



**PROJECT FOR IMPROVING PERFORMANCE OF LOCAL SERVICES (PIPLS) IN BOSNIA
AND HERZEGOVINA**

with Supplementary project component:

Technical assistance facility for local governments (TAF LGs)

Project Document

November 2020 (updated June 2021)

Title: Project for Improving Performance of Local Services (PIPLS) in Bosnia and Herzegovina

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

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Implementation modality: Direct Implementation Modality

Brief Description
<p>The Project aim is to improve access to critical public services through better governance and greater investment in local infrastructure, with the former effectively and sustainably enabling the latter. This outcome will be pursued through three interlinked and mutually reinforcing results taking place across 15 local and 2 cantonal governments pre-selected based on a set of criteria, to include willingness to undertake structural reforms, the presence of a guiding integrated strategy document, and a proven track record in implementing development cooperation projects.</p> <p>The Facility aims to support the newly elected local government leaders in their efforts to effectively deliver their reform agendas aimed at improving the quality of life in their communities. Working with newly elected mayors and legislatures, the Facility will offer specialized expert assistance across in following thematic areas: digital governance, service delivery and infrastructure, financial management and local economic development.</p>

<p>Linkage with SDGs: 16 “Peace, Justice and Strong Institutions”</p> <p>Linkage with EU accession agenda:</p> <p>Public procurement (Chapter 5), Judiciary and fundamental rights (Chapter 23), Financial control (Chapter 32)</p> <p>Linkage with UNDP Strategic Plan:</p> <p>Signature solution: #2 Strengthen effective, accountable and inclusive governance</p> <p>Outcome 2: Accelerate structural transformations for sustainable development</p> <p>Outcome (UNSDCF/CPD): By 2025, people contribute to, and benefit from more accountable and transparent governance systems that deliver quality public services and ensure rule of law.</p> <p>Output ID (with gender marker): 00120548 GEN2</p>

Total resources required (USD):	3,441,675	
Total resources allocated (USD):	Sweden TOTAL	2,151,255
	OUTPUT 1	1,796,799
	OUTPUT 2	354,456
	UNDP TOTAL	756,000
	OUTPUT 1	427,680
	OUTPUT 2	328,320
	BIH	534,420
Unfunded (USD):		

Agreed by:

Sukhrob Khoshmukhamedov,
Deputy Resident Representative,
UNDP in Bosnia and Herzegovina
Date: 19.27.21

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LIST OF ABBREVIATIONS AND ACRONYMS

AMC	Association of Municipalities and Cities
BAM	Bosnia and Herzegovina Convertible Mark
BIH	Bosnia and Herzegovina
CCI	Centres for Civic Initiatives
DIM	Direct Implementation Modality
EU	European Union
EUR	Euro
FBIH	Federation of Bosnia and Herzegovina
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
ILO	International Labour Organization
ILDp	Integrated Local Development Project
LID	Local Integrated Development (Project)
MEG	Municipal Environmental Governance (Project)
MTS	Municipal Training System
PIPLS	Project for Improving Performance of Local Services
RS	Republika Srpska
SAA	Stabilization and Association Agreement
SAI	Supreme Audit Institutions
SDGs	Sustainable Development Goals
SEE	Southeast Europe
TAF	Technical Assistance Facility for Local Governments
UN	United Nations
UNDP	United Nations Development Programme
USD	United States Dollar
WHO	World Health Organization

DEVELOPMENT CHALLENGE

1. CONTEXT

1.1 Wider country context

Bosnia and Herzegovina (BIH) is an **upper middle-income country** with a 3.5 million population, which is gradually declining and aging.

Driven mostly by consumption and public investment, the **country's Gross Domestic Product (GDP) rate** has been slightly above 3% from 2016 to 2018¹. Nevertheless, this was still too low to lead to a noticeable improvement in quality of life. With the per capita GDP at some 32% of the European Union (EU) average², the pace of BIH's convergence with the EU remains among the slowest in the region. In 2019, the economic growth slowed down to an estimated 2.8%³. The COVID-19⁴ outbreak in Europe triggered an economic crisis in BIH as well, which was further amplified by the virus spread in the country and consequent government measures. The pandemic effects have affected almost every sector of the BIH's small and open economy. The GDP is expected to contract by 5% in 2020, which implies a GDP loss of 8% compared to previous growth trends⁵.

The COVID-19 crisis came on top of BIH's structural weaknesses. The overall business environment in the country remains weak⁶, while BIH is also among the least competitive economies in Southeast Europe (SEE)⁷. The economy is marked by high carbon and energy intensity, with energy sector, agriculture, industrial processes and waste being the largest sources of CO₂ emission. Foreign Direct Investments (FDI) saw an increase in 2019, but they remained low at 2.5% of GDP. BIH records a large trade deficit at around 23% of GDP⁸, which is expected to decrease in 2020 due to the COVID-19 crisis.

The crisis has further deepened labour market fragmentation reflected in very low activity and employment rates, especially among women. While the unemployment rate has been falling, reaching 15.7% in 2019, this partly reflected the country's aging and shrinking workforce. Already high, the **unemployment** is expected to increase as a result of COVID-19⁹. The crisis threatens a loss of a significant share of existing jobs, especially in the service industry¹⁰.

The country has a high level of **human development**¹¹, but still ranks below average for the Europe and Central Asia region. **Inequality and poverty remain a concern, particularly in rural areas and among minorities**¹². BIH experiences **negative migration trends**, with 250,000 people having left BIH since 2013¹³. Since the end of 2017, the country has been also struggling with increased numbers of migrants and asylum seekers.

¹ World Bank, [Country Report for Bosnia Herzegovina](#), 2019.

² Eurostat, 2017.

³ <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=BA>

⁴ COVID-19 is an infectious disease caused by the virus strain "severe acute respiratory syndrome coronavirus" (SARS-CoV-2). In March 2020, the World Health Organization declared the coronavirus outbreak a pandemic and a public health emergency of international concern. Governments in BIH also declared a state of emergency in March 2020. Imposed restrictions slowed the economy down, forcing many small and mid-size businesses and much of the hospitality and in-person service sector to close their business operations. The end of April/early May 2020 saw relaxing of some government-imposed restrictions and measures. In summer of 2020, BIH experienced a rise in daily number of confirmed cases, which prevented further relaxation of anti-COVID-19 measures.

⁵ Source: <https://www.imf.org/en/Countries/BIH>

⁶ The [World Bank Doing Business Report for 2020](#) ranks BIH as 90th out of 190 countries globally.

⁷ The Competitive Industrial Performance Index by the UN Industrial Development Organization ranks BIH 80th on the global scale of industrial competitiveness (latest available data for 2018), <https://stat.unido.org/country/BIH.pdf>.

