United Nations Development Programme

Project Title: Municipal Environmental Governance Project (Phase III)

Project Number: 01005296

Implementing Partner: United Nations Development Programme (UNDP)

Start Date: 01 March 2026 **End Date:** 28 February 2030 **LPAC Meeting date:** 04 November 2025

Implementation modality: Direct Implementation Modality

Brief Description

The overarching goal of the project is to advance the democratization of local governance in Bosnia and Herzegovina, fostering more equitable, effective, and efficient public service delivery for citizens, with a particular focus on water supply and wastewater management services. By strengthening policy dialogue, regulatory frameworks, and governance reforms, the Project aims to enhance the sustainability, fairness, and effectiveness of essential local services. Considering this is the 3rd and last phase of the Project, an underlying objective of the Project is to consolidate and institutionalize the achievements made.

OUTCOME 1: Governments at all levels collaborate to institutionalize performance driven policies that strengthen accountability, inclusivity, and gender responsiveness in service delivery at the local level.

OUTCOME 2: Improved water sector policy and regulatory frameworks enable local governments to deliver inclusive, accountable, and high-quality water and wastewater services that benefit all citizens, including the most vulnerable at the local level.

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

***Linkage with UNDP Strategic Plan 2026-2029: Outcome 2**. By 2029, governance systems are more effective, inclusive, and accountable, enabling people, societies and economies to thrive.*

***Outcome (UNSDCF/CPD) 2026-2030**:*

By 2030 people contribute to and benefit from more effective and accountable institutions, fostering gender equality, youth empowerment, peace, and social cohesion.

Output ID (with gender marker): 01005296 GEN2

Total resources required (USD):	**USD 7,188,919.91[1]**	
Total resources allocated	Government of Switzerland (SDC)	USD 3,998,586.59
	Government of Czech Republic	USD 113,256.71
	Government of Sweden (Sida)	USD 3,077,076.60
Unfunded:		

Agreed by (signature):

UNDP
Renaud Meyer, Resident Representative
Date:

[1] Planned parallel resources by various level of BiH Governments – USD 1,490,400.00

MUNICIPAL ENVIRONMENTAL GOVERNANCE (MEG) PROJECT

PROJECT DOCUMENT

Phase 3

Project name:	**MUNICIPAL ENVIRONMENTAL GOVERNANCE (MEG) PROJECT, PHASE 3**
Implementing agency:	United Nations Development Programme (UNDP) in Bosnia and Herzegovina
Key project partners:	▪ Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina ▪ Ministry of Justice of the Federation of Bosnia and Herzegovina ▪ Ministry of Administration and Local Self-Government of Republika Srpska ▪ Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina ▪ Ministry of Agriculture, Forestry and Water Management of Republika Srpska ▪ Associations of Municipalities and Cities ▪ Associations and networks of professionals in the water sector ▪ Civil service agencies ▪ BIH Public Administration Reform Coordinator's Office ▪ Local governments in BIH ▪ Cantons in FBIH
Donor/s:	Government of Switzerland: USD 3,998,586.59[2] Government of Sweden: USD 3,077,076.60 Government of Czech Republic: USD 113,256.71
Total budget:	**USD 7,188,919.91** Local governments (parallel): USD 1,490,400.00
Project duration:	4 years (48 months) 1 March 2026 – 28 February 2030
Management arrangements:	Direct Implementation Modality
Expected UNSDCF/ UNDP Country Programme Document 2026-2030 outcome:	Outcome 3: By 2030 people contribute to and benefit from more effective and accountable institutions, fostering gender equality, youth empowerment, peace and social cohesion.

[2] Value of the Financing Agreement is 4,038,572.46 as it includes 1% of UN Coordination Levy (USD 39,985.87)

Project summary	The overarching goal of the project is to advance the democratization of local governance in Bosnia and Herzegovina, fostering more equitable, effective, and efficient public service delivery for citizens, with a particular focus on water supply and wastewater management services. By strengthening policy dialogue, regulatory frameworks, and governance reforms, the Project aims to enhance the sustainability, fairness, and effectiveness of essential local services. Considering this is the 3rd and last phase of the Project, an underlying objective of the Project is to consolidate and institutionalize the achievements made. OUTCOME 1: Governments at all levels collaborate to institutionalize performance driven policies that strengthen accountability, inclusivity, and gender responsiveness in service delivery at the local level. OUTCOME 2: Improved water sector policy and regulatory frameworks enable local governments to deliver inclusive, accountable, and high-quality water and wastewater services that benefit all citizens, including the most vulnerable at the local level.
Beneficiaries	Up to 25 local governments and their water utilities in Bosnia and Herzegovina Up to 3 cantons in the Federation of Bosnia and Herzegovina

LIST OF ABBREVIATIONS

AMC	Association of Municipalities and Cities
CAF	Common Assessment Framework
CDA	Czech Development Agency
CSA	Civil Service Agency
CSO	Civil Society Organizations
CEDRIG	Climate, Environment and Disaster Risk Reduction Integration Guidance
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
FOPIP	Financial and Operational Performance Improvement Program
GDP	Gross domestic product
KPI	Key performance indicator
LG	Local Government
MEG	Municipal Environmental Governance Project
NRW	Non-Revenue Water
PARCO	Public Administration Reform Coordinator's Office
PSA	Public Service Agreement
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs
UNDP	United Nations Development Programme
WB	The World Bank
WUC	Water Utility Companies
WWTP	Wastewater Treatment Plant

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I DEVELOPMENT CHALLENGE

1.1. WIDER COUNTRY CONTEXT

Bosnia and Herzegovina (BiH) is an upper-middle-income country with 3.5 million people. The country has progressed in human development, entering for the first time the "very high" category of countries, with an HDI of 0.804. Economic recovery in the post-COVID-19 period has been modest, with 3% annual growth (2021–2024), but vulnerabilities persist due to limited diversification, high unemployment, and reliance on remittances.

European Union (EU) accession remains a key priority for BiH. The country received a candidate status in December 2022 and began accession negotiations with the EU in March 2024. However, political deadlocks and slow reforms hinder progress. In May 2024, the EU adopted the Growth Plan for the Western Balkans, aiming to accelerate reforms in governance, green/digital transitions, private sector development, and human capital investment. Though other countries adopted reform agendas tied to the plan, BiH still needs to secure the necessary political consensus to move forward with reforms and access critical funding opportunities.

BiH's complex governance structure comprises two entities (Federation of BiH - FBIH and Republika Srpska - RS) and Brčko District. The entity of the FBIH comprises 10 cantons, while there are 145 local governments in the country (including Brčko District). Public administration inefficiencies, policy fragmentation, limited coordination, and slow modernization hinder effective policy implementation and sustainable growth. Three decades after the Dayton Peace Agreement, BIH remains deeply divided. Its complex constitutional structure, along with frequent political deadlocks, continuously blocks essential reforms needed for long-term stability and development. Public trust in institutions is low, triggered by corruption and governance issues. Women face underrepresentation in governance due to systemic barriers, despite legislative quotas for gender-balanced election lists. 19.1% of members in the state House of Representatives are women, while the upper house counts just 6.7%. In entity parliaments, women hold 26.5% of seats in Republika Srpska and 26% in the Federation House of Representatives. At the cantonal level, women make up 31.5% of representatives. Women mayors account for just above 5% countrywide, underscoring persistent gender gaps in decision-making.

BiH has not had an overarching development strategy since 2006, largely due to persistent political complexities. The SDG Framework, adopted in 2021, serves as BiH's shared development agenda, articulating a unified vision across all government levels. The framework aligns with Agenda 2030, EU accession requirements, and domestic development priorities, making it a unique strategic document in BiH's political landscape. With horizontal focus on the principle of Leave No One Behind (LNOB) and human capital development, it defines three development pathways, namely: (i) Good governance and public sector management; (ii) Smart growth; (iii) Society of equal opportunities. The SDG Framework is being integrated across governance levels through strategies such as the FBiH Development Strategy (2023–2027) and the RS Development Strategy (2024–2027). BiH ranks 50th out of 187 countries in SDG progress but faces challenges in vertical coordination and engaging local governments with reform implementation, slowing progress toward sustainable development and EU accession.

1.2. LOCAL GOVERNANCE AND LOCAL PUBLIC SERVICE DELIVERY IN BOSNIA AND HERZEGOVINA

State of play

Out of 145 local governments, 80 are in the entity of the FBiH and 64 are in the entity of RS, while Brčko District also has a status of local government. Local governments vary substantially in terms of the size of their population, territory, and development status, while at the same time having the same responsibilities. Local governments tend to be more responsive and present a good entry point for efforts to strengthen the social contract between citizen and their governments.

The local governance framework is governed by the RS Law on Local Self-Government, the FBiH Law on the Principles of Local Self-Government, and cantonal laws within the FBiH, alongside constitutional provisions. It is aligned with the European Charter of Local Self-Governance.

The Ministry of Administration and Local Self-Government is the main institution in charge of local governance affairs in the RS. However, no equivalent institution exists in the FBiH. The FBiH Ministry of Justice has oversight over the implementation of the local governance legal framework, while the actual responsibility for local government matters largely rests with the cantons.

The RS entity adopted the Strategy of Development of Local Governance 2022-2028, while such a document does not exist in the FBIH entity. In addition, some elements of the local governance system are addressed in development strategies at multiple government levels. Local governance is not covered by the Strategic Framework for Public Administration Reform (PAR) in the country, even though many elements of the PAR Strategy are highly relevant for the local level.

Local governments are the key providers of essential public services at the local level, including local roads, water supply and wastewater management, heating, sports, culture, housing, etc. However, the unclear apportionment of functional responsibilities across government levels as well as the limited fiscal capacity of local governments lead to inefficient service delivery and uneven development at the local level. This is a particularly pressing issue for underdeveloped local governments that struggle to finance their mandates and provide basic services to citizens. Moreover, local governments remain highly vulnerable to crises, as demonstrated by extreme weather events, such as the devastating 2014 and 2024 floods and recent droughts, and systemic weaknesses exposed during the COVID-19 pandemic, when critical public services were either inaccessible or severely disrupted due to the absence of digital governance solutions.

Furthermore, the political landscape of the country, including the local level, is shaped by continuous electoral cycles, with municipal and general elections occurring every two years. This perpetual state of campaigning diminishes governance efficiency, as short-term political considerations often take precedence over long-term institutional development and service delivery. The functioning of municipal councils, including decision making and their oversight over the performance of local administrations, is often hampered by political influence and in some instances prone to corruption.

Due to weak local economies, local governments have been the main provider of lucrative employment for years, which caused the majority of local administrations to be overstaffed and costly, but without sufficient capacities and skills that modern governance requires. Systemic corruption remains a major challenge, undermining good governance, economic growth, and public trust. A fragmented legal framework, weak coordination, and decentralized anti-corruption efforts contribute to inconsistent responses. In its previous phase, MEG supported its partner local governments in designing integrity and anti-corruption plans aiming to effectively manage their internal integrity risks and ensure organizational resilience against integrity violations, thus contributing to addressing a key barrier to development, as highlighted in the UNDP's 2024 consultations on local governance in BiH. However, the widespread corruption in local governments and public enterprises remains a significant challenge to good governance and development.

In its previous phases, MEG Project introduced local governance performance management systems in 37 partner local governments (26% of all local governments in the country), with standardized governance indicators, performance standards, and policy benchmarks. This enabled local governments to ultimately enhance their performance by consistent measurement and adjustment of their progress against key governance benchmarks, including accountability, inclusive decision-making, and the quality of public service delivery. Improvements in governance translated into greater citizen satisfaction, particularly with service delivery.

Ongoing efforts, particularly those supported by the Government of Switzerland, have introduced development management systems that emphasize strategy-driven governance and enhance fiscal responsibility. Since 2013, BiH municipalities have progressively moved away from traditional administration models to development-oriented approaches that prioritize public service efficiency and citizen engagement.

Trends and emerging opportunities

Although BiH has yet to make significant progress in local governance reform, several key developments at various government levels present valuable opportunities to improve the functioning of local governments and, ultimately, strengthen local development outcomes.

Incremental improvements in infrastructure and administrative capabilities have highlighted the importance of digitalizing local services to boost efficiency, accountability, quality, and accessibility. Furthermore, the envisaged introduction of program-based budgeting at the local level marks a significant step toward improving the implementation of development strategies and public finance management. Entity governments are preparing program budgets for 2026–2028, with cantons in FBiH expected to follow in 2027/2028. While not yet mandatory for local governments, finance ministries in both entities aim to pilot the approach to build local government readiness before formal implementation.

Additionally, the preparation of a new legal framework on public procurement is underway, aiming to introduce green and gender-responsive public procurement. This new legislation is expected to bolster sustainable development at the local level but will require ongoing capacity-building support for effective implementation. This includes strengthening the capacities of utilities to meet the requirements of the EU Directive on procurement for entities operating in the water, energy, transport, and postal services sectors.

The EU Growth Plan for the Western Balkans presents a strong opportunity to advance reforms across the identified four pillars seen as critical for accelerating the economic convergence of the region towards the EU: green and digital transition, business environment, human capital development and the fundamentals and the rule of law. Although financial support under the EU Growth Plan will be allocated to higher government levels, it is expected that both the Reform Agenda and investments in the aforementioned areas will have an impact at the local level.

With growing local support for governance modernization, there is a strong opportunity to capitalize on reform momentum, foster bottom-up dialogue, and advance a performance-driven local governance system that is more effective, transparent, and accountable.

1.3. WATER SUPPLY AND WASTEWATER MANAGEMENT SERVICES IN BOSNIA AND HERZEGOVINA

The legal framework governing water supply and wastewater management in BiH consists of entity-level laws on water, communal affairs, and local governance. In the FBiH entity, water supply and wastewater services are regulated at the cantonal level, whereas local governments oversee actual service provision. However, the existing laws are not harmonized with local self-governance laws, creating inconsistencies in service regulation and oversight. This results in high legal fragmentation, as municipalities develop their own localized frameworks, for which better planning and monitoring is needed.

Water management responsibilities in BiH are divided among institutions at the entity level, Brčko District, and local governments, while the BiH Ministry of Foreign Trade and Economic Relations holds only a coordination role in international cooperation.

While BiH has made substantial progress in approximating EU water quality standards, further efforts are needed to ensure full alignment with the EU Drinking Water Directive and the Urban Wastewater Directive, thus creating preconditions for sustainable infrastructure investments. Actions implemented by MEG influenced the preparation and adoption of water service sector reform programs in both entities and ultimately shaping the new entity-level legal frameworks for water and wastewater services that are pending adoption.

In both entities, municipal water utility companies operate under local government jurisdiction, either as fully owned public entities or with local governments as majority shareholders. Additionally, entity-level institutions hold partial responsibilities over water sector policies, further diluting institutional clarity and impeding coordinated governance.

Many water utility companies in BiH are not financially self-sustaining, posing long-term risks to service reliability. Water tariffs fail to function as effective economic instruments, not adhering to cost recovery principles or the consumer pays principle. Political interference in tariff setting remains high, prioritizing social considerations over economic sustainability, resulting in tariff levels that are insufficient to cover operational costs, let alone infrastructure renewal and future investments. Additionally, overstaffing and excessive salary expenditures further strain utility finances. Public water utilities allocate more than 50% of their costs toward salaries, leaving limited resources for service expansion or modernization. Emerging practices in performance-based governance are starting to take shape, including utility effectiveness measurement frameworks, used both as accountability tools for local governments and as incentives for financing the highest-performing utilities.

To help local governments address these shortcomings, MEG Project supported reforms across 37 water utility companies, enhancing financial performance, reducing non-revenue water, establishing asset registries, optimizing processes, and benchmarking performance. Public service delivery frameworks between local governments and utilities introduced performance benchmarks and mechanisms to support vulnerable groups. Considering the enhanced governance and performance of local utility companies is crucial for efficient and effective public service delivery, there is a pressing need to enhance efficiency and governance within water utilities, focusing on organizational optimization, integrity mechanisms, workforce capacity development, and technological modernization. Local government councils and higher-tier governmental bodies must strengthen financial and regulatory oversight, ensuring that water supply and wastewater services remain affordable, efficient, and environmentally sustainable.

Moving forward, advancing a performance-oriented governance model will be critical for improving service delivery, ensuring long-term financial viability, and aligning BiH's water sector with EU standards. The success of these reforms depends on robust institutional coordination, infrastructure investment, and policy alignment across all governance levels.

1.4. Main achievements of previous Project phases

The MEG Project (phases 1 and 2) yielded significant achievements in enhancing performance-based management and service delivery at the local level while at the same time influencing significant policy reforms in the area of water sector services:

- Successfully introduced local governance performance management systems in 37 partner local governments (26% of all local governments in the country), with standardized governance indicators, performance standards, and policy benchmarks. It enabled harmonization and benchmarking of local government performance. From 2016 to 2025, all partner local governments made steady progress against key governance benchmarks, including accountability, inclusive decision-making, and the quality of public service delivery. An independent evaluation in 2024 confirmed that all partner local governments had established a functional performance management system, anchored in a centrally coordinated development unit, and supported by annual planning processes endorsed by mayors and municipal councils in consultation with citizens.
- Improvements in governance translated into greater citizen satisfaction, particularly with service delivery. All partner municipalities institutionalized the citizen satisfaction survey as a regular participatory tool. Moreover, 14 municipalities adopted inclusive and transparent budgetary practices, including formats accessible to blind and visually impaired citizens and the promotion of sign language.
- Enhanced citizen engagement through the development of an online/mobile “eCitizen” platform, enabling direct communication between citizens and local authorities, fostering transparency and accountability.
- Considering similar quality management systems introduced at higher government levels (Common Assessment Framework – CAF), the Project worked with institutions at BIH and entity levels (Public Administration Reform Coordinator’s Office Civil Service Agencies (BIH, FBIH RS), RS Ministry for Administration and Local Self-Governance, Federal Ministry of Justice, Association of Municipalities and Cities (FBIH, RS). Ultimately, the Project supported the design and roll-out of a unified and simplified formal instrument that could be widely applied at the local level, but still be a part of the CAF framework, thus contributing to a vertical alignment. This led to the creation of CAF for Local Governments in Bosnia and Herzegovina (CAF for LGs in BIH) and the launch of its application at the local level.
- Played a central role in supporting the design, consultation, and formal adoption of the Programs for Reform in the Water Services Sector in both entities. Through close cooperation with line ministries, relevant institutions, and the water utility sector, the Project provided targeted technical assistance, policy advisory support, and coordination platforms that enabled structured dialogue among stakeholders. MEG’s expertise facilitated the alignment of these programs with EU policy frameworks, SDG targets, and the 2021–2028 Joint Vision for Water Sector Reform. The Project’s contribution ensured that the reform programs are grounded in financial viability, service quality, performance benchmarking, and social inclusiveness, positioning them as key reference documents for future legislative action and investments in the sector.
- Provided a critical contribution to shaping the entity-level legal frameworks for water and wastewater services. Through sustained policy dialogue, expert facilitation, and alignment with EU standards, MEG supported the development of new draft laws on water services in both the Federation of Bosnia and Herzegovina and Republika Srpska. By anchoring these reforms in the principles of financial sustainability,

equity, performance accountability, and access for vulnerable groups, MEG helped harmonize service standards across the country. This achievement not only reflects a breakthrough in inter-entity alignment but also lays the legal and institutional groundwork for attracting sustainable infrastructure investments and improving service delivery outcomes countrywide. Moreover, the project contributed to the preparation of amendments to the RS Law on Communal Police to support enforcement and oversight in the water services sector.

- Contributed to drafting and piloting regulatory tools, including guidelines for rural water supply systems and integrity frameworks for utilities while fostering consensus among stakeholders through platforms like the Water Alliance and thematic working groups. These efforts have helped shift the policy dialogue from *ad hoc* consultations to a more evidence-based, iterative, and inclusive process.

- Supported successful implementation of reforms in 37 water utilities and local governments, that provide water services to over 1 million citizens, resulting in improved financial performance, reduced non-revenue water, established asset registries, and optimized organizational structure and processes. A performance-based incentive framework was introduced, including 90 technical indicators for benchmarking water utility performance.

- Facilitated formalization of Public Service Agreements (PSAs) between local governments and utilities, providing a framework for sustainable service delivery, tariff-setting, and targeted subsidies for vulnerable groups, benefiting 2,299 citizens (1,334 women, 965 men). This was reinforced by the creation of a digital platform for the countrywide benchmarking system for water utilities and local governments.

- As a result of the implemented infrastructure projects, 29,945 citizens gained first-time access to safe and reliable water services, while 222,739 residents benefited from improved water supply and wastewater systems, contributing to enhanced public health and quality of life. These outcomes directly support Sustainable Development Goal 6 (Clean Water and Sanitation) by expanding equitable access to water and sanitation infrastructure and strengthening the resilience and sustainability of essential public services.

- Launched Water Service Academy in BiH, as a country wide platform for building capacities and enabling exchange and knowledge sharing among utility companies and local governments, including through specialized training programs.

- Supported the establishment of the MEG Young Water Experts initiative that focused on engaging 50 young professionals in capacity building and knowledge sharing. As a direct outcome, sub-committees for young experts were established within both professional associations, where they played an active role in supporting and contributing to the associations' ongoing initiatives.

- Instigated the establishment of the Water Alliance, a platform that gathers key domestic institutions and development partners engaged in water sector reform, including the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), the European Union, the World Bank, UNDP, and the Embassies of the Czech Republic, Sweden, Switzerland. Its goal is to harmonize efforts in supporting systemic, institutional, and regulatory reforms in the water and wastewater services sector, while aligning with EU accession requirements.

- The MEG project has embedded gender equality and social inclusion into local governance, shifting from checklists to systemic change. 37 municipalities now integrate gender and social inclusion into mid-term plans, service delivery, and citizen satisfaction surveys designed to capture voices of women, youth, minorities, and persons with disabilities. Moreover, over 2,300 vulnerable citizens, including single mothers and persons with disabilities, now benefit from water subsidies.

1.5. Main remaining gaps

Despite substantial progress achieved through MEG Phases 1 and 2, several critical gaps remain that must be addressed to ensure the long-term sustainability of Project's legacy and institutionalization of reforms. MEG 3, as the final phase of the Project, is strategically positioned to support and enable domestic institutions to close these gaps and take ownership of the changes instigated by the Project.

One of the most pressing challenges is the **institutionalization of the reforms and practices introduced with support of the Project**. Over the years, MEG has supported the institutional partners at various levels of government in strengthening their governance performance and service delivery through a variety of instruments (CAF4LGs, benchmarking platforms, FOPIP methodologies, citizen engagement mechanisms and water service subsidies for the most vulnerable population, etc.) that have proven effective. However, the partners require additional support to formally integrate these practices into their mandates, procedures, and budgets to ensure full implementation and sustainability beyond the Project's lifespan hence MEG 3 will provide critical support to address these gaps. This means that knowledge transfer will be accompanied by tailored capacity development measures for the future host institution.

Another major gap lies in the **fragmented legal and policy landscape governing water services**. While MEG has contributed to the development of entity-level reform programs and draft legislation, the adoption and harmonization of these laws remain incomplete. This fragmentation undermines regulatory clarity, service standards, and investment readiness. MEG 3 will continue to facilitate policy dialogue and technical assistance to support the adoption of entity-level water services laws, to begin with.

Sustaining the **performance management systems** introduced in 37 partner municipalities also presents a challenge. While these systems have led to measurable improvements in planning and service delivery, transparency, and citizen engagement, their long-term viability depends on deeper institutional anchoring. Furthermore, corruption remains one of the key weaknesses in the local governance system. By working with the civil service agencies, relevant entity ministries and AMCs, MEG 3 will build their capacities to enable them to provide future support to local governments in advancing their performance management through application of CAF4LGs. Moreover, in partnership with these entity-level institutions, the Project will support local governments in reinforcing internal governance structures, embedding performance systems into municipal statutes and job descriptions, and expanding outreach to non-partner local governments. By promoting intermunicipal cooperation and shared service delivery models, MEG 3 will help local governments in providing more efficient and effective services to their citizens. Addressing the issues of integrity, transparency and corruption will further enhance municipal performance and ensure value for money.

Inclusive governance and social equity, though significantly advanced under MEG, require further systemic integration. While MEG has facilitated formal introduction of water service subsidies for over 2,000 most vulnerable and strengthening the application of LNOB principle, this practice requires further upscaling to encompass a larger number of municipalities. The citizens engagement mechanism established in MEG partner local governments (direct citizen engagement in local planning and policy making, annual citizen satisfaction surveys, eCitizen) which include data on level of satisfaction on public services, water management services and public administration obtained through annual citizen satisfaction surveys that encompassed over 40,000 people, confirm that these services should be made more functional and better promoted, and upscaled.

Finally, the water sector continues to suffer from **institutional fragmentation and limited coordination** among domestic government institutions, stakeholders, actors and development partners. MEG 3 will support further strengthening of platforms such as the Water Alliance, facilitate structured dialogue among ministries, agencies, and associations, and promote shared data systems and joint planning. As a bridge builder, MEG will support the harmonization of reform efforts, aligning them with EU accession priorities and SDGs frameworks, and foster a resilient ecosystem for continued sectoral transformation.

Importantly, while traversing all these gaps, **MEG 3 will not act as the executor of reforms, but as the enabler**, supporting domestic institutions to lead, sustain, and scale the changes initiated over the past decade. This transition from project-led implementation to partner-led stewardship is the essence of MEG's exit strategy and the key to securing its legacy of performance-driven governance and service delivery system.

1.6. RECOMMENDATIONS OF THE EXTERNAL EVALUATION OF PHASE 2

The final evaluation of MEG 2 found that "There were multiple signs of transformative change in the water ecosystem that could be attributed to the actions and resources invested by the project. Most noticeable, the culture of collaboration and learning among local governments and water utility companies; institutionalized performance-based management within the local governments and water utility companies; fostered climate of good governance and accountability, whereby citizens' participation is institutionalized and mainstreamed in the planning, monitoring and reporting of the local governments; opportunities of accessing water infrastructure funding from other sources in BiH.

At its current stage, the project has demonstrated full 'proof of concept' by shaping and applying a model for improved water services performance linked to an improved local governance in BiH. However, for this model to become fully embedded within all local governments and water utility companies, there is a need for its horizontal scale up and potential replication across the entire spectrum of water services. The project performance indicated strong potential for its replication and scale up."

The recommendations of the final evaluation have a forward-looking perspective and are designed with system lenses, meaning, they are based on the findings discussed under relevance, coherence, effectiveness, efficiency, sustainability and impact orientation criteria of this evolution. Each strategic recommendation is provided with more detailed critical considerations to inform the actionability of each recommendation.

1. Scale up and replicate MEG standardization across the local governments in BiH: This process would require explicit recognition of the 'MEG package' with mandatory and optional instruments that could be used for improvement of the local governments' performance, particularly in water sector as well as creation of mass of traction among local governments towards MEG standardization through expanding the project to at least additional 30 local governments in the third cycle.[3] To support this process, it would require to ensure continuous policy dialogue and advocacy for adoption of laws on provision of water services in both entities. Important role is to be played by (i) UNDP through integrating MEG package in its further interventions with the local governments, and (ii) Water Alliance through integrating MEG package in other interventions in water sector in BiH to keep the momentum and ensure systemic improvement in water sector in BiH.

***2.* Tailor MEG support to the specific needs of the local governments:** This could be done through establishing MEG Community of Users (CoU) to perform a role of (i) a digital platform, (ii) a pool of local

[3] The total number of LGs in BiH is 142 and 37 were covered by MEG 1[3] and MEG 2[3] (39 with 2 LGs excluded from the project[3] and additional 50 LGs that might be covered under the WB project in BiH.

governments and experts to share their experience, and (iii) collaborative, peer learning mechanism. It might be beneficial to explore a possibility to link the digital platform with e-Citizens to expand access to citizens and civil society. Support regular exchange and learning events through active engagement of entity authorities and Associations of municipalities and cities. An important element of the tailored capacity development for the LGs is the Mentorship scheme to facilitate knowledge transfer, skill development, and professional growth among 'MEG LGs' and the newcomers.

3. Finalize and institutionalize MEG products and transfer MEG knowledge to the local institutions: Some reflections on the specifics of institutionalization of each MEG product include the following:

- e-Citizens: provide maintenance funding for min 3 years after the closure of the MEG programme
- Maintain the PMS to ensure best practices in local governments and as a benchmarking tool for the performance of the local governments and healthy competition
- Strengthen PMS for local governments by integrating citizens' perceptions of local governments' performance (e.g. regarding local governments' integrity level)
- CAF4LG: implement solid ToT and create pool of independent CAF certified experts; ensure coaching from a specialized European partner
- Simplify the local governments performance measurement and monitoring system, e.g. PMS, CAF4LGs
- All Capacity development materials: (i) explore how to integrate the CD materials in the mandates of the respective entity authorities, while building the legal grounds for outsourcing facilitation of the instruments to the Associations of municipalities and cities in both entities; (ii) build capacities of the Associations of municipalities and cities in both entities to facilitate LGs in implementing those instruments.

4. Expand MEG programme focus on water infrastructure development and procurement as precondition for transparent and effective infrastructure investments: To address this recommendation two distinct approaches would be required: (i) through exploring water sector modernization by exploring and creating foundations for harmonization with the European Water Stewardship (EWS) Standards; and (ii) through advocating and reaching strategic agreement with the WA partners on linking access to water infrastructure funding for LGs to the adoption of the MEG package.

5. Strengthen the focus on gender mainstreaming and LNOB and strategically improve transparency and accountability of the local governance. This would require to strategically engage with CSOs in both entities, especially those focused on gender equality, social protection, and youth inclusion, to strengthen consultative function of the MEG local governments but also to enhance the watchdog function of the end-users. Also, important to ensure the next phase of the MEG programme is gender mainstreamed with strong focus on LNOB principle across its results chain and results framework. Encourage competition within the MEG LGs but with the focus on rewarding those LGs that made most progress vis-à-vis their latest performance. Importantly, award the MEG team with study-tours to learn from their peers in other countries.

6. Strengthen analytical function of the MEG programme: This should include strengthening the MEG project staff capabilities for project monitoring, risk assessment, and learning capacities as well as strengthen learning and strategic planning system around the MEG project and its next phase by integrating these functions into strategic planning of MEG 3 project and to contribute to the portfolio level monitoring and learning. Importantly, to ensure adequate closure of the entire MEG programme, start developing the Sustainability and Exit Strategy at the early stages of the MEG 3, tailored to the specifics of each partner LG with indication of risks (both treats and opportunities) and mitigation measures and based on analysis of the lessons developed.

7. Strengthen focus on generational knowledge transfer: Specifically, complete institutionalization and operationalization of the Water Academy under Water Utility professional associations in both utilities with strong mandate to *inter alia* creating and implementing certificate-based vocational trainings; professional vetting system; merit-based promotion within WUCs, and such.

8. Strengthen the oversight function of the Project: This entails a distinct focus to strengthen the role of the Project Board in learning, monitoring, and risk management and therefore, heightened accountability over project strategic decision-making and results. The Project Bord would benefit from active engagement of the mayors in the project steering to ensure strong oversight and incentives for the project implementation within each partner municipality.

1.7. Lessons learned informing the Project strategy

The rich experiences gained during the implementation of two phases of the MEG Project, combined with the feedback and proposals from stakeholders' consultations held in 2024 and 2025, as well as the initial findings and recommendations provided by the Project Final Evaluation yielded important observations and lessons learnt that will inform the future Project efforts and strategy to consolidate its achievements. These are described below.

- **Strong local ownership is critical for sustainability**: Local governments and utilities that demonstrated high ownership and commitment were more successful in implementing reforms, enhancing service delivery and infrastructure. Sustained engagement requires political will and dedicated human resources.
- **The performance management system introduced through the MEG project significantly improved local governance in Bosnia and Herzegovina**: By setting clear, measurable criteria for areas such as service delivery, financial management, and transparency, it encouraged municipalities to adopt more efficient, accountable, and citizen-focused practices. The system promoted evidence-based decision-making and allowed local governments to track progress, address gaps, and continuously improve.
- **Performance-based incentives drive tangible improvements:** Building upon the results instigated through the institutionalization of a performance-based system at the local level, performance-based financial incentives further motivated reform, resulting in stronger institutional performance, fairness and improved trust with citizens.
- **Policy processes are burdensome and lengthy**: Developing and implementing a single policy in the politically unstable and complex multi-level and fragmented governance setting of Bosnia and Herzegovina requires consensus building, coordination, and approval from numerous actors, each with its own priorities and legal frameworks. Good results achieved at the local level can be used to instigate dialogue and push policy changes at higher government levels. Moreover, to ensure success and broader acceptance, policy processes must also be inclusive, with the active engagement of diverse stakeholders from the earliest stages of development.
- **Capacity building must be continuous and tailored:** Local governments' and utilities' staff often had varying levels of expertise. Continuous, customized capacity-building, especially in financial planning, utility management, and digital tools, was crucial for effective implementation and long-term results.
- **Institutional collaboration enhances impact**: Close coordination with relevant entity and cantonal ministries and professional associations, amplified the reach and legitimacy of local level reforms. Institutional buy-in enabled the standardization of practices across local governments and utilities.

