**0.00**	**0.00**	**0%**	**254,433.25**	**231,709.22**	**91%**
Output 1.1	1,150,539.80	1,077,252.74	94%	1,150,539.80	1,077,252.74	94%	0.00	0.00	0%	0.00	0.00	0%	0.00	0.00	0%
Output 1.2	581,485.98	530,040.35	91%	97,403.22	68,707.33	71%	229,649.51	229,623.80	100%	0.00	0.00	0%	254,433.25	231,709.22	91%
Outcome 2	**3,880,634.61**	**3,575,207.95**	**92%**	**3,880,634.61**	**3,575,207.95**	**92%**	**0.00**	**0.00**	**0%**	**0.00**	**0.00**	**0%**	**0.00**	**0.00**	**0%**
Output 2.1	196,122.63	152,008.63	78%	196,122.63	152,008.63	78%	0.00	0.00	0%	0.00	0.00	0%	0.00	0.00	0%
Output 2.2	3,684,511.98	3,423,199.32	93%	3,684,511.98	3,423,199.32	93%	0.00	0.00	0%	0.00	0.00	0%	0.00	0.00	0%
Outcome 3	**2,928,180.36**	**2,683,050.63**	**92%**	**366,305.30**	**264,612.57**	**72%**	**548,656.41**	**548,648.92**	**100%**	**625,050.43**	**627,410.56**	**100%**	**1,388,168.22**	**1,242,378.58**	**89%**
Output 3.1	567,953.86	533,249.11	94%	12,084.42	12,084.42	100%	63,006.69	63,006.69	100%	10,200.96	10,874.81	0%	482,661.79	447,283.19	93%
Output 3.2	2,360,226.50	2,149,801.52	91%	354,220.88	252,528.15	71%	485,649.72	485,642.23	100%	614,849.47	616,535.75	0%	905,506.43	795,095.39	88%
Project Management and Evaluation	**1,279,540.36**	**1,244,104.90**	**97%**	**766,576.55**	**748,408.31**	**98%**	**153,409.53**	**142,991.92**	**93%**	**35,527.87**	**32,046.38**	**90%**	**324,026.41**	**320,658.29**	**99%**
TOTAL USD	**9,820,381.10**	**9,109,656.57**	**93%**	**6,261,459.48**	**5,734,188.90**	**92%**	**931,715.45**	**921,264.64**	**99%**	**660,578.30**	**659,456.94**	**100%**	**1,966,627.88**	**1,794,746.09**	**91%**
GMS + levy	**840,722.21**	**784,552.67**	**93%**	**568,540.52**	**527,640.04**	**93%**	**74,537.24**	**73,571.62**	**99%**	**59,980.51**	**59,953.90**	**100%**	**137,663.95**	**123,387.11**	**90%**
TOTAL OVERALL	**10,661,103.31**	**9,894,209.24**	**93%**	**6,830,000.00**	**6,261,828.94**	**92%**	**1,006,252.69**	**994,836.26**	**99%**	**720,558.81**	**719,410.84**	**100%**	**2,104,291.83**	**1,918,133.19**	**91%**

Table 2*- shows the spending percentages per Output and individual Donors for the period from April 2021 to 31 of December 2025.*

In 2025, the MEG II project successfully carried out planned activities across all outcomes, using 93% of the budget. Financial resources were carefully managed with savings and reallocations used to support ongoing activities. Key activities that have reflected the purpose of the project since its inception were **concluded and finalized in 2025**, building on work and groundwork implemented over previous years. These include the **Benchmarking System**, the **Water Academy for young professionals**, and the **procurement of technical equipment for water utility companies**, as well as the important **EU-supported initiative providing emergency assistance to flood-affected areas in Konjic and Jablanica**. Additionally, technical support provided since the start of the project by contractual service providers was finalized this year. Continuous support for the CAF tool through the Associations of Municipalities and Cities in both entities and the Civil Service Agency of the Federation of Bosnia and Herzegovina was also maintained throughout 2025.