⁸ [BIH Agency of Statistics](#), 2019.

⁹ According to the BIH Agency for Employment and Work, the registered unemployment has increased by 5.8% from March to June 2020.

¹⁰ The BIH Labour and Employment Agency recorded that the number of unemployed increased by 18,586 from March to June 2020.

¹¹ [Human Development Indices and Indicators, 2019 Statistical Update](#), UNDP: Measuring average levels of income, health and education, the Human Development Index of BIH was at 0.769 in 2019, ranking it 75th among the countries with a high level of human development.

¹² The poverty headcount ratio showed 17 % of the population living on less than 60 % of median national income, a lower value than in many countries of Central and Eastern Europe. Household Budget Survey, 2015, BIH Agency of Statistics.

¹³ Migration and Brain Drain, the World Bank Group, 2019.

Natural and man-made hazards represent a significant risk with over 20% of its territory prone to flooding. Land and ecosystems degradation typical for a transitioning country remain to threaten sustainability of the country's development efforts. High energy inefficiency contributes to high air pollution in some of the cities. Capacities to effectively address hazards and crisis need to be further strengthened, as confirmed by the unfolding COVID-19 crisis.

The complexity of BIH **governance structure**, inefficiency in government operations, complex coordination and a lack of overarching political consensus undermine public policies and slow down reforms. Since the October 2018 General Elections, not all governments have been established. The Joint Socio-Economic Reforms for the period 2019-2022 have been adopted, while the governments collaborate to design the **2030 Sustainable Development Goals (SDGs) Framework in BIH**, which offers a unique opportunity for a common long-term sustainable development agenda. Corruption continues to plague the country across all walks of life, with BIH scoring 36 points out of 100 on the 2019 Corruption Perceptions Index¹⁴. In view of COVID-19, the authorities in BIH have introduced measures to strengthen the health sector resilience and protect affected economic sectors and households. Because of a larger revenue shortfall, it is estimated that the fiscal deficit would reach 5.7% of GDP, while increased current spending, especially for transfers and social benefits, is expected to push public debt to about 37% of GDP in 2020 (against 34.6% in 2019)¹⁵.

Meanwhile, BIH has been a potential candidate country for **EU accession** since 2003. The Stabilization and Association Agreement (SAA) with the EU was signed in 2008 and entered into force in June 2015, including its adaptation in 2017 to take into account the accession of Croatia to the EU. In February 2016, BIH submitted its formal application for EU membership and in August 2016. In May 2019, the European Commission issued its Opinion on BIH's application for membership of the EU¹⁶, which represents a crucial milestone in EU-BIH relations.

1.2 Sector-specific analysis

25 years after the war, local governments in BIH still **struggle to provide inclusive and quality services to citizens and the business sector**. This arises from cumbersome and fragmented governance structure in BIH, with **lack of clarity in the division of responsibilities** among various levels of government. In addition, an **insufficient adherence to subsidiarity principle** for assigned and transferred competencies to local authorities result in **limited fiscal capacity** of local governments to generate enough funding for quality services and for local development. Due to weak local economies and high unemployment, local governments have been for years politically driven to be a lucrative employer, which caused that the majority of **local administrations are overstaffed and costly, but without sufficient capacities and skills** that modern governance requires. As such, **local governments are inefficient**, which seriously hampers provision of quality service and impedes local economic development.

Local governments' **revenues are largely based on portion of shared indirect taxes**, which account up 30% of municipal budgets in the FBiH entity and 50% of municipal budgets in the RS entity¹⁷. Direct taxes provide about 9% of revenues (on average) in both entities, while the rest of revenues come from locally collected fees and penalties¹⁸. This means that local governments in BIH receive about 40-60% of their revenues from taxes administered at higher levels, collect between 4-10% from property-transfer taxes and generate the remaining 45-50% from their own efforts and resources (including charges and fees).

The quality of local governments **fiscal governance and finance management remains low**. Over the last 10 years public finances have benefited from solid revenue growth but local governments have not made significant structural changes in their budgets. Recurrent expenditures take up almost 50% of local governments budget, out of which approximately 35% is allocated for wages, **while less of 10% is directed to targeted development activities**,

¹⁴ Source: <https://tradingeconomics.com/bosnia-and-herzegovina/corruption-index>

¹⁵ World Bank, Economic and Social Impact of COVID-19, Western Balkans Regular Economic Report, Spring 2020.

¹⁶ Analytical Report accompanying the Commission's Opinion on BIH's application for membership of the EU, Commission Staff Working Document, 2019.

¹⁷ Analytical Report, Local Government in Bosnia and Herzegovina: Report on Consultations of a Joint Commission on Local Government, June 2018.

¹⁸ Ibid.

including those for enhancing service delivery. This frequently results in delaying much-needed public investment. Moreover, payment arrears that create distortions within the public sector are frequent and represent a burden on private companies. As such, local government finance management **suffers from substantial spending inefficiencies and poor targeting for development priorities**, while collection of revenues and fees are a challenge. Although a more balanced revenue sharing between levels of government might be appropriate, there is still an overall need for **significant administrative savings and greater efficiency in service delivery**.

Despite positive changes in recent years, there are local governments that still perform in a traditional, administration-focused manner, providing essential services but failing to demonstrate sufficient flexibility to find ways to **finance development and better manage their assets** (e.g. via public private partnership and inter-municipal cooperation; fees/rent from services and management from local business zone or other public spaces; attracting domestic and foreign direct investments by allocating unused and construction land and by parafiscal reductions; return on direct investments, local property tax, etc.). To utilize opportunities, local governments would need up to date **property registers and inventories, clear and simplified procedures and modernized asset management skills and equipment**.

Operational **planning and overall accountability at the local government are deficient**, leading to poor development priority targeting and slim results. Mid-term and annual operational planning, including local governments budgets are not well integrated with local development strategies as overarching strategic documents, which frequently leads to operational confusion, budget revisions and delays in multi-year development projects. Local grant and subsidy system that are not performance based, are often subject to political interference and do not provide intended outcomes. Despite existing regulatory framework, local government **financial internal controls and audits are ineffective**. "The value for money" approach for efficient and effective public fund spending has not yet been anchored in key policies and practices, fuelling **political patronage, corruption and in-transparent local government decision making processes**.

Public procurement remains highly vulnerable to undue influences and corruption. Nonetheless, and according to the available data collected by the Public Procurement Agency, no one has ever been prosecuted, or convicted for offenses of corruption relating to public procurement. The economic costs of corruption, including in public procurement, are nearly impossible to calculate but the OECD estimates that corruption inflates the price of public procurement contracts by an average of 20-25% and as high as 50% in some cases. The costs of corruption, however, go beyond financial costs as corrupt procurement practices lead to misallocation of public funding and failure to meet basic service needs.