- **Youth engagement brings long-term value**: The MEG Young Water Experts initiative revealed the value of involving younger professionals. Their energy, innovation, and willingness to adopt innovative models and practices contributed to advancing the performance and modernization of public utilities.
- **Corruption remains a key challenge**: Many local governments and particularly public utility companies remain vulnerable to corruption risks, politicized appointments and weak oversight mechanisms. Addressing these requires the establishment and consistent implementation of integrity and anti-corruption frameworks, along with continuous capacity building.
- **Gender and social inclusion are crucial for democratic governance**: Inclusive and structured mechanisms introduced with support of the Project were critical for engagement of women and marginalized groups in decision-making, particularly in traditionally male-dominated sectors like water and infrastructure.
- **Peer learning accelerates progress:** Municipalities and utilities learned significantly from peer exchanges and regional events. These platforms facilitated the sharing of best practices and encouraged healthy competition, reinforcing the project's impact at scale.
- **Scaling up successful approaches and knowledge can catalyze wider impact**: Local governance projects are often limited to a certain number of partner municipalities and cities, which hampers simultaneous country-wide effects. Therefore, the future efforts of the MEG consolidation phase should leverage, particularly within the "MEG family of local governments" knowledge-sharing by champion local governments. This will maximize the country-wide outreach and have a spill-over effect.
- **The selection of partner local governments can affect the overall success and impact of the Project**: Gauging an adequate approach to the selection of partner local governments is of vital importance. The Project experience shows that one of the key considerations that needs to be factored in the formulation of the strategy for selection of partner local governments is the motivation of municipal leadership to embrace reforms.
- **Technology and digital transformation can be a powerful tool for a more effective and transparent local governments and enhanced service delivery**: Governments worldwide are strategically leveraging new technologies to fundamentally improve decision-making processes, public services and systems integration. Digital transformation is gaining traction in Bosnia and Herzegovina, and it is crucial for the Project to build on the momentum and advance the uptake of digital technology in governance and in the water sector.
- **Water Alliance as a strategic model for an integrated donor engagement:** A significant lesson emerging from MEG is the instrumental role of the Water Alliance, not only as a technical coordination platform for multilateral actors but also as a unique model for joint donor visibility and strategic coherence in approach and communication with government partners in BiH. By facilitating aligned messaging, common reform priorities, and shared representation of the international community, the Alliance strengthened both policy traction and partner credibility. MEG's active participation in the Water Alliance enhanced the Project's ability to elevate reform dialogue, avoid duplication, and consolidate efforts across diverse interventions. Going further, this platform can be more effectively used by the Project to support its advocacy efforts towards systemic reforms in the water and wastewater services sector.
- **Long-term donor engagement ensures systemic change**: MEG's multi-phase and long-term nature allowed for systemic improvements rather than ad hoc interventions. Continued donor support was essential for enabling reform processes to take root and be institutionalized.

II STRATEGY

Capitalizing on the achievements and lessons learned from earlier phases, as well as taking into account the insights from extensive consultations conducted in 2024 and 2025 and the findings and recommendations of the MEG 2 final evaluation, the MEG Project will ensure that during its final phase it consolidates and facilitates the successful completion and institutionalization of all project results. The overarching aim is to ensure that institutions at all levels are equipped, empowered, and prepared to assume full ownership of the Project's outputs, thereby guaranteeing sustainability, scalability, and continued impact well beyond the Project's lifecycle.

Importantly, the MEG Project will prioritize fostering connections and collaboration both horizontally, between communities and vertically, between local governments and higher levels of government. This will be achieved through the promotion of inter-municipal cooperation, active knowledge-sharing initiatives and platforms, and strengthened inter-institutional dialogue. Where relevant, MEG Project will seek to benefit from partnerships with credible international and domestic organizations with specific expertise in areas under the purview of the Project, such as the EU Institute for Public Administration (EIPA) and Transparency International.

Key guiding principles

On-system support: The Project will act as a facilitator rather than an implementer. It will work with the mandated institutional partners that to advance their systems and capacities, equip them with knowledge, skills and tools to fully take over and lead on future implementation of the reforms, policies and tools created with support of the Project.

Selection of partners, local ownership and commitment: At the local level, the Project will continue to put emphasis to working with committed and motivated local partners in line with the performance-based approach. This principle would entail that partners lead the planning, decision-making and implementation, while the Project provides an enabling support for this to happen in practice.

- In case of local governments, the Project will select 10 new underdeveloped partner local governments (group 1), through an open call, where the key selection criteria will be the motivation of local governments’ leadership to advance change, which will be evidenced through the quality of their application, coupled with verification visits by the Project. Balanced geographical coverage, willingness to co-finance projects’ investments and ultimately engage in inter-municipal cooperation or partnership with other stakeholders in advancing their performance and service delivery.
- As for the Project’s work with partner local governments from Phase 2 (groups 2 and 3), 15 motivated and best performing partner local governments from MEG 2 will be selected. The selection of partners will ensure balanced geographical coverage and will be primarily guided by the performance of local governments in phase 2 of the Project and strong commitment of the leadership to sustain the reforms.

Results-orientation: The Project will emphasize a focus on measurable outcomes: performance management, benchmarks, performance monitoring tools and tangible improvements in services.

Inclusivity and equity: The Project will continue to pay special attention to gender equality, vulnerable groups and ensuring their voice is heard in decision-making processes and that they benefit from Project’s results. The application of these principles will be reinforced by efficient citizen engagement mechanisms at the local level, enabling the not only structured instruments for citizen participation but also feedback mechanisms and oversight. To achieve sustainable and inclusive results, targeted interventions will be underpinned by cross-cutting drivers that require dedicated support and investment. These include gender equality, the ‘leave no one behind’ principle, data-driven policy making and monitoring, innovation and ‘digital by default’ approach. Strengthening these enablers is essential for ensuring development efforts are inclusive, evidence-based, future oriented and responsive to the needs of all segments of society.

Accountability and transparency: The Project will seek to further strengthen anti-corruption and integrity mechanisms in its partner institutions for enhanced accountability and transparency and ultimately improved service delivery for all.

Scaling up and learning: The Project will focus on scaling up practices created in previous phases to ensure they are adopted and integrated in a larger number of local governments across the country. It will seek to systematically capture lessons, share best practices and support mentoring schemes for knowledge transfer.

Efficiency and cost-effectiveness: The Project will promote efficiency and cost-effectiveness throughout implementation of its activities, reflected through, *inter-alia*, better planning/investment decisions, optimizing processes and use of funds, reducing water loss, improving utility efficiency, etc.

Partnership and collaboration: The Project will prioritize fostering connections and collaboration both horizontally, between communities and vertically, between local governments and higher levels of government. This will be achieved through the promotion of inter-municipal cooperation, active knowledge-sharing initiatives, and platforms, and strengthened inter-institutional dialogue.

The Project will engage with partner institutions at upper level and local level governments as described below:

Engagement with upper government levels

- To strengthen the institutional support system for local governments in systematically applying the localized CAF as a standard total quality management tool, MEG 3 will work closely with the entity Civil Service Agencies, positioning them as CAF resource centers for local governments. The Project will focus on building their technical and organizational capacity to ensure sustainability and enable full operationalization of CAF for LGs across BiH. In parallel, MEG 3 will engage the RS Ministry for Administration and Local Self-Governance and the FBiH Ministry of Justice, recognizing their formal mandates in local governance and their potential to shape strategic oversight frameworks. Beyond technical collaboration, MEG III will actively facilitate inter-entity strategic dialogue on the future of local self-governance in Bosnia and Herzegovina. By convening key institutional actors around shared reform priorities, the Project will promote a more coherent and forward-looking approach to municipal development. This dialogue is expected to stimulate greater engagement from entity governments in guiding and coordinating local governance reforms, encouraging them to assume a more proactive role in fostering interinstitutional cooperation, policy alignment, and systemic capacity-building. Through this multi-level engagement, MEG 3 will serve as a bridge builder, linking local innovation with national policy coherence and laying the foundation for a resilient, inclusive, and performance-driven governance system.

- MEG 3 will continue to engage entity-level institutions, particularly line ministries responsible for water management, water agencies, and utility associations, as key partners in shaping a more coherent and enabling environment for professionalized, efficient, and equitable service delivery. Building on previous collaboration, the Project will support these actors in the participatory development of bylaws and operational tools that facilitate the implementation of new water sector legislation at the local level. A central focus will be the full implementation and institutionalization of the country-wide benchmarking system for water utilities. This system, developed through earlier phase of MEG, is designed not only to monitor performance but to serve as a strategic platform for horizontal and vertical integration across the sector. MEG 3 will work to embed benchmarking within the mandates and operational routines of upper government institutions, enabling them to use performance data for planning, regulation, and future investment decisions. In doing so, the Project will help establish a shared evidence base that connects institutions across different jurisdictions and levels of government. Through tailored capacity development and structured coordination mechanisms, MEG 3 will also stimulate inter-entity strategic dialogue on the future of the water services sector in BiH. By convening key actors around common reform priorities, the Project will encourage relevant state-level ministry (MoFTER) and entity governments to assume a more proactive role in guiding and overseeing sector development, while fostering interinstitutional cooperation and policy coherence that will endure beyond the Project lifecycle.

- Professional associations, including both entity-level associations of municipalities and cities, and water utility associations, will also be important players in promoting peer learning, knowledge transfer, and scaling of good practices. By encouraging their active participation in mentoring schemes, such as the Water Academy initiative, and the dissemination of knowledge products, the Project will ensure that core methodologies and technical frameworks remain accessible and operational beyond MEG's duration. To ensure the Academy stays relevant and sustainable over long-term, its governance will be anchored in a multi-actor stewardship model, formally co-hosted by the utility associations and water agencies in partnership with the Associations of Municipalities and Cities in both FBIH and RS. Financing will rely on a mixed contributions model from utilities and local governments, donors, and integration into various capacity-building interventions. The goal is to firmly establish the Academy as a locally owned platform for continuous technical and practical knowledge exchange and learning, ultimately contributing to water sector modernization.

Engagement with local governments

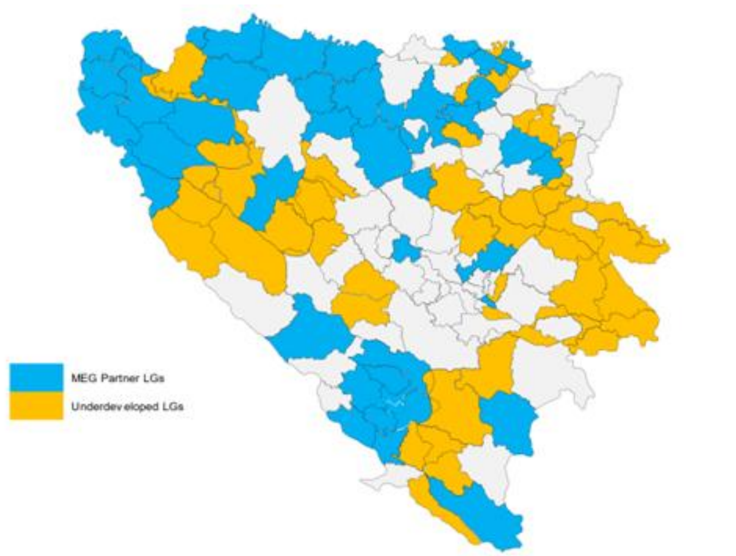
In its previous phases MEG has successfully facilitated the introduction of performance management systems in 37 local governments and their utilities, resulting in enhanced performance across their core functions and increased citizen satisfaction with service delivery. The Project will scale up proven models in both local governance and water and wastewater service provision, including local water utility companies that have demonstrated significant advancement in previous phases and are well-positioned to further improve. In parallel, the Project will support the horizontal mainstreaming of good governance principles within new partner municipalities, focusing on underdeveloped ones that struggle to provide basic services to their citizens. Importantly, MEG will invest significant efforts in nurturing the close relationships among the local governments and utilities within the wider "MEG Network" thus incrementing knowledge transfer and experience sharing.

As part of this comprehensive initiative, 25 partner local governments and their associated utility companies will benefit from tailored technical assistance, while 20 of those will also have access to targeted financial incentives aimed at enhancing the quality and efficiency of their public service delivery systems. To further refine this approach, the 25 partner local governments will be categorized into four distinct groups.

- **Underdeveloped local governments (up to 10 local governments, Group 1):**

This group will include up to 10 newly selected local governments that fall under the category of underdeveloped or continuously struggling to provide basic services to citizens due to the objective circumstances (geographic, topographic, and other) and municipalities that are too small to be able to ensure quality and efficiency of service delivery. Based on a comprehensive needs assessment, they will receive targeted technical assistance to build foundational capacities in governance, service delivery, financial management, and regulatory compliance. The Project will also explore possibilities and options for innovative and cost-efficient service provision.

The strategic inclusion of underdeveloped local governments in MEG 3 represents both an equality imperative and a long-term investment in systemic resilience. These localities, often constrained by geographical isolation, declining populations, and the economic limitations associated with a lack of scale, face compounded challenges in delivering reliable, efficient, and inclusive public services.



These local governments will be eligible for additional, recurring financial support to accelerate their development trajectory. This support will be provided in two grant cycles, with disbursements closely tied to their performance against predefined baseline indicators. This structured support is designed to reward progress and ensure that resources are effectively aligned with measurable improvements in governance and service delivery.

MEG will also explore opportunities for targeted intermunicipal cooperation models, strategically connecting more developed MEG partners with neighboring underdeveloped municipalities to facilitate knowledge transfer, resource sharing, and joint service delivery arrangements. These collaborations may result in improved regional service efficiency, particularly in water services management, shared infrastructure and provision of advisory support, technical expertise, and even operational assistance from more advanced counterparts to less developed peers.

- **Encouraging healthy competition (up to 10 local governments, Group 2):**

This group will comprise **up to 10 local governments and water utility companies that have demonstrated progress under previous phases and are well-positioned to advance their development further.** These organizations will benefit from targeted technical assistance aimed at refining their systems and enhancing performance metrics. The support will be adaptive, responding to specific needs identified during performance evaluations. Additional efforts will include refining and improving existing subsidy systems, including better targeting of socially vulnerable categories, integrating updated socio-economic data, and exploring the inclusion of the fixed part of the price within the subsidy structure. Such enhancements will promote fairness, transparency, and greater alignment with the principles of cost recovery and social equity. These partner local governments will have access to performance-based financial incentive implemented in two **cycles so as to encourage innovation, efficiency, and higher standards of governance as they strive to outperform their peers.**

- **Promoting champions and leveraging their know-how (up to 5 top performing local governments/mentors):**

This group will comprise up to 5 experienced local governments and water utility companies that have made significant performance advancement in previous project phases. This group will receive limited but highly specialized technical assistance under this phase, as their role is envisaged as critical in ensuring continuity, sustainability, and peer learning. They will be expected to **share their know-how and practices in areas within the scope of the Project, offering guidance to other Project partners and co-facilitating selected learning sessions**. As with the previous group, they may receive support from the Project to refine and improve their existing subsidy systems.

- **MEG Network (Group 4)**

MEG Network will include all local governments that participated in previous phases of the MEG Project but **will not be direct project partners under this phase**. While they may receive limited technical assistance, they will continue to benefit from access to key learning opportunities offered under the Project, enabling them to maintain continuity, reinforce sustainability efforts, and engage in peer learning. Group 4 municipalities will be invited to take part in initiatives such as the Water Academy, thematic working groups, and sectoral conferences, allowing them to remain connected to good practices and ongoing sectoral developments.

Building on the four-group methodological framework, this strategy emphasizes agile implementation of project activities, tailored to the varying levels of maturity and specific contexts of local governments and water utility companies. Activities will be designed as modular packages, basic and advanced, aligned with the developmental stage and absorption capacities of each group.

Engagement with cantons

Technical support will be offered to up to 3 cantons that express readiness to introduce total quality management to enhance their performance and contribute to vertical harmonization of performance-based approach. This potential assistance on application of CAF at the cantonal level will be designed and implemented in partnership with the FBIH Civil Service Agency (CAF Resource Center) and the FBIH Ministry of Justice, targeting primarily cantonal ministries of justice and administration and possibly secretariats of the cantonal governments, depending on the specifics of the respective cantonal administration. Possible project work in the area of water services will target cantonal ministries responsible for water management and communal affairs.

2.1. THEORY OF CHANGE

IF a conducive and enabling policy and institutional environment is established that consolidates the CAF instrument, promoting continuous improvement, evidence-based practices, and structured dialogue among MEG partner local governments and local utility companies (Output 1.1), and

IF local governance in partner municipalities and cities and local utility companies is modernized to integrate good governance principles, performance benchmarks, and participatory mechanisms (Outputs 1.2), and

IF policy, regulatory, and institutional frameworks for the water sector are strengthened to ensure accountability, transparency, inclusivity, and performance-based service delivery (Outputs 2.1 and 2.2), and

IF cantonal and entity-level actors have the institutional capacity and political will to support local governments and water utility providers in implementing performance-oriented governance reforms,

THEN local governments and their utility companies in MEG partner local governments will be empowered and incentivized to adopt performance-driven management practices, strengthen internal performance systems, and implement inclusive, participatory, and accountable governance mechanisms. This will include the systematic application of CAF-based Total Quality Management practices, operationalization of entity-level water laws through participatory by-laws, implementation of Public Service Agreements, and enhanced technical, financial, and institutional capacities of utilities. Harmonized approaches will promote coordinated water and wastewater service delivery across municipalities, enabling comparable performance standards, shared monitoring systems, and interoperability between utilities.

THEN governments at all levels will institutionalize performance-driven policies that reinforce accountability, inclusivity, and gender responsiveness in service provision, while improved policy and regulatory frameworks enable municipalities and utilities to provide more efficient, equitable, and socially inclusive water and wastewater services. These services will be harmonized across localities to ensure consistency in access, quality, and responsiveness to the needs of all community members, including women, youth, ethnic minorities, persons with disabilities, and other marginalized groups (Outcomes 1 and 2). These changes will build public trust, increase citizen engagement, and enhance compliance with EU standards.

ULTIMATELY, these reforms will strengthen the democratic foundations of local governance in Bosnia and Herzegovina, creating institutions that are genuinely accountable, inclusive, and responsive across water and wastewater management sector. Citizens will be empowered not only receive higher-quality services but will also have institutionalized channels to shape, monitor and hold providers accountable, embedding long-term trust and compliance with EU standards.

BECAUSE strengthening institutional capacities, operational frameworks, and participatory governance mechanisms embed evidence-based and performance-oriented practices in local government routines, aligns municipal and utility operations with sectoral policies, and incentivizes accountability. The adoption of CAF, water service delivery improvements and benchmarking systems, and knowledge-exchange platforms ensures continuous learning and sustainability of reforms, while participatory approaches enable marginalized groups to influence decision-making and monitor service delivery, and benefit from consistent and equitable access to water and wastewater services.

2.2. RELEVANCE OF THE INTERVENTION

MEG 3 is strategically designed as a consolidation phase that builds on the achievements and lessons learned from MEG 1 and 2, transitioning from piloting and implementation to institutionalization. The intervention is positioned to embed systemic improvements in local governance and water service delivery, using a results-oriented approach and performance-based management as its core vehicle. MEG 3 will continue to support domestic institutions to assume full ownership of reform tools, frameworks, and practices, with the goal of complete institutional takeover by 2030.

At the heart of the intervention is the institutionalization of a total quality management system within local governments and pilot cantons, anchored in CAF. This modern, inclusive, and gender-responsive governance model promotes enhanced institutional performance, accountability, citizen participation, and improved service delivery. By embedding a culture of continuous improvement, MEG 3 will help LGs become more responsive to community needs and more efficient in managing public services.

In parallel, MEG 3 will advance the water service delivery system by supporting the creation, implementation, and harmonization of legal and policy frameworks. These frameworks will provide a foundation for professionalized, equitable, and sustainable water services, aligned with EU requirements and SDG targets. A key focus will be the full implementation and institutionalization of the country-wide benchmarking system for water utilities and local governments. This system will serve as a strategic platform for horizontal and vertical integration, connecting institutions across jurisdictions, enabling evidence-based planning, and fostering coordinated oversight and investment.

To ensure effective policy implementation, MEG 3 will strengthen the operational, financial, and institutional capacities of utility companies at the local level. This includes tailored technical assistance, performance-based incentives, and the formalization of Public Service Agreements (PSAs) that reinforce accountability and equitable service provision.

While the primary focus of MEG 3 is on consolidating and institutionalizing its achievements, the Project will remain responsive to the broader reform context in which it operates. It will actively contribute to the implementation of key reforms that influence the functioning of local governments and their utility companies, including those related to anti-corruption, public procurement, and other priority domains outlined under the emerging Reform Agenda within the EU Growth Plan for the Western Balkans.

MEG 3 is also strategically positioned to complement and amplify broader reform and investment efforts led by domestic authorities and supported by international development partners through the Water Alliance. As part of the Joint Vision for Advancing Water Supply and Wastewater Management Services Reform in Bosnia and Herzegovina (2021–2028), MEG 3 will play a catalytic role in preparing local governments to attract and manage large-scale infrastructure investments. By strengthening policy and regulatory frameworks and enhancing institutional capacities, the Project will lay the foundation for sustainable, inclusive, and high-quality water services that meet the needs of all citizens.

MEG 3 will seek to establish relevance for underdeveloped and underserved local governments, many of which continue to face systemic challenges in institutional capacity, financial management, service delivery, and lack of citizens' engagement. These LGs often operate with limited resources, fragmented planning systems, and constrained access to technical expertise and external funding. During its final phase, the Project will initiate targeted support to these local governments, enabling them to adopt performance-based governance models, strengthen internal systems, and build the competencies needed to deliver equitable and accountable public services. MEG 3 will aim to institutionalize tools such as benchmarking, CAF for LGs, and citizen satisfaction surveys in these contexts, allowing even the most resource-constrained municipalities to participate in reform processes and demonstrate measurable progress. Furthermore, the Project will promote intermunicipal cooperation and shared service arrangements, enabling underdeveloped municipalities to pool resources, access peer learning opportunities, and benefit from economies of scale. Through this inclusive and differentiated approach, MEG 3 will contribute to more balanced regional development and ensure that no municipality is left behind in the broader transformation of local governance and water service delivery in Bosnia and Herzegovina.

By strengthening local governance, through clearer account, MEG 3 will enhance accountability, transparent decision-making, and meaningful community participation, ultimately helping improve service quality, and ensure that investments respond to the real needs of disadvantaged communities or individuals. When governance systems are inclusive and responsive, marginalized groups gain a stronger voice in shaping the services they rely on, reducing systemic barriers that often keep them in poverty. Complementing this, targeted water service subsidies protect the poorest households from financial hardship, allowing them consistent access to safe water without diverting limited income away from food, education, or healthcare. Together, these measures reduce household vulnerability, support healthier living conditions, and create a more equitable service environment, directly contributing to long-term poverty alleviation.

Capitalizing on the achievements and lessons learned from earlier phases, the Project will utilize its final consolidation phase to strategically address the weaknesses and gaps identified above:

- Institutionalizing a total quality management system within local governments and pilot cantons as a modern, inclusive and gender-responsive governance practice, will contribute to enhanced institutional performance, accountability, better service delivery, and citizen participation. This approach aims to embed a culture of continuous improvement that prioritizes responsiveness to community needs and efficient public service delivery.
- Advancing the water service delivery system by supporting the creation and implementation of legal and policy frameworks will contribute to sustainable, harmonized and high-quality service delivery across the country. These frameworks will provide a solid foundation for professionalized and equitable water service delivery, ensuring alignment with the relevant EU requirements. Additionally, the institutionalization of benchmarking tools will allow for continuous progress tracking, assessment and evidence-based adjustments.
- Strengthening operational, financial, and institutional capacities of utility companies at the local level will enable effective implementation of water services policies and accountable, efficient and equitable service delivery.

While recognizing that this Project phase focuses on consolidating and institutionalizing its achievements, the Project will remain responsive to the broader context in which it operates. It will actively consider and contribute to the implementation of key reforms that influence the functioning of local governments and their utility companies. MEG will continue to strategically complement and amplify broader reform efforts led by the authorities in BiH and supported by the international development partners, including those gathered around the Water Alliance. Furthermore, particular attention will be given to reforms in areas such as anti-corruption and public procurement, as well as other priority domains outlined under the emerging Reform Agenda within the EU Growth Plan for the Western Balkans. By aligning its interventions with these broader reform efforts, the Project will ensure coherence and relevance to development priorities.

2.3. CONTRIBUTION TO GLOBAL AND NATIONAL STRATEGIC AGENDAS

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

i) **SDG Framework in Bosnia and Herzegovina,** particularly its “Good Governance and public sector management” and “Smart growth” pathways aimed at building a responsible, transparent, efficient, and effective public sector capable of ensuring the rule of law. Specific priorities include improving policy development and coordination processes, providing better services to citizens and businesses, enhancing financial resource management, reforming public enterprises and reducing corruption, contributing to attainment of targets under SDG 6 "Clean Water and Sanitation", SDG 10 "Reduced Inequalities", SDG 11 "Sustainable Cities and Communities" and SDG 16 "Peace, Justice and Strong Institutions"

ii) **Strategy for Local Self-Government Development of Republika Srpska 2023–2029** and its two strategic objectives: "Strengthened management, organization and capacities of local administrations, enterprises, and institutions under the jurisdiction of local self-governments", and "Improved quality and accessibility of services within the competence of local self-government units".

iii) **FBIH Development Strategy 2022–2027** Strategic objective 3: Accelerated Economic Development - Resource-Efficient and Sustainable Development, Priority 3.1: Enhance the Protection and Sustainable Use of Natural Resources ("Official Gazette of the Federation of BiH", No. 40/22).

iv) **FBIH Environmental Protection Strategy 2022–2032** (the Water Management chapter) addresses the following aspects: (a) the legal and institutional framework of the water sector in the FBIH, (b) the availability and status of water resources in the FBIH, (c) hydro morphological pressures and their impact on the status of water bodies, (d) hydrological water monitoring, (e) monitoring and assessment of the status of surface water bodies, (f) monitoring and assessment of the status of groundwater bodies, (g) **characteristics of water services in the FBIH**, (h) the establishment of a sustainable flood risk management system, and (i) transposition of EU water legislation into the legislation of BiH.

v) **Water Management Strategy of the FBIH 2022–2032** Chapter 4 (Water Management), together with Annexes 1 and 9 of the Federal Environmental Protection Strategy 2022–2032, constitute the Water Management Strategy of the Federation of Bosnia and Herzegovina 2022–2032.

vi) **Program for the Improvement of Water Services in the RS** ("Official Gazette of the Republika Srpska", No. 43/22); **Program for the Improvement of Water Services in the FBIH and the Utilization of Announced Financial and Technical Support** ("Official Gazette of the Federation BIH)", No. 30/22).

vii) **Strategic Plans of the Associations of Municipalities and Cities,** particularly in relation to quality local services and advocacy for more effective and efficient local governance.

viii) **Strategy for Integrated Water Management of the Republika Srpska 2015–2024.**

ix) **Joint vision for advancing the water supply and wastewater management services reform in Bosnia and Herzegovina 2021-2028,** which was agreed by relevant government institutions and development partners comprising the Water Alliance (the EUD, EBRD, EIB, the WB, SDC, SIDA, Czech Republic, and UNDP) in 2021 as a common guiding framework for reforms needed to advance water supply and wastewater management services in Bosnia and Herzegovina. Three main pillars of the of the Joint vision are: Modernization of the regulatory and institutional environment in the sector; Enhanced operational frameworks for effective, efficient and inclusive service delivery at the level of local governments and water utilities; and Improved water supply and wastewater management infrastructure (investments).

x) **Swiss Cooperation Program 2025-2029** for Bosnia and Herzegovina, particularly its Democratic Governance and accountable municipal performance priority, within the Local Governance and Municipal Services portfolio.

xi) United Nations Sustainable Development Cooperation Framework (UNSDCF) for Bosnia and Herzegovina 2026-2030.

xii) **Strategy for Sweden's Reform Cooperation with the Western Balkans and Turkey for** 2021-2027. The Strategy focuses on democracy, human rights, rule of law and gender equality, inclusive and peaceful society, inclusive economic development and environmentally and climate-resilient sustainable development and sustainable use of natural resources.

xiii) **EU Water Framework Directive and the Urban Wastewater Treatment Directive**, ensuring that sectoral governance reforms contribute to improved service delivery, environmental protection, and long-term sustainability.

xiv) **Directive (EU) 2020/2184 of the European Parliament and of the Council of 16 December 2020 on the quality of water intended for human consumption** (recast) (Text with EEA relevance); **Council Directive of 21 May 1991 concerning urban Waste-water treatment,** 91/271/EEC, 135/40; **Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy.**

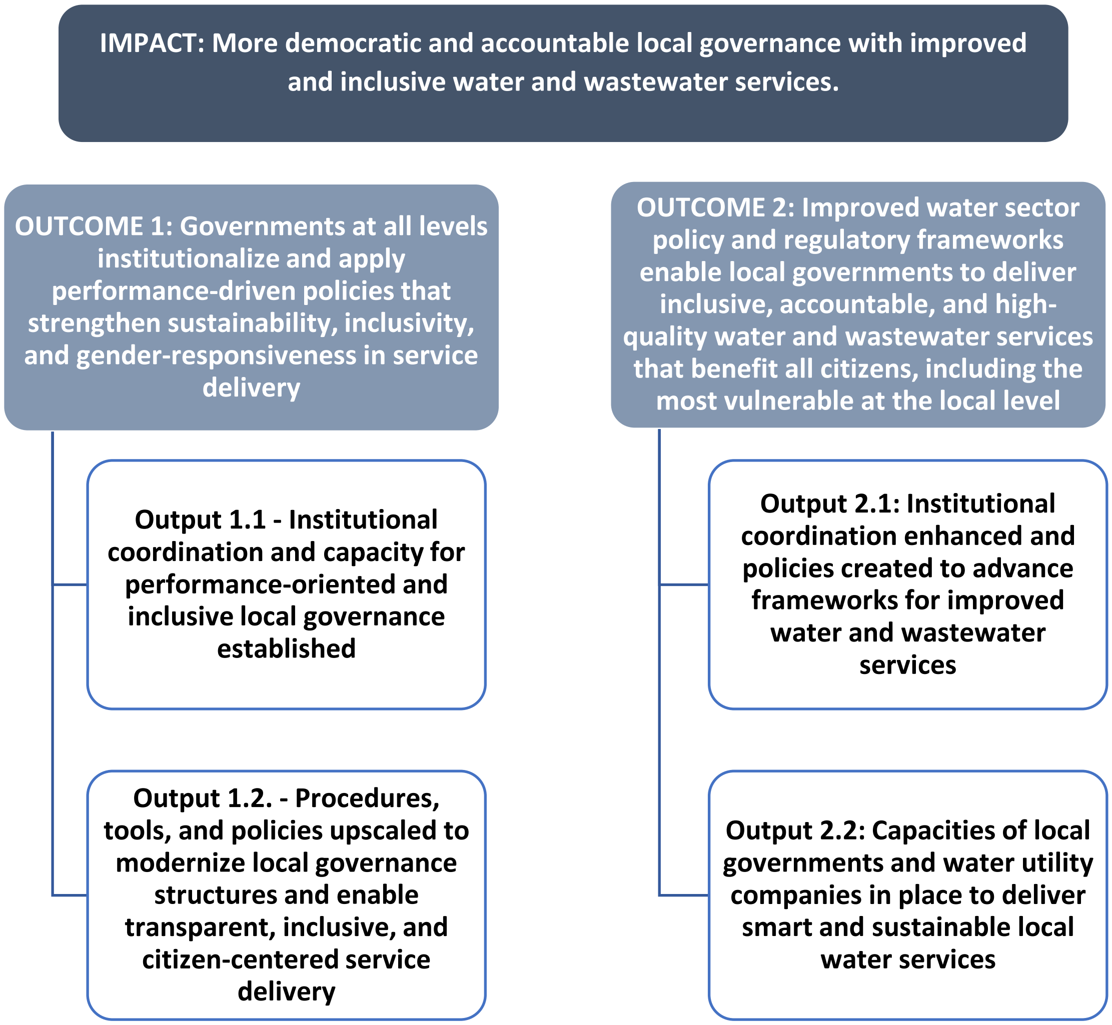
xv) **BIH Public Procurement Strategy and the EU Directive on procurement by entities operating in the water, energy, transport and postal services sectors**.

xvi) **Strategic Framework for Public Administration Reform and Action plan for period 2018. – 2022.** and **Policy for efficient and effective public administration in Bosnia and Herzegovina (2024)**, which requires more efficient, transparent, and citizen-oriented institutions, and particularly the need for support in strengthening local governance capacities, promoting accountability tools, and embedding performance-based practices that align municipalities with EU standards.

III RESULTS, APPROACH AND PARTNERSHIPS

3.1. DETAILED DESCRIPTION OF PROJECT OUTCOMES, OUTPUTS AND ACTIVITIES

The Project is organized around two mutually reinforcing outcomes, with corresponding outputs, as indicated below:



Outcome 1: Governments at all levels institutionalize and apply performance-driven policies that strengthen sustainability, inclusivity, and gender responsiveness in service delivery.

Under this Outcome, the Project will support local and other government tires institutionalize performance-based management, moving beyond pilot initiatives to embed governance frameworks within their formal mandates. Building on validated models from previous phases, this dual-track approach is expected to contribute to a governance system in which performance-driven practices are systematically applied, decision-making is evidence-based, and service delivery is transparent, equitable, and responsive to citizens' needs. Over time, this change is expected to create a positive feedback loop from strengthened institutions, empowered public servants, and informed, engaged citizens and to collectively reinforce sustainable improvements in local governance and service delivery. This Outcome is envisaged to be achieved through two inter-linked outputs:

Output 1.1 - Institutional coordination and capacity for performance-oriented and inclusive local governance established.

Output 1.1 aims to fully equip the entity Civil Service Agencies as CAF Resource Centers at the entity level with the knowledge, skills, procedures, and tools necessary to support local governments in systematically applying the localized CAF as a standard for Total Quality Management, in cooperation with entity line ministries (FBIH Ministry of Justice, RS Ministry for Administration and Local Self-Governance). This includes integrating good governance principles and specific performance management benchmarks into local government practices.

The Project's assistance will focus on building the institutional capacity of these Resource Centers to enable them to provide high-quality, sustainable support to local governments. This includes the development of knowledge products and guidance tools for effective CAF implementation. In parallel, the Project will promote inter-institutional dialogue and coordination, particularly within the broader framework of public administration reform. Importantly, a wide application of CAF for local governments will provide policy makers with measurable insights of local governments performance and bottlenecks and thus support evidence-based policy making in the area of local governance.

Selected activities under this Output will be implemented in cooperation with institutions such as the European Institute for Public Administration (EIPA) and the Regional School for Public Administration (ReSPA), leveraging their expertise and experience in CAF implementation across Europe and the Western Balkans.

Activity 1.1.1 – Advance institutional capacities of entity CAF Resource Centers to support countrywide application of CAF for local governments in BiH.

- Support the design of CSAs/Ministries' action plans or other relevant policies to support the practical implementation of CAF at the local level.
- Empower CSAs/Ministries to support local governments in regular use the CAF model to evaluate and improve their performance (at least 10 local governments annually).

Activity 1.1.2 – Facilitate inter-institutional dialogue and regular exchange on CAF application across all government levels.

- Organize capacity-building workshops for CAF practitioners on performance-oriented governance.
- Support regular dialogue and exchange on the CAF application across all government levels.