Additional funds from the Embassy of Switzerland are utilized in 2026 as grant support for partner local governments selected according to the results-based approach, which is a key principle of the MEG project.

Overall, the project demonstrated strong financial management and efficient use of resources.

Budget Implementation and Adjustments

Based on the comprehensive review of actual expenditures and remaining commitments for 2026, certain budget adjustments were made to ensure the successful finalization of all planned activities in line with project objectives. These budget reallocations are the part of the final financial reporting for 2025 for the SDC, SIDA and Czech funding:

Output 1.1 – The total budget for this output has been decreased by USD 7,747.97.

The majority of planned activities have been implemented, and based on projections for 2026, the total expenditures are expected to be lower than the remaining overall balance. The savings under this output result from lower costs of promotion and training compared to the initially planned budget allocations.

Output 1.2 – The total budget for this output has been increased by USD 8,735.89.

The planned activities have been successfully implemented, and according to the projections for 2026, the total expenditures are expected to exceed the remaining overall balance, primarily due to higher costs associated with the procurement of the Benchmarking System.

Output 2.1 – The total budget has been decreased by USD 30,523.30.

Within Output 2.1, savings were achieved due to lower costs compared to the contracted amounts under the Line for support to the Civil Service Agency of the Federation of Bosnia and Herzegovina and the Associations of Municipalities and Cities (AMCs) in both entities. Based on projections for 2026, part of these funds has been reallocated to Output 3.2 (USD 16,663.71) to cover higher costs related to the procurement of necessary technical equipment for all partner public water utility companies, which exceeded initial projections as a result of continued market price fluctuations. The remaining funds (USD 13,859.59) have been reallocated to Activity 4, specifically to finance project management expenses, which have increased as a result of the approved no-cost extension.

Output 2.2 – The total budget has been decreased by USD 1,357.21.

The planned activities have been successfully implemented and based on the projections for 2026, the total expenditures are expected to be lower than remaining balance, primarily due to reduced costs of workshops and technical support compared to initial estimates.

Output 3.1 – The total budget has been increased by USD 673.85.

The planned activities have been successfully implemented, and based on projections for 2026, total expenditures are expected to exceed the remaining overall balance, primarily due to higher costs resulting from exchange rate fluctuations

Output 3.2 – The total budget has been increased by USD 18,342.48.

Planned activities were completed in 2025, while part of the equipment was delivered and finalized in 2026. Based on projections for 2026, total expenditures are expected to exceed the remaining balance, primarily due to costs related to the procurement of necessary technical equipment for all partner public water utility companies. These costs surpassed initial projections as a result of continued market price fluctuations.

Activity 4 – The budget has been increased by USD 11,876.26.

This line has been increased due to higher rent and personnel costs than initially planned. The higher expenditures in 2025, particularly for rent and project staff, exceeded initial projections, reflecting the expanded scope of activities implemented during the year. In addition, costs were further increased as a result of the approved no-cost extension.

For additional data on budget spending per each budget line activity, please refer to the MEG Financial Report 2025, annexed to this document.

LESSONS LEARNED

Below is a brief overview of main lessons that were learned in this reporting period.

- Effective implementation of CAF and CAF for LGs in BIH models at the local level is significantly enhanced when conducted within formal cooperation frameworks with key institutions, combined with continuous consultations, operational meetings, and expert input, as this not only improves the methodology but also strengthens practical understanding, ownership, and wider promotion among LGs. CAF implementation expanded rapidly, reaching 26 partner LGs, thanks to strong partnerships with Civil Service Agencies and Associations of Cities and Municipalities. The integration of PMS indicators within the CAF Supporting Tool improved the quality of self-assessments and action plans. Peer to peer workshops were particularly effective, generating considerable interest among non-MEG LGs. However, the experience also showed that not all LGs are immediately ready for CAF. Some required pre-CAF strengthening of administrative and strategic planning capacities, and others postponed implementation to a later phase. This highlights the importance of ensuring LG readiness and providing step by step support to safeguard true institutionalization rather than superficial compliance.