Meanwhile, **critical local government functions remain underfunded** in areas such as local road management and maintenance, water supply and wastewater management services, solid waste disposal, primary healthcare, education, culture and sports.

With governments around the country announcing dramatic pandemic-induced cuts to their capital investment plans in this budget year and beyond, **it is likely that public service providers will suffer further capacity gaps** even as the needs for their services grow. With the emerging national SDG framework placing increased emphasis on local governments in providing better access to clean water and improved waste management services, among others, municipal authorities must do a better job in managing available resources.

With the 2020 local elections ushering in a group of reform-minded mayors, and municipal councils, there is ample opportunity to move forward with a more progressive agenda for local governments in Bosnia and Herzegovina. Previous experiences, however, show that, at least initially, new administrations tend to struggle in coming to grips with the demands of governing. They are frequently overwhelmed by the daily business of troubleshooting, often diverting time, energy and resources away from undertaking needed structural reforms. With the Covid-19 pandemic further complicating the local government landscape, and financing likely to be sparse, the need for new mayors to hit the ground running is even more pressing.

In order to do more with less, compared to their predecessors, they will need to draw upon significant technical expertise currently not available within their administrations.

1.3 Stakeholders' analysis

Local governments play a critical role in enabling access to, and improving the quality of, vital public services across a range of sectors, to include, but not limited to, health, education, water and sanitation, and road management. The chronic underinvestment across all these sectors, however, has had an adverse effect on the overall quality of life in local communities across the country.

At the same time, available funding is deployed in an inefficient manner with little targeting based on local community priorities. Common financial management issues entail (i) excessive operational spending, crowding out investment infrastructure; (ii) lack of long-term revenue and expenditure outlook hampering investment planning based on strategic priorities; (iii) undeveloped internal audit capacities that fail to safeguard public interests; and (iv) suboptimal revenue generation that fails to fully utilize available revenue streams.

While mayors and administrations are the main driver of change, in some occasions, depending on the power relations, interests, administrative capacity and willingness of leaderships to take political risks, they can also have a strong restraining influence. Further efforts to strengthen knowledge and skills of the administration to improve the quality and access to services are necessary.

Municipal councils often fail to fully perform their functions of oversight, representation and regulation. Moreover, in the country's politicized context, most municipal councils have become voting machines for backing up or opposing the mayor's decisions. To enable municipal councils to be change agents at the local level and effectively exercise oversight, their capacity needs to be strengthened towards result-oriented decision-making and legitimising new systems, procedures and policies, which ultimately enable better municipal performance and good governance.

Cantonal governments are generally interested in improving services and fostering development within their respective territories. Even though relations between local and cantonal governments can become excessively politicised, there is an increasing, and encouraging, tendency by cantons to establish vertical coordination of development priorities for maximised effect.

Both **Associations of Municipalities and Cities (AMCs)** in the country play an important role in various advocacy processes and country-wide best practice exchange. They have a pivotal interest in local governments' needs being taken into account. Despite the fact that both AMCs still lack solid organisational and leadership capacity that would allow them to perform their functions in the most effective manner, they have a strong supportive role, particularly with regard to advocacy for regulatory advancement in the local governance domain, dialogue between local and higher government levels, as well as in providing systemic support to local governments in improving governance.

Supreme Audit Institutions (SAI) in FBiH and RS have a pivotal interest in strengthening local governments' internal controls and internal audit capacities, in order to diminish financial risks and regulatory non-compliance. In addition, these institutions are interested in having local governments create an enabling environment for "value for money" approach in conducting its (long, mid-term and annual) policy and operational planning.

1.4 Lessons learnt from previous similar projects in BiH

Improved fiscal management by local governments was piloted under the auspices of the EU-funded Local Integrated Development Project (LID, 2016-2019), with some 15 million KM generated in additional revenues and operational savings across 20 local governments. The approach deployed was based on a comprehensive review of local governments' financial management practices over a three-year period to identify anomalies as well as untapped potentials in both revenue generation and expenditure management. Expert recommendations provided to local government leaders were translated into actionable plans where upgrades to both revenue and expenditure sides

of municipal budgets were made. Any and all financial surplus generated through this exercise was redirected into capital investment projects thus upgrading the quality of public services in partner localities. Asset management was highlighted as an area of improvement across an overwhelming majority of participating local governments.

Meanwhile, *investments in critical service infrastructure* have for some time been employed by UNDP-implemented projects to solicit desired changes in behaviour by partner authorities, accomplishing a dual target of introducing good governance practices alongside improvements in service delivery capacities. Notable examples can be found under the auspices of both the afore-mentioned LID intervention as well as the Swiss-funded Municipal Economic and Environmental Governance project (MEG).

RESULTS, APPROACH AND PARTNERSHIPS

2. DETAILED DESCRIPTION OF PROJECT OUTCOME AND OUTPUTS

2.1 Theory of change

By establishing a system for strategic management of the public assets portfolio and by building the necessary staff skills to manage this system, local governments will increase the level of transparency and accountability in managing publicly owned goods, generating additional revenues and improving service delivery. By engaging with the entity AMCs and decision makers at higher levels of government, efforts will be made to influence the relevant policy framework towards creating a better enabling environment and ensuring sustainability to results.

Support to local and cantonal governments to practice smart revenue and expenditure management will contribute to generating funding for capital investments in critical service areas in line with relevant local development strategy documents. By strengthening internal control systems and introducing a new level of scrutiny to the local government's financial management practices, unlawful spending will be reduced and more funds for investments in services will be available. Towards addressing inefficient public procurement practices, these efforts will also include enhancements in procurement policies and procedures across partner local governments.

By inciting competition among partner local governments and rewarding the best performers with support for upgrading public service infrastructure, the benefits of improved governance practices and arrangements will be demonstrated. ~~These efforts will contribute to enhanced governance service delivery at the local community level.~~

2.2 Objectives and results

The Project has the following outcomes: **1) To improve access to critical public services through better governance and greater investment in local infrastructure** and **2) To inject speed and purpose to the implementation of the newly elected local government leaders' reform agenda through the provision of expert technical assistance across a number of priority sectors.**

The first outcome will be pursued through three interlinked and mutually reinforcing results taking place across 15 local and 2 cantonal governments.