Activity 1.1.3 – Support CAF Resource Centers in designing knowledge tools and developing capacities of LG practitioners for effective use of CAF digital tools.

- Support the application of the CAF digital platform through design and promotion of a user-friendly toolkit (training program, user manual).
- Promote digital collaboration platforms to ensure inclusive, transparent, and continuous coordination among institutions and stakeholders (incl. best practice exchange, Q&A, etc.).

Output 1.2. - Procedures, tools, and policies upscaled to modernize local governance structures and enable transparent, inclusive, and citizen-centered service delivery

Output 1.2 is focused on modernization and strengthening of performance-based local governance systems in Bosnia and Herzegovina, with the goal of fostering transparent, inclusive, and citizen-centered public service delivery.

The MEG Project will facilitate further refinement and internalization of a performance-based approach that emphasizes goal setting, performance measurement, and stakeholder engagement to inform decision-making and policy adjustments at the local level. It will also strengthen integrity and anti-corruption measures in local governments and water utility companies to enhance ethical governance and safeguard public resources. A key focus will be on improving water service delivery and infrastructure, using progress in this sector to incentivize broader institutional reforms and encourage transparent, accountable, and citizen-responsive practices. The Project will promote digital transformation to boost operational efficiency, transparency, and inclusivity in service delivery, guided by a "digital by default" principle. This will include conducting digital readiness assessments as a baseline for digitalization of internal processes and services (e-Services), thus strengthening transparency and efficiency in local government operations and service delivery, while ensuring full interoperability with other relevant service providers or actors in service delivery processes (e.g. cantonal and entity institutions). Finally, by fostering a culture of continuous learning through mentoring, peer exchange, and exposure to best practices, the Project will strengthen collaboration and resilience among local governments and utilities, building a sustainable community of practice for public sector improvement. The Project will not operate in isolation from emerging trends and policies that significantly influence the functioning of local governance. One such development is the introduction of new public procurement legislation, which emphasizes green, socially inclusive, and gender-responsive practices. These changes will directly impact procurement operations within local governments, and particularly within their public utilities. Given that effective public procurement is a cornerstone of performance-based management, and a vital tool for combating corruption and ensuring the efficient use of public funds, it is both relevant and necessary for the Project to consider adjusting its future support to institutions in line with new legal requirements in the future.

Activity 1.2.1. – Support the introduction of CAF in 10 new underdeveloped partner local governments (Group 1) and up to 3 cantons.

- Deliver capacity building on CAF implementation targeting mayors/cantonal leaders and elected officials.
- Expose the leadership of partner local and cantonal governments to well-functioning examples of CAF application in EU countries (study trips, international travel).
- Provide technical assistance to the local governments and pilot cantons in conducting CAF self-assessment and baseline and target setting in partnership with CAF Resource Centers.
- Design and deliver tailored technical assistance to local governments and cantons in CAF action planning to support local governments' prioritization of actions.
- Provide technical assistance to the partner local governments and cantons in tracking progress, collecting feedback, and correcting courses of action.
- Support the introduction of the citizens' satisfaction survey in partner local governments and cantons.

Note: While the efforts under Output 1.1. focus on strengthening the overall capacities of the CAF Resource Centers, this activity entails direct support to promote and ensure buy-in for the CAF application from the leadership in MEG partner local governments/cantons as well as support to government practitioners in the actual application (through CAF Resource Centers).

Activity 1.2.2 – Provision of support in strengthening integrity and anti-corruption mechanisms within local governments and their utility companies (Group 1 and Group 2, to be implemented in partnership with Transparency International).

- Conduct anticorruption needs assessments and provide tailored technical assistance to 10 underdeveloped local governments (Group 1) and their utility companies for design and implementation of their integrity and anticorruption frameworks.
- Provide tailored technical assistance to 10 advanced local governments (Group 2) and their utility companies for the design and implementation of their integrity and anticorruption frameworks.

Activity 1.2.3 - Support all partner local governments to advance their digital capacities and systems for improved performance and public service delivery.

- Introduce eCitizen in 10 underdeveloped local governments (Group 1).
- Promote and support further utilization of eCitizen in all other partner local governments (Groups 2 and 3).
- Support development of digital portals/selected e-services in up to five top performing local governments (Group 3).

Activity 1.2.4 – Tailored support to local governments through mentoring schemes, peer learning, knowledge exchange and best practices for improved public service delivery.

- Facilitate exchange among local governments and utilities through establishment of thematic mentoring networks, including through on-demand mentoring schemes, knowledge and best practices exchange events.

OUTCOME 2: Improved water sector policy and regulatory frameworks enable local governments to deliver inclusive, accountable, and high-quality water and wastewater services that benefit all citizens, including the most vulnerable at the local level

Under Outcome 2, the Project aims to support the alignment of the water and wastewater governance frameworks in BiH with the relevant EU requirements and standards, while reinforcing institutional capacity across all levels of government. The focus will be on supporting the operationalization of the entity-level Laws on Water Services by assisting line ministries in developing key by-laws through a highly participatory process involving all relevant stakeholders, including ministries, cantons, local governments, utility companies, and their associations. Acknowledging potential political barriers to legal adoption, the Project will also promote the internalization of good practices, such as Public Service Agreements between municipalities and utility companies, to ensure mutual accountability and alignment with EU standards. To sustain reform efforts, MEG will strengthen the capacities of formal and informal institutional stakeholders through tools like the utility benchmarking system and other digital solutions. Additionally, the Project will foster ongoing knowledge exchange by supporting platforms like the Water Service Academy to institutionalize continuous learning and professional development across the water services sector.

Output 2.1: Institutional coordination enhanced, and policies created to advance frameworks for improved water and wastewater services

Output 2.1. focuses on establishing a strong, coherent, and future-ready policy and institutional foundation for the sustainable delivery of water and wastewater services across the country. It strategically addresses structural weaknesses by fostering inter-institutional coordination and reinforcing governance frameworks that support equitable, transparent, and performance-based service provision. The Project will support the development and implementation of comprehensive programs for reforms in the water services sector at the entity level and foster coordination and alignment between the entities as well as between the entities and MOFTER. These programs will serve as strategic blueprints for modernizing the water sector and aligning it with EU standards and best practices. Through targeted technical, legal, and policy advisory support, the Project will assist governments in adopting new regulatory frameworks that clearly define institutional roles, promote accountability, and embed financial sustainability into sector planning and operations.

A key strategic focus of this output is to enhance the capacities of public institutions responsible for planning, regulation, and oversight (relevant line ministries). By investing in institutional capacity building, the Project aims to strengthen the ability of entities and cantonal authorities to implement, monitor, and adapt sector reforms effectively. This includes support in applying tariff-setting methodologies based on cost-recovery and affordability principles, as well as assistance in revising or developing regulatory instruments that ensure fairness, efficiency, and service quality.

In parallel, activities under this output will support the institutionalization and operationalization of a countrywide benchmarking system. Host and beneficiary institutions will receive technical assistance to manage and expand the benchmarking system, while water associations will be empowered to lead a structured, country-wide training effort. This will include training of trainers and direct capacity development of utility staff responsible for applying benchmarking tools.

The institutionalization of a benchmarking system and enhancement of regulatory and policy framework coherence will ultimately lead to enhanced professionalization of water utilities and governance structures, thus enabling more informed, transparent, and results-oriented management of water and wastewater services, creating a solid foundation for sustainable sector development.

Activity 2.1.1 – Strengthen the capacities of institutions responsible for planning, regulation, and oversight in the water and wastewater services sector.

- Strengthen institutional capacities of entity ministries in strategic planning, regulatory development, and oversight, ensuring they can lead implementation of water sector reforms and enforce service standards.
- Provide technical and legal support to relevant entity and cantonal line ministries and professional associations in reviewing, adjusting, and implementing entity Programs for reform.

Activity 2.1.2 – Provide support to institutionalization and operationalization of the country-wide benchmarking system.

- Provide on-demand technical assistance and support to host and beneficiary institutions on administering the benchmarking system.
- Provide support to water associations to organize a series of training of trainers’ events and workshops on the application of the benchmarking system.
- Provide support to water associations in training responsible persons from utility companies on the use of the benchmarking system.

Output 2.2: Capacities of local governments and water utilities in place to deliver smart and sustainable local water services

Through activities under Output 2.2, the Project will support a transition toward smarter, more accountable, and citizen-responsive water services across the country. It will drive systemic improvements in local water and wastewater services by strengthening the operational, financial, and institutional capacities of local governments and utilities. The focus will be on enabling equitable, efficient, and accountable service delivery, particularly for vulnerable populations, while supporting broader governance and sector reform goals.

A differentiated, needs-based approach to technical assistance will ensure that support is tailored to the level of development, absorption capacity and maturity of each partner local government and their utility. Underdeveloped local governments will receive foundational support, including FOPIPs, to improve basic service delivery, financial management, and governance. Advanced municipalities will receive targeted technical assistance to institutionalize key reforms, such as cost-reflective tariffs, asset management, and social subsidies, positioning them as innovation leaders within the MEG network.

To enhance efficiency and long-term sustainability, strategic infrastructure investments in 10 underdeveloped municipalities (Group 1) will be informed by baseline assessments and action plans, and guided by modern service delivery approaches, including digitalization and intermunicipal cooperation.

Furthermore, a key component of this output is the full operationalization of the Water Academy as a platform for professional development, enabling generational knowledge transfer to bridge the gap between the professionals exiting their career and the those at the entry level. By providing structured training and fostering peer learning and mentorship, the Academy will help institutionalize best practices and build a skilled workforce capable of sustaining reform.

Activity 2.2.1 – Provide technical assistance for underdeveloped local governments and their utility companies, including through financial and operational performance improvement plans (Group 1).

- Provide adjusted FOPIP technical assistance for each underdeveloped local government and water utility company.
- Provide targeted, needs-based technical assistance to utilities to build capacities in governance, service delivery and financial management.
- Design and implement 2 cycles of financial support to local governments and their utility companies for service delivery improvements (USD 50,000 per local government per cycle), with specific consideration on gender equality and inclusion of the most vulnerable.
- Assessment and assurance activities (spot checks, F&IC Audit, quality assurance for infrastructure projects, per LG)
- Needs assessment of partner local governments and the preparation of action plans for service delivery improvements, including through innovative service delivery models (digitalization, intermunicipal cooperation, outsourcing of services), with specific consideration on gender equality and inclusion of the most vulnerable.
- Procurement and supply of necessary equipment for 10 new local governments/utilities (per LG).

Activity 2.2.2. Provision of financial support for partner local governments in the water supply and wastewater management area (Group 2), based on improved performance in public service delivery.

- Implement two cycles of grant scheme to support local governments' performance, with specific consideration on gender equality and inclusion of the most vulnerable (per cycle).

  Assessment and assurance activities (HACT MA, spot checks, F&IC Audit, quality assurance for infrastructure projects, per LG)

Activity 2.2.3 – Provide tailored technical support to utility companies in advanced LGs through mentoring schemes, peer learning, and tools for improved service delivery and financial management (groups 2, 3 and 4).

- Tailored and adaptive technical assistance to advanced 10 local governments (Group 2) to support institutionalization and implementation of water tariff methodology (fixed assets book completion, asset management, subsidy systems for socially vulnerable categories of citizens, pollution cadaster).
- Support development and introduction of GIS web portal for communal services for five top performing local governments (Group 3, per LG).
- Support on-demand mentoring and peer learning for MEG Network (Group 4).

Activity 2.2.4 – Ensure sector-wide capacity building via Water Academy and Young Water Professionals' (YWP) engagement programs.

- Support the full establishment and operationalization of the Water Academy as a central platform for capacity development in the water sector.
- Provide technical, administrative, and expert support to YWP activities.
- Support on-demand mentoring, peer learning and knowledge sharing events for the MEG Network.

3.2. RESOURCES REQUIRED TO ACHIEVE THE EXPECTED RESULTS

Achieving the expected results of the Project requires a comprehensive mix of financial, human, technical, and institutional resources, aligned along the pathways defined in the Project's theory of change.

The MEG project takes a systemic approach to local governance reform, working not only on the individual components but also on strengthening the overall system in which they operate. It ensures that all developed tools, methodologies, and knowledge products are fully integrated into institutional structures and processes, enhancing sustainability, scalability, and long-term impact. Rather than creating stand-alone solutions, MEG embeds innovation and good practices into the system itself, fostering coherent, efficient, and resilient local governance frameworks. A wide range of partnerships established with numerous stakeholders are not merely operational but foundational to ensure that reforms are not externally driven but embedded within the structures, processes, and mandates of partner institutions. This approach allows for the co-creation of solutions, aligned with the country's sustainable development priorities and reforms and local development needs, and provides a clear framework for how each partner can actively contribute to achieving the Project's expected outcomes.

The MEG Project team brings together extensive thematic expertise in local governance, water service management and delivery, and institutional reform, which is complemented by a proven track record of successful collaboration with a wide range of project partners and beneficiaries across BIH. These well-established and trusted relationships serve as a critical foundation for effective implementation, stakeholder buy-in, and sustained impact. A key added value of the Project is its robust and strategic field presence, made possible through UNDP's offices in Sarajevo, Banja Luka and Mostar, which enables regular on-the-ground engagement, real-time responsiveness to local needs, and the ability to foster strong local ownership. This decentralized operational footprint ensures that the Project remains context-sensitive, inclusive, and adaptive, thereby enhancing its ability to drive meaningful and lasting change across diverse communities and institutional settings in the country.

Technical inputs to the Project team will be secured through engagement of relevant partners, individual experts, service providers and contractors when needed. This includes external national and/or international expertise for the specific project activities, e.g. for development of digital tools and platforms, benchmarking system, public procurement, etc.

The Project will leverage strategic partnerships and knowledge with the Water Alliance, the European School for Public Administration and Transparency International as well as with projects supported/implemented by UNDP and other development partners to co-create solutions, transfer of know-how and advocate for change. By tapping into these networks, the Project will enhance its capacity to generate impact, foster peer learning, and promote evidence-based policy and institutional change across all levels of government.

An important resource for the Project will be the knowledge and experience of local government partners from the previous Project phases that will not only enable peer-to-peer exchange but motivate new partner local governments to engage into reforms promoted under the Project.

In terms of financing, partner local governments from the previous Project phases will be expected to provide at least 60% of the Project's investment but ideally match financial contributions provided by the MEG. However, the underdeveloped partner local governments will be required to provide co-financing but proportionate to their level of development and financial constraints. Co-financing for some local government interventions may be sought from upper government levels.

All procurement will follow UNDP procedures and contracting modalities. When activities are implemented by local governments, national public procurement legislation will be applied but quality assurance of those processes will be secured through the Project team.

Total budget of the Project is USD 7,188,919.91, with funding provided by Governments of Switzerland, Sweden, Czechia; partner local governments are expected to contribute with USD 1,490,400 as a parallel contribution.

Partner local governments will be required to co-finance grants for water supply infrastructure and service delivery enhancements, in the percentage of 18% for local governments from Group 1 and 72% for local governments for Group 2. To be eligible for grant support by the Project, local governments will be required to demonstrate measurable progress in improving their performance. Implementation of specific activities under each of the local projects, including financial contributions, will be subject of formal agreements between UNDP and partner local governments. Financial contributions by local governments will be subject to rigorous monitoring and control by the Project and an independent auditor, to be pre-agreed with each partner.

3.3. Stakeholder analysis and target groups

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

The **Ministry of Foreign Trade and Economic Relations (MoFTER)** plays a unique and cross-cutting role in country's institutional landscape, particularly in sectors that require coordination across entities and alignment with international standards. Although it does not hold direct executive authority over water service delivery, MoFTER is the state-level institution responsible for coordinating environmental protection, natural resources, and international obligations, including those related to EU accession and SDG implementation. Its convening power and policy coordination mandate make it a key factor in shaping the strategic direction of water sector reform. In MEG3, MoFTER's relevance lies in its ability to facilitate inter-entity dialogue, promote harmonization of sectoral approaches, and ensure coherence with international frameworks. The Ministry has already played a central role in endorsing the Joint Vision for Advancing Water Supply and Wastewater Management Services Reform in Bosnia and Herzegovina (2021–2028) and will continue to be instrumental in aligning MEG-supported reforms with broader commitments. Its engagement is particularly important for scaling benchmarking systems, promoting unified standards, and coordinating donor-supported investments. While MOFTER's operational reach is limited compared to entity and cantonal governments, its strategic influence is significant. MEG 3 will continue to engage MoFTER as a facilitator of policy coherence and a champion of reform alignment, ensuring that the Project's legacy contributes not only to local and entity-level transformation, but also to Bosnia and Herzegovina's broader development and integration agenda.

The Project offers **local governments** a structured opportunity to enhance institutional legitimacy, performance, and access to reform-linked benefits amidst a complex and often fragmented governance landscape. Participation in MEG 3 allows local governments to strengthen their governance performance and human capacities, improve public service delivery, and align with broader development agendas. Politically, mayors are motivated to demonstrate results through improved utility performance, citizen-centric budgeting, and transparency, which reinforce their standing and influence in increasingly competitive local contexts. Administratively, senior civil servants benefit from MEG's targeted support and access to digitalized tools, which help translate strategic goals into measurable improvements. However, the weakness of most local administrations lies in limited cross-departmental coordination, low absorption capacity, and constrained fiscal autonomy. **Local government councils** represent both a risk and an untapped potential. While they often mirror party loyalties and may obstruct reform for political reasons, the Project recognizes their latent value in legitimizing good governance practices and strengthening citizen accountability. To address this, the Project will invest in targeted capacity development for councilors, working with council commissions and elected bodies to foster performance-oriented decision-making, and more inclusive and sustainable change.

The **entity governments of FBIH and RS** are pivotal actors in shaping the institutional landscape for water sector reform in Bosnia and Herzegovina. As constitutionally empowered authorities, they hold legislative and executive competencies that directly affect how water services are governed, financed, and regulated across their respective territories. Their decisions on sectoral strategies, reform programs, and intergovernmental coordination define the enabling environment within which municipalities and utilities operate. In MEG 3, the entity governments will not be merely stakeholders, they are strategic partners whose engagement is essential for scaling and sustaining reform. Their endorsement and adoption of key regulatory framework documents will determine whether MEG-developed tools become embedded within country systems or remain project-bound. The entity governments also play a critical role in harmonizing approaches across cantonal and municipal levels, ensuring coherence in policy interpretation, institutional mandates, and performance expectations. While both governments have demonstrated political will through the adoption of Water Sector Reform Programs, institutional limitations persist, particularly in translating strategic commitments into operational oversight and support. MEG 3 will work to strengthen the entity governments' capacity to lead reform processes, coordinate stakeholders, and ensure that regulatory and planning functions are exercised consistently and effectively. By engaging entity governments as reform enablers rather than passive regulators, MEG 3 aims to bridge the vertical gap between policy and practice. This strategic engagement will help create a supportive institutional environment in which local governments can thrive, reforms can be sustained, and the water sector can evolve toward greater professionalism, equity, and accountability. Finally, their ability to assume full stewardship of MEG systems and practices by 2030 will be a key measure of the Project's legacy and transformative impact.

Entity-level ministries responsible for local governments, namely the **Ministry for Administration and Local Self-Government in Republika Srpska and the Federal Ministry of Justice** hold formal mandates to influence local governance systems, but their potential is constrained by fragmented authority, limited strategic capacity, and an unfavorable political climate. In the Federation, where responsibilities lean more toward regulatory oversight than proactive policy shaping, institutional inertia and lack of cohesive reform vision further dilute their impact. MEG 3 will help reposition these institutions as strategic enablers by strengthening their analytical and facilitation capacities, establishing structured multi-level policy dialogue platforms, and creating pathways for local government performance data to inform and legitimize reform priorities. Through this, the Project seeks to elevate their role from passive regulators to active brokers of systemic change.

Entity-level ministries responsible for water sector reform, i.e. the Federal Ministry of Agriculture, Water Management and Forestry and the Ministry of Agriculture, Forestry and Water Management in Republika Srpska, are central actors in shaping the legal, policy, and institutional frameworks that govern water and wastewater services. These ministries hold executive authority to develop and implement sectoral strategies, adopt bylaws, and oversee the functioning of water agencies, inspectorates, and related institutions. Their mandates position them as key drivers of reform, with the capacity to translate entity-level programs into actionable guidance for municipalities and utilities. In MEG 3, these ministries will continue to play a pivotal role in institutionalizing reform tools and practices developed through earlier phases of the Project. Their endorsement and integration of benchmarking systems, Public Service Agreements, and performance-based planning instruments will be essential for scaling reforms and embedding them within country systems. However, previous experience has shown that their capacities vary, particularly in areas such as strategic planning, regulatory development, and monitoring. MEG 3 will provide targeted support to strengthen these functions, enabling ministries to lead reform implementation more effectively and ensure consistency across jurisdictions. By engaging entity ministries as reform implementers, not just policy originators, MEG 3 will help close the gap between strategic intent and operational delivery. Their active participation will be critical to ensuring that water sector reform is coherent, enforceable, and aligned with broader development and EU integration agendas.

The Public Administration Reform Coordinator's Office (PARCO) is a strategically positioned stakeholder for MEG III, particularly in relation to the institutionalization and scale-up of CAF as a performance management and quality assurance tool in local governance. With its mandate to coordinate public administration reform across all levels of government, PARCO offers a unique entry point for embedding CAF within broader administrative modernization efforts, including EU accession-related reforms and civil service professionalization. Although its operational engagement with local governments has been limited, PARCO's convening role and technical orientation make it well-suited to support the standardization, certification, and dissemination of CAF practices. MEG 3 will continue to engage PARCO through targeted dialogue, joint capacity-building initiatives, and alignment of CAF implementation with national PAR strategies. This partnership will help promote CAF as a country-wide recognized instrument for institutional performance, contributing to improved service delivery, transparency, and accountability across Bosnia and Herzegovina's public administration system.

The entity **Civil Service Agencies (CSAs) of the Federation of BiH and Republika Srpska** are key institutional stakeholders in advancing professional and accountable public administration in Bosnia and Herzegovina. Under the MEG 3 project, they are envisioned to serve as resource centers for the implementation of the

CAF4LG, as a standard for total quality management, integrating the good governance principles and specific performance-management system benchmarks. Their participation aligns closely with their legal mandates and strategic priorities, offering an opportunity to expand their technical role in institutional capacity building and strengthen their visibility within the broader public administration reform agenda. In the politically complex and decentralized governance context of BiH, CAF4LG represents a politically neutral and practical approach to depoliticizing performance management and fostering a culture of continuous improvement at the local level. The project will leverage their institutional legitimacy, technical expertise, and experience with donor-supported reform efforts. However, several risks must be considered, including potential political interference and limited operational capacity. These risks will be mitigated through clear role definitions, targeted capacity-building support, parallel implementation tracks with occasional joint learning exchanges, and integration of CAF activities into CSA work plans to ensure long-term sustainability. By engaging CSAs as core partners, the Project can institutionalize CAF4LG as a locally anchored, credible mechanism for improving the performance of local governments across the country.

Cantonal authorities, endowed with concrete mandates and fiscal responsibilities related to local governance, are pragmatically motivated to enhance service delivery outcomes at the municipal level, which they co-finance and help regulate. Positioned between local governments and entity-level structures in the Federation, and depending on their level of engagement and political will, cantons can serve as reform accelerators or blockers, using their administrative proximity and policy discretion to drive or obstruct reforms and incremental improvements. They can also ensure contextual relevance of governance frameworks, within the frames of their constitutional jurisdiction. Despite this potential, cantonal influence remains underutilized due to uneven institutional capacities, limited coordination across cantons, and variable commitment to sectoral reform. MEG 3 will work to engage cantonal governments more strategically, strengthening their planning, regulatory, and oversight functions, and fostering inter-cantonal dialogue to ensure more coherent and context-sensitive reform implementation. Their active participation will be key to sustaining municipal progress and embedding reform within the broader governance fabric of the Federation.

The water agencies, AVP Sava and AVP Jadran in FBIH, and Vode Srpske in Republika Srpska, are key institutional actors responsible for integrated water resource management within their respective jurisdictions. Their mandates include planning and oversight of water use, flood protection, and infrastructure development, as well as coordination with municipalities and utilities on water and wastewater service delivery. Positioned between policy-making institutions and service providers, these agencies have the technical authority and territorial reach to influence both strategic planning and operational implementation. In MEG 3, the role of water agencies will be critical in translating entity-level reform programs into actionable, locally adapted interventions. Their involvement in planning, data collection, and performance monitoring will support the institutionalization of benchmarking systems and help ensure that infrastructure investments are aligned with regulatory standards and environmental priorities. Moreover, their technical expertise and basin-level perspective make them valuable partners in promoting regional coordination and resilience, especially in areas vulnerable to climate and water-related risks. However, the agencies' potential remains partially untapped due to fragmented mandates, limited integration with municipal planning processes, and uneven engagement in reform initiatives. MEG 3 will seek to strengthen their institutional capacities, clarify their role in service oversight, and foster closer collaboration with local governments and entity ministries. By doing so, the Project will help position water agencies as proactive facilitators of reform, bridging the gap between policy frameworks and on-the-ground service improvements, and contributing to a more coherent and sustainable water governance system across Bosnia and Herzegovina.

Local government water utilities are pivotal actors in delivering essential public services, yet their transformative capacity is constrained by chronic underfunding, low organizational maturity, and persistent political interference. While many utilities express genuine interest in improving operational efficiency and service quality, inherited management practices and politicized employment and tariff-setting policies often inhibit modernization. MEG 3 recognizes both the potential and the structural vulnerabilities of these entities. Through targeted interventions in performance benchmarking, capacity development, and depoliticization of governance functions, the Project will support utilities in adopting performance-based management systems, optimizing staffing and financial practices, and professionalizing service delivery. By doing so, the Project aims to position utilities as proactive reform agents within the local governance ecosystem.

Citizens remain central to any democratic local governance system, yet political disillusionment, weak participatory infrastructure, and limited civic empowerment have eroded public trust and dampened their active engagement. Despite this, experience shows that when citizens, especially women and the marginalized, are meaningfully included in decision-making processes anchored in shared community values, their responsiveness and commitment to change increase substantially. MEG 3 will address the dual challenge of citizen apathy and structural exclusion by promoting inclusive and already developed platforms[4] for participatory governance, strengthening governance and integrity of local administration, fostering a culture of active citizenship and linking citizen voice to measurable governance improvements.

Associations of Municipalities and Cities (AMCs) hold a legitimate mandate to represent local governments and have vetted potential to influence policy reform through collective voice and coordinated action. In Bosnia and Herzegovina's fragmented and politically sensitive environment, AMCs offer a rare institutional platform for horizontal consensus-building across all local governments. However, their effectiveness is constrained by limited technical and operational capacity, and uneven political traction. MEG 3 will strategically engage AMCs to amplify reform momentum by strengthening their Secretariats' ability to aggregate and advocate member priorities, leveraging expert commissions to provide grounded inputs into legislative processes to generate cross-entity support for sectoral change. Through this, AMCs can evolve from facilitators of good practice exchange into influential brokers of policy advocacy and institutional legacy.

Professional networks in the water sector, including both the Association of water utilities Republika Srpska and the Association of Employers in Communal Affairs of the Federation of Bosnia and Herzegovina, represent an essential reform asset with growing influence in policy advocacy, technical capacity-building, and sectoral coordination. They demonstrated commitment as credible partners capable of bridging institutional gaps and fostering cross-government dialogue. MEG 3 will build on this momentum by consolidating their role as reform intermediaries, strengthening their institutional voice, and ensuring they are embedded in policy drafting and regulatory consultations through formal collaboration with entity-level Working Groups. By enabling these networks to operate as co-drivers of sectoral change, MEG 3 will enhance their legitimacy in the reform process across Bosnia and Herzegovina.

Young water professionals represent a vibrant and forward-thinking force within the MEG 3 partnership framework, particularly through their official recognition in both associations of water utilities in Republika Srpska and the Federation of Bosnia and Herzegovina. Their innovative approaches, commitment to sustainability, and fluency in modern technologies and practices inject renewed energy into MEG's reform initiatives and legacy-building efforts. By actively engaging in MEG supported policy dialogue platforms, capacity development programs, and operational enhancements, these emerging leaders help bridge the gap between traditional approaches and modern forward looking best practices. Their structured involvement within MEG 3 activities not only enhances institutional adaptability but also reinforces intergenerational collaboration, by linking experienced practitioners with a new wave of talent. This deliberate integration within the Project's design contributes directly to the resilience, scalability, and continuity of systemic reforms, ensuring long-term impact beyond Project cycles and governance transitions.

[4] In addition to proprietary eCitizen platform, MEG 3 will promote relevant and functioning platforms developed by other projects implemented by UNDP or other stakeholders (e.g. MZ platforms, existing digital platforms and services).

Donor agencies and international financing institutions, including the World Bank, European Union, EBRD, EIB, SDC/SECO, the Czech Development Agency, and the Government of Sweden, play a pivotal role in Bosnia and Herzegovina's water sector reform ecosystem. Their influence extends beyond financial support to shaping policy direction, providing technical expertise, and driving systemic transformation through performance-based investment frameworks. Increasingly, donor assistance is tied to results-oriented conditions, requiring governments to meet agreed reform targets and demonstrate measurable progress. MEG 3 actively aligns with this shift by embedding robust monitoring, benchmarking, and accountability mechanisms that create an enabling environment for strategic donor engagement. Central to this alignment is the growing role of the Water Alliance, a cross-entity platform that convenes key decision makers and sector stakeholders around shared standards and reform tools. The Alliance serves as a key institutional partner in promoting benchmarking, peer learning, and the uptake of MEG-developed instruments. Its credibility and convening power make it an indispensable bridge between donor priorities and domestic implementation, helping translate external support into locally owned, scalable change. By reinforcing country systems and anchoring reform within professional networks like the Water Alliance, MEG III enhances the legitimacy, traction, and sustainability of donor-supported interventions. The Project thus positions itself not only as a technical platform, but as a strategic conduit through which government commitments and donor objectives are harmonized, ensuring long-term resilience and transformation of the water governance landscape.

Within MEG's inclusive reform architecture, the **private sector** is a strategically relevant stakeholder, both as a beneficiary of improved services and as a potential catalyst for innovations, expected investments and local economic development. Businesses rely on reliable water and sanitation services to operate efficiently, and their collective demand, feedback, and advocacy can significantly influence service performance and accountability. Beyond this, the private sector holds untapped potential to contribute directly to infrastructure development, particularly through public-private partnership (PPP) models in wastewater treatment. MEG 3 will promote PPPs as means to mobilize private capital, technical expertise, and operational efficiency in the construction, upgrading, and management of wastewater treatment plants. These partnerships can help municipalities overcome fiscal and capacity constraints while ensuring compliance with environmental standards and EU directives. By structuring PPPs around clear performance benchmarks, risk-sharing mechanisms, and transparent contractual arrangements, the Project would strive to create a viable framework for sustainable private sector engagement. The Project will also engage chambers of commerce, utility associations, and the Water Alliance to foster dialogue between public and private actors, ensuring that PPPs are not only technically sound but also socially responsive and locally anchored. Through this approach, MEG 3 positions the private sector as a co-architect of reform, helping drive service improvements, stimulate innovation, and reinforce the long-term sustainability of water and wastewater infrastructure.

Civil society organizations (CSOs) are also potentially vital partners in MEG's inclusive governance approach, serving as watchdogs, facilitators, and amplifiers of citizen voice in the reform process. Their proximity to communities and ability to mobilize public engagement make them key actors in promoting transparency, accountability, and equitable service delivery. MEG 3 will try to engage CSOs in areas such as participatory planning and budgeting, monitoring of utility performance, and advocacy for enhanced water services, gender and social inclusion. By strengthening their capacities and integrating them into local governance platforms, the Project reinforces bottom-up legitimacy and ensures that reform outcomes reflect diverse community needs. CSOs also play a bridging role between citizens, local governments, and higher-level institutions, helping translate policy into practice and fostering a culture of civic oversight and collaborative problem-solving.

Simultaneously, the **media** plays a vital enabling role in MEG's local-level reform strategy. By fostering transparency, raising awareness, and amplifying citizen voices, media outlets contribute to stronger public accountability and more people-cantered service delivery. MEG will leverage this influence by engaging media platforms in advocacy efforts, participatory campaigns, and reform storytelling, ensuring that sectoral improvements are not only implemented, but understood, supported, and sustained through public buy-in.

The target groups include:

Direct Project beneficiaries	
Local governments	
Total number of local governments Number of local governments participating in the Project Share of total local governments participating	145 ca 25 Up to 17%
Local utilities' leaders and staff	
Number of water utilities' management and staff engaged in the Project	150
Partner institutions	
Number of cantonal ministries participating in the Project	6
Number of entity ministries participating in the Project and benefitting from capacity development	4
Number of state-level institutions participating in the Project	3
Citizens	
Number of citizens benefitting directly from improved local services as result of the Project assistance	At least 8,000
Number of vulnerable/socially excluded citizens in target localities benefitting directly from improved access to safely managed drinking water services and quality of local services	At least 2,000

3.4. Strategic partnerships and synergies with other development interventions

MEG 3 will continue to serve as a cornerstone of the Joint Vision for advancing water supply and wastewater management services reform in Bosnia and Herzegovina (2021–2028), a framework co-developed by key international partners including the World Bank, EU Delegation, Swiss and Swedish Governments, UNDP, and relevant domestic government authorities. Building on its established credibility and reform traction, MEG 3 will deepen its strategic partnerships to ensure coherence, complementarity, and maximized impact across donor-supported interventions. The Project will maintain its role as a reform enabler, preparing institutional ground, facilitating policy dialogue, and strengthening capacities of both local and higher-level stakeholders, simultaneously aligning with investment and policy reform efforts led by other actors.

A particularly strong synergy will be maintained with the World Bank's Water Supply and Sanitation (WSS) Services Operation, which complements MEG 3's governance and capacity-building focus with targeted financial incentives and infrastructure investments. MEG 3 will continue to support the establishment and operationalization of various higher level working groups and policy bodies, which would be tasked with advancing regulatory reforms.

At the local level, the Project's work on utility professionalization, benchmarking, and performance-based governance will directly contribute to informing the World Bank's selection of LGs for potential investment support, with preferential status given to MEG partner municipalities demonstrating strong reform results. Both interventions will apply a harmonized set of performance indicators, linked to the benchmarking system data, to guide technical assistance and policy recommendations. The Project will leverage the participation and engagement mechanisms created at the level of local communities (MZ) as well as existing digital platforms in local governments.