- The adoption of key sector reforms, such as the Laws on Water Services, depends heavily on early alignment and sustained dialogue with all relevant stakeholders, including ministries, LGs, and cantonal authorities. Any reform process or systematic change must start with public engagement that includes all key stakeholders from all levels of government. But without a strong political push and backing from their supervisors, or eventually from relevant international institutions, the **major government stakeholders are not eager to begin with and even less to carry out almost any reform process**. In this sense, the involvement of the Water Alliance in the future must be specifically directed towards the key holders in the executive power (the prime ministers of the entity governments), and preferably also the leaders of the political parties that form the majority in the legislative and executive power in both entities.
- Political dynamics and institutional procedures can significantly delay legislative processes, even when technical preparation is completed, highlighting the need for flexible planning and long-term engagement when supporting regulatory reforms.
- The implementation of PMS across partner local governments demonstrated that structured and continuous technical support is essential for successful adoption. The combination of mentoring, regional meetings, and a consolidated PMS manual significantly improved comprehension and practical application of the methodology. This approach facilitated measurable progress between entry (2022) and exit (2025) evaluations and strengthened peer learning mechanisms. However, differences in institutional readiness, political stability, and administrative functionality, illustrated by the non-participation of Bosanski Petrovac in the exit evaluation, highlight that PMS outcomes vary considerably across LGs. A key lesson is that political and institutional stability, factors beyond the Project's control, may significantly affect outcomes in a local community.
- The introduction of the eCitizen Digital Survey Module substantially improved the efficiency and standardization of CSS implementation. Most LGs completed annual surveys, published results, and developed follow up actions, demonstrating progress toward evidence-based decision-making. Still, the depth and quality of follow-up varied, and the capacity for disaggregated reporting, especially for gender and vulnerable groups, remains underdeveloped. This underlines a key lesson: digitalization improves processes, but the impact depends on LGs' ability to analyze and act on survey findings. Continued capacity development is therefore critical for translating citizen feedback into meaningful service improvements.
- Support to integrity pillars, covering whistleblower protection, conflict-of-interest management, grant methodologies, and procurement practices, proved effective in strengthening internal controls and boosting transparency. Tailored assessments, updated rulebooks, training sessions, and entity specific guidelines contributed to measurable institutional improvement across 29 partner LGs. Nevertheless, many LGs still lack the internal mechanisms or resources needed to sustain these systems without external support. This demonstrates that integrity systems require a long-term, structured approach, including post-adoption coaching, clearer internal roles, and alignment with local legislation and internal acts.
- The platform saw a significant increase in users—from 26,377 (2024) to 42,393 (February 2026)—showing strong progress in digital service uptake. The system supported thousands of complaints, questions, and surveys and improved responsiveness and case management in most partner LGs. However, usage of advanced functionalities remained limited, primarily due to resource constraints, lack of awareness, and challenges in interlinking the platform with LG internal systems. Mobile application adoption also lagged behind expectations. These findings point to a clear lesson: digital transformation requires not only digital tools, but also systematic promotion, staff training, and full integration with local administrative processes
- A study visit to Croatia for members of the working groups drafting the regulatory framework for water services in FBiH and RS, gave them direct exposure to Croatia's reform experience in line with EU requirements. Over the course of the program, participants examined legislative amendments, organizational restructuring of public water companies, tariff methodologies, financing mechanisms for infrastructure projects, and the costs of implementing EU wastewater treatment standards. Key lessons included the importance of phased legislative alignment, transparent tariff systems, blended financing

models, and long-term planning for costly EU compliance measures. These lessons not only deepened participants' understanding of the legislative, institutional, and financial changes required for Bosnia and Herzegovina but also highlighted areas where technical support and capacity building are essential. By translating Croatia's experience into actionable recommendations, the study visit such as this strengthen human capacities and ability to guide future reforms and reinforced the value of regional knowledge exchange in advancing sustainable water service management.