Under Result 1, the Project will help local governments establish a system for the strategic management of public assets held by municipal authorities, to include creating clear lines of responsibility for asset management within each institution; establishing and regularly updating a register of assets with a transparent record of all purchases, sales or disposition of assets; development of asset management plans to help ensure efficiency and effectiveness in asset utilization; building the necessary staff skills to effectively manage the system and its components; and creating the requisite policy framework for effective asset management at local government level. In addition to ensuring that public assets are managed in a way to ensure the optimal level of service is provided to residents, the system will also ensure the requisite level of transparency and accountability in managing publicly owned goods by local government officials and leaders alike. In order to ensure sustainability of results and create a better enabling

environment beyond the immediate stakeholder community, the Project will, in parallel, engage with decision makers at higher levels of government to influence the relevant policy framework for asset management.

Under Result 2, the Project will work with partner local authorities to optimize public spending and generate funding for capital investments in critical service areas as identified by relevant local development strategy documents. Activities under this result will work towards introducing and internalizing a rigorous process of disciplined expenditure management aimed at establishing a conservative level of operational spending. In addition, the Project will work to strengthen internal control systems to curb unlawful spending and introduce a new level of scrutiny to the local government's financial management practices. Considering the largely inefficient and ineffective public procurement practices, and their detrimental impact on service delivery, the Project will also pursue enhancements in procurement policies and procedures across all partner local governments. As with Result 1, the Project will pursue willing policy partners at higher levels of government to effect practice-based changes in the regulatory environment.

Under Result 3, the Project will clearly and immediately demonstrate the benefits of improved governance practices and arrangements, created under Results 1 and 2, to mobilize newly available funding in implementing critical public service priorities. In practical terms, local governments that have performed the best, or have saved and generated the most money, will be rewarded with a "top-up grant" through the Project grant facility thus enabling the implementation of their priority interventions already called for under their local development strategies. Competing local governments will be evaluated against targets established based on an in-depth external review of their financial situation at project inception.

In addition, to be eligible, priority infrastructure interventions for best performing municipalities/canton will need to be i) linked to their development strategy; ii) co-financed with at least 60% of the total amount by the local authority; and iii) operate on a fully sustainable basis once completed. The selection process will also be guided by SDG financing considerations with funding channelled to meet the implementation of prioritized goals across all partner communities. In essence, Result 3 will represent an incentive for participating local and cantonal governments to maximize their commitment to good governance practices outlined under the first two project results.

The second outcome will be pursued through specialized Technical Assistance across four principle thematic areas:

- Digital governance; to include improving processes and instruments in the service of better performance and enhanced transparency and accountability.
- Service delivery and infrastructure; to include taking critically important infrastructure projects from concept to maturity, as well as helping set the service delivery agenda for the local community and introducing new service lines.
- Financial management; to include reducing operational expenditures to create fiscal space for capital development projects as well as improving the budgeting process.
- Local economic development; to include developing innovative entrepreneurship and employment incentive and promotion programs.

The Facility will offer targeted technical assistance in keeping with the specific needs of each client local government, while having in mind the overarching intervention logic. Assistance will be offered on a first-come, first-serve basis, with interested local authorities required to commit to seeing through the necessary activities to achieve the stated objective of the technical assistance, whether that be the adoption of new transparency policy or the implementation of an infrastructure intervention.

The *intervention result* is defined as follows: Local government leaders are supported in their efforts to effectively deliver their reform agendas aimed at improving the quality of life in their communities, focusing in particular on the delivery of critical public services.

2.3 Relevance of the intervention

Besides development strategies at the local government level, the project is highly relevant and contributes to several strategic documents at the higher government level. Concretely, it is in line with the RS Local Self-Government Development Strategy 2017-2021 and its goal related to ensuring local government financial stability, which entails, among other, enhanced fiscal accountability and more efficient collection of own revenues¹⁹.

Further, the project is also compatible with priorities set in the Public Administration Reform (PAR)²⁰ strategies and action plans, as well as public financial management reform strategies, which relate mainly to the state, entity and Brčko District levels²¹, but will inevitably affect local and cantonal administrations, as well as the broader public sector. The importance of improved public finance management has been highlighted in the Joint Socio-Economic Reforms 2019-2022, as well as in the BIH 2020 Report by the European Commission²².

The Project is in line with the development pathways defined within the emerging SDG Framework in BIH, which places increased emphasis on good governance, as well as on the role of local governments in providing better access to public services such as clean water and improved waste management services, local road management and maintenance, primary healthcare, education, culture and sports, among others.

2.4 Description of activities

Result 1: Partner local governments improve service delivery through better management of the municipal asset portfolio.

Activity 1.1 Develop and administer an in-depth survey of asset management practices

This activity will precede all others and its results will inform the development and implementation of all actions under the Project. The survey will be designed and administered to take in all 15 partner local governments and will examine in detail both the current operational practices in place as well as the relevant policy framework. The study will encompass a document review process, examining all available registry information, protocols governing public asset management, classification policies, plans and any other available written information, as well as structured interviews with both practitioners and senior organisational leadership. Survey findings will be presented to both local government leaders as well as policy makers at higher levels of government and will feed into the development of other activities under this result.

At this point, the Project will also engage actively with the two entity Associations of Municipalities and Cities (AMCs), in order to explore the potential for wider policy-level changes that may be called for in the survey report. Furthermore, the Project will also look to tap into any expertise that may be available through the associations' working bodies, as well as any experiences and insights that the AMC practitioners may wish to share.

Ultimately, all knowledge products created under the auspices of this component will be handed over to the two associations for sustainability and further dissemination to non-partner local authorities.

Activity 1.2 Support implementation of key strategic municipal asset management practices across all partner governments

Strategic municipal asset management is an approach that develops and maintains municipally owned infrastructure based on considerations of an asset's required service level and standards (based on strategic

¹⁹ There is no Local Self-Government Development Strategy in the FBiH entity.

²⁰ <http://parco.gov.ba/wp-content/uploads/2014/02/strategy-for-public-administration-reform.pdf>

²¹ A country-wide public financial management (PFM) reform strategy has yet to be developed and adopted to ensure a common reform direction. The RS entity continue to lack a PFM strategy, whereas all other levels implement reforms on PFM strategies that come to an end in 2020. In light of the COVID-19 crisis and the need to maintain functioning PFM systems, all levels of government have embarked on a process of developing new PFM strategies until 2025.

²² https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/bosnia_and_herzegovina_report_2020.pdf

service priorities); the availability of financial resources for its upkeep and management; and, finally, the asset's long-term prospects. Strategic municipal asset management ensures that municipal property is deployed to best serve the local community's environmental, social and economic objectives, as formulated in the relevant municipal development strategy documents. This activity would entail the below described sub-activities.

Sub-activity 1.2.1: Develop and establish an up-to-date asset registry: Under this sub-activity, the Project will work with partner local governments to create an up-to-date inventory of all property held by municipal governments, to include assets owned by the local authorities but managed by a separate public enterprise. This will include recording and verifying each and every asset owned and maintained by the local government. The exercise will not merely be limited to revenue-generating property but all service infrastructure and major assets that are critical to service delivery as it related to legally mandated municipal competences.