Coordination will be pursued with the SDGs2BIH initiative, financed by Sweden, to support the implementation of the SDGs Framework in Bosnia and Herzegovina 2030 through localizing the SDGs. Synergies will be applied with the Green Transition Portfolio, at both policy and local levels.

Through these strategic partnerships, MEG 3 will not only amplify its impact but also contribute to a more harmonized, resilient, and reform-oriented development landscape in Bosnia and Herzegovina.

3.5. RISKS AND ASSUMPTIONS

The overall risk assessment of the MEG programme is **moderate**, reflecting a combination of social, environmental, strategic, institutional, and financial factors. Social and environmental risks relate to varying capacities and readiness among partner local governments to adopt and sustain reforms. Strategic and stakeholder engagement risks arise from limited coordination, uneven partnerships, and fluctuating buy-in from key actors. Regulatory risks include potential changes in legislation or misalignment with national frameworks. High turnover of government officials and variable political commitment can disrupt continuity and programme implementation, while institutional and execution risks stem from limited analytical, monitoring, and operational capacities within MEG and partner institutions. Financial risks, including delays or unpredictability in cash flows, may further constrain programme delivery and the achievement of intended results. The consolidated list of risks with their impacts and treatments, is provided in the Annex 1

In identifying potential risks for the MEG 3 Project, UNDP has looked into a wide array of risk categories including social, environmental, financial, operational, organizational, political, and security risks. In assessment of the potential Project risks, UNDP applies several risk screening and due diligence tools such as HACT, Security Risk Analysis, and Social and Environmental Screening Procedures to capture risks that might otherwise be overlooked.

Building on the Copenhagen Risk Cycles, MEG 3 also looks into the risks across three interlocking categories: contextual risks (external factors like political instability, natural hazards, depopulation), programmatic risks (challenges in design or implementation, behavioural inertia, delays in regulatory frameworks), and institutional risks on the side of project partners (e.g. internal capacity gaps, weak internal controls, funding shortfalls) and project implementer (e.g. analytical function that include project monitoring, risk assessment, and learning capacities) . MEG3 applies a continuous process of identifying and assessing risks within those circles, responding with mitigation measures, monitoring progress and learning from emerging issues. This structured and adaptive approach ensures MEG3 remains able to anticipate and adjust to uncertainties, thereby strengthening resilience, sustaining reform momentum and protecting achievement of outcomes despite evolving conditions. To ensure a diversity of perspectives in identification of risks, UNDP involves key stakeholders, internal programme and operational experts, external partners, and affected communities, ensuring that risks are fully understood and owned by those involved.

The context in which MEG 3 was designed has laid the groundwork for identifying both internal and external risks that may impact Project implementation and success. Internally, the Project faces potential organisational risks such as knowledge and capacity gaps among MEG 3 staff, partners, local governments and utilities, which could hinder the effective adoption of CAF-based Total Quality Management and slow improvements in water service delivery. Furthermore, the potential for inadequate management or oversight of partnerships with government institutions, utilities, and CSOs could result in misaligned objectives, duplicated efforts, and reputational risks. The threat of prohibited practices such as fraud, corruption or misuse of funds in a complex multi-stakeholder environment could also disrupt activities and harm the credibility of UNDP and its partners. Finally, there is a risk that delays or reductions in government co-financing could create budget shortfalls requiring revisions to scope or timelines.

Considering the findings of the final project evaluation in relation to the Project's adaptability and strategic management, in this phase particular attention will be given to enhance the Project's analytical and learning functions as well as regular feedback sharing with the stakeholders. This will facilitate early identification and management of project complexities as well as more consistent and proactive management of stakeholder expectations.

Externally, the Project operates in a highly decentralised and asymmetric governance system spanning state, entity, cantonal and municipal levels, which poses challenges for coordination, coherence and harmonised implementation of local governance and water sector reforms. Political instability, institutional turnover and legislative or regulatory delays may stall reform momentum and slow the adoption of MEG-supported tools and practices. At the local level, reluctance to behavioural change by municipal leaders, staff and citizens can impede the professionalisation of administrations and the linking of performance to decision-making. Depopulation and migration may further erode human capital and local economies, undermining service delivery and reform sustainability.

CEDRIG Operational

Risk and impact perspective of project on climate change, environment and disaster risk reduction is analysed through SDC`s Climate, Environment and Disaster Risk Integration Guidance (CEDRIG). Analysis confirmed that implementation of the project activities is exposed to high risk of floods, flesh floods, mudslides and landslides. On the other side, implementation of the project will have low to medium impact on increase of the GHG emissions and environmental pollution, and worsening risk perspective in specific localities. To address both, specific mitigation measures are identified and integrated into the project strategy.

Addressing these potential risks through strategic planning, continuous monitoring, institutionalisation of reforms, capacity-building and robust mitigation measures is crucial to ensuring MEG3's overall performance and successful implementation.

The risks of the MEG 3 Project are identified and analysed in Project Risk Register (Annex 1). to the Project Document), which also includes a detailed outline of risk mitigation measures, timelines and responsibilities for the Project risk management. The Project Risk Register shall be submitted to and approved by the Project Appraisal Committee (PAC), as an annex to the Project document. The Project Risk Register must then be regularly monitored, maintained and updated in UNDP corporate Quantum system for the duration of the Project, and no less than once a year during the Project implementation.

Social and Environmental Risks

UNDP's Social and Environmental Standards (SES), are central to integrating sustainability into its programs, portfolios and projects. These standards aim to strengthen program quality, maximize positive social and environmental outcomes, and manage potential risks. The SES also ensure robust stakeholder engagement, including mechanisms for grievance resolution and compliance reviews to address any breaches of the standards. Supported by tools like the Social and Environmental Screening Procedure (SESP), the SES form a critical part of UNDP's approach to quality assurance and risk management, helping to foster sustainable development across all initiatives.

No MEG 3 activities that may cause adverse social and environmental impacts are to proceed until assessments are completed and appropriate mitigation and management measures are in place.

The Project highlights several social and environmental risks that could potentially affect vulnerable groups, habitats, and ecosystems. Key risks include the potential exclusion of women, youth, and minority groups from critical decision-making processes, and the potential failure of duty bearers to uphold human rights, particularly for marginalized populations like the elderly, low-income households, and persons with disabilities. The Project also envisages societal resistance to adopting green lifestyles and innovative approaches, which could slow necessary changes. Detailed analysis of the Project's potential social and environmental risks, the required social and environmental assessments, categorisation and management measures are outlined in Annex 4 Social and Environmental Screening Template.

Implementation and monitoring of all risks identified for the MEG 3 project, and corresponding mitigation measures are required throughout the life-cycle of the Project. Certain circumstances might require the revision of the completed design-stage screening. These include but are not limited to: (a) where new information becomes available such as through a social and environmental assessment, (b) where there are substantive changes to the Project intervention (e.g. changes in design, additional components), or (c) where changes in the Project context might alter the Project risk profile. If the revised screening results in a higher risk category, then the revised SESP needs to be reviewed by the Project Governance or a subsequent PAC process. The Project Risk Register will be updated accordingly to reflect any change to the Social and Environmental Risks identified during the Project implementation.

Risk responsibilities and ownership

All risks identified for the MEG 3 Project will have a designated Risk Owner, the individual who is ultimately accountable for ensuring the risk is managed appropriately. Risk Owner and Treatment Owners are recorded in the Project Risk Register (Annex 1 to the Project document), which also includes treatment activities and deadlines for their implementation. The Risk Owner and Treatment Owner may or may not be the same individual. Risk Ownership is assigned based on the accountability for managing the risk, noting that many people may need to be involved.

Risk escalation

Not all risks can be managed at the Project level for which they were identified. A risk is escalated when circumstances pertaining to the treatment itself may exceed the authority/mandate or expertise of the Risk Owner. The escalation of the risk and the change of ownership must be noted in the Risk Register. If and when escalation is urgent, risk transfer should be completed within 24 hours, and it is acceptable to communicate escalation using phone or e mail and update the Risk Register afterwards. Escalation follows the applicable line management, i.e. from project to programme to relevant Bureau and ultimately to the UNDP's corporate level.

Key assumptions:

Political and Institutional Commitment. Senior officials at state, entity, and cantonal levels actively endorse and prioritize the modernization of local governance and water sector reforms, including allocating adequate budgets and approving implementation plans for CAF adoption, performance-based management, and participatory governance mechanisms.

Policy and Regulatory Alignment. Municipal and sectoral policies, by-laws, and regulations explicitly incorporate CAF-based Total Quality Management principles, benchmarking standards, and participatory governance requirements. EU water directives, BiH SDG targets, and gender-responsive service delivery guidelines are systematically reflected in local and entity-level operational frameworks.

Institutional Capacity and Engagement. Local governments and utilities assign dedicated teams to implement CAF and performance-oriented reforms, participate in knowledge exchange platforms, and integrate project tools (e.g., monitoring dashboards, benchmarking systems) into routine operations. Cantonal and entity-level authorities provide technical guidance, oversight, and support to municipalities and utilities in operationalizing reforms and tracking performance improvements.

Functional Vertical and Horizontal Coordination. Cross-level coordination mechanisms (committees, working groups, inter-agency forums) operate regularly, produce joint action plans, and monitor implementation of CAF-based reforms and water sector policies across municipalities and utility providers. Horizontal networks among municipalities and utilities actively share lessons learned, performance data, and best practices, fostering peer-to-peer learning and continuous improvement.

Citizen Engagement and Social Inclusion. Citizens, including women, youth, ethnic minorities, persons with disabilities, and other marginalized groups, are empowered to participate in monitoring services, co-designing solutions, and influencing decision-making through structured participatory platforms. Public trust in local governments and utilities increases, leading to active feedback, higher compliance with service regulations, and greater demand for accountable, inclusive governance.

Sustainability and Evidence-Based Practice. CAF adoption, benchmarking, and knowledge-exchange practices are institutionalized within local government routines, ensuring reforms are maintained and continuously improved beyond project support. Data generated through monitoring systems, assessments, and performance indicators is regularly used to inform policy, operational decisions, and resource allocation.

3.6. Digital Solutions

The Project will actively promote and integrate digital tools and platforms to enhance institutional capacities and service outcomes. This includes the CAF digital platform, supported through the design and rollout of user-friendly toolkits, including training programs and manuals, to ensure local government practitioners can effectively utilize the tool for self-assessment and performance improvement.

Further, the MEG Project will deepen digitalization in public service delivery through multiple targeted interventions including the introduction and expansion of the eCitizen platform across partner local governments to promote citizen-centric, accessible services, and the development of GIS web portals and e-service platforms for top-performing municipalities, enhancing transparency, operational efficiency, and citizen engagement. Under its water sector reform agenda, the Project will also support the digitization of communal services and promote the use of performance-based digital benchmarking tools for water utilities, aligned with EU standards. Through the Water Academy and the Young Water Professionals (YWP) program, the Project will ensure that digital skills and literacy are continuously built and transferred across generations of public servants. By embedding digital solutions into governance and service delivery structures and practices, the MEG Project not only boosts efficiency and accountability but also strengthens resilience, adaptability, and citizen trust in public institutions.

It is important to note that key principles to guide the Project's work on digital solutions are vertical connectivity and interoperability of processes and products, fostering a cohesive and inclusive approach to social service delivery across multiple government levels. By ensuring that digital processes and products are seamlessly connected, the Project supports the development of systems that are scalable, sustainable, and responsive to the needs of diverse stakeholders.

As owner of source code for any digital product to be created under the Project, UNDP will transfer this ownership to relevant partner institutions. This approach not only eliminates the need for licensing fees, thereby reducing the financial burden on host institutions, but also enhances institutional autonomy, fosters local capacity development, and promotes organizational effectiveness and efficiency in the delivery of public services. To address the concern of potential disbalanced and uncoordinated development between the entities, the Project will ensure harmonized planning and implementation across both entities, with mechanisms for joint coordination and monitoring to safeguard coherence and equity in future reforms.

3.7. COMMUNICATION AND KNOWLEDGE MANAGEMENT

The project will develop and follow a structured Communication Strategy which will serve as a strategic guideline for communication of the project's accomplishments within the scope of implementation of the MEG third phase. Communication and Visibility Guidelines, to be developed together with the Strategy, will ensure that the branding policies and requirements of the respective donors are fully implemented.

Visibility, media-presence and public information sharing of project activities and achievements will be ensured on a regular basis by the UNDP through press events, promotional and information materials, and photo and video stories.

Through the implementation of the Communication Strategy, the Project intends to raise awareness of project activities, encourage further interaction with stakeholders in Bosnia and Herzegovina and disseminate knowledge and information. The visual identity of the donors will be visibly displayed on all locations, events and materials. In designing visibility materials, the Project will prioritize the use of digital media to reduce its environmental footprint as much as possible.

Knowledge management will be a core cross-cutting component of the Project, aimed at ensuring that lessons learned, tools developed, and innovations introduced are systematically captured, shared, and institutionalized. MEG3 will build on the knowledge base established during the previous phases, including developing standardized toolkits, training materials, and digital platforms to facilitate knowledge exchange among partner municipalities, their utility companies and other stakeholders. The project will promote a culture of learning by organizing thematic workshops, study visits, and communities of practice, while also encouraging horizontal learning and replication of successful models (e.g. through the Water Academy). Special emphasis will be placed on integrating knowledge products into existing institutional systems, such as the training system for local governments (operated by entity civil service agencies and the Association of Municipalities and Cities, association of water utility companies, etc.), ensuring their sustainability beyond the life of the project.

3.8. SUSTAINABILITY AND SCALING UP - EXIT STRATEGY

Over nearly a decade, MEG has demonstrated that performance-based governance and inclusive water service delivery are not only feasible in Bosnia and Herzegovina’s complex institutional landscape but that they are scalable, impactful, and transformative. The closing stage of MEG is therefore not about winding down activities, but about anchoring them within domestic systems, ensuring that the tools, practices, and partnerships cultivated through the Project endure beyond its lifespan.

As the MEG Project enters its third and final phase, the development of a robust and forward-looking exit strategy becomes imperative to ensure that domestic institutions are fully capacitated to take over the project results and sustain reforms. MEG 3 will be positioned as a strategic enabler and bridge builder, supporting domestic institutions to assume full ownership of the tools, systems, and practices that have been developed and refined over nearly a decade.

The cornerstone of this exit strategy, which is to be developed collaboratively through a participatory process involving key institutional partners and relevant stakeholders in the first 6 months of the project implementation, is the institutional anchoring of MEG’s core instruments (such as performance management systems, benchmarking platforms, CAF for LGs, FOPIP methodologies, and inclusive governance tools) within the mandates and operational frameworks of governance actors at all levels: state, entity, cantonal, and local. Once the final exit strategy contents are agreed, it will be formally endorsed by all relevant institutions. MEG 3 will facilitate this transition by delivering structured and targeted capacity development to civil service agencies, relevant line ministries, and cantonal and municipal administrations. These efforts will equip institutions with the technical capabilities and procedural clarity needed to maintain, adapt, and expand performance-based governance and service delivery models independently.

Recognizing that line ministries hold formal mandates for policy oversight, MEG 3 will also address the institutional limitations observed in previous implementation cycles, especially the challenges in maintaining reform continuity and operationalizing new frameworks. The Project will work to strengthen the strategic and operational capacities of these ministries, enabling them to provide consistent guidance, monitor implementation, and foster interinstitutional cooperation. This includes facilitating inter-entity strategic dialogue, encouraging entity governments to assume a more proactive role in shaping and coordinating sectoral development.

Ultimately, MEG 3 exit strategy is not a conclusion, but a handover. It marks the transition from donor-led reform to domestically sustained transformation, which is anchored in institutions, driven by local ownership, and designed to endure. Through this approach, MEG 3 will leave behind not just improved services and governance systems, but a resilient foundation for continued progress across Bosnia and Herzegovina.

3.9. TRANSVERSAL THEMES

Bridge building and sustainable reform

In its previous phases MEG laid the groundwork for bridge-building by creating structured spaces for dialogue, cooperation, and mutual accountability across governance levels. Through the introduction of benchmarking, Public Service Agreements, and participatory budgeting, the Project fostered new relationships between local governments, utilities, citizens, and oversight bodies. Peer learning platforms, joint training sessions, and performance-based incentives encouraged municipalities to collaborate rather than compete, while engagement with entity institutions and cantonal authorities helped align local reforms with broader policy frameworks. Importantly, MEG 1 and 2 demonstrated that trust and transparency, when paired with credible data and inclusive processes, can transform fragmented governance environments into reform-ready ecosystems. MEG 3 builds on this legacy by deepening institutional linkages and expanding the reach of bridge-building mechanisms across sectors and jurisdictions.

MEG 3 is thus designed not only as a technical reform initiative, but as a platform for bridge-building, connecting institutions, communities, and sectors across Bosnia and Herzegovina's fragmented governance landscape. In line with strategic orientation, MEG 3 embraces bridge-building as both a method and a mindset: fostering trust, dialogue, and cooperation among actors who may be divided by administrative boundaries, political affiliations, or institutional mandates.

At its core, bridge-building in MEG 3 means working across divides, between municipalities and higher levels of government, between utilities and users, between elected officials and civil servants, and between public institutions and civil society. The Project creates structured opportunities for these actors to engage in joint problem-solving, peer learning, and performance-based collaboration. It recognizes that sustainable reform requires not only technical solutions, but also relational infrastructure: trust, legitimacy, and shared ownership of change.

MEG 3 operationalizes bridge-building through several key mechanisms. The benchmarking system enables municipalities and utilities to compare performance, share practices, and engage in constructive competition. The Water Alliance serves as a cross-entity professional platform that connects utilities, practitioners, and policymakers around common standards and reform tools. Intermunicipal cooperation is promoted to address shared service challenges and foster solidarity among under-resourced communities. The Project also invests in councilor engagement, recognizing elected bodies as both potential reform blockers and powerful enablers of citizen accountability.

Importantly, MEG 3's bridge-building approach is grounded in country systems and institutional mandates. It works through existing structures, such as entity ministries, cantonal governments, water agencies, and civil service bodies, while enhancing their capacity to coordinate, regulate, and support local-level reform. By doing so, the Project avoids parallel systems and reinforces domestic legitimacy.

Ultimately, MEG 3 views bridge-building not as a separate activity, but as a strategic posture, a way of working that prioritizes connection over fragmentation, dialogue over division, and shared progress over isolated success. In a context marked by institutional complexity and political sensitivity, this approach is essential for achieving the Project's vision: resilient, inclusive, and accountable local governance that endures beyond donor cycles and contributes to long-term peace and development.

The project is designed to avoid unintended negative effects on peace and conflict dynamics by promoting transparent, inclusive, and equitable service delivery that reduces, rather than reinforces, existing social tensions. Its emphasis on participatory decision-making, conflict-sensitive planning, and strengthened cooperation between institutions and communities helps ensure that interventions do not exacerbate grievances but instead support local stability and social cohesion.

Advancing gender equality and social inclusion

MEG 3 places gender equality and social inclusion at the heart of its governance reform agenda, not as a standalone component, but as a cross-cutting imperative that shapes how institutions function, how services are delivered, and how citizens engage. In a context marked by institutional fragmentation and social disparities, MEG 3 recognizes that inclusive governance is not only a matter of equity, but a prerequisite for legitimacy, resilience, and sustainable development.

A mapping of social services conducted in 9 underdeveloped local governments by UNDP in 2023 indicated that only 50% of services were provided by the public sector, while the rest of the service providers at the local level were mainly local civil society organizations that received funding from public budgets on a project basis, which significantly undermines continuity and sustainability of service delivery.[5] It also revealed disparities in the coverage and quality of basic services across different local governments or cantons, indicating uneven development and resource allocation. This particularly concerns vulnerable populations, such as the elderly, children with disabilities, single parents and chronically ill patients, who may not be receiving adequate care and support.

MEG 1 and 2 laid a strong foundation for integration of gender equality and social inclusion into all project-supported local governance processes and service delivery mechanisms. Through participatory budgeting, citizen engagement platforms, and targeted capacity development, the Projects elevated the voices of women, youth, and marginalized groups in municipal decision-making. Gender-disaggregated data and social

[5] Mapiranje usluga socijalne pomoći i podrške u 9 jedinica lokalne samouprave | United Nations Development Programme (undp.org)

inclusion indicators were introduced into benchmarking and planning tools, enabling municipalities to better understand and respond to diverse community needs. Public Service Agreements were adapted to reflect equity goals, and elected officials, particularly councilors, were engaged in dialogue on inclusive service provision and accountability.

These efforts informed a small shift in institutional mindsets of local governments, demonstrating that inclusive governance is not only possible but beneficial, leading to more responsive services, stronger citizen trust, and improved performance outcomes.

The Project's strategy to integrating gender equality and social inclusion includes three interlinked pillars: institutional mainstreaming, inclusive service delivery, and empowered citizen engagement.

- **Institutional mainstreaming** involves embedding gender equality and social inclusion considerations into municipal planning, budgeting, and performance management systems. This includes the use of gender- and inclusion-sensitive indicators in benchmarking and the adoption of inclusive governance tools such as CAF4LG.
- **Inclusive and rights-based approach to development and service delivery** focuses on ensuring that water and wastewater services are accessible, affordable, and responsive to the needs of all citizens, especially those who are often excluded, or even discriminated, due to gender, age, disability, ethnicity, or socio-economic status. MEG 3 promotes equity-based tariff structures, inclusive infrastructure design, and targeted outreach to underserved communities. Formal introduction of water supply subsidies by duty bearers contributes to alleviating poverty and ensuring rights for the most vulnerable in target communities.
- **Empowered citizen engagement** strengthens the role of civil society organizations, community groups, and individual citizens in shaping local governance. MEG 3 supports participatory policy making and prioritization, public consultations, and feedback mechanisms that allow diverse voices to influence municipal priorities and hold service providers accountable.

Institutional Partnerships and Capacity Development

MEG 3 will work closely with municipal administrations, local councils, utility companies, and civil society actors to build capacity for GESI-sensitive governance. Training programs, peer learning exchanges, and tailored technical assistance will be provided to strengthen institutional awareness and operational competence. The Project will also engage entity-level institutions and cantonal governments to promote policy coherence and support the institutionalization of inclusive practices.

MEG 3 envisions a governance landscape in which gender equality and social inclusion are not add-ons, but integral to how institutions operate and how services are delivered. By embedding GESI into the DNA of local governance, the Project plans to contribute to a more just, resilient, and accountable public sector, one that reflects the diversity of Bosnia and Herzegovina's communities and responds to their evolving needs.

Overall, human-rights–based approach to development and service delivery applied by MEG ensures that water and wastewater services are accessible, affordable, available, and of acceptable quality for all, in line with the AAAQ framework of the broader Human Rights–Based Approach to Development.[6] By strengthening governance and improving service delivery, MEG 3 will help translate these principles into practice through

[6] The Human Rights-Based Approach to Development Programming: HRBA Toolkit | United Nations Development Programme

equity-oriented tariff structures, inclusive and climate-resilient infrastructure design, and proactive outreach to communities that have historically been excluded or discriminated against on the basis of gender, age, disability, ethnicity, or socio-economic status. The formal introduction of water-supply subsidies by institutional duty bearers directly supports poverty reduction and helps guarantee the rights of the most vulnerable, ensuring that essential services do not become a source of further inequality.

By fostering participation and empowerment of right holders, particularly among marginalized groups, MEG 3 ensures that community voices shape service improvements and that governance systems become more transparent, accountable, and responsive. Potential risks such as inadvertent exclusion or unequal benefit distribution are addressed through robust participatory mechanisms, targeted outreach, monitoring of social impacts, and accessible grievance-redress systems. At the same time, institutional duty bearers receive support to uphold their responsibilities through the practical application of the PLANET principles, namely participation, link to human rights obligations, accountability, non-discrimination and equality, empowerment and capacity development, and transparency, thus reinforcing a governance environment where human rights are protected and respected.

Climate and Environment

The Project's focus on enhanced management of water services directly supports climate and environmental protection by reducing water losses, improving efficiency, and minimizing the energy required for water treatment and distribution. By optimizing infrastructure, monitoring usage, and promoting conservation, MEG helps safeguard freshwater resources that are increasingly stressed by climate change. Better water management also reduces the risk of pollution and ecosystem degradation, supports climate-resilient communities, and lowers greenhouse-gas emissions associated with pumping and treating excess or wasted water. In this way, the project strengthens both environmental sustainability and long-term climate adaptation.

In line with the requirements of the EU Drinking Water Directive (2020/2184), the Project will also support the introduction of comprehensive risk analysis and risk management across the entire water supply chain in up to four pilot locations. This entails systematic identification of hazards, assessment of vulnerabilities, and implementation of preventive and corrective measures at each stage of the supply system, including abstraction, treatment, storage, distribution, and domestic installations. By embedding risk-based approaches into local governance and utility operations, the Project will strengthen compliance with EU standards, safeguard public health, and ensure that water services remain resilient, equitable, and sustainable for all citizens, particularly the most vulnerable.

IV PROJECT MANAGEMENT

4.1. COST EFFICIENCY

The Project is designed to deliver maximum results with available resources by building on proven models, leveraging institutional partnerships, and applying a performance-based approach to implementation. Drawing on lessons learned from previous phases, the Project prioritizes sustainability, scalability, and institutional ownership as key drivers of cost-effectiveness.

The Project's strategy is rooted in a differentiated, needs-based approach that tailors support to the developmental level of each partner local government and utility, which ensures that resources are allocated where they can generate the greatest impact. Underdeveloped local governments will receive foundational support, while advanced partners will benefit from targeted technical assistance and mentoring. This avoids a one-size-fits-all approach and maximizes the return on investment by aligning inputs with capacity and readiness.

To ensure quality and consistency, outsourcing of services under the Project will be based on competitive and open transparent processes, in line with UNDP's standards, policies and procedures, which recognize the benefits of effective competition.

MEG 3 is committed to using country systems wherever feasible, recognizing that this approach enhances cost-effectiveness, strengthens institutional ownership, and promotes long-term sustainability. By working through existing structures, such as the training departments of Civil Service Agencies, the capacity development mechanisms of the Associations of Municipalities and Cities, and established intergovernmental coordination platforms, the Project avoids duplication and reinforces domestic legitimacy. This principle extends beyond training to include planning, monitoring, and service delivery processes, ensuring that reform tools are embedded within the operational routines of partner institutions. Where country systems demonstrate readiness and reliability, MEG 3 will prioritize their use over parallel arrangements, thereby fostering alignment with national development strategies and contributing to the institutional resilience of Bosnia and Herzegovina's governance architecture.

Overall, the Project will adhere to the highest standards of transparency, accountability, and compliance with UNDP's rules and regulations. All partners will be selected through a fair and competitive process, ensuring equity and non-discrimination, with clear evaluation criteria. Rigorous due diligence will be carried out to assess the financial and operational capacity of grantees, ensuring they meet the necessary requirements for effective implementation. The process will prioritize transparency by keeping stakeholders informed about decisions, criteria, and the rationale behind funds awards. Additionally, where required, the endorsement of the Project Board will be sought for final approval, ensuring governance and alignment with Project objectives.

When funds (grant support) are transferred to local governments or other stakeholders as part of the efforts to strengthen the existing country's systems, the Project will apply the Harmonized Approach to Cash Transfers (HACT) Framework, with partners acting as Responsible Parties - entities accountable for achieving agreed results. Under HACT, assurance is ensured through risk-based measures such as partner capacity assessments, spot checks, programmatic visits, and audits to verify that funds are used as intended and results delivered. More details can be found at: https://popp.undp.org/financial-resources-management/financial-management-and-implementation-modalities/harmonized.

In cases of the Project's engagement with non-governmental partners, UNDP's Low Value Grant Agreements mechanism will be used, where assurance is maintained through upfront partner capacity checks, clear deliverables in grant agreements, and proportionate monitoring - such as financial spot checks and programmatic reviews - to ensure funds are used as intended and results achieved. For more details, visit: https://popp.undp.org/document/low-value-grants-undp-operational-guide.

In all the above cases, decisions on such engagements and any subsequent approval are subject of the Project Board deliberation.

All other third-party engagement will follow the UNDP Procurement Rules and Regulations, available at https://popp.undp.org/procurement.

The cost-effectiveness stemming from the project's results will also be measured by the readiness of the partner municipalities to attract and absorb funds from other sources that will bring them closer to the EU standards in water and wastewater management. The core of these funds is expected to come as a result of BiH's integration into the European Union. The experience of the neighboring Croatia shows that an overwhelming majority of funds invested into the rehabilitation and modernization of the water and wastewater services was made available by the EU. The access to those funds, however, required capacities for absorption, implementation, financial, data, and asset management, as well as more efficient legal reform in the sector. It also required reduction of administrative costs by the water utility companies, which was achieved by agglomeration and merging smaller companies into bigger ones. The result of this process was that local water utility companies have managed to absorb significant EU funds in the last six years to fund projects on the ground, to reduce the water supply losses, and to make their operations more cost-effective. This the path that is inevitable for Bosnia and Herzegovina in its integration to the EU, and the MEG 3 project will continue addressing the crucial needs providing tailor-made technical assistance, continued cooperation between local partners, and by facilitating key policy changes in the sector.

Cost efficiency is further enhanced through the use of existing domestic systems for training and capacity development such as training departments of the Civil Service Agencies and the training system within the Associations of Municipalities and Cities. This not only reduces duplication but also strengthens national institutions and promotes long-term sustainability. For further cost efficiency, the Project will, as appropriate and feasible, continue to utilize relevant existing training programs available through other interventions.

The Project will facilitate country-wide communication and coordination, adding value beyond micro- or even regional level coordination and networking efforts. It will also seek to achieve economies of scale in investments by matching strategically, where possible, financial development resources with other ongoing interventions in target localities. Finally, the Project will continue to leverage in-kind contributions from partners, such as venue hosting, hospitality, and transport for events and training; this principle will be applied as much as possible throughout the Project implementation.

The total Project budget amounts to USD 7,188,919.91, and the breakdown per donor is provided below:

Donor	Amount	%
Government of Switzerland	USD 3,998,586.59[7]	*43%*
Government of Sweden	USD 3,077,076.60	*55.5%*
Czech Development Agency	USD 113,256.71	*1.5%*
TOTAL	**USD 7,188,919.91**	***100%***

The Project budget is enclosed as Annex 2.

4.2. Project Duration

The Project is envisaged to last 48 months, starting on 1 March 2026 and ending on 28 February 2030.

4.3. Project Management

The Project will be implemented by UNDP, with project management and expenditures governed by the rules, regulations, policies and procedures of UNDP, as detailed in the Programme and Operations Policies and

[7] Value of the contribution from the Financing Agreement is 4,038,572.46 as it includes 1% of UN Coordination Levy (USD 39,985.87)

Procedures[8] online repository. The Project will be managed from the office in Sarajevo under the Good Governance Sector.

UNDP will assume full responsibility and accountability for the overall project management and quality assurance, including achieving the outputs and outcomes, the efficient and effective use of resources, as well as implementation monitoring. The Direct Implementation Modality (DIM) will be applied, premised on the fact that institutional and administrative capacities within national stakeholders are still not sufficient to undertake core functions and activities, as well as having in mind its high potential for maximum cost-effectiveness and tailored flexible capacity development of institutional partners.

The Project will comprise of:

- Project Manager
- Policy/Legal Officer
- Local Governance Officer (2 positions, based in Sarajevo and Banja Luka)
- E-Governance Specialist (50% workload)
- Environment and Water Management Officer (3 positions, based in Sarajevo, Banja Luka and Mostar)
- Communication Officer (25% workload)
- Project Associate
- Procurement Associate (50% workload)
- Project Assistant

A Project Manager will be responsible for overseeing and managing the Project. S/he will be responsible for ensuring that the Project achieves the specified results while adhering to corporate standards and staying within the defined time and budget constraints. This includes leadership, conceptual guidance and technical advice to the implementation team and Project counterparts (ensuring transfer of experience and knowledge), project monitoring, reporting and quality assurance based on the principles of result-based management and using relevant monitoring and risk management tools.

A Policy/Legal Officer will be responsible for leading and steering the processes of participatory design of new or amendments of existing legislation or policies in the area of governance and water service sectors, towards better local public services delivery. S/he will also be responsible for designing support packages to institutional counterparts aimed at strengthening their capacities to offer future support to local governments and utility companies to enhance performance management as well as for oversight and guidance in implementation, in close cooperation with the Project Team.

Local Governance Officers will ensure coordination and implementation of Project support activities for partner Local governments in designated areas of responsibility, providing support in designing and delivering customised technical assistance to relevant local government departments. The Local Governance Officer based in Sarajevo will also be responsible for designing and supporting implementation of technical assistance to local governments in relation to integrity and anti-corruption.

E-Governance Specialist will be responsible for design, coordination and oversight of technical assistance to local governments and their utility companies in digitalizing processes and services, ultimately contributing to more transparent, accountable and efficient service to citizens. S/he will closely collaborate with the Project team in delivery of technical assistance in the field.

[8] https://popp.undp.org/search

Environment and Water Management Officers will deliver analytical support and expert guidance in introducing measures for financial and operational improvement of water utility companies and advancing their technical and management capacities. The responsibilities will also include design and delivery of customised technical assistance to relevant local government departments providing guidance and advice to local governance staff and elected officials as well as assistance with implementation of infrastructure projects in targeted locations.

A Project Associate will be responsible to support implementation of the Project Activities, including financial monitoring and management, administrative and operational support to project implementation.

A Procurement Associate will be responsible for supporting procurement of goods and services within the Project, promoting a client-oriented approach and ensuring quality procurement processes consistent with the UNDP rules and regulations.

A Project Assistant will provide administrative and logistical support to Project team in the implementation of the Project activities.

The Project Quality Assurance role will be provided by UNDP Good Governance Sector Leader, and Senior Sector Associate (15% and 25%, respectively), the Programme and Operations Support Associate (15%), the Monitoring and Evaluation Officer (5%) and the Gender Specialist (5%).