- The implementation of activities during the reporting period highlighted the importance of investing in human capacities and professional networks within the water sector, particularly through initiatives such as the Water Academy and the Young Water Professionals program. The Water Academy proved to be a highly effective capacity-building platform, combining theoretical learning, practical field experience, and international knowledge exchange, which enabled participants to strengthen their understanding of modern water services management, climate resilience, and European practices. At the same time, the continued engagement of young professionals demonstrated the value of creating structured opportunities for networking, peer learning, and increased visibility within sector associations and water utilities. These activities not only contributed to strengthening individual competencies but also fostered closer cooperation between utilities, local governments, and professional associations, while promoting gender-balanced participation and building a new generation of experts capable of supporting the long-term modernization and sustainability of the water sector in Bosnia and Herzegovina.
- Another key lesson learned is that learning, and sector improvement are most effective when practitioners are connected and able to exchange experiences directly in an open setting and frank discussion. Activities that brought together representatives of local governments and water utilities demonstrated that many practical challenges can be addressed more efficiently when institutions share knowledge, good practices, and lessons from their own operational experience. However, such cooperation requires a structured platform that enables stakeholders to meet, communicate, and collaborate. In this regard, the MEG Project played a crucial role by creating opportunities for dialogue and networking, bringing together local governments, utilities, and sector experts, and providing them with a space to jointly discuss challenges and develop solutions that can be replicated across the sector.
- A further important lesson relates to the promotion of the water sector and the importance of transparent communication with service users, particularly when addressing sensitive issues such as changes in water service tariffs. Experience from the MEG Project showed that water utilities and local governments that actively promote the value of water services, communicate openly with citizens, and work continuously on raising public awareness about the real costs of service provision are more successful in implementing tariff adjustments when needed. In several partner municipalities, utilities adjusted water tariffs up to three times over a four-year period, demonstrating that transparent management and regular communication with users significantly increase public understanding and acceptance of necessary reforms, ultimately contributing to the financial sustainability and long-term stability of water services.

ANNEXES

1. **MEG 2025 Annual Financial Report**
2. **MEG 2025 Annual Media Presence Report**

In 2025, the Project achieved its highest level of visibility to date, reflecting the final year of implementation of the second Project phase. Project-related information and news resulted in a total of **276 media mentions**, including television, print and online outlets, marking a significant increase compared to 208 media mentions in 2024 and 183 in 2023.

The Project also recorded its strongest performance on social media, with **80 posts** published throughout the year, compared to 28 in 2024 and 21 in 2023. This increase reflects a more intensive and structured communication approach in the final year of implementation, supported by expanded content production and targeted campaigns.

Content production was further strengthened to support the communication of results and impacts. A total of **13 human-centered stories** were produced, compared to 8 in the previous year, placing a stronger focus on **showcasing tangible outcomes at the local level**. These were complemented by **15 videos produced**, as well as **10 short-form video reels**, introducing more diverse formats for communicating project results. These figures include content developed as part of targeted communication efforts, including the eCitizen campaign.

Within this overall output, the Project implemented a **targeted eCitizen campaign**, which included **5 human-centered stories, 5 videos and 10 reels**. The campaign contributed to increased visibility of digital public services and supported their promotion among citizens. Campaign ran on social media, where it reached **350,000 persons** and had a very high number of **more than 36,000 clicks**. In addition, eCitizen was promoted through Google Ads and banners served **more than 780,000 persons** and **generated nearly 10,000 clicks**.

In addition, the Project supported the organization and delivery of **crisis communication trainings** for over **30 representatives of local governments and water utilities**, strengthening capacities for timely and coordinated communication in emergency situations.

The Project also supported visibility of key governance tools, including the **Common Assessment Framework (CAF)**, through targeted communication activities aimed at raising awareness among local governments and promoting its application in practice. **Campaign reached 535,000 persons** on social media platforms and had **more than 5,000 clicks**.

Project events organized throughout the year continued to serve as important visibility drivers, providing opportunities to present results, facilitate exchange among partner local governments, and engage stakeholders.