The initial registry will hold basic information on name and location, as well as basic data on usage and operating expenses/revenues received on an annual basis, exploring opportunities for digitalization of information via GIS or other available platforms. Once the initial registry has been formed and verified, the project will initiate a classification and estimation exercise for all property recorded.

The Project will develop a user-friendly database to act as the registry for the information as well as the forms that will be used to collect data needed.

Sub-activity 1.2.2: Provide on-site mentoring support to develop detailed asset management plans and relevant localized policy framework: While the asset registry will tell the local government what it owns, the asset management plan will inform its decision making with regards to the property's future prospects in terms of any construction, operation, maintenance, replacement, expansion and disposal needed. The asset management plan is a critical tool for both the local government's development and financing plans and, under this sub-activity, the local authorities will be assisted in developing detailed asset management planning documents, to include making determinations on assets that need to be exploited better for commercial purposes, upgraded and/or repaired in order to improve the level of service or even demolished. In particular, the Project will focus here on identifying automated solutions for better exploitation of available assets that are made available for commercial use.

In addition to asset management plans, the Project will help local governments review and upgrade their policy frameworks governing asset management, as well as any and all associated financial control mechanisms. The policy framework will be reworked with the objective of internalizing and mandating good practices in managing municipal property taken over from the EU. This process will be managed jointly with the two Associations of Municipalities and Cities (AMCs) to ensure scaling-up to non-partner local authorities.

Sub-activity 1.2.3: Develop and deliver training workshops for practitioners and senior municipal staff: Capacity development will act as a key enabler for all Project results. This will include both formal training workshops as well as on-the-job training provided by experienced practitioners brought in by the Project to mentor and advise key operations personnel in partner municipalities. The development of the capacity building activities will be guided and informed by the results of the capacity needs assessment that will be administered by the Project. In total, it is expected that some 100 asset management and public finance professionals, as well as local government leaders, will undergo some form of capacity building to better equip them with the skills necessary to effectively manage the new system. Importantly, the Project will draw upon experiences of the Municipal Training System (MTS) Project, funded by the Government of Sweden from 2008 to 2015, where a training program for municipal property management was developed and delivered to a wide practitioner audience. Once the training program has been developed and delivered, it will be added to the municipal training system library operated by the relevant entity institutions created under the auspices of the MTS Project and the two entity local government associations in particular.

Sub-activity 1.2.4: Create and disseminate local government asset management manual: The manual will make up a key component of the Project's institutional memory that will be disseminated widely across the local

government and policy communities. The manual will be developed with two audiences in mind: i) local government leaders that need to recognize the importance of asset management as a strategic function of government; and ii) line personnel that will be charged with managing the various components of the system on a daily basis. The text of the manual will be drawn from a survey of relevant literature as well as an overview of best and recommended practices for local governments to adopt and internalize.

Sub-activity 1.2.5: Monitor implementation of municipal master asset management plans: Once all the above elements of the system are in place, the Project will oversee the implementation of the system's components in practice, providing mentoring and implementation support in the form of technical assistance taking place on site. Special attention will be paid to providing practitioners with the necessary tools to effectively come to grips with the demands of the new system.

Activity 1.3 Enable dialogue between practitioners and policy makers

Through the fora of the two AMCs, the Project will provide a platform for practitioners to directly engage with decision makers mandated with creating policy in the area of asset management. This activity will take place across two roundtables that will take place after the implementation work in the local governments and will draw upon the experiences generated. Based on the results of the roundtables, the Project will provide legal expertise to formulate recommendations on prospective improvements to the regulatory environment.

Result 2: Partner local and cantonal governments practice smart revenue and expenditure management, including through enhanced internal control and public procurement capacities.

Activity 2.1 Improve revenue and expenditure management capacities

Under this activity, the Project will assist partner local governments and cantons to review their revenue streams, in particular in light of the current challenges brought about by COVID-19. While the impact of the crisis on local government finances is not uniform, it is expected to be long-lasting. In this context, the Project will support partner local governments and cantons to review their revenues and expenditures, reduce the gaps and avoid unfunded mandates. These efforts will be guided by the local authorities' competencies, as well as their development strategies and SDG financing considerations. In particular, the Project will identify areas where unnecessary operational expenditures can be rightsized to increase funding available for development interventions and capital investment. In order to ensure sustainability beyond the implementation horizon, the Project will engage with relevant entity institutions to explore opportunities for establishing a public grant scheme that would continue to reward good behaviour but across the entire local government landscape.

Sub-activity 2.1.1 Review municipal and cantonal revenues and expenditures across a three-year budgetary window: Once buy-in for the exercise has been secured, the Project will implement a comprehensive review exercise, conducted by experts, to encompass an assessment of municipal and cantonal budget revenues, as well as expenditures, including, but not limited to: (i) operational costs (printing, IT services, rental services, procurement practices, consultancy contracts, etc.); (ii) utility expenditures (electricity, heating, water costs, etc., in municipal-owned buildings), (iii) infrastructure management; (iv) and selected service-delivery related systems (street lighting, water supply, etc.); and (v) political party financing, among others. The review will be conducted in close concert with responsible staff who will also use this exercise as a capacity building tool. The review will look at budgets as well as financial reports for the previous three years and will, importantly, examine revenues and expenditures through the prism of critical service delivery priorities (taking into account gender equality considerations), as formulated in the relevant municipal planning documents (mid-term budget framework, development strategy, asset management plan, etc.).

Sub-activity 2.1.2 Develop implementation plan and formalize commitment by municipal and cantonal leadership:

Each partner government will be provided with a set of tailor-made recommendations pre-agreed with public finance professionals from the ranks of participating administrations. Having in mind the inherently complex nature of cost-cutting in the public sector, the Project will seek strong and formal commitment from elected leaders in both

executive and legislative branches to ensure sustainability of results. Any formal commitment by leaders will be widely publicized and shared to ensure that obligations taken on are carried out in full.

Sub-activity 2.1.3 Provide monitoring and implementation assistance: Public finance management expertise will be provided throughout to facilitate implementation as and when needed, and to generate some external impetus to the process should it become stalled. Champions from within the group will be invited to share their experiences and the Project will stimulate peer-to-peer learning whenever possible. In order to ensure realization of implementation plans, quarterly progress reviews will be carried out by mixed teams consisting of Project experts and designated institutional staff. Relevant reports will be shared with municipal and cantonal assemblies/councils to ensure executive accountability and democratic oversight.