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

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

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

V. RESULTS FRAMEWORK[9]

Intended Outcome as stated in the UNSDCF/Country Programme Results and Resource Framework 2026-2030: *By 2030 people contribute to and benefit from more effective and accountable institutions, fostering gender equality, youth empowerment, peace, and social cohesion.*

Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:
Indicator 3.1 Worldwide Governance indicators
c: Government effectiveness
Baseline (2025): 15.57
Target (2030): 58

Applicable Output(s) from the UNDP Strategic Plan 2026-2029: A.2.1 Public institutions enhanced to deliver integrated people-centered solutions for basic services, economic development, resilience and peace for all.

Project title and Quantum Project Number: Municipal Environmental Governance (MEG) Project, Phase III; Project ID: 01005296

EXPECTED OUTPUTS	OUTPUT INDICATORS[10]	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)					DATA COLLECTION METHODS & RISKS
			Value	Year	Year 2026	Year 2027	Year 2028	Year 2029	FINAL 2030	
OUTPUT 1.1 – Institutional coordination and capacity for performance-oriented and inclusive local governance established.	*Number of roadmaps /actions plans newly developed by and adopted upon by institutional stakeholders that lay out the priority policy /legal/ financial measures to be undertaken towards a performance-based local governance system*	*Official records of institutions, Roadmaps, Action Plans on measures for performance-based local governance*	2	2025	2	3	3	4	4	*Conflicting priorities or interests between institutions could impede consensus on roadmap content.* *Limited technical capacity or insufficient data may affect the quality and feasibility of the proposed measures.* *Resource constraints (financial, human, technical) could slow down roadmap development or implementation.*
	Number of cantonal, entity, and/or state institutions showing measurable improvements in performance-oriented support to local governments:	*Participants lists from training programs, Official record of the government institutions; Project's reports; Media reports*	0	2025	1	2	3	4	4	

[9] UNDP publishes its project information (indicators, baselines, targets and results) to meet the International Aid Transparency Initiative (IATI) standards. Make sure that indicators are S.M.A.R.T. (Specific, Measurable, Attainable, Relevant and Time-bound), provide accurate baselines and targets underpinned by reliable evidence and data, and avoid acronyms so that external audience clearly understand the results of the project.

[10] It is recommended that projects use output indicators from the Strategic Plan IRRF, as relevant, in addition to project-specific results indicators. Indicators should be disaggregated by sex or for other targeted groups where relevant.

EXPECTED OUTPUTS	OUTPUT INDICATORS[10]	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)					DATA COLLECTION METHODS & RISKS
			Value	Year	Year 2026	Year 2027	Year 2028	Year 2029	FINAL 2030	
OUTPUT 1.2. – Procedures, tools, and policies are further fine-tuned and upscaled to modernize local governance structures and enable transparent, inclusive, and citizen-centered service delivery	*Number of partner local governments and utilities implementing integrity and anti-corruption frameworks and protocols*	*Official records of local governments; Project reporting; Local governments integrity and anti-corruption frameworks and protocols*	20 LGs 0 WUCs	2025	20 LGs 10 WUCs	20 LGs 15 WUCs	22 LGs 18 WUCs	24 LGs 20 WUCs	25 LGs 25 WUCs	*Political changes or instability may reduce commitment to governance reforms or slow adoption of frameworks/tools. Resistance to change within local governments or utilities could hinder implementation of integrity, digital, or CAF initiatives. Resource constraints (financial, technical, human) may limit operationalization or scaling-up of new practices. Low citizen engagement due to lack of awareness, trust, or accessibility barriers may reduce effectiveness of participatory processes. Weak intergovernmental coordination may slow harmonization and adoption of performance-oriented approaches.*
	Number of local governments that operationalize eCitizen	*eCitizen application*	*41*	2025	*46*	*48*	*49*	*50*	*51*	
	Number of government institutions at all levels using CAF for self-evaluation and service improvement annually	*CAF Self-evaluation reports; Official record of local governments; Project's reporting*	*25*	2025	*30*	*35*	*40*	*45*	*50*	
	Number of local and cantonal government elected officials and employees who strengthen their knowledge and understanding of result-oriented (local) governance (disaggregated by gender)	*Training programs; Participants' lists*	*200 (at least 40% of targeted civil servants are women)*	*2025 (at least 40% of targeted civil servants are women)*	*200 (at least 40% of targeted civil servants are women)*	*250 (at least 40% of targeted civil servants are women)*	*280 (at least 40% of targeted civil servants are women)*	*340 (at least 40% of targeted civil servants are women)*	*350 (at least 40% of targeted civil servants are women)*	
	Number of people participating in and influencing public service provision, decision-making and/or budgets in their localities (GOV_ARI_1), (disaggregated by gender	*Official government records; Public consultation registration record, eCitizen records*	*7,700 (at least 40% of targeted civil servants are women)*	2025	*10% increase from baseline (at least 40% of these are women)*	*10% increase from baseline (at least 40% of these are women)*	*10% increase from baseline (at least 40% of these are women)*	*10% increase from baseline (at least 40% of these are women)*	*10% increase from baseline (at least 40% of these are women)*	
	Number of partner local governments that actively engage CSOs and media in participatory planning processes and awareness raising campaigns.	*Official government records; Public consultation registration records,*	*0*	2025	*0*	*5*	*10*	*15*	*20*	

EXPECTED OUTPUTS	OUTPUT INDICATORS[10]	DATA SOURCE	BASELINE Value	BASELINE Year	TARGETS (by frequency of data collection) Year 2026	Year 2027	Year 2028	Year 2029	FINAL 2030	DATA COLLECTION METHODS & RISKS
		eCitizen records								
OUTPUT 2.1. – Institutional coordination enhanced and policies sustainable created to advance sustainable water and wastewater services.	*Number of regulatory or institutional acts aligned with entity reform water services sector programs*	*Regulatory or institutional acts; Institutional official records; Project monitoring reports*	2	2025	*2*	4	6	8	*9*	*Resistance from institutions, utilities, or staff may hinder alignment with new regulations or uptake of benchmarking. Limited technical capacity, financial resources, or infrastructure may constrain effective implementation. Insufficient coordination between national, entity, and cantonal authorities could limit harmonization of reforms.*
	Number of cantonal, entity or state public servants who strengthen their capacity in the area of water supply and wastewater management services (disaggregated by gender)	*Institutional official records; List of participants; Training programs*	*0*	2025	*100 (at least 40% of these are women)*	*200 (at least 40% of these are women)*	*300 (at least 40% of these are women)*	*350 (at least 40% of these are women)*	*400 (at least 40% of these are women)*	
	Number of partner institutions and water utilities applying the countrywide benchmarking system for water utilities	*Water utilities official records; Institutions reports; Project's monitoring reports*	*0*	2025	*25*	*50*	*75*	*90*	*100*	
OUTPUT 2.2. – Capacities of local governments and water utilities in place to deliver smart and accountable local water services	*Number of partner local governments which have in place a water tariff setting procedure based on defined key principles (no. water utilities / municipalities with adopted FOPIPs)*	*Water tariff setting procedures adopted by LGs*	*20*	2025	*20*	*22*	*24*	*25*	*25*	*Resistance from utilities or local authorities may hinder reforms or uptake of new practices. Limited technical, human, or financial capacity may constrain effective implementation and monitoring. Data quality issues could undermine measurement of performance, non-revenue water, staffing ratios, or DSO. External shocks (economic crises, floods, droughts) may reduce service quality, affect subsidy delivery, or impede training programs.*
	% of supported utilities showing improved governance, financial performance, or service efficiency based on benchmarking	*Annual reports and financial records of water utilities;*	*36%*	2025	*45%*	*60%*	*80%*	*90%*	*100%*	
	Average % of non-revenue water per partner local government water utility	*Water utility official records and decisions*	*60.50%*	2025	*59.50%*	*58.50%*	*57.50%*	*58%*	*56%*	

EXPECTED OUTPUTS	OUTPUT INDICATORS[10]	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)					DATA COLLECTION METHODS & RISKS
			Value	Year	Year 2026	Year 2027	Year 2028	Year 2029	FINAL 2030	
	Number of employees per thousand water supply connections in partner local governments	*Water utility official records*	*5.2*	2025	*5.18*	*5.10*	*5.05*	*5.02*	*5.00*	*Low engagement of young professionals or vulnerable populations may limit the impact of training or subsidy programs.*
	Days sales outstanding (DSO)	*Water utility official records*	*98*	2025	*96*	*94*	*92*	*90*	*90*	
	Number of young people (M/F) demonstrating improved capacities in water services management, obtained through Water Academy and Young Water Professionals programmes	*Lists of participants by the Water Academy; Young Water Professional Programs*	*20*	2025	*30*	*50*	*70*	*90*	*100*	
	Number of: a) partner local governments that introduced a subsidy system for vulnerable citizens for water supply and wastewater management services. b) vulnerable people (M/F) in partner local governments benefiting from subsidy mechanism	*Official local government records; Beneficiary selection criteria*	*a) 26 b) 2,299 (at least 40% of these are women)*	2025	*a) 26 b) 2,299 (at least 40% of these are women)*	*a) 30 b) 2,299 (at least 40% of these are women)*	*a) 35 b) 3,000 (at least 40% of these are women)*	*a) 40 b) 4,000 (at least 40% of these are women)*	*a) 50 b) 5,000 (at least 40% of these are women)*	
	Number of partner local governments that operationalize GIS and e-services portal	*GIS and e-service portals operationalize d by LGs*	*0*	2025	*2*	*2*	*3*	*4*	*5*	

** - Baseline will be determined in the first year of the Project implementation, following the selection of partner local governments*
*** - Inputs are not required in the Logframe Matrix, but if judged necessary they may be included (optional). Inputs are detailed as part of the project document and its budget.*

VI PROJECT MONITORING, EVALUATION, AND REPORTING

Project monitoring

The Project will be monitored in line with UNDP corporate standards. The main tools for organising the monitoring system include the Project Results and Resources Framework (RRF) and the Project Risk Analysis. Monitoring will be result-oriented, with a focus on results and achievements and a gender-sensitive approach. The results matrix aligns with and includes common indicators from the Joint Vision for Advancing the Water Supply and Wastewater Management Services Reform in Bosnia and Herzegovina 2021-2028, ensuring coherence with sectoral reforms.

Project monitoring will combine continuous tracking, learning, and adaptive management. Progress data against agreed indicators will be regularly collected and analysed to assess results and address any delays, including through the Project Board and annual learning sessions with the Project Stakeholders. Risks will be continuously identified, documented in a risk log, and managed, including measures required under UNDP's Social and Environmental Standards. Lessons learned and good practices will be actively captured and integrated back into project implementation. Annual quality assurance[11] will assess the project against UNDP quality standards to identify strengths and weaknesses and inform improvements. Findings from monitoring actions, covering performance data, risks, lessons, and quality assurance will feed into annual progress reports and final reports, as well as regular Project Board reviews, which will guide decision-making, approve any needed course corrections, and, in the final year, ensure lessons are disseminated and opportunities for scaling are explored.

Evaluation

To support evidence-based decision-making and adaptive management, the Project will facilitate Annual consultative meetings with partner institutions to enable structured, real-time reviews and learning from the Project implementation. These meetings will bring together government counterparts, utilities, civil society and other key stakeholders to jointly assess progress, challenges and emerging opportunities. These sessions go beyond information sharing, they will enable evidence-based reflection on implementation, create space for dialogue on what is working or not, and jointly agree on concrete adjustments to activities, timelines or resource use. By institutionalizing this feedback loop, the Project will ensure that lessons are captured early, risks are addressed proactively, and course corrections are made in time to keep interventions relevant, efficient and aligned with evolving priorities.

In parallel, UNDP will conduct a mid-term review, consistent with its corporate RBM standards. This assessment will focus on operational effectiveness, risk management, and results delivery, and its recommendations will be shared with the Project Board for integration into ongoing management responses.

[11] Quality Assurance (QA) in UNDP programming is the formal process of verifying that all programmes, portfolios and projects meet corporate quality standards at design, during implementation and at closure. It ensures that interventions are strategically aligned with the SDGs, relevant to national priorities, grounded in evidence and theories of change, and fully integrate UNDP's core principles such as Leave No One Behind, human rights, gender equality and sustainability. Through objective assessments, periodic reviews and independent evaluations, QA strengthens accountability, improves efficiency and effectiveness, and promotes learning and continuous improvement. Managers are accountable for upholding these standards, and QA mechanisms provide the structured oversight needed to safeguard development results and the sound use of resources.

An independent external Final Evaluation will be commissioned by UNDP in the last year of implementation to rigorously assess not only the Project's contribution to its intended outcomes, but also its overall impact on governance and service delivery systems, the depth and sustainability of the changes achieved, and the extent to which benefits have reached vulnerable groups. The evaluation will generate evidence-based lessons and actionable recommendations to inform future programming and scale up transformative practices beyond the Project's lifetime. The evaluation process, commissioned by UNDP, will be designed and validated in consultation with the Embassy of Switzerland, the Embassy of Sweden in Bosnia and Herzegovina, and the Embassy of the Czech Republic in Bosnia and Herzegovina in line with RBM's emphasis on stakeholder involvement and transparency.

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

Reporting:

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

Monitoring And Evaluation

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans: *[Note: monitoring and evaluation plans should be adapted to project context, as needed]*

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management.		N/A
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.		N/A
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.		N/A
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.		N/A
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.		N/A

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.		N/A
Project Review (Project Board)	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	Specify frequency (i.e., at least annually)	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.		N/A

Evaluation Plan[12]

Evaluation Title	Partners (if joint)	Related Strategic Plan Output	UNSDCF/CPD Outcome	Planned Completion Date	Key Evaluation Stakeholders	Cost and Source of Funding
Final Project Evaluation		Outcome 2. By 2029, governance systems are more effective, inclusive, and accountable, enabling people,	By 2030 people contribute to and benefit from more effective and accountable institutions, fostering gender equality, youth empowerment,	June 2029	State, entity and local partners	30,000 (Swiss & Sweden)

[12] Optional, if needed

		societies and economies to thrive Outcome (UNSDCF/CPD) 2026-2030:	peace, and social cohesion.			

VII MULTI-YEAR WORKPLAN

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year (USD)				RESPONSIBLE PARTY	PLANNED BUDGET		
		2026	2027	2028	2029		Funding Source	Budget Description	Amount
Output 1.1: *Institutional coordination and capacity for performance-oriented and inclusive local governance established* *Gender marker: GEN2*	1.1.1 Advance institutional capacities of entity CAF Resource Centers to support countrywide application of CAF for local governments in BiH.	75,000.00	50,000.00	75,000.00	50,000.00	UNDP	Swiss	71300 - Individual Services 72100 - Contractual Services 72600 - Grants 75700 - Training	**250,000.00**
	1.1.2. Facilitate inter-institutional dialogue and regular exchange on CAF application across all government levels	32,500.00	32,500.00	32,500.00	32,500.00	UNDP	Swiss	71300 - Individual Services 72100 - Contractual Services 75700 - Training	**130,000.00**
	1.1.3. Support CAF Resource Centers in designing knowledge tools and developing capacities of LG practitioners for effective use of CAF digital tools	50,000.00	50,000.00	50,000.00	50,000.00	UNDP	Swiss	71300 - Individual Services 72100 - Contractual Services 75700 - Training	**200,000.00**
	Sub-Total for Output 1.1.								**580,000.00**
Output 1.2: *Procedures, tools and policies*	1.2.1. Support the introduction of CAF in 10 new underdeveloped partner local governments (Group 1) and up to 3 cantons.	92,000.00	47,000.00	67,000.00	5,000.00	UNDP	Swiss	71300 - Individual Services 72100 - Contractual Services 75700 - Training	**211,000.00**
	1.2.2. Provision of support in strengthening integrity and	62,000.00	76,800.00	39,200.00	-	UNDP	Swiss	71300 - Individual Services	**178,000.00**

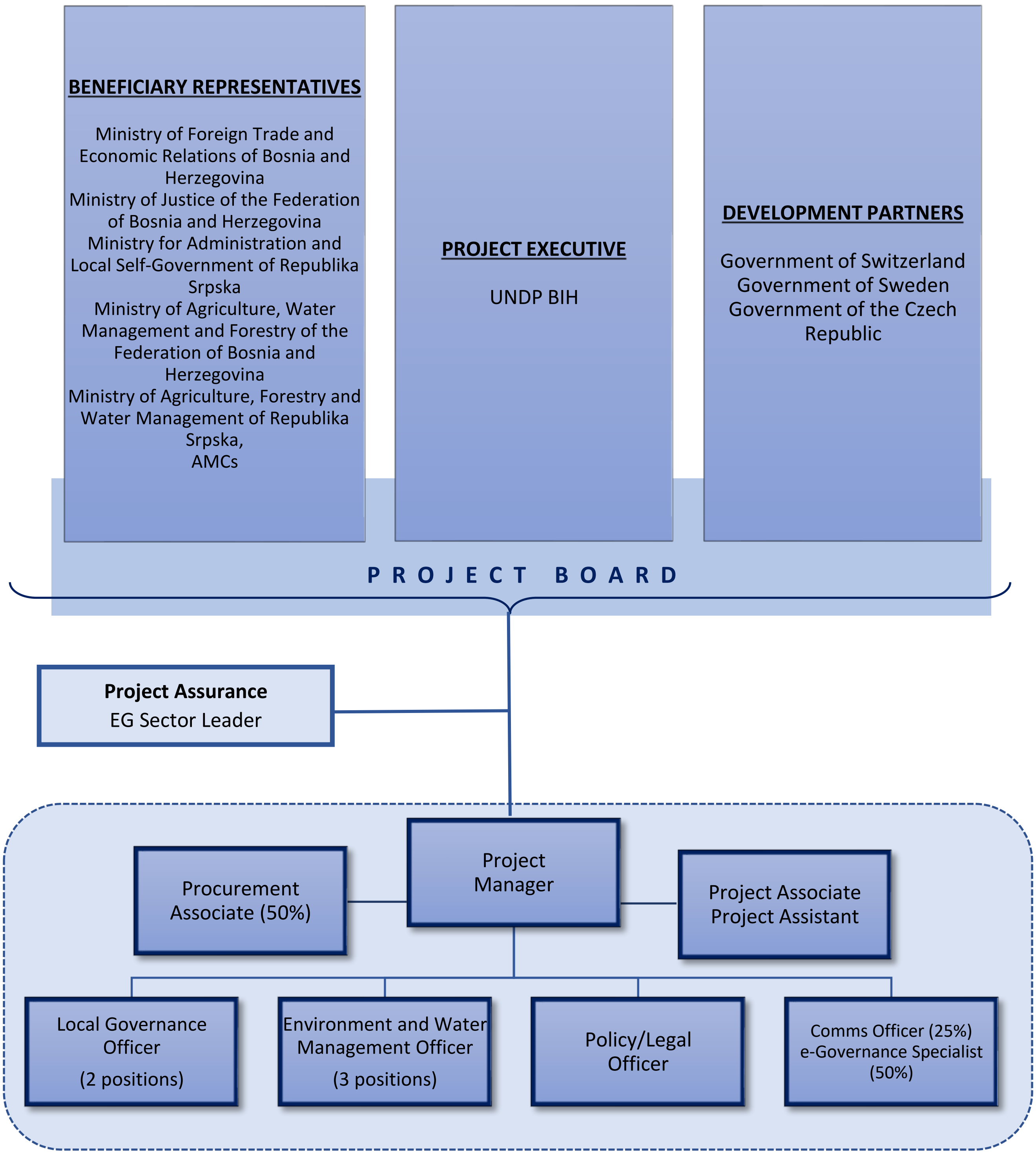
upscaled to modernize local governance structures and enable transparent, inclusive, and citizen-centered service delivery	anti-corruption mechanisms within local governments and their utilities (to be implemented in partnership with Transparency International).						Czech	72100 - Contractual Services 75700 - Training	
	1.2.3. Support all partner local governments to advance their digital capacities and systems for improved performance and public service delivery	82,450.00	100,450.00	32,450.00	22,650.00	UNDP	Swiss Czech	71300 - Individual Services 72100 - Contractual Services 75700 - Training	**238,000.00**
Gender marker: GEN2	1.2.4 Tailored support to local governments through mentoring schemes, peer learning, knowledge exchange and best practices for improved public service delivery.	30,000.00	30,000.00	30,000.00	30,000.00	UNDP	Swiss	71300 - Individual Services 72100 - Contractual Services 75700 - Training	**120,000.00**
	Sub-Total for Output 1.2.								**747,000.00**
Output 2.1:	2.1.1. Strengthen the capacities of institutions responsible for planning, regulation, and oversight in the water and wastewater services sector.	21,000.00	81,025.00	81,025.00	17,500.00	UNDP	Sida	71300 - Individual Services 72100 - Contractual Services 75700 - Training	**200,550.00**
Institutional coordination enhanced and policies created to advance frameworks for improved water and wastewater services	2.1.2. Provide support to institutionalization and operationalization of the country wide benchmarking system.	20,500.00	45,500.00	45,500.00	15,500.00	UNDP	Sida	71300 - Individual Services 72100 - Contractual Services 72600 - Grants 75700 - Training	**127,000.00**
	Sub-Total for Output 2.1								**327,550.00**

Gender marker: GEN2										
Output 2.2:	2.2.1. Provide technical assistance for underdeveloped LGs and their utilities, including through financial and operational performance improvement plans (Group 1).	124,800.00	612,600.00	516,350.00	112,700.00	UNDP	Swiss	71300 - Individual Services 72100 - Contractual Services 75700 - Training	**1,366,450.00**
							Sida		
	2.2.2. Provision of financial support for partner local governments in the water supply and wastewater management area, based on improved performance in public service delivery (Group 2).	4,800.00	259,100.00	259,100.00	-	UNDP	Swiss	71300 - Individual Services 72100 - Contractual Services 75700 - Training	**523,000.00**
							Sida		
	2.2.3. Provide tailored technical support to utility companies in advanced LGs through mentoring schemes, peer learning, and tools for improved service delivery and financial management (Groups 2, 3 and 4).	17,500.00	117,500.00	117,500.00	60,000.00	UNDP	Sida	71300 - Individual Services 72100 - Contractual Services 75700 - Training	**312,500.00**
	2.2.4. Ensure sector-wide capacity building via Water Academy and Young Water Professionals' (YWP) engagement programs.	109,200.00	141,033.66	141,033.66	19,200.00	UNDP	Swiss	71300 - Individual Services 72100 - Contractual Services 75700 - Training	**410,467.32**
							Czech		
	Sub-Total for Output 2.2.								**2,612,417.32**
EVALUATION	Mid-term and final evaluation		18,500.00		18,500.00	UNDP	Sida	71200 - Int'l Individual Services 71300 -Nat'l Individual Services	**37,000.00**
							Swiss		

	Project Management and Staff	588,110.00	588,110.00	588,110.00	588,110.00	UNDP	Swiss Sida Czech	60000, 71400 - Personnel Costs 71600 - Travel 72300 - Fuel and Consumables 72400 - Communication 72800 - IT Costs 73100 - Rent and Utilities 74200 - Translation and Media 74500 - Misc	**2,352,440.00**
	General Management Support (GMS) 8%								**532,512.59**
TOTAL									**7,188,919.91**

VIII GOVERNANCE AND MANAGEMENT ARRANGEMENTS

The Project institutional structure comprises the **Project Board, the Project Assurance (Sector Leader) and the Project Manager with the Project Team.** A snapshot of the broader Project institutional structure is presented in *Annex I* of the Project document.



The **Project Board**[13] will be responsible for making, by consensus, management decisions for the Project when guidance is required by the Project Manager, including recommendations for approval of Project plans and revisions. Based on the approved annual work plan, the Project Board supervises the overall implementation progress and authorizes any major deviation therefrom. It provides strategic guidance, as well as gives final approval to selected strategic and operational issues. The Project Board approves the selection criteria and the list of partner local governments. It ensures that required resources are committed and arbitrates on any conflicts within the Project or negotiates a solution to any problems between the Project and external bodies. The Project Board will meet at least twice per year, or as necessary when raised by the Project Manager. Members of the Project Board will be composed of the representatives of: the Embassy of Switzerland in Bosnia and Herzegovina, the Embassy of Sweden in Bosnia and Herzegovina, the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, the Ministry of Justice of the Federation of Bosnia and Herzegovina, the Ministry for Administration and Local Self-Government of Republika Srpska, the Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina, the Ministry of Agriculture, Forestry and Water Management of Republika Srpska, AMCs representing local governments and finally UNDP (with no voting rights).

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

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

The **Project Team** will comprise the national Project Manager and core team members. The Project Team will be secretariat to the Project Board.

[13] The Project will seek to ensure complementarity with the governance structures set in place by the water sector operation of the WB, for maximized coordination and policy dialogue among stakeholders.

IX LEGAL CONTEXT

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

Bosnia and Herzegovina and the United Nations Sustainable Development Cooperation Framework (UNSDCF) for the period 2026-2030, as well as the new UNDP Country Programme Document for the period 2026-2030, represent the basis for the activities of UNDP in the country.

This Project will be implemented by UNDP ("Implementing Partner") in accordance with its Financial Regulations and Rules.

X RISK MANAGEMENT

1. UNDP as the Implementing Partner will comply with the policies, procedures and practices of the United Nations Security Management System (UNSMS.)
2. UNDP as the Implementing Partner will undertake all reasonable efforts to ensure that none of the project funds are used to provide support to individuals or entities associated with terrorism, that the recipients of any amounts provided by UNDP hereunder do not appear on the United Nations Security Council Consolidated Sanctions List, and that no UNDP funds received pursuant to the Project Document are used for money laundering activities. The United Nations Security Council Consolidated Sanctions List can be accessed via https://www.un.org/securitycouncil/content/un-sc-consolidated-list. This provision must be included in all sub-contracts or sub-agreements entered under this Project Document.
3. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (http://www.undp.org/ses) and related Accountability Mechanism (http://www.undp.org/secu-srm).
4. UNDP as the Implementing Partner will: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.
5. In the implementation of the activities under this Project Document, UNDP as the Implementing Partner will handle any sexual exploitation and abuse ("SEA") and sexual harassment ("SH") allegations in accordance with its regulations, rules, policies, and procedures.
6. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.
7. UNDP as the Implementing Partner will ensure that the following obligations are binding on each responsible party, subcontractor, and sub-recipient:

a. Consistent with the Article III of the SBAA, the responsibility for the safety and security of each responsible party, subcontractor and sub-recipient and its personnel and property, and of UNDP's property in such responsible party's, subcontractor's and sub-recipient's custody, rests with such responsible party, subcontractor and sub-recipient. To this end, each responsible party, subcontractor and sub-recipient shall:

i. put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;

ii. assume all risks and liabilities related to such responsible party's, subcontractor's and sub-recipient's security, and the full implementation of the security plan.

b. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the responsible party's, subcontractor's and sub-recipient's obligations under this Project Document.

c. Each responsible party, subcontractor and sub-recipient (each a "sub-party" and together "sub-parties") acknowledges and agrees that UNDP will not tolerate sexual harassment and sexual exploitation and abuse of anyone by the sub-parties, and other entities involved in Project implementation, either as contractors or subcontractors and their personnel, and any individuals performing services for them under the Project Document.

(a) In the implementation of the activities under this Project Document, each sub-party shall comply with the standards of conduct set forth in the Secretary General's Bulletin ST/SGB/2003/13 of 9 October 2003, concerning "Special measures for protection from sexual exploitation and sexual abuse" ("SEA").

(b) Moreover, and without limitation to the application of other regulations, rules, policies and procedures bearing upon the performance of the activities under this Project Document, in the implementation of activities, each sub-party, shall not engage in any form of sexual harassment ("SH"). SH is defined as any unwelcome conduct of a sexual nature that might reasonably be expected or be perceived to cause offense or humiliation, when such conduct interferes with work, is made a condition of employment or creates an intimidating, hostile or offensive work environment. SH may occur in the workplace or in connection with work. While typically involving a pattern of conduct, SH may take the form of a single incident. In assessing the reasonableness of expectations or perceptions, the perspective of the person who is the target of the conduct shall be considered.

d. In the performance of the activities under this Project Document, each sub-party shall (with respect to its own activities), and shall require from its sub-parties (with respect to their activities) that they, have minimum standards and procedures in place, or a plan to develop and/or improve such standards and procedures in order to be able to take effective preventive and investigative action. These should include policies on sexual harassment and sexual exploitation and abuse; policies on whistleblowing/protection against retaliation; and complaints, disciplinary and investigative mechanisms. In line with this, sub-parties will and will require that their respective sub-parties will take all appropriate measures to:

(i) Prevent its employees, agents or any other persons engaged to perform any services under this Project Document, from engaging in SH or SEA;

(ii) Offer employees and associated personnel training on prevention and response to SH and SEA, where sub-parties have not put in place their own training regarding the prevention of SH and SEA, sub-parties may use the training material available at UNDP;

(iii) Report and monitor allegations of SH and SEA of which any of the sub-parties have been informed or have otherwise become aware, and status thereof;

(iv) Refer victims/survivors of SH and SEA to safe and confidential victim assistance; and

(v) Promptly and confidentially record and investigate any allegations credible enough to warrant an investigation of SH or SEA. Each sub-party shall advise UNDP of any such allegations received and investigations being conducted by itself or any of its sub-parties with respect to their activities under the Project Document, and shall keep UNDP informed during the investigation by it or any of such sub-parties, to the extent that such notification (i) does not jeopardize the conduct of the investigation, including but not limited to the safety or security of persons, and/or (ii) is not in contravention of any laws applicable to it. Following the investigation, the relevant sub-party shall advise UNDP of any actions taken by it or any of the other entities further to the investigation.

e. Each sub-party shall establish that it has complied with the foregoing, to the satisfaction of UNDP, when requested by UNDP or any party acting on its behalf to provide such confirmation. Failure of the relevant sub-party to comply with the foregoing, as determined by UNDP, shall be considered grounds for suspension or termination of the Project.

f. Each responsible party, subcontractor and sub-recipient will ensure that any project activities undertaken by them will be implemented in a manner consistent with the UNDP Social and Environmental Standards and shall ensure that any incidents or issues of non-compliance shall be reported to UNDP in accordance with UNDP Social and Environmental Standards.

g. Each responsible party, subcontractor and sub-recipient will take appropriate steps to prevent misuse of funds, fraud, corruption or other financial irregularities, by its officials, consultants, subcontractors and sub-recipients in implementing the project or programme or using the UNDP funds. It will ensure that its financial management, anti-corruption, anti-fraud and anti-money laundering and countering the financing of terrorism policies are in place and enforced for all funding received from or through UNDP.

h. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to each responsible party, subcontractor and sub-recipient: (a) UNDP Policy on Fraud and other Corrupt Practices (b) UNDP Anti-Money Laundering and Countering the Financing of Terrorism Policy; and (c) UNDP Office of Audit and Investigations Investigation Guidelines. Each responsible party, subcontractor and sub-recipient agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at www.undp.org.

i. In the event that an investigation is required, UNDP will conduct investigations relating to any aspect of UNDP programmes and projects. Each responsible party, subcontractor and sub-recipient will provide its full cooperation, including making available personnel, relevant documentation, and granting access to its (and its consultants', subcontractors', and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with it to find a solution.

j. Each responsible party, subcontractor and sub-recipient will promptly inform UNDP as the Implementing Partner in case of any incidence of inappropriate use of funds, or credible allegation of fraud, corruption other financial irregularities with due confidentiality.

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

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

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

l. Each contract issued by the responsible party, subcontractor, or sub-recipient in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions, or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from it shall cooperate with any and all investigations and post-payment audits.

m. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project or programme, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover, and return any recovered funds to UNDP.

n. Each responsible party, subcontractor and sub-recipient shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to its subcontractors and sub-recipients and that all the clauses under this section entitled "Risk Management Standard Clauses" are adequately reflected, mutatis mutandis, in all its sub-contracts or sub-agreements entered into further to this Project Document.

XI ANNEXES

ANNEX 1: RISK REGISTER

ANNEX 2: PROJECT BUDGET

ANNEX 3: DRAFT OUTLINE OF PROJECT'S EXIT STRATEGY

ANNEX 4: SOCIAL AND ENVIRONMENTAL RISK SCREENING CHECKLIST

ANNEX 5: PROJECT BOARD TERMS OF REFERENCE

ANNEX 6: CLIMATE, ENVIRONMENT AND DISASTER RISK REDUCTION INTEGRATION GUIDANCE (CEDRIG)

ANNEX 1: RISK REGISTER

Portfolio/Project Title:	**MUNICIPAL ENVIRONMENTAL GOVERNANCE (MEG) PROJECT, PHASE III**	**Portfolio/Project Number:**	**Date: Click or tap to enter a date.**

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(individually accountable for managing the risk)*	Risk Treatment and Treatment Owner
1	**PROGRAMMATIC RISK:** There is a risk that the Project staff, local government officials, or utility companies' personnel are unable to effectively implement performance-oriented governance reforms, operationalize CAF-based Total Quality Management practices, or improve water and wastewater service delivery in line with the project's objectives.	Limited technical knowledge or expertise on modern governance approaches, CAF implementation, performance benchmarking, or EU water standards. High staff turnover at institutions leading to loss of institutional memory and interrupted reform continuity. Variability in institutional	Reduced effectiveness and quality of project outputs, including institutionalization of CAF and operationalization of water service policies. Sustainability of performance-oriented management practices at local and entity levels. Weak improvements in water and wastewater service delivery, particularly for vulnerable populations, undermining equity and inclusivity objectives.	**4. ORGANIZATIONAL (4.2. Execution capacity) - UNDP Risk Appetite: EXPLORATORY TO OPEN**	Likelihood: **3 - Moderately likely** Impact: **3 - Intermediate** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Mar-26 To: 28-Feb-30	Aida Lakovic -Hoso	Risks treatment 1.1 MEG 3 will facilitate training, mentoring, and knowledge management activities for staff of institutional partners and utility companies. Tailored learning modules will be developed, maintaining institutional knowledge, tracking capacity development progress, and providing rapid support to new staff to ensure continuity of CAF implementation and water governance reforms.