Furthermore, partner local governments actively used their own communication channels to share updates on Project activities. This contributed to the wider dissemination of project results and reinforced the visibility of achievements across Bosnia and Herzegovina.

Several stories showcasing positive human impact of infrastructure projects:

- Šamac – 146 households gain access to safe drinking water: https://www.undp.org/bosnia-herzegovina/stories/new-chapter-gajevi-near-samac-146-households-gain-access-safe-drinking-water
- Gradiška – Healthier and safer living for Tekija residents: https://www.undp.org/bosnia-herzegovina/stories/gradiska-healthier-and-safer-living-tekija-residents-thanks-new-sewage-network
- Prnjavor – Residents resolve long-standing wastewater problem: https://www.undp.org/bosnia-herzegovina/stories/residents-prnjavor-resolve-long-standing-wastewater-problem
- Široki Brijeg – Ljubotići residents no longer depend on water trucks: https://www.undp.org/bosnia-herzegovina/stories/ljubotici-residents-siroki-brijeg-no-longer-depend-water-trucks
- Srbac – New infrastructure, safer living conditions: https://www.undp.org/bosnia-herzegovina/stories/new-infrastructure-safer-living-conditions-srbac
- Tešanj – Residents of remote communities to gain access to water: https://www.undp.org/bosnia-herzegovina/stories/residents-remote-communities-tesanj-gain-access-water-after-decades-waiting
- Ilijaš – New specialized vehicle for sewer network maintenance: https://www.undp.org/bosnia-herzegovina/stories/new-specialized-vehicle-sewer-network-maintenance-has-arrived-ilijas
- eCitizen in Rural Communities – Connecting and Solving Problems Remotely: https://www.undp.org/bosnia-herzegovina/stories/ecitizen-rural-communities-connecting-and-solving-problems-remotely

3. List of CAF and MAP Infrastructure Projects, supported by MEG funds

CAF INFRASTRUCTURE PROJECTS SUPPORT

LG	Infrastructure Project Title	Total value	MEG contribution (USD)	LG contribution (USD)	LG contribution (%)	Number of Direct beneficiaries	Number of Indirect beneficiaries
Bihać	Reconstruction of the streets in MZ Ribić	120,674	51,000	69,674	*57.74%*	600	1,000
Gračanica	Construction of the water supply system MZ Vranovići	184,994	51,000	133,994	*72.43%*	1,540	0
Laktaši	Construction of the secondary water supply network in the local community Šeškovci	104,075	51,000	53,075	*51.00%*	310	300
Orašje	Extension of the secondary water supply network in settlement Bok and Matići	133,175	51,000	82,175	*61.70%*	250	0
Prijedor	Construction of the water supply network in the local community Brezičani (CAF + DAP)	212,556	62,261	150,295	*70.71%*	220	500
Prnjavor	Renovation of the Community Center Building MZ Štrpci	92,317	40,985	51,333	*55.60%*	350	1,000
Šamac	Rehabilitation and reconstruction of local roads in the MZ Kruškovo Polje and MZ Obudovac 2	113,010	51,000	62,010	*54.87%*	422	5,000
Tešanj	Enhancement of Public Infrastructure (CAF + DAP)	425,884	106,184	319,700	*75.07%*	1,450	6,500
Teslić	Reconstruction of the bridge in MZ Blatnica	119,402	50,000	69,402	*58.12%*	7,000	0
Žepče	Improving the quality of communal services in rural areas of Municipality Žepče (CAF + DAP)	186,182	51,000	70,207	*57.92%*	300	0
TOTAL CAF		**1,692,269**	**565,430**	**1,061,865**	**62.75%**	**12,442**	**14,300**