Activity 2.2 Introduce a system of stringent internal controls

The Project will also work to institute a modicum of internal control within the administration in order to help curb mismanagement of public funding, for whatever reason. The internal control framework will look at all steps in the financial management process from expenditure authorization, commitment, verification, payment authorization, payment itself and accounting, among other steps. This activity will entail the below described sub-activities.

Sub-activity 2.2.1 Implement a review of internal control practices, structures and procedures: Under this sub-activity, the Project will implement a review of internal control practices, policies and structures across all partner local and cantonal governments. The review will take in the regulatory environment, as well as any policies and practices that are employed by staff/leadership in mitigating risks to integrity, in particular, as they relate to sound financial management practices. The review will result in a set of recommendations on how to improve structural safeguards against arbitrary/illegal spending as well as bridge the gap between current practices and what is considered the best-case model.

Sub-activity 2.2.2 Support enhancing of internal control framework in partner governments: The Project will help the design of basic expenditure control-related policies and procedures tailored to each of the government's individual circumstances. In addition, measures will be taken to ensure that control-related policies and procedures are installed as designed and put into function.

In order to facilitate implementation of the internal control provisions, the Project will design and deliver a training program on internal control mechanisms for both political leaders and front-line practitioners. The training will be practice-oriented and will have elements dedicated to political leaders and practitioners alike. As with the asset management training package, the internal control program will be handed over to the institutions of the municipal training system for future administration.

Under this sub-activity, the Project will also design and institute a monitoring mechanism that ensures that controls continue to function as designed after installation, with a robust and direct reporting system to the legislature for oversight purposes.

Activity 2.3 Improve local public procurement capacities

In cooperation with the State Public Procurement Authority, and based on inputs from local partners, the Project will develop a training program focused on practical scenarios most commonly encountered by municipal officers implementing provisions of public procurement legislation. The training program, focused on public service-delivery contracts, will be rolled-out together with a reference guide that will be created in cooperation with the Public Procurement Authority.

Result 3: Public service infrastructure in partner local communities upgraded

This result will exploit improvements in good governance practices - introduced under Results 1 and 2 - to clearly and immediately demonstrate the benefits of better asset and financial management to both partner

governments as well as the public at large. In effect, the savings, as well as additional revenues generated through better use of available resources, will be channelled into critical development projects that otherwise would not have been funded due to scarcity of resources.

Support under this Project result will serve to reward the best performers among the partner local governments and cantons. In total, up to 9 projects will be supported as prospective grant recipients compete against a set of performance standards developed to maximize partner commitment to obligations set out by the Project's Results 1 and 2.

Eligible projects will be co-financed by the Project grant facility in the amount of up to 40% of the overall investment. To be eligible for support under this Result, the projects will need to be i) proposed by a high performing partner government (top 25% at time of final evaluation); ii) linked to an active development strategy; iii) co-financed with at least 60% of the total amount by the local authority; iv) planned for in the annual budget document; and v) fully sustainable once completed.

This result will directly contribute both to the effective implementation of the governments' development objectives as well as the country's SDG Framework through responsible public financial management. While these will not necessarily be large-scale infrastructure investments, they will serve as a practical illustration of measures public authorities can undertake in attempting to bridge the current SDG financing gap.

Activity 3.1 Develop and administer the performance evaluation framework

This activity will set out the performance benchmarks that governments will be evaluated against, as well as the method and frequency of evaluation. Each government will have a tailor-made evaluation framework based on targets set under the asset and expenditure management components of the Project.

Sub-activity 3.1.1 Implement regular monitoring and assessment of results: A matrix will be developed to easily track and record progress across Results 1 and 2, or the lack of, and will contain quantifiable targets, timetables as well as performance indicators. Civil servants will be required to enter data into the matrix tool with external consultants providing verification assistance.

The Project will undertake regular evaluations of progress across all participating governments. This will entail reviewing data entered into the matrix, as well as review meetings with both leaders and practitioners to provide guidance on areas of improvement. After each quarterly review, participating governments will be informed of their rankings relative to their peers in the Project. Review results will be used to raise general awareness of the need for more efficient public spending through the prism of the SDG financing process.

Activity 3.2 Select and implement priority infrastructure interventions

Sub-activity 3.2.1 Select priority projects: Based on results of the evaluation at the end of Phase 1, the Project will ask five top performing governments to submit a shortlist of three projects they would like to see funded. Assistance will be prioritized for those measures that aid the implementation of priority cost-efficiency measures defined by partner local governments, as well as contributing to the provision of critical public services, such as education or healthcare. Nominating governments will be required to ensure co-funding at a level of minimum 60% of the total project value. The sub-activity will also explore potential for matching funds from higher government levels. All community infrastructure and facilities to be supported under the grant-scheme will comply with the standards and requirements related to ensuring accessibility of persons with disabilities and energy efficiency. Sustainability of the investment will be a critical evaluation criterion.

The Project Team will conduct evaluation of the applications and will inform the governments of the results. The sub-activity will be repeated for an additional cohort of four governments at the end of year 2.

Sub-activity 3.2.2 Implement priority projects: All interventions selected for implementation will undergo a detailed technical survey in order to assure the quality of the project proposals. The specifications will be reviewed

by a licensed service provider with the participation of beneficiaries and experts recruited by the Project. The Project will publish a tender for the selection of service providers to implement the works and eligible providers will need to be licensed to undertake reconstruction works and demonstrate ample operating capacity. Though the focus will primarily be on quality of works, service providers will be encouraged to deliver quickly, in order to ensure time dynamic set out by the Project is respected. Construction companies selected as service providers will be instructed, wherever feasible, to purchase materials and hire labour locally in order to maximize positive impact in affected localities.

In order to ensure local process ownership and provide for an added layer of quality assurance, the Project will, in addition to contracted construction supervisors and internal engineering resources, enter into a memorandum of understanding with partner governments. The memorandum will stipulate responsibilities of partner institution to include continuous supervision of works and quality assurance for materials used. Local community leaders and residents will also be invited to contribute to the process of quality assurance through reporting any issues they may observe with ongoing works. All public infrastructure to be supported will comply with the standards and requirements related to ensuring accessibility of persons with disabilities and energy efficiency.

Sub-activity 3.2.3 Conduct formal handover of projects to beneficiaries: All projects constructed under the auspices of the Project will be formally handed over to the relevant beneficiaries following a satisfactory assessment of the works by the joint handover body. The handover ceremony will represent an excellent visibility opportunity for all partners.

Below is an overview of activities related to output 2.

Activity 1: Selected partner authorities introduce improvements in service delivery and/or general performance through the introduction of digital tools and/or processes.

Activity 2: Selected partner authorities deliver critical improvements in service delivery capabilities through implementation of major infrastructure initiatives.