#	Event	Cause	Impact(s)	**Risk Category and Sub-category** *(including Risk Appetite)*	**Impact, Likelihood & Risk Level** *(see Annex 3 Risk Matrix)*	Risk Valid From/To	**Risk Owner** *(individuall~~y~~ accountable for managing the risk)*	Risk Treatment and Treatment Owner
		readiness and leadership commitment, resulting in uneven application of reforms and limited institutional ownership. Insufficient information sharing and coordination between the project and the stakeholders, resulting in unrealistic or unmet expectations.	Potential erosion of stakeholder trust and engagement, which could further slow reform adoption and compromise the long-term impact of the project. Diminishing stakeholder confidence and participation					Risk treatment 1.2 MEG3 will Implement systematic monitoring of reforms and capacity development, using dashboards, benchmarking systems, and regular progress reviews. It will use feedback to adjust training and support, ensuring interventions address practical gaps in knowledge and skills. Risk treatment 1.3. MEG3 will provide coaching and advisory support to municipal and utility companies' leadership to strengthen commitment to performance-oriented governance reforms. Embed change management principles in all interventions to foster acceptance and sustainability of reforms.

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(individually accountable for managing the risk)*	Risk Treatment and Treatment Owner
2	**PROGRAMMATIC RISK**: There is a risk that delays or reductions in government co-financing for MEG3 activities could create budget shortfalls, potentially requiring adjustments to the scope, sequencing, or timelines of project interventions, including local governance reforms and water service improvements.	As a result of dependence on local, cantonal, and entity-level budgets that may be reprioritized due to fiscal constraints, political changes, or competing development needs.	Slower implementation of planned reforms and capacity-building activities. Reduced ability to support municipalities and utilities in adopting CAF-based Total Quality Management or operationalizing water sector reforms. Potential gaps in achieving performance-driven governance outcomes and service delivery improvements.	**2. FINANCIAL (2.6. Budget availability and cash flow) - UNDP Risk Appetite: MINIMAL TO CAUTIOUS**	Likelihood: **3 - Moderately likely** Impact: **3 - Intermediate** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Mar-26 To: 28-Feb-30	… Aida Lakovic-Hoso	Risk treatment 2.1 MEG3 will maintain regular dialogue with government counterparts to secure timely commitments and co-financing agreements. Risk treatment 2.2 Flexible budgeting and phased implementation plans will be integrated within MEG3 to adjust activities without compromising core outputs. Risk treatment 2.3 MEG 3 will prioritize interventions in municipalities and utilities where funding certainty is higher, while preparing contingency plans for other areas.
3	**PROGRAMMATIC AND INSTITUTIONAL RISK (PROJECT PARTNERS):** There is a risk of prohibited practices such as fraud, corruption, money laundering and terrorist financing	Insufficient oversight, weak internal controls, and inadequate due diligence can make it difficult to detect or prevent corrupt and other prohibited practices. Operating in complex or poorly	Prohibited practices could disrupt ongoing project implementation, leading to delays, cancellations, or the withdrawal of funding. Association with fraudulent or corrupt activities or partners could severely damage the reputation of UNDP and the project	**2. FINANCIAL (2.3. Corruption and fraud) - UNDP Risk Appetite: MINIMAL TO CAUTIOUS**	Likelihood: **2 - Low likelihood** Impact: **3 - Intermediate** Risk level: **MODERATE (equates to a risk**	From: 01-Mar-26 To: 28-Feb-	Aida Lakovic Hoso	Risk treatment 3.1 MEG3 will apply a zero-tolerance policy in relation to fraud, corruption, money laundering and any other prohibited practice. Risk treatment 3.2 The guiding principles of

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(individuall~~y~~ accountable for managing the risk)*	Risk Treatment and Treatment Owner
		regulated environments, combined with high-pressure situations, increases the risk of unethical behavior and collaboration with entities involved in corruption.	implementing partners, leading to a loss of trust from donors, partners, and the public.		**appetite of EXPLORATORY)**			UNDP's commitment to prevent, identify and address all acts of fraud and corruption have been laid out in the UNDP Policy Against Fraud and Corrupt Practices (the "FCP Policy"), which applies to all activities and operations of UNDP, including projects, portfolios and programmes.
								Risk treatment 3.3 The fundamental principles of UNDP's FCP Policy serve as the basis for and are integrated in UNDP's policy frameworks in relation to procurement, financial management, internal control and accountability and staff rules and regulations and will be rigorously applied in implementation of this Projects.

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(individually accountable for managing the risk)*	Risk Treatment and Treatment Owner
4	**PROGRAMMATIC AND INSTITUTIONAL RISK (PROJECT PARTNERS):** There is a risk for MEG3 not to be able to ensure coordinated, coherent, and harmonized implementation of local governance and water sector reforms.	As a result of divergent mandates, overlapping responsibilities, political divisions, and uneven capacity across tiers of governments in Bosnia and Herzegovina.	Delays in adopting performance-based management practices, inconsistent application of policy frameworks, and weakened alignment of water sector reforms, reducing MEG3's ability to achieve sustainable, system-wide improvements.	**7. STRATEGIC (7.5. Government commitment) - UNDP Risk Appetite: OPEN TO SEEKING**	Likelihood: **2 - Low likelihood** Impact: **3 - Intermediate** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Mar-26 To: 28-Feb-30	Aida Lakovic-Hoso	Risk Treatment 4. MEG 3 will prioritize early and inclusive engagement across all tiers of government, anchored in structured cooperation frameworks (e.g., MoUs, standardized procedures, formalized technical working groups). Institutional coordination will be strengthened through coordination platforms to enable structured dialogue and learning among stakeholders, while capacity-building efforts will target both elected officials and civil servants to secure institutional ownership and reduce dependence on political cycles.
5	**PROGRAMMATIC AND INSTITUTIONAL RISK (PROJECT IMPLEMENTER):** There is a risk of employing insufficiently effective project monitoring and risk assessment by the project	As a result of staff's insufficient capacities for project monitoring, risk assessment, learning, and strategic planning, adequate	Diminished effectiveness and efficiency in MEG 3 implementation and lack of sustainability and institutional ownership of reforms and project tools	**3. OPERATIONAL (3.6. Transition and exit strategy) - UNDP Risk Appetite:**	Likelihood: **2 - Low likelihood** Impact: **3 - Intermediate**	From: 01-Mar-26 To: 28-Feb-30	Aida Lakovic-Hoso	Risk Treatment 5: UNDP will strengthen MEG's analytical and monitoring capacities through targeted training for staff in project

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(individually accountable for managing the risk)*	Risk Treatment and Treatment Owner
	staff. Also, their learning capacities might need improvement to be suitable for adaptable and effective project management.	exit strategy, and sustainability of project results might not be developed or achieved.	beyond the project's lifespan.	**EXPLORATORY TO OPEN**	Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**			monitoring, risk assessment, strategic planning, and adaptive learning. MEG 3 will introduce an integrated learning and planning system aligned with portfolio-level monitoring and learning frameworks. Regular learning cycles, including structured reflection sessions and after-action reviews, will be institutionalized to support adaptive management. In addition, a comprehensive Sustainability and Exit Strategy will be initiated at the start of MEG3, tailored to each partner local government and informed by a detailed analysis of risks, opportunities, and lessons learned. Embedding this strategy into programme planning and monitoring will help safeguard long-term results and ensure smoother programme closure.

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(individually accountable for managing the risk)*	Risk Treatment and Treatment Owner
6	**CONTEXTUAL RISK:** There is a risk that following local and general elections, changes in political leadership and coalition arrangements can create temporary gaps in decision-making authority, delays in approving reforms, and discontinuities in institutional priorities. This would interrupt the steady implementation of MEG3-supported governance and water sector initiatives, slows the introduction of performance-based management practices, and limits the continuity of capacity-building and reform efforts at the local and cantonal levels.	As a result of frequent electoral cycles and shifting political priorities create interruptions in decision-making, reduce institutional memory, and weaken sustained commitment to ongoing reforms.	Temporary delays in reform implementation, reduced institutional ownership, slower uptake of performance-based management practices, and potential weakening of the long-term sustainability of MEG3-supported governance and service delivery improvements.	**7. STRATEGIC (7.6. Change/turnover in government) - UNDP Risk Appetite: OPEN TO SEEKING**	Likelihood: **2 - Low likelihood** Impact: **3 - Intermediate** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Mar-26 To: 28-Feb-30	Aida Lakovic-Hoso	Risk Treatment 6: MEG3 will institutionalize reforms and build capacity: Embed CAF-based Total Quality Management and governance tools into local government and utility structures, while strengthening civil servants' and utility staff's skills to maintain reform momentum despite leadership changes.

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(individually accountable for managing the risk)*	Risk Treatment and Treatment Owner
6	**CONTEXTUAL RISK:** There is a risk that protracted political deliberations or de-prioritization of relevant laws and regulations influence the approval or adoption of policies, by-laws, or water sector legal frameworks critical for MEG3 implementation.	As a result of complex political negotiations, competing legislative priorities, limited capacity of parliamentary or cantonal bodies, and frequent shifts in government agendas reduce the speed and alignment of regulatory action.	Delayed operationalization of CAF-based governance practices, slower implementation of Public Service Agreements, weaker institutionalization of performance-driven reforms, and reduced alignment with EU standards for water and wastewater services.	**6. REGULATORY (6.1. Changes in the regulatory framework within the country of operation) - UNDP Risk Appetite: CAUTIOUS**	Likelihood: **2 - Low likelihood** Impact: **3 - Intermediate** Risk level: **MODERATE (equates to a risk appetite of EXPLORATORY)**	From: 01-Mar-26 To: 28-Feb-30	Aida Lakovic-Hoso	Risk treatment 6: The Project will sustain close collaboration with relevant ministries and policy-making bodies, ensuring early alignment and technical co-ownership of reform proposals. strategic communication, legal drafting support, and tailored capacity-building for policy and decision makers will be employed to increase reform traction and legitimacy. As MEG will strongly contribute to advancing the country's compliance with the requirements of the EU accession process, it will leverage strong relationships with the EU Delegation to Bosnia and Herzegovina and other partners within the Water Alliance to push for reforms.
7.	**CONTEXTUAL RISK:** Citizens, especially skilled staff and younger populations, leave municipalities, reducing the	Economic stagnation, limited local opportunities, declining public	Depopulation undermines sustainability of reforms, weakens community engagement, and limits the	**7. STRATEGIC (7.3. Stakeholder relations and partnerships) -**	Likelihood: **2 - Low likelihood**	From: 01-Mar-26	Aida Lakovic-Hoso	Risk treatment 7: To mitigate the risk to the extent possible, the Project will focus its efforts on

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(individually accountable for managing the risk)*	Risk Treatment and Treatment Owner
	human capital available for implementing MEG3-supported governance and water sector reforms.	services, and broader demographic trends drive out-migration.	Project's ability to achieve inclusive, equitable, and high-quality water and wastewater service delivery	**UNDP Risk Appetite: OPEN TO SEEKING**	Impact: **3 - Intermediate**	To: 28-Feb-30		strengthening good governance and public services delivery, thereby contributing to the wellbeing of communities and to the decrease of development gaps in weak local governments.
8.	**CONTEXTUAL RISK:** Natural disasters or disease outbreaks disrupt local government operations, utility services, and community life, affecting the implementation of MEG3-supported governance and water sector reforms.	Bosnia and Herzegovina is exposed to hazards such as floods, earthquakes, and extreme weather, as well as potential public health crises, which can strain institutional capacities and redirect attention and resources.	Local governments and utilities may experience delays in applying performance-based management practices, reduced service delivery capacity, limited co-financing availability, and interruptions in reform implementation. These events can compromise the sustainability, efficiency, and equity of water and wastewater services, and slow progress toward MEG3 outcomes.	**1. SOCIAL AND ENVIRONMENTAL (1.6. Community health, safety and security) - UNDP Risk Appetite: CAUTIOUS**	Likelihood: **2 - Low likelihood** Impact: **3 - Intermediate**	From: 01-Mar-26 To: 28-Feb-30	Aida Lakovic-Hoso	Risk treatment 8: MEG3 will adjust project activities, timelines, and resource allocation in response to emergency situations to ensure continuity of reforms and minimal disruption to service delivery. Business continuity support: will assist local governments and utility companies in developing contingency plans, including emergency response procedures, alternative service delivery mechanisms, and remote operational capabilities. Coordination with local, entity, and national authorities, as well as with

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(individually accountable for managing the risk)*	Risk Treatment and Treatment Owner
								development partners, to mobilize emergency resources and maintain co-financing commitments during crises. To effectively mitigate the risks identified through the CEDRIG assessment, MEG3 will adopt a comprehensive risk-based approach to water supply systems, fully aligned with the EU Drinking Water Directive. Selected pilot LGs and WUCs will be supported to agree on a harmonized format for risk assessment across the entire water supply chain and to develop detailed studies for the most complex systems. Building on CEDRIG findings, the Project will prioritize flood risk mitigation, adaptive management to address flash floods and landslides, and drought preparedness through campaigns on efficient water use and reduction of non-revenue water. Digitalization of

#	Event	Cause	Impact(s)	Risk Category and Sub-category *(including Risk Appetite)*	Impact, Likelihood & Risk Level *(see Annex 3 Risk Matrix)*	Risk Valid From/To	Risk Owner *(individually accountable for managing the risk)*	Risk Treatment and Treatment Owner
								operations and the promotion of “green office” practices will further reduce environmental impacts, while mitigation measures during construction will minimize emissions, noise, and dust. By embedding these optimizations into governance and utility practices, MEG3 will aim to strengthen institutional credibility, ensure continuity of reforms, and enhance resilience and sustainability of local services in Bosnia and Herzegovina.

ANNEX 2: PROJECT BUDGET

Budget - Municipal Environmental Governance (MEG) Project, Phase III - (01 March 2026 - 28 February 2030)

Outcome	Output	Activity	Funding Source	Description of Budget Line	# of Units	Unit Price	Amount (USD)	Planned Y1 - 2026 Budget (USD)	Planned Y2 - 2027 Budget (USD)	Planned Y3 - 2028 Budget (USD)	Planned Y4 - 2029 Budget (USD)
Outcome 1: Governments at all levels institutionalise and apply performance-driven policies that strengthen sustainability, inclusivety, and gender responsivness in service delivery	**Output 1.1**: Institutional coordination and capacity for performance-oriented and inclusive local governance established	1.1.1 Advance institutional capacities of entity CAF Resource Centers to support countrywide application of CAF for local governments in BiH.	Swiss	Support the design of CSAs/Ministries' action plans or other relevant policies to support practical implementation of CAF at the local level	4	50,000.00	200,000.00	50,000.00	50,000.00	50,000.00	50,000.00
				Empower CSAs/Ministries to support local governments in regular use the CAF model to evaluate and improve their performance (at least 10 local governments annually)	2	25,000.00	50,000.00	25,000.00	0.00	25,000.00	0.00
		1.1.2. Facilitate inter-institutional dialogue and regular exchange on CAF application across all government levels	Swiss	Organize capacity-building workshops for CAF practitioners on performance-oriented governance	12	7,500.00	90,000.00	22,500.00	22,500.00	22,500.00	22,500.00
				Support regular dialogue and exchange on CAF application across all government levels	4	7,500.00	30,000.00	7,500.00	7,500.00	7,500.00	7,500.00
				Visibility (lumpsum)	1	10,000.00	10,000.00	2,500.00	2,500.00	2,500.00	2,500.00
		1.1.3. Support CAF Resource Centers in designing knowledge tools and developing capacities of LG practitioners for effective use of CAF digital tools	Swiss	Support the application of the CAF digital platform through design and promotion of a user-friendly toolkit (training program, user manual, lumpsum)	12	7,500.00	90,000.00	22,500.00	22,500.00	22,500.00	22,500.00
				Promote digital collaboration platforms to ensure inclusive, transparent, and continuous coordination among institutions and stakeholders (incl. best practice exchange, Q&A, etc.)	4	25,000.00	100,000.00	25,000.00	25,000.00	25,000.00	25,000.00
				Visibility (lumpsum)	1	10,000.00	10,000.00	2,500.00	2,500.00	2,500.00	2,500.00
		Subtotal Output 1.1					**580,000.00**	**157,500.00**	**132,500.00**	**157,500.00**	**132,500.00**
	Output 1.2: Procedures, tools and policies upscaled to modernize local governance structures and enable transparent, inclusive, and citizen-centered service delivery	1.2.1. Support the introduction of CAF in 10 new underdeveloped partner local governments (Group 1) and up to 3 cantons.	Swiss	Deliver capacity building on CAF implementation targeting mayors/cantonal leaders and elected officials	12	3,000.00	36,000.00	12,000.00	12,000.00	12,000.00	0.00
				Expose leadership of partner local and cantonal governments to well-functioning examples of CAF application in EU countries (study trip, international travel)	2	50,000.00	100,000.00	50,000.00	0.00	50,000.00	0.00
				Support the introduction of the citizens' satisfaction survey	1	35,000.00	35,000.00	17,500.00	17,500.00	0.00	0.00
				Design and deliver tailored technical assistance to local governments in CAF action planning to support local governments' prioritization of actions (daily rate).	50	500.00	25,000.00	12,500.00	12,500.00	0.00	0.00
				Provide technical assistance to the partner local governments and cantons in tracking progress, collecting feedback, and correcting courses of action (link to Activity 1.1.1, daily rate)	30	500.00	15,000.00	0.00	5,000.00	5,000.00	5,000.00
		1.2.2. Provision of support in strengthening integrity and anti-corruption mechanisms within local governments and their utilities (to be implemented in partnership with Transparency	Swiss	Conduct anticorruption needs assessments and provide tailored technical assistance to 10 underdeveloped local governments (Group 1) and their utility companies for design and implementation of their integrity and anticorruption frameworks (per day).	200	400.00	80,000.00	30,000.00	24,800.00	25,200.00	0.00
				Provide tailored technical assistance to 10 advanced local governments (Group 2) and their utility companies for the design and implementation of their integrity and anticorruption frameworks (per day).	200	400.00	80,000.00	32,000.00	34,000.00	14,000.00	0.00
		1.2.3. Support all partner local governments to advance their digital capacities and systems for improved performance and public service delivery	Swiss	Introduce eCitizen in 10 underdeveloped local governments (Group 1 - Link Activity 1.2.1, per LG).	10	10,000.00	100,000.00	50,000.00	50,000.00	0.00	0.00
				Promote and support further utilization of eCitizen in all other partner local governments (Group 2 and 3, lumpsum).	1	50,000.00	50,000.00	12,500.00	12,500.00	12,500.00	12,500.00
				Support development of digital portals/selected e-services in up to five top performing local governments (Group 3, per day).	200	350.00	70,000.00	19,950.00	19,950.00	19,950.00	10,150.00
		1.2.4 Tailored support to local governments through mentoring schemes, peer learning, knowledge exchange and best practices for improved public service delivery.	Swiss	Facilitate exchange among local governments and utility companies through establishment of thematic mentoring networks, including through on-demand mentoring schemes, knowledge and best practices exchange events.	8	15,000.00	120,000.00	30,000.00	30,000.00	30,000.00	30,000.00
		Subtotal Output 1.2					**711,000.00**	**266,450.00**	**218,250.00**	**168,650.00**	**57,650.00**
		SUBTOTAL OUTCOME 1					**1,291,000.00**	**423,950.00**	**350,750.00**	**326,150.00**	**190,150.00**

Outcome 2: Improved water sector policy and regulatory frameworks enable local governments to deliver inclusive, accountable, and high-quality water and wastewater services that benefit all citizens, including the most vulnerable at the local level	Output 2.1: Institutional coordination enhanced and policies created to advance frameworks for improved water and wastewater services	2.1.1. Strengthen the capacities of institutions responsible for planning, regulation, and oversight in the water and wastewater services sector.	SIDA	Strengthen institutional capacities of entity ministries in strategic planning, regulatory development, and oversight, ensuring they can lead implementation of water sector reforms and enforce service standards (per day).	343	350.00	120,050.00	0.00	60,025.00	60,025.00	0.00
				Provide technical and legal support to relevant entity and cantonal line ministries and professional associations in reviewing, adjusting, and implementing entity Programs for reform (daily rate).	150	350.00	52,500.00	14,000.00	14,000.00	14,000.00	10,500.00
				Stakeholders' coordination meetings	8	3,500.00	28,000.00	7,000.00	7,000.00	7,000.00	7,000.00
		2.1.2. Provide support to institutionalization and operationalization of the country wide benchmarking system.	SIDA	Provide on-demand technical assistance and support to host and beneficiary institutions on administering the benchmarking system (daily rate).	120	350.00	42,000.00	10,500.00	10,500.00	10,500.00	10,500.00
				Provide support to water associations to organize series of training of trainers' events and workshops for application of the benchmarking system (lumpsum).	1	50,000.00	50,000.00	0.00	25,000.00	25,000.00	0.00
			SIDA	Provide support to water associations in training of responsible persons from utilities on the use of benchmarking system.	7	5,000.00	35,000.00	10,000.00	10,000.00	10,000.00	5,000.00
		Subtotal Output 2.1:					**327,550.00**	**41,500.00**	**126,525.00**	**126,525.00**	**33,000.00**
	Output 2.2: Capacities of local governments and water utilities in place to deliver smart and sustainable local water services	Output 2.2.1. Provide technical assistance for underdeveloped LGs and their utilities, including through financial and operational performance improvement plans (Group 1).	SIDA	Provide adjusted FOPIP technical assistance for each underdeveloped local government and water utility company (per LG).	10	15,000.00	150,000.00	50,000.00	50,000.00	50,000.00	0.00
			SIDA	Provide targeted, needs-based technical assistance to utilities to build capacities in governance, service delivery and financial management (per day).	141	350.00	49,350.00	0.00	16,450.00	16,450.00	16,450.00
			Swiss	Design and implement 2 cycles of support to local governments/utility companies (Group 1) for service delivery improvements (USD 54,000 per local government per cycle), with specific consideration on gender equality and inclusion of the most vulnerable.	0.17	1,080,000.00	183,600.00	0.00	91,800.00	91,800.00	0.00
			BiH		0.18		194,400.00	0.00	97,200.00	97,200.00	0.00
			SIDA		0.65		702,000.00	0.00	351,000.00	351,000.00	0.00
			Swiss	Financial review of the grants' funds use (per day)	20.00	350.00	7,000.00	0.00	3,500.00	3,500.00	0.00
			SIDA	Assessment and assurance activities (HACT MA, spot checks, F&IC Audit, quality assurance for infrastructure projects, per LG)	5	1,200.00	6,000.00	3,600.00	1,200.00	1,200.00	0.00
			Swiss		5		6,000.00	1,200.00	2,400.00	2,400.00	0.00
			SIDA	Needs assessment of partner local governments and the preparation of action plans for service delivery improvements, including through innovative service delivery models (digitalization, intermunicipal cooperation, outsourcing of services), with specific consideration on gender equality and inclusion of the most vulnerable (per day)	10	7,000.00	70,000.00	70,000.00	0.00	0.00	0.00
				Procurement and supply of necessary equipment for 10 new local governments/utilities (per LG)	10	19,250.00	192,500.00	0.00	96,250.00	0.00	96,250.00
		2.2.2. Provision of financial support for partner local governments in the water supply and wastewater management area, based on improved performance in public service delivery (Group 2).	Swiss	Implement two cycles of support local governments' performance, with specific consideration on gender equality and inclusion of the most vulnerable (per cycle)	0.21	1,800,000.00	378,000.00	0.00	189,000.00	189,000.00	0.00
			BiH		0.72		1,296,000.00	0.00	648,000.00	648,000.00	0.00
			SIDA		0.07		126,000.00	0.00	63,000.00	63,000.00	0.00
			Swiss	Financial review of the grants' funds use (per day)	20.00	350.00	7,000.00	0.00	3,500.00	3,500.00	0.00
			Swiss	Assessment and assurance activities (HACT MA, spot checks, F&IC Audit, quality assurance for infrastructure projects, per LG)	5	1,200.00	6,000.00	2,400.00	2,400.00	1,200.00	0.00
			SIDA		5		6,000.00	2,400.00	1,200.00	2,400.00	0.00
		2.2.3. Provide tailored technical support to utility companies in advanced LGs through mentoring schemes, peer learning, and tools for improved service delivery and financial management (Groups 2, 3 and 4).	SIDA	Tailored and adaptive technical assistance to advanced 10 local governments (Group 2) to support institutionalization and implementation of water tariff methodology (fixed assets book completion, asset management, subsidy systems for socially vulnerable categories of citizens, pollution cadaster, per day).	150	350.00	52,500.00	17,500.00	17,500.00	17,500.00	0.00
			SIDA	Support development and introduction of GIS web portal for communal services for five top performing local governments (Group 3, per LG).	5	40,000.00	200,000.00	0.00	80,000.00	80,000.00	40,000.00
			SIDA	Support on-demand mentoring and peer learning for MEG Network (Group 4).	1	60,000.00	60,000.00	0.00	20,000.00	20,000.00	20,000.00
		2.2.4. Ensure sector-wide capacity building via Water Academy and Young Water Professionals' (YWP) engagement programs.	Swiss	Support the full establishment and operationalization of the Water Academy as a central platform for capacity development in the water sector.	1	225,000.00	225,000.00	75,000.00	75,000.00	75,000.00	0.00
				Provide technical, administrative and expert support to YWP activities.	1	90,000.00	90,000.00	30,000.00	30,000.00	30,000.00	0.00
				Support on-demand mentoring, peer learning and knowledge sharing events for MEG Network.	1	45,000.00	45,000.00	0.00	15,000.00	15,000.00	15,000.00
				Local travel (monthly rate)	48	350.00	16,800.00	4,200.00	4,200.00	4,200.00	4,200.00
			CzDA	Study trip/international travel	1	30,065.00	30,065.00	0.00	30,065.00	0.00	0.00
		Subtotal Output 2.2					**4,099,215.00**	**256,300.00**	**1,888,665.00**	**1,762,350.00**	**191,900.00**
		SUBTOTAL OUTCOME 2					**4,426,765.00**	**297,800.00**	**2,015,190.00**	**1,888,875.00**	**224,900.00**

Project Management		Swiss	Project Manager (full time, 100% monthly salary)	29	5,500.00	159,500.00	39,875.00	39,875.00	39,875.00	39,875.00
		SIDA		19		104,500.00	26,125.00	26,125.00	26,125.00	26,125.00
		Swiss	Project Associate (full time, 100% monthly salary)	29	3,400.00	98,600.00	24,650.00	24,650.00	24,650.00	24,650.00
		SIDA		19		64,600.00	16,150.00	16,150.00	16,150.00	16,150.00
		Swiss	Procurement Associate (50% monthly salary)	32	1,250.00	40,000.00	10,000.00	10,000.00	10,000.00	10,000.00
		SIDA		16		20,000.00	5,000.00	5,000.00	5,000.00	5,000.00
		Swiss	Project Assistant (100% monthly salary)	30	2,200.00	66,000.00	16,500.00	16,500.00	16,500.00	16,500.00
		SIDA		18		39,600.00	9,900.00	9,900.00	9,900.00	9,900.00
		Swiss	Policy/Legal Officer (100% of monthly salary)	22	4,200.00	92,400.00	23,100.00	23,100.00	23,100.00	23,100.00
		SIDA		22		92,400.00	23,100.00	23,100.00	23,100.00	23,100.00
		Swiss	Local Governance Officer (100% of monthly salary)	36	4,200.00	151,200.00	37,800.00	37,800.00	37,800.00	37,800.00
		Swiss	eGovernance Specialist (50% of monthly salary)	30	2,200.00	66,000.00	16,500.00	16,500.00	16,500.00	16,500.00
		Swiss	Local Governance Field Officer (100% of monthly salary)	48	4,200.00	201,600.00	50,400.00	50,400.00	50,400.00	50,400.00
		Swiss	Environment and Water Management Officer (100% monthly salary, 1 positions 48 months, 2 positions 42 months)	52	4,200.00	218,400.00	54,600.00	54,600.00	54,600.00	54,600.00
		SIDA		80		336,000.00	84,000.00	84,000.00	84,000.00	84,000.00
		Swiss	Communication Officer (25% of monthly salary)	48	1,050.00	50,400.00	12,600.00	12,600.00	12,600.00	12,600.00
		SIDA	Monitoring and Evaluation Officer (5% of monthly salary)	42	300.00	12,600.00	3,150.00	3,150.00	3,150.00	3,150.00
		SIDA	Gender Specialist (5% of monthly salary)	48	300.00	14,400.00	3,600.00	3,600.00	3,600.00	3,600.00
		Swiss	Sector quality assurance - Senior Sector Associate (25% per month)	29	1,400.00	40,600.00	10,150.00	10,150.00	10,150.00	10,150.00
		SIDA		19		26,600.00	6,650.00	6,650.00	6,650.00	6,650.00
		CzDA	Local Governance Field Officer (100% of monthly salary)	40	3,400.00	74,800.00	34,000.00	40,800.00	0.00	0.00
		Swiss	Sector quality assurance - Sector Leader (15 % per month)	29	1,200.00	34,800.00	8,700.00	8,700.00	8,700.00	8,700.00
		SIDA		19		22,800.00	5,700.00	5,700.00	5,700.00	5,700.00
		Swiss	Programme Operations and Support Associate (15% per month)	29	863.33	25,036.67	6,259.17	6,259.17	6,259.17	6,259.17
		SIDA		19		16,403.33	4,100.83	4,100.83	4,100.83	4,100.83
		Swiss	Rent, utilities and maintenance of premises (per month)	31	3,400.00	102,708.33	25,677.08	25,677.08	25,677.08	25,677.08
		SIDA		17		60,491.67	15,122.92	15,122.92	15,122.92	15,122.92
		Swiss	Communication expenses (per year)	4	4,000.00	9,000.00	2,250.00	2,250.00	2,250.00	2,250.00
		SIDA				7,000.00	1,750.00	1,750.00	1,750.00	1,750.00
		Swiss	Rent of IT equipment (per year)	4	5,000.00	13,000.00	3,250.00	3,250.00	3,250.00	3,250.00
		SIDA				7,000.00	1,750.00	1,750.00	1,750.00	1,750.00
		Swiss	Office supplies (per year)	4	3,750.00	9,000.00	2,250.00	2,250.00	2,250.00	2,250.00
		SIDA				6,000.00	1,500.00	1,500.00	1,500.00	1,500.00
		Swiss	Postage, printing service, bank charges, translation and other miscellaneous charges (per month)	48	1,562.50	48,750.00	12,187.50	12,187.50	12,187.50	12,187.50
		SIDA				26,250.00	6,562.50	6,562.50	6,562.50	6,562.50
		Swiss	Mid-term and final evaluation	1	37,000.00	20,000.00	0.00	10,000.00	0.00	10,000.00
		SIDA				17,000.00	0.00	8,500.00	0.00	8,500.00
		SIDA	Local travel (per month)	48	700.00	33,600.00	8,400.00	8,400.00	8,400.00	8,400.00
	Sub-total Project Management					**2,429,040.00**	**613,310.00**	**638,610.00**	**579,310.00**	**597,810.00**

Subtotal	**8,146,805.00**	**1,335,060.00**	**3,004,550.00**	**2,794,335.00**	**1,012,860.00**
GMS - 8%	**532,512.40**	**106,804.80**	**180,748.00**	**163,930.80**	**81,028.80**
TOTAL BUDGET	**8,679,317.40**	**1,441,864.80**	**3,185,298.00**	**2,958,265.80**	**1,093,888.80**
UN Coordination Levy - 1%	**39,985.87**	**9,996.47**	**9,996.47**	**9,996.47**	**9,996.47**
TOTAL WITH LEVY	**8,719,303.27**	**1,451,861.27**	**3,195,294.47**	**2,968,262.27**	**1,103,885.27**

999,646.65

	Swiss	SIDA	BiH LGs	Czda	Total
Subtotal	**3,702,395.00**	**2,849,145.00**	**1,490,400.00**	**104,865.00**	**8,041,940.00**
GMS (8%)	**296,191.60**	**227,931.60**	**0.00**	**8,389.20**	**524,123.20**
Total Budget	**3,998,586.60**	**3,077,076.60**	**1,490,400.00**	**113,254.20**	**8,566,063.20**
UN Coordination Levy (1%)*	**39,985.87**	**0.00**	**0.00**	**0.00**	**39,985.87**
Total with Levy	**4,038,572.46**	**3,077,076.60**	**1,490,400.00**	**113,254.20**	**8,719,303.27**
%	*46%*	*35%*	*17%*	*1%*	*100%*

'*Pursuant to paragraph 10(a) of United Nations General Assembly Resolution A/RES/72/279 (31 May 2018), the Donor agrees that an amount corresponding to 1% of the total contribution to UNDP shall be paid to finance the United Nations Resident Coordinator System.

ANNEX 3: DRAFT OUTLINE OF PROJECT'S EXIT STRATEGY

Outcome 1: Governments at all levels collaborate to institutionalize performance-driven policies that strengthen accountability, inclusivity, and gender responsiveness in service delivery.				
Institution	**Strengths**	**Weaknesses**	**Actions to be undertaken by MEG to enable the institutionalization**	**Expected Result**
Ministry of Administration and Local Self-Governance (RS)	- Formal mandate for local governance policy. - Potential to integrate MEG tools into legal frameworks. - Access to legislative and budgetary levels.	- Limited human capacities. - Weak internal and cross-government coordination. - Risk of political influence. - Low operational agility and technical continuity.	- Structured technical assistance to support the practical implementation of CAF at the local level. Facilitate cross-ministerial coordination via policy platforms. - Support MULS in establishing a network of LG practitioners. - Support data interoperability and reform roadmaps (e.g. CAF digital platform).	"Soft" institutionalization of CAF at the local level. Strengthened institutional capacity and public reform ownership. Improved coordination and policy coherence.
Federal Ministry of Justice	- Formal mandate for local governance policy. - Capacity for data collection and monitoring.	- Very weak communication and coordination with local level governments. - Limited mandate, technical and financial capacity. - Limited policy engagement at the local level. - Risk of political influence.	- Develop proposals to expand operational scope related to CAF. - Promote cross-institutional cooperation with Civil Servants Agencies (CSA) and Association of Municipalities and Cities (MCA). - Support data interoperability and reform roadmaps (e.g. CAF digital platform).	Enhanced inter-agency coordination, operational local governance oversight and policy coherence.
Associations of Municipalities and Cities (AMCs – FBIH and RS)	- Strong legitimacy among local governments. - Proven track record in advocacy.	- Limited technical and financial capacity.	- Build capacities of relevant LG commissions within AMCs. - The Project will support digitalization of support toolkits for local governments,	"Custodian" of MEG's knowledge and tools.