MIDTERM ACTION PLANS (MAP) INFRASTRUCTURE PROJECTS SUPPORT

LG	Infrastructure Project Title	Total value	MEG contribution (USD)	LG contribution (USD)	LG contribution (%)	Number of Direct beneficiaries	Number of Indirect beneficiaries
Gradiška	Reconstruction of the Partizanska street	440,692	28,749	411,943	*93.48%*	550	3,000
Laktaši	Reconstruction of the elementary school Mladen Stojanović	371,072	28,749	342,323	*92.25%*	153	1,500
Trebinje	Modernization of the Street Lighting System – Procurement and Installation of LED Luminaries	35,989	17,249	18,740	*52.07%*	250	0
Šamac	Reconstruction of the Local Road in MZ Brvnik	48,093	11,500	36,593	*76.09%*	722	0
Prnjavor	Improvement of the urban infrastructure City of Prnjavor	284,620	27,643	256,977	*90.29%*	350	1,000
Sanski Most	Asphalting of Unclassified Roads in MZ Čaplje,	43,973	17,249	26,723	*60.77%*	240	850
Istocno Novo Sarajevo	Construction and installation of park furniture and playground equipment for the Čiča Neighborhood Park	119,402	28,749	90,653	*75.92%*	0	15,000
Čitluk	Procurement and Installation of the Sports Floor Surface in the Four Playgrounds	136,949	17,249	119,700	*87.40%*	1,735	0
Široki Brijeg	Reconstruction of the City square	155,143	11,500	143,643	*92.59%*	0	28,000
TOTAL MAP		**1,635,933**	**188,637**	**1,447,295**	**80.10%**	**4,000**	**49,350**
GRAND TOTAL (CAF + MAP)		**3,328,202**	**754,067**	**2,509,160**	**75.39%**	**16,442**	**63,650**

4. Special KPIs of WUCs and their individual performance 2025

Specific Performance Indicator / OLD WUCs	Bihać	Bosanska Krupa	Gračanica	Gradiška	Prijedor	Prnjavor	Sanski Most	Teslić	Tešanj	Žepče
1. Is Public Service Agreement (PSA) already signed?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
2. Does the administration of the local self-government unit have a list of persons who are unable to pay their own bills and is there a procedure for subsidizing these persons, the water service subsidy system, for users who are entitled to a subsidy, has it been introduced and is functional in accordance with the Agreement?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
3. Has a (permanent) work group for non-revenue water management been created?	Y	Y	Y	Y	Y	Y	IP	IP	Y	Y
4. Are there reward or punishment measures for employees who perform their work well, poorly or not at all?	IP	Y	Y	Y	Y	IP	Y	Y	Y	Y
5. Is there a person whose responsibilities are relations with consumers?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
6. Is there regularly updated database of complaints, comments, objections...?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
7. Are District Metering Ares (DMAs) defined?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
8. Do the DMAs have flow meters installed at the entrance and exit of the zone?	IP	Y	Y	Y	Y	Y	Y	Y	Y	Y
9. Are there capacities created for mapping and GIS in the water supply?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
10. Is there a documented methodology for calculating tariffs?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
11. Does the tariff recover all relevant costs?	IP	N	IP	Y	Y	Y	N	IP	Y	Y
12. Is the citizen's ability to pay checked periodically?	N	N	Y	Y	Y	Y	N	Y	Y	Y
13. Has the tariff been calculated and adopted in accordance with the tariff methodology?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
14. Are cost centers defined, that will ensure the separation of the costs of water supply, wastewater collection and wastewater treatment, and costs and revenues are posted to the appropriate cost center?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
15. Is the key for the distribution of indirect costs defined, adopted and in use?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
16. Are operating budget and cash flow Projections established by cost centers and on an aggregate basis?	Y	Y	Y	Y	Y	Y	N	Y	Y	IP
17. Is a regular inventory of all fixed assets in use carried out, is the book of fixed assets up to date?	Y	Y	Y	Y	Y	Y	N	Y	Y	Y
18. Is the realistically calculated depreciation part of the tariff model?	IP	Y	Y	Y	N	Y	N	IP	Y	Y
19. Has the sub-account for investment maintenance been formed, the entire amount of the share of the calculated depreciation transferred for the purpose of investment maintenance and spent only for that purpose?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