Activity 3: Selected partner local governments will commit to downsizing their operational expenses to create fiscal space for capital investment projects at risk from the effects of the pandemic;

Activity 4: Selected partner local governments will develop and deploy innovative economic development initiatives to support recovery of businesses in their local communities, as well as the fostering of new entrepreneurship.

3. IMPLEMENTATION STRATEGY

3.1 Methodological approach

Project implementation will be guided by several critical considerations that are geared towards ensuring maximum effect across all the components.

In delivering its assistance and wherever relevant, the Project will apply considerations for disaster resilience, energy efficiency, as well as accessibility for persons with physical disabilities.

The Project recognizes that long-term, sustainable development will only be possible when women and men enjoy equal opportunity to rise to their potential. The notion of gender equality has been considered in the process of Project design, as well as mainstreamed within its activities. The Project monitoring framework is gender-sensitive and envisages sex-disaggregated data collection for all relevant indicators. The Project will use gender-sensitive criteria to encourage local governments to address infrastructure projects which focus on addressing issues pertinent to women. As part of the overall financial management overhaul, the Project will recommend to governments to internalize elements of gender sensitive budgeting across both planning and implementation

processes. Gender equality will be considered in the preparation and delivery of capacity building and awareness-raising events throughout the Project to ensure representation.

The Project will have an implicit focus on supporting the socially excluded groups, some of its activities will contribute to the improvement of their quality of life, specifically through local-level initiatives aiming to improve or establish service delivery.

The Project will apply local ownership and performance-based approach as sine qua non for sustainable local development and lasting effects of the intervention. This will be articulated through (i) commitment of partner governments to the objectives and activities of the Project demonstrated by concrete progress; (ii) direct engagement in and co-funding of activities of the Project (including by both public, as well as private counterparts); (iii) concrete arrangements and responsibilities in terms of sustainability (maintenance and functionality) of investments done in target areas.

In addition to securing financial and in-kind contributions from institutional partners, the Project will place partner authorities at the forefront of the intervention, with their involvement critical in reaching all envisaged milestones. With public confidence in government institutions at an all-time low, the Project will represent an opportunity for participating authorities to reassert themselves as partners to their communities and providers of critical services. In addition to closely working with local authorities, the Project will establish and maintain strong vertical linkages with cantonal and entity institutions, to ensure the topping up of available Project resources.

3.2 Target beneficiaries and expected benefits

Through its set of assistance tools, the Project will target following beneficiaries:

- 15 local governments and 2 cantons where the Project will introduce and institutionalize improved good governance practices, with up to 9 governments out of this group implementing improvements in public service delivery infrastructure;
- Approximately 20,000 citizens (out of which ca 50% are women) in target localities will benefit from improved access to and quality of vital local public services.
- Up to 10 local governments in total with no more than 20 projects implemented, will be serviced through the Facility.

3.3 Geographical area of intervention

The Project will **select up to 15 local governments** for partner status, based on a public and open Call for Expression of Interest, to be implemented as part of the Project's inception phase.

Selection of partner local governments will be based on a set of criteria designed to reflect the broader Project scope and objectives, as well as ensure adequate representation of local governments. The selection process will be organized in **three stages**: i) review of received applications from local governments against eliminatory eligibility criteria; ii) technical evaluation and ranking of eligible applications; and iii) adjustment criteria, if needed.

Specifically, the evaluation will include (but is not limited to) the following categories of criteria:

- **Eligibility criteria** will include: i) motivation of the local government leadership to continuously support good local governance and responsible public finance management; ii) existence of a valid local development strategy; iii) readiness and ability to co-finance service delivery projects under Result 3; iv) not having negative latest audit report.
- **Technically and numerically valued criteria** will look at the two main aspects of the Project scope of work: local governance in general and public financial management in specific. This will entail the extent to which the local administration has internalized good local development management policies and practices; involvement of the legislature in financial oversight; the status of asset management portfolio

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

- **Adjustment criteria** will be applied to ensure (i) adequate representation of local governments from both entities commensurate with the population figures, (ii) size of prospective partner local governments (a good mix of medium to larger localities will be preferred to ensure greater return on investment); (iii) complementarities/avoiding duplication with other interventions working in the potential partner local governments.

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

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

As for the cantons, the Project will work with two preselected cantonal governments, Sarajevo and Posavina, in order to consolidate and build on previous efforts aimed at improving financial management across the two administrative units.

The Facility

The Facility will **select up to 10 local governments** which will be contacted directly to express interest in participation. The expression of interest will take the form of a project application letter, with a detailed breakdown of the proposed project's objective, expected results and resources required. Each eligible local government can propose up to three projects for consideration, with all drawn from different thematic areas.

Eligibility to apply for assistance will be limited to first-time mayors in municipalities with more than 15,000 inhabitants to maximize impact.

The evaluation of project proposals will include the following categories of criteria:

- Impact of proposed intervention on quality of life in the local community (percentage of population affected) (35%);
- Relevance to SDG Framework (20%);
- Linkages to the local community's strategic development document (25%);
- Relevance to the Council of Europe's 12 Principles of Good Governance (10%);
- Implementation timeline (proposed intervention can be fully implemented within a 12-month period) (10%).

3.4 Transversal themes

Improvement of public finance management and investments in infrastructure will improve the availability of and access to critical public services across all social groups in partner communities. Better infrastructure, more accessible and better quality public services will contribute to private sector development, as well as social inclusion of marginalized groups in targeted local communities.

Greater resilience of vulnerable communities will be achieved through better, safer infrastructure as part of the Project's commitment to build better. New or rehabilitated public infrastructure will be energy efficient, reducing pollution and cost. The Project will also ensure that new and rehabilitated facilities are disaster resilient and, where needed, disabled-accessible.

The Project will seek to enhance social inclusion in all stages of the implementation, thus contributing to the creation of equal opportunities when it comes to access to public infrastructure and services.

3.5 Knowledge management

The Project will ensure that all knowledge and tools are transferred to the two Associations of Municipalities and Cities (AMCs), as well as other interested local stakeholders. In particular, all training and reference material created under the auspices of the Project will be shared with entity training institutions in the FBiH and the RS, which would allow for further replication of the training in other local governments in the county. In addition, UNDP will create and maintain a repository of detailed intervention data, capturing in a systemic manner comprehensive information on all beneficiaries, results and impact, geographic areas of the interventions, key partners and financial investment.