	- Could be positioned to co-host learning and mentoring platforms. - Positioned to influence policy design (FBIH).	- Dependence on donor support for operational sustainability. - No formal regulatory authority.	and their role in reform dissemination, citizen engagement campaigns, and performance-based incentive programs. - Project support in establishing network of LG practitioners (in partnership with entity ministries and CSAs).	
Civil Service Agencies (FBIH, RS, BIH) and PARCO BIH	- Mandated to support professionalization of public administration. - Potential to host training and certification programs. - Access to LG staff and HR systems.	- Limited practical exposure to performance-based governance. - Weak integration with service delivery reform.	- The Project would engage agencies in co-designing LG capacity-building modules, and support integration of CAF into civil service curricula. - The Project will help position CSAs as resource centers for CAF facilitation, benchmarking roll-out, and governance mentoring schemes.	Advanced capacities of CSAs as resource centers enabling practical CAF implementation through institutionalized training and certification programs for LG staff.
LGs	- Direct mandate for service delivery - Proximity to citizens and ability to influence the work of local utilities. - Increasing interest in performance-based governance.	- Political interference in administrative management. - Limited technical and financial capacity. - Variable commitment to reform. - Weak governance mechanisms (internal controls, municipal councils, integrity mechanisms, etc.). - Inefficient interdepartmental coordination.	- Provide tailored technical assistance and Financial and operational Improvement Programme (FOPIP) support. - Strengthen LG councils and internal control mechanisms through targeted capacity-building. - Support LGs to institutionalize benchmarking, CAF, and citizen engagement tools. Facilitate peer learning and intermunicipal cooperation.	LGs adopt MEG tools as standard practice, leading to improved service delivery and governance performance. Enhanced public engagement and accountability mechanisms.

Outcome 2: Improved water sector policy and regulatory frameworks enable local governments to deliver inclusive, accountable, and high-quality water and wastewater services that benefit all citizens, including the most vulnerable at the local level.				
Institution	**Strengths**	**Weaknesses**	**Actions to be undertaken by the Project to enable the institutionalization**	**Expected Result**
MOFTER (State-level Ministry of Foreign Trade and Economic Relations)	- Institutional mandate to coordinate the EU accession process and future EU assistance, - Strengthens alignment with European integration priorities and enhances coherence across donor-supported reforms. - Formal coordination mandate for environmental and water policy. - Access to international platforms and strategic donor dialogue. - Potential to champion sector-wide reform and regional cooperation.	- Limited executive authority. - Weak vertical coordination. - Under-resourced and politically constrained. - Low operational engagement with LGs/utilities.	- Support positioning MOFTER as a convening body for sectoral policy dialogue. - Facilitate donor coordination and regional benchmarking. Support the development of a country-wide water sector reform roadmap.	MOFTER becomes a strategic facilitator of water sector reform. Improved vertical and horizontal coordination. Stronger alignment with EU and regional standards.
Entity line ministries (Ministries of Water Management)	- Formal mandate for water sector policy design, implementation, and oversight. - Potential to integrate MEG tools into legal and regulatory frameworks. - Access to budgetary and legislative levers.	- Historically limited human and financial capacities. - Weak coordination internally, horizontally and vertically. - Risk of political influence and low operational agility.	- Provision of structured technical assistance that enables integration of MEG tools into regulatory and planning frameworks. - Capacity-building initiatives to focus on creating dedicated reform units or focal points within the ministries, improving data interoperability across tiers, and facilitating cross-ministerial coordination through policy dialogue platforms and co-developed reform roadmaps.	Ministries integrate MEG tools for planning and oversight leading to improved investment targeting and service outcomes. Ministries become reform partners and technical steward. Stronger cross-entity policy coherence and reform momentum.

		- May lack technical continuity and reform ownership.		
Water Agencies (e.g. River Basin Agencies in FBIH, “Vode Srpske” in RS)	- Mandated institutions with technical expertise in water resource management. - Positioned to support data collection, monitoring, and planning. - Proven potential to host and manage benchmarking systems and performance databases.	- Currently focused on resource management, not utility performance or governance. - Limited engagement with local governments and service delivery. - Institutional mandates currently limited but may be expanded or clarified.	- Provision of support for developing operational capacities to take on post- Project stewardship of technical systems, i.e. benchmarking platforms and regional performance monitoring. - Targeted assistance to integrate service-level data into basin management practices, promote cross-agency cooperation, and adapt governance models.	Agencies support Ministries in the adoption of MEG tools through data systems. Improved planning and oversight capacity and strongly support Ministries in the reform process. Stronger link between resource and service governance. Enhanced planning and coordination capacity.
Water Utility Associations and Professional Networks	- Familiarity with sectoral issues and operational credibility. - Strong engagement with utilities. - Reform-minded professionals. - Best positioned to host Water Academy and mentoring platforms.	- Limited formal authority and uneven institutional capacity. - Often reliant on project-based funding and donor support. - Lack of coordination between entities.	- MEG 3 will assist in strengthening their role as training providers, conveners of thematic commissions, and custodians of Water Academy content. Support will include developing curricula, mentoring protocols, and online learning platforms, as well as fostering linkages with universities, regulatory bodies, etc. These networks will also be supported to take ownership of reform advocacy by producing sector briefs and participating in policy consultations.	Custodians of MEG tools. Sustainable peer learning and capacity-building ecosystem. Resource pool and expert network available for government institutions. Stronger utility sector cohesion and professionalism. Improved sector oversight and alignment. Stronger incentives for utility performance and reforms.

Associations of Municipalities and Cities (AMCs – FBIH and RS)	- Strong legitimacy among local governments. - Proven track record in advocacy. - Positioned to influence policy design (FBIH).	- Limited technical and financial capacity. - Dependence on donor support for operational sustainability. - No formal regulatory authority.	- AMCs should serve as keystone actors in MEG's decentralization and sustainability strategy. The Project will help position AMCs as operational hubs for CAF facilitation, benchmarking roll-out, and governance mentoring schemes. - The Project will support co-developing training-of-trainers models, digitize support toolkits for local governments, and formalize AMC roles in reform dissemination, citizen engagement campaigns, and performance-based incentive programs.	Custodians of MEG tools. Sustainable peer learning and capacity-building ecosystem. Resource pool of LG experts available for government institutions. Stronger incentives for utility performance and reforms.
LGs	- Direct mandate for service delivery. - Proximity to citizens and ability to influence the work of local utilities. - Increasing interest in performance-based governance.	- Political interference in utility management. - Limited technical and financial capacity. - Variable commitment to reform. - Weak governance mechanisms (internal controls, municipal councils, integrity mechanisms, etc.). - Inefficient interdepartmental coordination.	- Provide tailored technical assistance and FOPIP support. Strengthen LG councils through targeted capacity-building. Support LGs to institutionalize benchmarking and citizen engagement tools. - Facilitate peer learning and intermunicipal cooperation.	LGs adopt MEG tools as standard practices for support of their utilities. Improved service delivery and governance performance. Enhanced public engagement and accountability mechanisms.

Public Water Utilities (Municipally owned)	- Direct service mandate. - Existing infrastructure and staff. - Increasing openness to benchmarking and FOPIP. - Potential for performance-based management.	- Political interference. - Frequent weak financial and operational management. - Limited autonomy and strategic planning. - Resistance to transparency and citizen oversight.	- Support for the institutionalization of performance management (benchmarking, KPIs, FOPIP). - Support the introduction of utility–LG governance models. - Build technical and managerial capacity. - Promote citizen engagement and service charters.	Utilities operate under performance-based governance. Improved service quality, financial sustainability, and transparency. Stronger accountability to LGs and citizens.

ANNEX 4: SOCIAL AND ENVIRONMENTAL RISK SCREENING CHECKLIST

Project Information	
1. Project Title	Municipal Environmental Governance Phase III
2. Project Number (i.e. Quantum ID, PIMS+)	01005296
3. Location (Global/Region/Country)	Bosnia and Herzegovina
4. Project stage (Design or Implementation)	Design
5. Date	February 2026

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

QUESTION 1: How Does the Project Integrate the Programming Principles in Order to Strengthen Social and Environmental Sustainability?
Briefly describe in the space below how the project mainstreams the human rights-based approach
Overall, human-rights–based approach to development and service delivery applied by MEG ensures that water and wastewater services are accessible, affordable, available, and of acceptable quality for all, in line with the AAAQ framework of the broader Human Rights–Based Approach to Development.[14] By strengthening governance and improving service delivery, MEG 3 will help translate these principles into practice through equity-oriented tariff structures, inclusive and climate-resilient infrastructure design, and proactive outreach to communities that have historically been excluded or discriminated against on the basis of gender, age, disability, ethnicity, or socio-economic status. The formal introduction of water-supply subsidies by institutional duty bearers directly supports poverty reduction and helps guarantee the rights of the most vulnerable, ensuring that essential services do not become a source of further inequality. By fostering participation and empowerment of right holders, particularly among marginalized groups, MEG 3 ensures that community voices shape service improvements and that governance systems become more transparent, accountable, and responsive. Potential risks such as inadvertent exclusion or unequal benefit distribution are addressed through robust participatory mechanisms, targeted outreach, monitoring of social impacts, and accessible grievance-redress systems. At the same time, institutional duty bearers receive support to uphold their responsibilities through the practical application of the PLANET principles, namely participation, link to human rights obligations, accountability, non-discrimination and equality, empowerment and capacity development, and transparency, thus reinforcing a governance environment where human rights are protected and respected.
Briefly describe in the space below how the project is likely to improve gender equality and women's empowerment
MEG 3 places gender equality and social inclusion at the heart of its governance reform agenda, not as a standalone component, but as a cross-cutting imperative that shapes how institutions function, how services are delivered, and how citizens engage. In a context marked by institutional fragmentation

[14] The Human Rights-Based Approach to Development Programming: HRBA Toolkit | United Nations Development Programme

and social disparities, MEG 3 recognizes that inclusive governance is not only a matter of equity, but a prerequisite for legitimacy, resilience, and sustainable development.

A mapping of social services conducted in 9 underdeveloped local governments by UNDP in 2023 indicated that only 50% of services were provided by the public sector, while the rest of the service providers at the local level were mainly local civil society organizations that received funding from public budgets on a project basis, which significantly undermines continuity and sustainability of service delivery.[15] It also revealed disparities in the coverage and quality of basic services across different local governments or cantons, indicating uneven development and resource allocation. This particularly concerns vulnerable populations, such as the elderly, children with disabilities, single parents and chronically ill patients, who may not be receiving adequate care and support.

MEG 1 and 2 laid a strong foundation for integration of gender equality and social inclusion into all project-supported local governance processes and service delivery mechanisms. Through participatory budgeting, citizen engagement platforms, and targeted capacity development, the Projects elevated the voices of women, youth, and marginalized groups in municipal decision-making. Gender-disaggregated data and social inclusion indicators were introduced into benchmarking and planning tools, enabling municipalities to better understand and respond to diverse community needs. Public Service Agreements were adapted to reflect equity goals, and elected officials, particularly councilors, were engaged in dialogue on inclusive service provision and accountability.

These efforts informed a small shift in institutional mindsets of local governments, demonstrating that inclusive governance is not only possible but beneficial, leading to more responsive services, stronger citizen trust, and improved performance outcomes.

The Project's strategy to integrating gender equality and social inclusion includes three interlinked pillars: institutional mainstreaming, inclusive service delivery, and empowered citizen engagement.

- **Institutional mainstreaming** involves embedding gender equality and social inclusion considerations into municipal planning, budgeting, and performance management systems. This includes the use of gender- and inclusion-sensitive indicators in benchmarking and the adoption of inclusive governance tools such as CAF4LG.
- **Inclusive and rights-based approach to development and service delivery** focuses on ensuring that water and wastewater services are accessible, affordable, and responsive to the needs of all citizens, especially those who are often excluded, or even discriminated, due to gender, age, disability, ethnicity, or socio-economic status. MEG 3 promotes equity-based tariff structures, inclusive infrastructure design, and targeted outreach to underserved communities. Formal introduction of water supply subsidies by duty bearers contributes to alleviating poverty and ensuring rights for the most vulnerable in target communities.

[15] Mapiranje usluga socijalne pomoći i podrške u 9 jedinica lokalne samouprave | United Nations Development Programme (undp.org)

• **Empowered citizen engagement** strengthens the role of civil society organizations, community groups, and individual citizens in shaping local governance. MEG 3 supports participatory policy making and prioritization, public consultations, and feedback mechanisms that allow diverse voices to influence municipal priorities and hold service providers accountable.
Briefly describe in the space below how the project mainstreams sustainability and resilience
MEG 3 is committed to using country systems wherever feasible, recognizing that this approach enhances cost-effectiveness, strengthens institutional ownership, and promotes long-term sustainability. By working through existing structures, such as the training departments of Civil Service Agencies, the capacity development mechanisms of the Associations of Municipalities and Cities, and established intergovernmental coordination platforms, the Project avoids duplication and reinforces domestic legitimacy. This principle extends beyond training to include planning, monitoring, and service delivery processes, ensuring that reform tools are embedded within the operational routines of partner institutions. Where country systems demonstrate readiness and reliability, MEG 3 will prioritize their use over parallel arrangements, thereby fostering alignment with national development strategies and contributing to the institutional resilience of Bosnia and Herzegovina's governance architecture.
Briefly describe in the space below how the project strengthens accountability to stakeholders
Overall, the Project will adhere to the highest standards of transparency, accountability, and compliance with UNDP's rules and regulations. All partners will be selected through a fair and competitive process, ensuring equity and non-discrimination, with clear evaluation criteria. Rigorous due diligence will be carried out to assess the financial and operational capacity of grantees, ensuring they meet the necessary requirements for effective implementation. The process will prioritize transparency by keeping stakeholders informed about decisions, criteria, and the rationale behind funds awards. Additionally, where required, the endorsement of the Project Board will be sought for final approval, ensuring governance and alignment with Project objectives.

Part B. Identifying and Managing Social and Environmental Risks

QUESTION 2: What are the Potential Social and Environmental Risks? *Note: Complete SESP Attachment 1 before responding to Question 2.*	QUESTION 3: What is the level of significance of the potential social and environmental risks? *Note: Respond to Questions 4 and 5 below before proceeding to Question 5*			QUESTION 6: Describe the assessment and management measures for each risk rated Moderate, Substantial or High
Risk Description (broken down by event, cause, impact)	***Impact and Likelihood (1-5)***	***Significance (Low, Moderate Substantial, High)***	***Comments (optional)***	***Description of assessment and management measures for risks rated as Moderate, Substantial or High***
Human rights **P. 2**. Is there a risk that duty-bearers (e.g. government agencies) do not have the capacity to meet their obligations in the project? *There is a risk that national and local institutions may lack the capacity, coordination, and resources to deliver citizens-centered services and uphold provision of public services effectively.* **Event:** Stakeholders fail to execute their roles within the project or	I = 2; P: 2	*Low*		*The environmental assessments were conducted during previous project phases in the areas of institutional, operational and financial capacities and possible improvements in the sector of water utilization and wastewater management in all partner local governments. In order to mitigate this identified risk, UNDP will timely engage the counterparts to explain the processes and ensure their effective participation. The risk of failure to deliver on signing and passing effective policy measures will require constant interaction with relevant ministries. Co-financing of infrastructure projects at local level will run according to the model established under MEG 1 and MEG 2 which included planning of priority interventions ahead of execution and ensuring the LGs' full participation in their implementation and monitoring.*

meet financial obligations. **Cause:** Limited resources, failure to pass relevant policies, or to implement the agreed measures for improving public services. **Impact:** Obstacles could appear in the effective service delivery and enforcement of human rights obligations.				
Accountability **P. 14**. *Would the project potentially involve or lead to grievances or objections from potentially affected stakeholders?* **Event:** Limited or non-existent engagement of key stakeholders, particularly from marginalized groups. **Cause:** Insufficient allocation of resources or personnel by stakeholders, ineffective implementation of inclusive mechanisms,	I = 1; P: 2	*Low*		*The Project will continue to anticipate the risk of grievances or disengagement from stakeholders, particularly marginalized groups. It will assess this risk through systematic stakeholder mapping, baseline analyses of trust and awareness, and by embedding grievance and participation indicators into its monitoring frameworks. Regular feedback loops will be established to detect dissatisfaction early. To manage and mitigate, MEG will allocate resources to ensure inclusive engagement, providing outreach and logistical support where needed. Transparent communication will be prioritized to build trust, while formal grievance redress mechanisms will offer clear channels for concerns. Municipal staff will be acquainted in participatory and conflict-sensitive practices, and partnerships with NGOs and community leaders will be strengthened to reach vulnerable groups. Adaptive management will ensure that feedback directly informs adjustments to project activities, while visible early successes will be showcased to reinforce credibility. In this way, MEG will transform potential grievances into opportunities for stronger ownership, inclusivity, and trust in its objectives and outcomes.*

and lack of trust or awareness among affected communities. **Impact:** Delays in project implementation, reduced effectiveness of interventions, diminished community ownership, and weakened trust in the project's objectives and outcomes.				
Community Health, Safety and Security **P. 3.1** *Would the project potentially involve or lead to construction and/or infrastructure development (e.g. roads, buildings, dams)?* **Event:** Irresponsible management of infrastructural works. **Cause:** Creation of health or environmental hazards. **Impact:** Delays in project implementation, negative impact on the community, weakened trust in the project's	I = 1; P: 2	*Moderate*		*The project will employ the best practices from the previous implementation phases, which include strict adherence to relevant national legislation, and strict control of work by both project staff and national partners.*

objectives and outcomes.						
	QUESTION 4: What is the overall project risk categorization?					
	Low Risk	X	The project includes activities of no or very low risk of adverse social and environmental impacts			
	Moderate Risk	☐				
	Substantial Risk	☐				
	High Risk	☐				
	QUESTION 5: Based on the identified risks and risk categorization, what requirements of the SES are triggered? (check all that apply)					
	Question only required for Moderate, Substantial and High-Risk projects.					
	Is assessment required? (check if "yes")	☐			***Status? (completed, planned)***	
	if yes, indicate overall type and status					
	Are management plans required? (check if "yes)	☐				
	If yes, indicate overall type					
	Based on identified risks, which Principles/Project-level Standards triggered?		**Comments (not required)**			
	Overarching Principle: Leave No One Behind	☐	N/A			
	Human Rights	x	N/A			
	Gender Equality and Women's Empowerment	☐	N/A			
	Accountability	x				
	1. Biodiversity Conservation and Sustainable Natural Resource Management	☐	N/A			
	2. Climate Change and Disaster Risks	☐	N/A			
	3. Community Health, Safety and Security	x	N/A			
	4. Cultural Heritage	☐	N/A			
	5. Displacement and Resettlement	☐	N/A			
	6. Indigenous Peoples	☐	N/A			
	7. Labour and Working Conditions	☐	N/A			

	8. ***Pollution Prevention and Resource Efficiency***	☐	N/A

Overarching Principle: Leave No One Behind **Human Rights**		**Answer (Yes/No)**
P.1	Have local communities or individuals raised human rights concerns regarding the project (e.g. during the stakeholder engagement process, grievance processes, public statements)?	No
P.2	Is there a risk that duty-bearers (e.g. government agencies) do not have the capacity to meet their obligations in the project?	**Yes**
P.3	Is there a risk that rights-holders (e.g. project-affected persons) do not have the capacity to claim their rights?	No
Would the project potentially involve or lead to:		
P.4	adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups?	No
P.5	inequitable or discriminatory impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups, including persons with disabilities? [16]	No
P.6	restrictions in availability, quality of and/or access to resources or basic services, in particular to marginalized individuals or groups, including persons with disabilities?	No
P.7	exacerbation of conflicts among and/or the risk of violence to project-affected communities and individuals?	No
Gender Equality and Women's Empowerment		
P.8	Have women's groups/leaders raised gender equality concerns regarding the project, (e.g. during the stakeholder engagement process, grievance processes, public statements)?	No
Would the project potentially involve or lead to:		
P.9	adverse impacts on gender equality and/or the situation of women and girls?	No
P.10	reproducing discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?	No
P.11	limitations on women's ability to use, develop and protect natural resources, taking into account different roles and positions of women and men in accessing environmental goods and services? *For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their livelihoods and well being*	No
P.12	exacerbation of risks of gender-based violence? *For example, through the influx of workers to a community, changes in community and household power dynamics, increased exposure to unsafe public places and/or transport, etc*.	No
Sustainability and Resilience: Screening questions regarding risks associated with sustainability and resilience are encompassed by the Standard-specific questions below		
Accountability		

[16] Prohibited grounds of discrimination include race, ethnicity, sex, age, language, disability, sexual orientation, gender identity, religion, political or other opinion, national or social or geographical origin, property, birth or other status including as an indigenous person or as a member of a minority. References to "women and men" or similar is understood to include women and men, boys and girls, and other groups discriminated against based on their gender identities, such as transgender and transsexual people.

Would the project potentially involve or lead to:		
P.13	exclusion of any potentially affected stakeholders, in particular marginalized groups and excluded individuals (including persons with disabilities), from fully participating in decisions that may affect them?	No
P.14	grievances or objections from potentially affected stakeholders?	**Yes**
P.15	risks of retaliation or reprisals against stakeholders who express concerns or grievances, or who seek to participate in or to obtain information on the project?	No
Project-Level Standards		
Standard 1: Biodiversity Conservation and Sustainable Natural Resource Management		
Would the project potentially involve or lead to:		
1.1	adverse impacts to habitats (e.g. modified, natural, and critical habitats) and/or ecosystems and ecosystem services? *For example, through habitat loss, conversion or degradation, fragmentation, hydrological changes*	No
1.2	activities within or adjacent to critical habitats and/or environmentally sensitive areas, including (but not limited to) legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?	No
1.3	changes to the use of lands and resources that may have adverse impacts on habitats, ecosystems, and/or livelihoods? (Note: if restrictions and/or limitations of access to lands would apply, refer to Standard 5)	No
1.4	risks to endangered species (e.g. reduction, encroachment on habitat)?	No
1.5	exacerbation of illegal wildlife trade?	No
1.6	introduction of invasive alien species?	No
1.7	adverse impacts on soils?	No
1.8	harvesting of natural forests, plantation development, or reforestation?	No
1.9	significant agricultural production?	No
1.10	animal husbandry or harvesting of fish populations or other aquatic species?	No
1.11	significant extraction, diversion or containment of surface or ground water? *For example, construction of dams, reservoirs, river basin developments, groundwater extraction*	No
1.12	handling or utilization of genetically modified organisms/living modified organisms?[17]	No
1.13	utilization of genetic resources? (e.g. collection and/or harvesting, commercial development)[18]	No
1.14	adverse transboundary or global environmental concerns?	No
Standard 2: Climate Change and Disaster Risks		
Would the project potentially involve or lead to:		
2.1	areas subject to hazards such as earthquakes, floods, landslides, severe winds, storm surges, tsunami or volcanic eruptions?	No

[17] See the Convention on Biological Diversity and its Cartagena Protocol on Biosafety.
[18] See the Convention on Biological Diversity and its Nagoya Protocol on access and benefit sharing from use of genetic resources.

2.2	outputs and outcomes sensitive or vulnerable to potential impacts of climate change or disasters? *For example, through increased precipitation, drought, temperature, salinity, extreme events, earthquakes*	No
2.3	increases in vulnerability to climate change impacts or disaster risks now or in the future (also known as maladaptive or negative coping practices)? *For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population's vulnerability to climate change, specifically flooding*	No
2.4	increases of greenhouse gas emissions, black carbon emissions or other drivers of climate change?	No
Standard 3: Community Health, Safety and Security		
Would the project potentially involve or lead to:		
3.1	construction and/or infrastructure development (e.g. roads, buildings, dams)?	**Yes**
3.2	air pollution, noise, vibration, traffic, injuries, physical hazards, poor surface water quality due to runoff, erosion, sanitation?	No
3.3	harm or losses due to failure of structural elements of the project (e.g. collapse of buildings or infrastructure)?	No
3.4	risks of water-borne or other vector-borne diseases (e.g. temporary breeding habitats), communicable and noncommunicable diseases, nutritional disorders, mental health?	No
3.5	transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	No
3.6	adverse impacts on ecosystems and ecosystem services relevant to communities' health (e.g. food, surface water purification, natural buffers from flooding)?	No
3.7	influx of project workers to project areas?	
3.8	engagement of security personnel to protect facilities and property or to support project activities?	No
Standard 4: Cultural Heritage		
Would the project potentially involve or lead to:		
4.1	activities adjacent to or within a Cultural Heritage site?	No
4.2	significant excavations, demolitions, movement of earth, flooding or other environmental changes?	No
4.3	adverse impacts to sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	No
4.4	alterations to landscapes and natural features with cultural significance?	No
4.5	utilization of tangible and/or intangible forms (e.g. practices, traditional knowledge) of Cultural Heritage for commercial or other purposes?	No
Standard 5: Displacement and Resettlement		
Would the project potentially involve or lead to:		

5.1	temporary or permanent and full or partial physical displacement (including people without legally recognizable claims to land)?	No
5.2	economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	No
5.3	risk of forced evictions?[19]	No
5.4	impacts on or changes to land tenure arrangements and/or community based property rights/customary rights to land, territories and/or resources?	No
Standard 6: Indigenous Peoples		
Would the project potentially involve or lead to:		
6.1	areas where indigenous peoples are present (including project area of influence)?	No
6.2	activities located on lands and territories claimed by indigenous peoples?	No
6.3	impacts (positive or negative) to the human rights, lands, natural resources, territories, and traditional livelihoods of indigenous peoples (regardless of whether indigenous peoples possess the legal titles to such areas, whether the project is located within or outside of the lands and territories inhabited by the affected peoples, or whether the indigenous peoples are recognized as indigenous peoples by the country in question)? *If the answer to screening question 6.3 is "yes", then the potential risk impacts are considered significant and the project would be categorized as either Substantial Risk or High Risk*	No
6.4	the absence of culturally appropriate consultations carried out with the objective of achieving FPIC on matters that may affect the rights and interests, lands, resources, territories and traditional livelihoods of the indigenous peoples concerned?	No
6.5	the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	No
6.6	forced eviction or the whole or partial physical or economic displacement of indigenous peoples, including through access restrictions to lands, territories, and resources? *Consider, and where appropriate ensure, consistency with the answers under Standard 5 above*	No
6.7	adverse impacts on the development priorities of indigenous peoples as defined by them?	No
6.8	risks to the physical and cultural survival of indigenous peoples?	No
6.9	impacts on the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices? *Consider, and where appropriate ensure, consistency with the answers under Standard 4 above.*	No
Standard 7: Labour and Working Conditions		
Would the project potentially involve or lead to: (note: applies to project and contractor workers)		
7.1	working conditions that do not meet national labour laws and international commitments?	No

[19] Forced eviction is defined here as the permanent or temporary removal against their will of individuals, families or communities from the homes and/or land which they occupy, without the provision of, and access to, appropriate forms of legal or other protection. Forced evictions constitute gross violations of a range of internationally recognized human rights.

7.2	working conditions that may deny freedom of association and collective bargaining?	No
7.3	use of child labour?	No
7.4	use of forced labour?	No
7.5	discriminatory working conditions and/or lack of equal opportunity?	No
7.6	occupational health and safety risks due to physical, chemical, biological and psychosocial hazards (including violence and harassment) throughout the project life-cycle?	No
Standard 8: Pollution Prevention and Resource Efficiency		
Would the project potentially involve or lead to:		
8.1	the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	No
8.2	the generation of waste (both hazardous and non-hazardous)?	No
8.3	the manufacture, trade, release, and/or use of hazardous materials and/or chemicals?	No
8.4	the use of chemicals or materials subject to international bans or phase-outs? *For example, DDT, PCBs and other chemicals listed in international conventions such as the Montreal Protocol, Minamata Convention, Basel Convention, Rotterdam Convention, Stockholm Convention*	No
8.5	the application of pesticides that may have a negative effect on the environment or human health?	No
8.6	significant consumption of raw materials, energy, and/or water?	No

ANNEX 5

UNDP Standard Terms of Reference (ToR) for the Project Board of Municipal Environmental Governance Project (Phase III), No: 01005296

I. Background

All UNDP projects must be governed by a multi-stakeholder board or committee established to review performance based on established monitoring and evaluation metrics and high-level implementation issues to ensure quality delivery of results. For the purpose of this ToR and to ensure standardization, henceforth, as regards project documentation, such a body shall only be referred to by the name ‘Project Board’. The Project Board is the most senior, dedicated oversight body for a UNDP ‘Development Project’, which is defined in the PPM as an instrument where UNDP “Delivers outputs where UNDP has accountability for design, oversight and quality assurance of the entire project.”

II. Duties and Responsibilities

The two prominent (mandatory) roles of the Project Board are as follows:

1) **High-level oversight of the project** (as explained in the “Provide Oversight” section of the PPM). This is the primary function of the Project Board. The Project Board reviews evidence of project performance based on monitoring, evaluation and reporting, including progress reports, monitoring missions' reports, evaluations, risk logs, quality assessments, and the combined delivery report. The Project Board is the main body responsible for taking corrective actions as needed to ensure the project achieves the desired results. And its function includes oversight of annual (and as-needed) assessments of any major risks to the programme or project, and related decisions/agreements on any management actions or remedial measures to address them effectively.

   The Project Board also carries the role of quality assurance of the project taking decisions informed by, among other inputs, the project quality assessment. In this role the Board is supported by the quality assurer, whose function is to assess the quality of the project against the corporate standard criteria. This function is performed by a UNDP programme or monitoring and evaluation officer to maintain independence from the project manager regardless of the project ‘s implementation modality.

   The Project Board reviews updates to the project risk log.

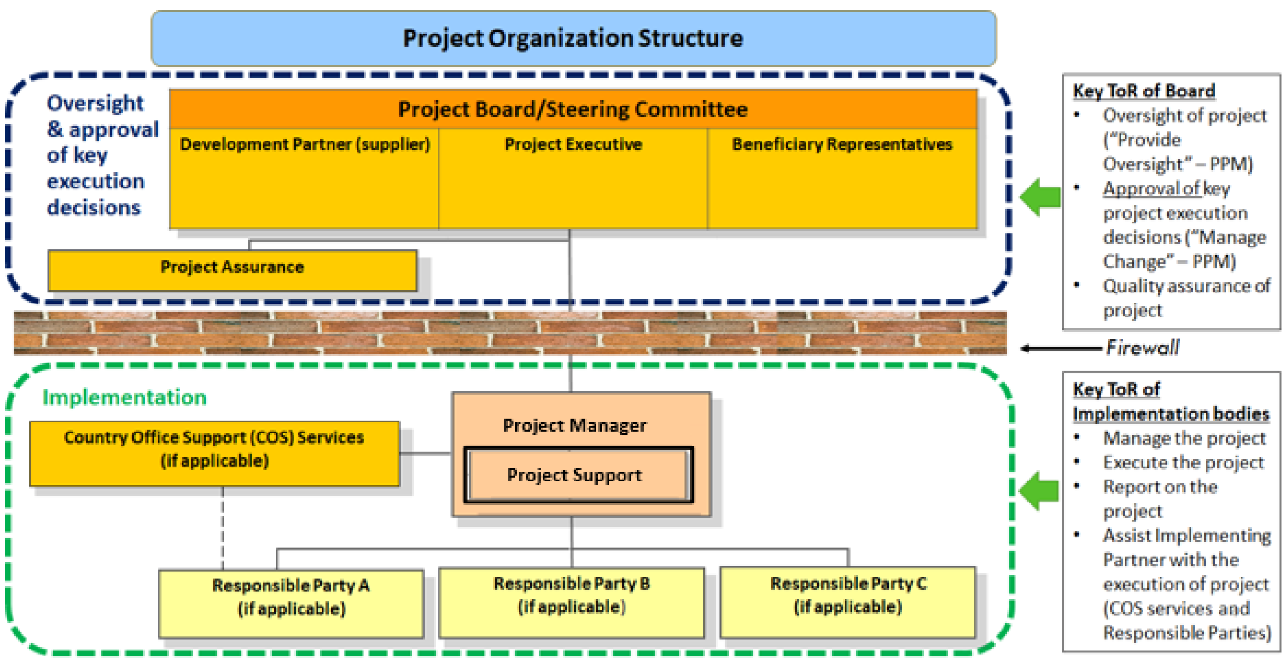
2) **Approval of key project execution decisions** (as explained in the “Manage Change” section of the PPM). The Project Board has an equally important, secondary role in approving certain adjustments above provided tolerance levels, including substantive programmatic revisions (major/minor amendments), budget revisions, requests for suspension or extension and other major changes (subject to additional funding partner/donor requirements).

The Project Board is responsible for making management decisions by consensus when required, including the approval of project plans and revisions, and the project manager's tolerances. The Project Board approves annual work plans and reviews updates to the project risk log.

Within the overall governance and management arrangements of the project, the role of the Project Board as regards these two key functions *('High-level oversight of the project' and 'Approval of key project execution decisions')* is distinct from the roles of entities involved in the implementation of the project, namely the implementing partner (IP), responsibilities parties (if applicable), service providers and project staff.

The diagram below outlines the main entities involved (and their respective responsibilities) in the 'oversight/approval of key execution decisions' layer and the 'implementation' layer of the project structure.

Diagram 1 – Standard Figure of Project Organization Structure vis-à-vis oversight & approval and implementation roles



In cases where UNDP or a national government entity are concurrently playing roles and represented in both layers of the project organization structure, the entity must seek to separate its project oversight and implementation duties and describe in the relevant project document a: 1) satisfactory internal institutional arrangement for the separation of oversight and implementation functions in different departments of said entity and; 2) clear lines of responsibility, reporting and accountability within the entity between their oversight and implementation functions.

In order to ensure UNDP's ultimate accountability, the Project Board decisions should be made in accordance with the Quality Standards for Programming that shall ensure management for development results, best value money, fairness, integrity, transparency and effective national and international competition. An effective Project Board needs credible data, evidence, quality assurance and reporting to aid decision making (see next section on supporting functions to the Board). The Project Board also needs to be accountable to protect against conflicts of interest and fraud.