Specific Performance Indicator / NEW WUCs	Bos. Petrovac	Busovača	Čapljina	Čelinac	Čitluk	Doboj Istok	Ilijaš	I.N. Sarajevo	Laktaši	Ljubuški	Mostar	Mrkonjić G.	Odžak	Orašje	Srbac	Šamac	Široki Brijeg	Tomislavgrad	Trebinje
1. Is Public Service Agreement (PSA) already signed?	Y	Y	Y	IP	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
2. Does the administration of the local self-government unit have a list of persons who are unable to pay their own bills and is there a procedure for subsidizing these persons, the water service subsidy system, for users who are entitled to a subsidy, has it been introduced and is functional in accordance with the Agreement?	IP	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	IP	IP	Y	Y	Y	Y	Y
3. Has a (permanent) work group for non-revenue water management been created?	IP	Y	Y	N	Y	IP	Y	Y	Y	Y	Y	Y	IP	Y	N	Y	Y	IP	Y
4. Are there reward or punishment measures for employees who perform their work well, poorly or not at all?	IP	IP	Y	N	N	Y	Y	Y	IP	IP	N	Y	Y	IP	Y	Y	Y	Y	Y
5. Is there a person whose responsibilities are relations with consumers?	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
6. Is there regularly updated database of complaints, comments, objections...?	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
7. Are District Metering Ares (DMAs) defined?	IP	Y	Y	N	Y	Y	Y	Y	Y	Y	IP	IP	Y	Y	Y	Y	Y	Y	Y
8. Do the DMAs have flow meters installed at the entrance and exit of the zone?	Y	IP	Y	N	Y	Y	Y	IP	Y	IP	N	IP	IP	Y	IP	IP	IP	IP	IP
9. Are there capacities created for mapping and GIS in the water supply?	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	IP	IP	Y	IP	Y
10. Is there a documented methodology for calculating tariffs?	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	IP	Y	Y	Y	Y	Y	Y
11. Does the tariff recover all relevant costs?	IP	N	Y	N	Y	Y	N	IP	IP	IP	N	IP	IP	Y	Y	IP	Y	IP	IP
12. Is the citizen's ability to pay checked periodically?	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N	N	N	N	N	N	Y	Y	Y
13. Has the tariff been calculated and adopted in accordance with the tariff methodology?	N	N	Y	N	Y	IP	Y	Y	Y	Y	Y	Y	Y	Y	IP	Y	Y	Y	Y
14. Are cost centers defined, that will ensure the separation of the costs of water supply, wastewater collection and wastewater treatment, and costs and revenues are posted to the appropriate cost center?	IP	Y	Y	N	Y	IP	Y	Y	Y	Y	Y	Y	IP	Y	Y	Y	Y	Y	Y
15. Is the key for the distribution of indirect costs defined, adopted and in use?	N	Y	Y	N	Y	Y	IP	Y	Y	Y	Y	Y	IP	Y	Y	Y	Y	Y	Y
16. Are operating budget and cash flow Projections established by cost centers and on an aggregate basis?	N	IP	Y	N	N	IP	IP	Y	Y	Y	Y	Y	IP	IP	Y	Y	Y	N	IP
17. Is regular inventory of all fixed assets in use carried out, is the book of fixed assets up to date?	Y	IP	Y	N	Y	IP	Y	Y	Y	Y	IP	IP	IP	Y	Y	IP	Y	Y	Y
18. Is the realistically calculated depreciation part of the tariff model?	N	Y	Y	N	IP	IP	IP	IP	IP	IP	IP	IP	IP	IP	N	IP	IP	Y	IP
19. Has the sub-account for investment maintenance been formed, the entire amount of the share of the calculated depreciation transferred for the purpose of investment maintenance and spent only for that purpose?	N	Y	IP	N	IP	IP	Y	Y	Y	IP	IP	N	IP	IP	Y	Y	Y	IP	IP