Specific responsibilities of the Project Board include the following:

- Provide overall guidance and direction to the project, ensuring it remains within any specified constraints, and promote gender equality and social inclusion (LNOB) in the project implementation;
- Review project performance based on monitoring, evaluation and reporting, including standard quality assurance checks, progress reports, risk logs, spot checks/audit reports and the combined delivery report;
- Address any high-level project issues as raised by the project manager and project assurance;
- Provide guidance on emerging and/or pressing project risks and agree on possible mitigation and management actions to address specific risks (including ensuring compliance with UNDP's Social and Environmental Standards, Fraud/corruption, Sexual Exploitation and Abuse and Sexual Harassment);
- Agree or decide on project manager's tolerances as required, within the parameters set by UNDP (Manage Change in the PPM) and the donor, and provide direction and decisions for exceptional situations when the project manager's tolerances are exceeded;
- Advise on major and minor amendments to the project within the parameters set by UNDP and the donor;
- Agree or decide on a project suspension or cancellation, if required; (note that for GEF and GCF projects it is UNDP that decides to suspend or cancel and project and the Project Board is informed/consulted only).
- Provide high-level direction and recommendations to the project management unit to ensure that the agreed deliverables are produced satisfactorily according to plans.
- Receive and address project level grievance, including overseeing whatever specific compliance and stakeholder response (or grievance) mechanisms have been put in place so that individuals and communities potentially affected by the project have access to effective mechanisms and procedures for raising concerns about the social and environmental performance of the project[20].
- Engage in the low value grant selection process where there is no Grant Selection Committee, as guided by the Low Value Grants – UNDP Operational GuideLow Value Grants – UNDP Operational Guide.

Additional responsibilities of the Project Board can include, but are not limited to, the following:

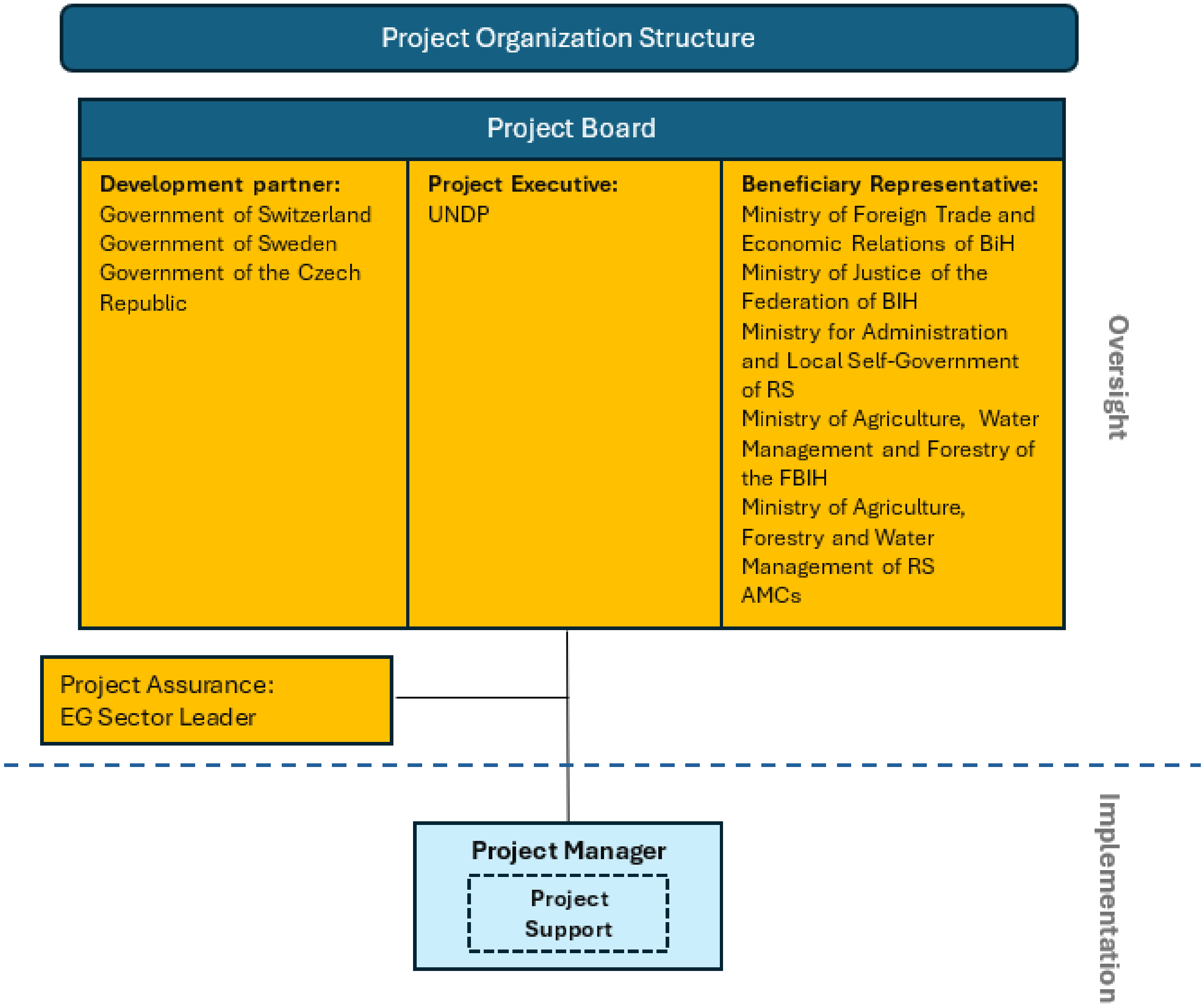
- Review the final project report package during an end-of-project review meeting to discuss lessons learned and opportunities for scaling up.

III. Composition of the Project Board

As noted in the diagram below, every Project Board in a UNDP project has three categories of formal members (e.g. voting members). The role of every formal Project Board member must correspond to one of these three roles and be identified accordingly in the project documentation.

[20] The responsibilities of the board in this regard should follow UNDP's Social and Environmental Standards (SES) as codified in the PPM.UNDP's Social and Environmental Standards (SES) as codified in the PPM. It should be noted that while a project board can play a role in addressing or assisting with the compliance and stakeholder response (or grievance) mechanisms put in in place for a given project (as part of their quality assurance and oversight function), this will be in addition to and does not substitute for UNDP's core responsibility to ensure compliance with the SES throughout the project management cycle as part of UNDP's Programming Quality Assurance system.

Diagram 2 – Figure for a Project Organization Structure



The three categories of Project Board members are the following:

1) **Project Director/Executive:** This is an individual(s) who represents ownership of the project and chairs (or co-chairs) the Project Board. The executive usually is the most senior national counterpart for nationally implemented projects (typically from the same entity as the Implementing Partner), and it must be UNDP for projects that are direct implementation (DIM). In exceptional cases, two individuals from different entities can co-share this role and/or co-chair the Project Board. If the project executive co-chairs the Project Board with a representative of another category, it typically does so with a development partner representative. The Project Executive is UNDP Resident Representative.

2) **Beneficiary Representatives:** This is an individual(s) representing the interests of those groups of stakeholders who will ultimately benefit from the project. Their primary function within the Board is to ensure the realization of project results from the perspective of project beneficiaries. Often representatives from civil society, industry associations, community groups or other government entities benefiting from the project can fulfil this role. If the project has a specific geographic focus, often

representatives from the government entities in the targeted area/region will play this role. There can be multiple beneficiary representatives in a Project Board. The Beneficiary Representatives are representative (titles to be confirmed) responsible persons from Ministry of Foreign Trade and Economic Relations of BiH, Ministry of Justice of the Federation of BIH, Ministry for Administration and Local Self-Government of RS, Ministry of Agriculture, Water Management and Forestry of the FBIH, Ministry of Agriculture, Forestry and Water Management of RS and entity-based Associations of Municipalities and Cities.

3) **Development Partner(s):** Individuals representing the interests of the parties concerned that provide funding, strategic guidance and/or technical expertise to the project[21]. There can be multiple development partners representatives in a Project Board. The Development Partners are representatives (titles to be confirmed) from the Government of Switzerland, Government of Sweden and Government of the Czech Republic.

A **UNDP representative must always be represented in the Project Board** in either the project executive or development partner role.

Where applicable, representatives from responsible parties to the project cannot sit on the Project Board as a formal voting member; they can (if requested) attend board meetings as observers. Since the chief responsibility of the Board is to provide high-level oversight of project implementation, to avoid any conflicts of interest, it is not appropriate for representatives of third party entities engaged by the project to provide services – whether responsible parties or contractors/service providers – to concurrently sit on the Board. Representatives of responsible parties can attend board meetings (as observers) but can have no official role in board decision-making. The same principle applies to the project manager who in attending and presenting at board meetings, does so in a non-voting capacity.

In cases where the inputs and guidance of responsible parties or other entities formally engaged in providing goods or services to the project are needed by the Board on a recurring basis, it is recommended to establish appropriate advisory or technical committees or working groups composed of those entities that can formally report to the Board, while ensuring the impartiality and integrity of board decisions happening independent of those bodies (see Section V of the ToR).

IV. Standard Project Board Protocols

The Project Board must meet one time annually at a minimum**.** It is recommended that the timing of board meetings be agreed upon in advance and corresponds to key project reporting or work planning milestones. This Project Board will meet at least once annually.

Project Board members cannot receive remuneration from project funds for their participation in the Board.

All Project Boards must have rules for quorum and documentation/minuting of board decisions. All board decisions and minutes should be kept by the project management unit and UNDP.

Guidelines on decisions taken in between board meetings or virtually are elaborated below.

In exceptional circumstances where timely decisions are required to avoid delays or risks to the effective implementation of project activities, the Project Board may take decisions in between formal meetings or through virtual means. Such out-of-session decisions shall be limited to urgent matters that cannot

[21] With the exception of responsible parties or any firms/entities engaged by the project to provide technical expertise with project funds

reasonably be deferred to the next scheduled PB meeting and are necessary to safeguard project timelines, deliverables, or operational continuity.

Decisions taken between meetings shall be documented through written communication, with email exchange considered a sufficient and formal means of record. The Project Manager will ensure that all Project Board members are provided with the relevant information required to take an informed decision, and that a summary of any inter-session decisions is presented at the subsequent Project Board meeting for confirmation and inclusion in the official project record.

Unless otherwise specified, Project Board decisions are made by unanimous consensus. If a consensus cannot be reached within the Board, the final decision shall rest with the UNDP representative on the Project Board or a UNDP staff member with delegated authority as the programme manager.[22]

It is required that as per internationally recognized professional standards and principles of sound governance, conflicts of interest affecting board members in performing their duties must be formally disclosed if not avoidable. Where a board member has a specific personal conflict of interest with a given matter before the board, he/she must recuse oneself from their participation in a decision. No board member can vote or deliberate on a question in which he/she has a direct personal or pecuniary interest not common to other members of the board.

All board members should be presented with a ToR for the Project Board, which will include the responsibilities already outlined and indicate agreed board practices and logistics. The formal acknowledgement of the ToR by board members can be done via various procedures, including the following options having the final ToR be signed by each appointed board member at the first project board meeting after Project Document signing with the approvals recorded in the minutes of the meeting

In both cases, the signature or acknowledgement should include the name, title and category of board representation for the person signing. The formal written acceptance of the ToR by all board members will be documented and kept by UNDP.

V. Standard Outputs of Project Board Meetings

In its oversight function, the Project Board will (at a minimum) review and assess the following project-related evidence at each meeting:

- Assessment of project progress to date against project output indicators (as documented in the project document results framework)
- Approval/review of annual work plans
- Assessment of the relevant Monitoring & Evaluation mechanisms, including all evaluations[23]
- Review and assessment of the Project Risk Log (with updating/amendments as needed)
- Assessment of project spending, based on a review of the combined delivery report
- Review of required resources versus available funding (if applicablel) and steps taken to reduce funding gap identified at the project design stage

This will be in addition to the review and approval of any required project execution decisions.

[22] UNDP has this special right since the ultimate legal and fiduciary accountability for a UNDP project, irrespective of modality, rests with UNDP and UNDP must (in line with its obligations to donors and to the Executive Board) be able to ensure that no action is taken by any body in a UNDP project that contravenes UNDP rules and regulations.

[23] Including audit reports and spot checks.

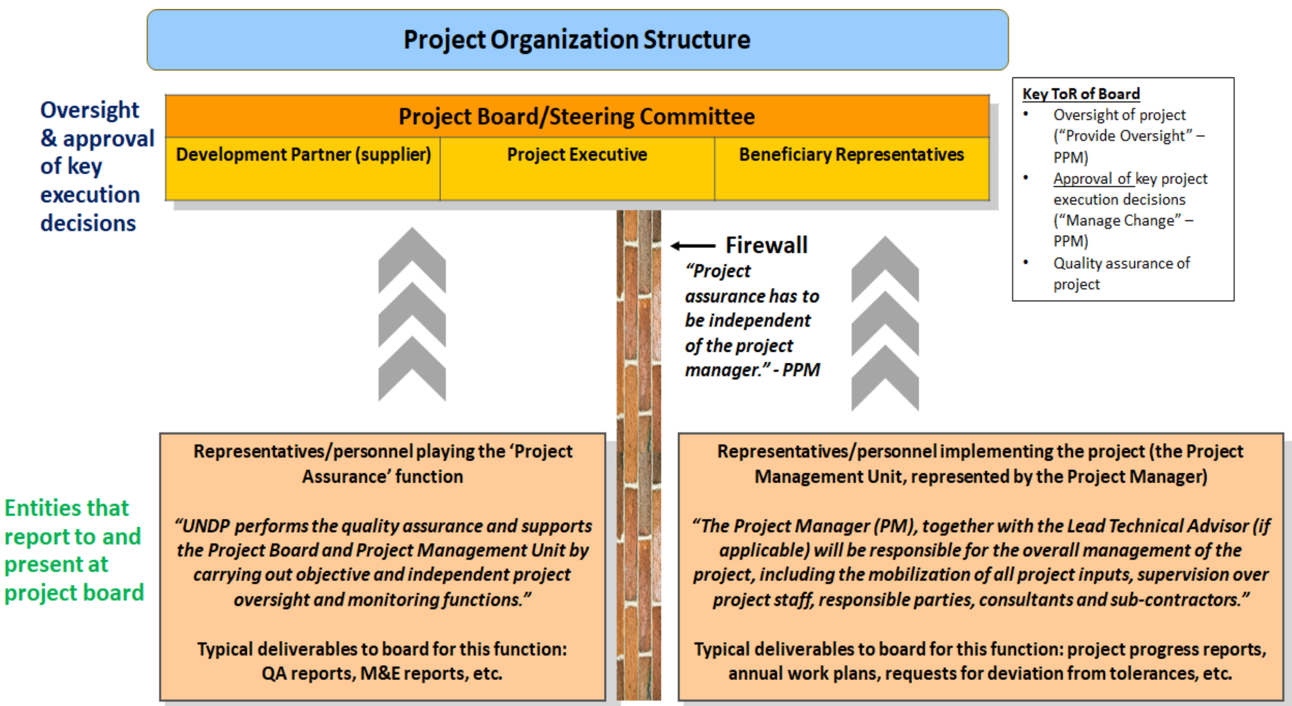
The output of every Project Board should be a written record (minutes) that captures the agenda and issues discussed and the agreed upon action items and decisions (if applicable). Each report should clearly document the members attending the meeting (as well as all participants in the meeting) and the modality used to agree on a certain action or decision (whether formal voting or no-objection or other mechanism). All records of board meetings should be documented and kept by UNDP in their quality assurance function (see next section).

VI. Support Functions to the Project Board

There are two main entities/functions outside the Project Board structure whose role is to report to the Project Board and support board members in effectively fulfilling their roles: project assurance and project management.

The diagram below explains the primary role of these two entities in the context of their support to Board operations. A description of these two entities follows.

Diagram 3 – Standard Figure of Project Organization Structure – Board Support Entities



<u>Project Assurance:</u> Project assurance is the responsibility of each Project Board member; however, UNDP has a distinct assurance role for all UNDP projects in carrying out objective and independent project oversight and monitoring functions. UNDP performs quality assurance and supports the Project Board (and Project Management Unit) by carrying out objective and independent project oversight and monitoring functions, including applying UNDP's social and environmental management system to ensure the SES are applied through the project cycle. The Project Board cannot delegate any of its quality assurance responsibilities to the project manager. <u>Project assurance is totally independent of project execution.</u>

A designated representative of UNDP playing the project assurance role is expected to attend all Project Board meetings and support board processes as a non-voting representative. It should be noted that while in certain cases UNDP's project assurance role across the project may encompass activities happening at several levels (e.g. global, regional), at least one UNDP representative playing that function must, as part of their duties, specifically attend board meetings and provide board members with the required documentation required to perform their duties.

The UNDP representative playing the main project assurance function is Aida Lakovic Hoso, Efficient Governance Sector Leader.

Project Support, this function is often covered by the Project Management Unit: The Project Manager (PM) (also called project coordinator) is the senior most representative of the Project Management Unit (PMU) and is responsible for the overall management of the project on behalf of the Implementing Partner, including the mobilization of all project inputs, supervision over project staff, responsible parties, consultants and sub-contractors. The project manager typically presents key deliverables and documents to the Board for review and approval, including progress reports, annual work plans, adjustments to tolerance levels and risk logs.

A designated representative of the PMU is expected to attend all board meetings and present the required progress reports and other documentation needed to support board processes as a non-voting representative.

The primary PMU representative attending board meetings is the Project Manager.

ANNEX 6: CLIMATE, ENVIRONMENT AND DISASTER RISK REDUCTION INTEGRATION GUIDANCE (CEDRIG)

CEDRIG Operational

Municipal Environmental Governance (MEG) Project - phase 3

Boško Kenjić, Goran Štefatić

Overview

General information

Study title	Municipal Environmental Governance (MEG) Project - phase 3
Overall goal	Local governance in Bosnia and Herzegovina is more democratic and accountable, with improved and inlusive water and wastewater services
Thematic domain	Governance
Study area	State and entity level as well as in at least 25 municipalities across the country.
Countries	Bosnia & Herzegovina
Sectors of intervention	Water, sanitation and hygiene (WASH), Democratisation, Decentralisation, Gender equality
Duration and dates	01.03.2026-28.02.2029
Budget	USD 8,5 million
Summary	The Project will provide support to state and entity level institutions to fully institutionalize good local governance standards applying applying EU CAF model. The project will support strategic policy dialog and completion of the regulatory framework for sustainable water services in BiH. The Project will continue to support implementation of CAF and water service management at the local level, including at least 10 underdeveloped municipalities. The project will focus on strengthening of institutional capacities at all levels and building connections between people and institutions.
Keywords	governance, water services, gender and social inclusion, transparency, performance-based approach

Team

Authors	Bosko Kenjić, Goran Stefatić

Part I. Context analysis

General hazard context

Current natural hazard situation

Bosnia and Herzegovina is significantly exposed to multiple natural hazards due to its geography, hydrology, climatic and microclimatic conditions. The main natural hazards to which BiH is exposed include floods and flash floods, landslides, droughts, heatwaves, hailstorms, windstorms, wildfires, and earthquakes. Exposure to these natural hazards is unevenly distributed across the country. Flood hazard is mainly present along the major rivers (Sava, Una, Vrbas, Bosna, Drina, Neretva, and Trebišnjica), while flash floods and landslides are predominant in the hilly and mountainous regions in the wider central parts of the country (Tuzla, Banja Luka, Doboj, Zenica, Sarajevo, HN Canton). Wildfires are most common in the southern and central regions, while the most intense hailstorms usually occur in the northern parts of the country along the Sava River (Krajina, Podkozarje, Posavina, Semberija).
Heatwaves and drouths become increasingly frequent in recent years across the entire country.

Current environmental hazard situation

Inadequate forest management led to intensive deforestation, particularly in hilly and mountain regions in northern and central parts of the country, increasing soil erosion, landslides and flashfloods. Water pollution mainly originating from untreated urban wastewater directly discharged into water courses, high intensity industrial pollution particularly in the Bosna river basin, and agricultural production. Air pollution becomes major hazard in almost all urban areas across the country, particularly during winter time. Heating, transport and industrial emissions are the main source of the air pollution which in combination with microclimatic conditions make several cities in BiH has the most polluted air in the World. Chemical hazards are mainly originating from industrial activities, particularly in heavy industrialized areas along the Bosna and Spreca rivers. Rainfall pattern is becoming more seasonal with dry and wet extremes which creates pressure on water supply systems.

Primary causes of environmental degradation, pollution, and greenhouse gas emissions

The Energy sector is the greatest contributor to CO2 - eq emissions, with the share of 80%, followed by the industrial sector (9%), agricultural sector (6%) % and waste (5%). Two the most carbon-intensive energy sub-sectors are energy conversion (thermal power plants, heating plants, transport) and industrial fuel combustion. Although BiH priorities decarbonization of the economy, transition is progressing slowly due to several reasons. EU market mechanism such as CBAM is expected to push further decarbonization. Water pollution originating from untreated urban wastewater, industry and agriculture. Due to cost intensive investments in treatment facilities slow progress is expected over the next decade. Implementation of energy efficiency measures help to reduce energy intensity, however major switch from fossil to renewable energy is still needed. Waste will remain one of the key pressures on environmental degradation.

Climate change trends and projections

According to BiH`s NDC, unconditional target of reducing GHG emissions for 2030 is 12.8% (excluding GHG sinks) compared to 2014. The conditional target (with more intensive international assistance, especially for the fair transition of mining areas) for 2030 is 17.7% (excluding GHG sinks) compared to 2014. Emissions in 2050 according to the unconditional target amount to 13,031 Gg CO2eq, which is by 50.0% less than in 2014. In the same year, according to the conditional target, the emissions amount to 11,728 Gg CO2eq, which is by 55.0% less than in 2014. Both targets are characterized by the following:

1) Cessation of the long-standing emission growth trend in the short term, 2) Ambitious reduction of GHG emissions in a relatively short period (2014 – 2030) and 3) Halving of emissions by 2050 compared to 2014.

Exposure and vulnerability of targeted domains and sectors

Exposure to hazards

Population in BiH is unevenly distributed throughout the country. Majority of population live in several wider urban areas around Sarajevo, Banja Luka, Mostar, Tuzla, Zenica, Bijeljina, Prijedor. Distribution of properties and exposure to hazards follows distribution and exposure of population. People, properties, critical infrastructure in urban areas are still exposed to significant flood hazards. People, properties and critical infrastructure in hilly and mountains regions are exposed to significant local flesh flood and landslide hazards. Low regions with intensive agricultural production along the Sava and Drina rivers are exposed to significant flood risk and hailstorm hazard. People, properties and infrastructure in more rural areas are exposed to different significant hazards such as floods/flesh floods, landslides, fires in open space.

Vulnerability to hazards

People living out of urban areas are in general more vulnerable due to poor infrastructure, absence of preventive measures and poor maintenance of exiting. Water and particularly sanitation infrastructure do not exist at all or it is not adequate in sub-urban and in rural areas. Health services are available in limited capacity. Marginalized groups such as returnees, Roma population, and poor families very often inhabiting suburban and rural areas are the most vulnerable to respective hazard due to lack of basic infrastructure and very poor access to basic services. GDP per capita in BiH is among the lowest in Europe and its distribution is highly uneven across the country. People living in urban areas has much better access to financial mechanism to recover from disasters. Although, country implemented important measures to increase its capacities, copping capacities are still considered as inadequate and poorly coordinated across the country and between different administrative level

Risks

Risks as function of hazards, exposure and vulnerability

Flood risk in urban areas located close to the major rivers is medium, while flesh flood and landslide risk in hilly areas is considered as high. Agricultural areas along Sava and Drina rivers are exposed to high risk of flooding and droughts. Wider area of Herzegovina and central Bosna has medium to high risk of forest fires. Natural values such as water resources, soil, air, forests are exposed to high risk of further degradation due to absence of systemic mitigation measures, lack of resources for infrastructure investments and lack of awareness among decision makers and population in general.

National/local strategies, policies, interventions and actors

Strategies and policies

There are number of strategies, policies and plans already in place at different administrative levels in BiH, however the key denominator for all is very low level of implementation and lack of systemic implementation monitoring. Moreover, respective institutions can not ensure continuity in implementation of systemic measures thus very often inadequate and partial solutions are applied. Key strategic documents are: NDC, state level CC adaptation strategy, water and environmental protection strategies at the entity level, river basin management plans and flood risk management plans at entity level. Set of new strategies at the state level are still not adopted due to lack of political support for its adoption. Cities and municipalities usually have their own development strategies and action plans and in some cases local environmental plans, however implementation level is rather low.

Interventions (incl. lessons learned)

There were many interventions in BiH supporting policy development, strengthening institutional capacities and implementation of CC mitigation and adaptation measures. All international development partners are active in this area, however country is failing to coordinate these interventions. Although there is potential to work with institutions at the technical level, political/decision making level acts in accordance with current political turmoil which reduces capacity of institutions to work on systemic solutions. Key risk for success of systemic interventions is related to lack of political support for long-term planning and implementation of reforms. State institutions are very often paralyzed and not able to adopt laws, strategies and plans. HR management in institutions at all levels is inadequate, thus qualified staff is leaving which in some cases dramatically reduces capacities of institutions to do their job. Cooperation between administrative levels often don`t function.

Actors

Key international actors: UNDP, WB, EU, EIB, EBRD, CH, SE

National actors: MoFTER, entity ministries for environment, water management and energy, entity environmental funds, local communities.

Part II. Project analysis

Risk perspective

Natural hazards

Flash floods, floods

Floods can be expected in low areas along major rivers. Flash floods are taking place in mountainous and hilly areas of central and southern parts of BiH.

Likelihood
Likely

Exposed project component

Institutionalization of reforms at higher and local levels

Potential consequences	Exposure and vulnerability	Risk significance	Future trends due to climate change	Potential project optimisations
Interruption of implementation	Authorities at higher level divert its attention and resources on floods recovery actions. Underdeveloped municipalities halt reform processes due to lack of capacities.	Medium risk Vulnerability evaluation Medium	Rainfall patterns tend to have more localized extremes.	✔ **Mitigation of flood risk**

Exposed project component

Implementation of infrastructure measures

Potential consequences	Exposure and vulnerability	Risk significance	Future trends due to climate change	Potential project optimisations
Inability of municipalities to co-fund and (re)construct infrastructure	All partner municipalities are exposed. Underdeveloped municipalities are particularly vulnerable due to limited response and recovery capacities.	High risk Vulnerability evaluation High	Rainfall patterns tend to have more localized extremes.	✔ **Mitigation of flood risk**

Natural hazards

Mudslides, landslides

Thousands of landslides are registered in the central parts of BiH, particularly in the Bosna, Drina and Vrbas river basins.

Likelihood
Likely

Exposed project component

Institutionalization of reforms at higher and local levels

Potential consequences	Exposure and vulnerability	Risk significance	Future trends due to climate change	Potential project optimisations
Inability of municipalities and water utilities to implement project activities in planned timeframe.	Underdeveloped municipalities are particularly vulnerable due to low response capacities.	Medium risk Vulnerability evaluation Medium	Extreme rainfalls will trigger local landslides and rocks avalanches in hilly areas.	✔ **Mitigation of landslide risk**
				• Not addressed

Exposed project component

Implementation of infrastructure measures

Potential consequences	Exposure and vulnerability	Risk significance	Future trends due to climate change	Potential project optimisations
Inability of municipalities to implement infrastructure measures	Municipalities that (re)construct infrastructure outside of urban areas.	Medium risk Vulnerability evaluation Medium	Number and intensity of landslides is expected to increase.	✔ **Mitigation of landslide risk**

Natural hazards

Droughts

Change in rainfalls and snowfall patterns reduces availability of water across the country.

Likelihood

Very likely

Exposed project component

Institutionalization of reforms at higher and local levels

Potential consequences	Exposure and vulnerability	Risk significance	Future trends due to climate change	Potential project optimisations
Undermined relevance and impact of the project support.	Municipalities across the country already have less water available for water supply systems during dry periods.	High risk Vulnerability evaluation High	Climate change will reduce availability of water resources across the country, particularly during dry periods.	✔ **Risk based assessment of water supply...** ✔ **Strengthen credibility of the Project**

Natural hazards

Earthquakes

Northwestern and southern parts of BiH are particularly exposed to earthquake hazards.

Likelihood
Low

Exposed project component

Institutionalization of reforms at higher and local levels

Potential consequences	Exposure and vulnerability	Risk significance	Future trends due to climate change	Potential project optimisations
Interruption of implementation	Underdeveloped municipalities are particularly vulnerable due to limited response and recovery capacities.	Low risk Vulnerability evaluation Medium		✔ Adapt to new circumstances

Environmental hazards

Pests and epidemics

Likelihood

Low

Exposed project component

Institutionalization of reforms at higher and local levels

Potential consequences	Exposure and vulnerability	Risk significance	Future trends due to climate change	Potential project optimisations
Slowdown of implementation pace	Authorities are not able to ensure their participation and implementation of reform processes.	Low risk Vulnerability evaluation Low		✔ Adapt to new circumstances

Impact perspective

Project component	Potential negative impact	Impact significance	Potential project optimisations
Institutionalization of reforms at higher and local levels	Impact on environment Limited impact during construction of infrastructure on increase of GHG emissions, increase of level of noise and dust in area around construction site.	Low impact	✔ Mitigation of impact of the construction...
	Impact on environment Collection of wastewater and its discharge into watercourses without prior treatment will increase pressure on water quality	Low impact	✔ Wastewater perspective
	Impact on disaster risk Construction of new critical infrastructure (e.g. water supply and wastewater) might worsen risk perspective of the municipalities.	Low impact	✔ Mitigation of flood risk
Institutionalization of reforms at higher and local levels	Impact on environment High number of travels across the country, high number of meetings, printing, etc. have negative impact on the environment.	Medium impact	✔ Digitalization and Green office

Project optimisation

Mitigation of flood risk

✔ Selected

Risks addressed	Component Institutionalization of reforms at higher and local levels Interruption of implementation Component Implementation of infrastructure measures
Impacts addressed	Component Institutionalization of reforms at higher and local levels Construction of new critical infrastructure (e.g. water supply and wastewater) might worsen risk perspective of the municipalities.
Opportunity taken	Encourage and support municipalities to review hazard and risk assessments, and start using Disaster Risk Analysis System (DRAS). Ensure timely planning. Apply mitigation measures during construction.

Scoring

4	2	4	4	4	**3.60**

Risk based assessment of water supply systems

Requirement of the EU Directive 2020/2184 on drinking water

✔ Selected

Risks addressed	Component Institutionalization of reforms at higher and local levels Undermined relevance and impact of the project support.
Impacts addressed	
Opportunity taken	Support municipalities and WU to agree harmonized format of the risk assessment of the entire water supply chain and support development of at least 2 pilot studies for the most complex systems.

Scoring

4	4	4	4	4	**4.00**

Strengthen credibility of the Project

✔ Selected

Risks addressed	Component Institutionalization of reforms at higher and local levels Undermined relevance and impact of the project support.						
Impacts addressed							
Opportunity taken	Support WUs to develop plans for reduction of NRW and to develop meaningful campaign for efficient use of water resources.						
Scoring	4	3	4	4	4	**3.80**	

Mitigation of landslide risk

Selected

Risks addressed	Component Institutionalization of reforms at higher and local levels Inability of municipalities and water utilities to implement project activities in planned timeframe. Component Implementation of infrastructure measures						
Impacts addressed							
Opportunity taken	Develop hazard and risk analysis of the location for (re)construction of infrastructure. Timely plan budgets and ensure local co-funding and sufficient local capacities for implementation.						
Scoring	4	2	2	4	3	**3.00**	

Adapt to new circumstances

Selected

Risks addressed	Component Institutionalization of reforms at higher and local levels Interruption of implementation Component Institutionalization of reforms at higher and local levels Slowdown of implementation pace
Impacts addressed	

Opportunity taken	Support municipalities and WUs to adapt their capacities to emerging circumstances and ensure uninterrupted operations.

Scoring						
	4	4	3	3	3	**3.40**

Wastewater perspective

Selected

Risks addressed	
Impacts addressed	Component Institutionalization of reforms at higher and local levels Collection of wastewater and its discharge into watercourses without prior treatment will increase pressure on water quality
Opportunity taken	Encourage municipalities and WUs to develop their concepts for the wastewater management in line with the Master plan of agglomerations.

Scoring						
	4	2	2	2	3	**2.60**

Digitalization and Green office

Selected

Risks addressed	
Impacts addressed	Component Institutionalization of reforms at higher and local levels High number of travels across the country, high number of meetings, printing, etc. have negative impact on the environment.
Opportunity taken	Promote digitalization of the operations in institutions, including municipalities and WUs, and promote application of the Green offices to minimize impact on the environment.

Scoring						
	4	4	4	4	4	**4.00**

Mitigation of impact of the construction works							Selected
Risks addressed							
Impacts addressed	Component Institutionalization of reforms at higher and local levels Limited impact during construction of infrastructure on increase of GHG emissions, increase of level of noise and dust in area around construction site.						
Opportunity taken	Ensure application of the mitigation measures during the construction works to reduce emissions, noise and dust pollution.						
Scoring	4	4	4	4	4	**4.00**	

Summary

Selected project optimisations

Project optimisation	Project component	Risks addressed	Impacts addressed
Mitigation of flood risk	Institutionalization of reforms at higher and local levels	Interruption of implementation	Construction of new critical infrastructure (e.g. water supply and wastewater) might worsen risk perspective of the municipalities.
	Implementation of infrastructure measures	Inability of municipalities to co-fund and (re)construct infrastructure	
Risk based assessment of water supply systems	Institutionalization of reforms at higher and local levels	Undermined relevance and impact of the project support.	
Strengthen credibility of the Project	Institutionalization of reforms at higher and local levels	Undermined relevance and impact of the project support.	
Mitigation of landslide risk	Institutionalization of reforms at higher and local levels	Inability of municipalities and water utilities to implement project activities in planned timeframe.	
	Implementation of infrastructure measures	Inability of municipalities to implement infrastructure measures	
Adapt to new circumstances	Institutionalization of reforms at higher and local levels	Interruption of implementation	
	Institutionalization of reforms at higher and local levels	Slowdown of implementation pace	
Wastewater perspective	Institutionalization of reforms at higher and local levels		Collection of wastewater and its discharge into watercourses without prior treatment will increase pressure on water quality
Digitalization and Green office	Institutionalization of reforms at higher and local levels		High number of travels across the country, high number of meetings, printing, etc. have negative impact on the environment.

Project optimisation	Project component	Risks addressed	Impacts addressed
Mitigation of impact of the construction works	Institutionalization of reforms at higher and local levels		Limited impact during construction of infrastructure on increase of GHG emissions, increase of level of noise and dust in area around construction site.