3.6 Synergies with other on-going or planned interventions

Where possible, coordination will be sought with the MEG Project, primarily funded by the Government of Switzerland, with shared good government priorities underpinning the agenda for transformational change in local governance in particular. Both interventions will support the setting and implementation of critical performance targets that will ultimately result in superior public services for the local communities targeted by the projects, as well as operating excellence competitions that will offer performance based budget incentives. In view of the emerging Good Local Governance Framework to be supported under MEG, sound public finance management is included as one of the main good governance principles. However, the MEG focus and support is intended to advance the overall performance management systems at the local government level. Further, MEG will contribute to addressing challenges related to the sustainability of water supply and wastewater management services, which entail work with a select group of partner local governments and their utilities, but also higher levels of government and other development partners for advancing the sector-related reforms. Considering that both projects are yet to select partner municipalities, synergies in individual localities will be considered as and when appropriate. Nonetheless, efforts will be made to ensure exchange of experiences and practices across both partner landscapes. Where prospective municipal investment in service delivery infrastructure relates to water and sanitation sectors, the Project will draw on topical expertise and experience of the MEG project to assess feasibility, viability and sustainability of proposed intervention but it is expected that PIPLS will focus much more heavily on social infrastructure, such as school, healthcare facilities and kindergartens.

Collaboration will be sought with the “Integrated Local Development Project”, financed by the Government of Switzerland, to integrate the asset management, potential savings as well as investments in infrastructure into the local development management cycle.

The Project will exchange best practices and lessons learnt with the “More Efficient Public Audits for Less Corruption in BiH”²³ project (2019-2022), which is currently being implemented by the Centres for Civic Initiatives (CCI) and financed by the Government of Sweden. The collaboration includes the area of implementation and follow-up of audit recommendations which are relevant for local governments, use of the public e-database and strengthening public awareness and engagement.

Synergies will be sought with the ceasing “Strengthening Public Procurement System in BiH Phase II – Developing the capacities of contracting authorities”²⁴ project, which is implemented and financed through the Instrument for Pre-Accession Assistance (IPA II) 2014-2020. The focus of the project is on the strengthened capacity of the Public Procurement Agency and the implementation of an effective public procurement system on local level, in accordance with EU standards and best global practices.

²³ <http://cci.ba/projects/2/32/90.html> and <https://openaid.se/activity/SE-0-SE-6-12887A0101-BIH-15150>

²⁴ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/ipa_2016_39653_1_bih_strengthening_public_procurement_system.pdf

Finally, the Project's work in strengthening internal controls will coordinate closely, and draw expertise from, the Slovak-funded "Advancing Public Finance Management in BiH" which will help design and deliver practical trainings for internal control practitioners in local authorities country-wide.

3.7 Visibility and communication

Visibility, media-presence and public information sharing of Project activities and achievements will be ensured on a regular basis. All Project products, events, promotion materials will duly respect visibility requirements and standards of the donor as well as UNDP.

3.8 Sustainability and scaling up

Sustainability of project results will be ensured through both capacity building of responsible municipal staff and through the embedding of Project deliverables with responsible institutions, to include partner authorities as well as the two Associations of Municipalities and Cities (AMCs). This is especially relevant for reference and training materials that can ensure the replication of project results across a broader group of stakeholder institutions.

Moreover, support to viable local infrastructure projects and local initiatives co-funded by partner local governments will be guided, among others, by considerations of sustainability which will look into the long-term prospects of the facility, its efficiency, as well as the operational and financial capacities of the partner authority to effectively manage it beyond the life scope of the Project.

In terms of environmental sustainability considerations, improvements to energy efficiency will be pursued, to help manage the carbon footprint for the buildings and reduce cost to beneficiaries, as will upgrades to water management and sanitation.

GOVERNANCE, MANAGEMENT ARRANGEMENTS AND RESOURCES

4. ORGANIZATION, MANAGEMENT AND ADMINISTRATION

4.1. Project duration

The total Project duration is set at 36 months.

4.2. Project management

UNDP in BiH will assume full responsibility and accountability for the overall management of the Project, including achieving of the outputs and outcome, 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 (local and cantonal governments) 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 structures will include the **Project Board** as a main steering mechanism and the **Project Team**.

The **Project Board** will be the decision-making authority, responsible for the Project management oversight. The Project Board will review and endorse annual work plans, supervise the implementation progress and authorize any major deviation therefrom. It will provide strategic guidance, as well as give final approval to selected strategic and operational issues. The Project Board will meet semi-annually, or as necessary when raised by the Project Manager. Members of the Project Board will be senior representatives of the local and cantonal governments and UNDP. UNDP will serve as the secretariat to the Project Board, responsible for sending out invitation for Project Board meetings, preparing meeting agenda and materials, as well as meeting minutes.

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

The Project will be implemented by the **Project Team, to include the Project Manager, two Project Officers, a part-time Civil Engineer, and an Admin/Finance Associate.**

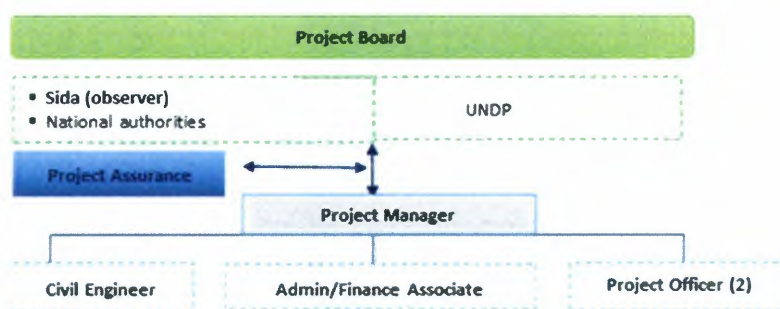
The **Project Manager** will run the Project on a day-to-day basis on behalf of the UNDP. The Project Manager will have the responsibility to ensure that the Project produces the required results as defined in this document. The **Project Officers** will provide technical assistance and support the Project Manager in conceptualisation and delivery of project activities, alongside a part-time **Civil Engineer**. The **Admin/Finance Associate** will provide full-time administrative, logistics, financial, procurement, recruitment and data management support.

It is foreseen that the Project will deploy external national expertise in various fields as the need arises. In addition, external goods and service providers will be engaged following a competitive process to deliver technical assistance, training, construction works or other types of specific goods and/or services.

The Facility will operate in the framework of the PIPLS project. The overall management and quality assurance of Facility operations will be provided by the PIPLS Project Manager while administrative support will be provided by the PIPLS Project Associate. UNDP will increase PIPLS project capacities for the first year of project implementation (January 2020 – January 2021) to account for TAF implementation, adding one Project Coordination Officer to manage the facility and one Junior Project Coordination Officer to assist with Facility operations.

In cooperation with Project Manager, a designated **Communications Officer** will be leading public outreach and communications. Together with the General Services Unit and the Project Associate, the **Sector Associate** will support all procurement activities. Together with the HR department and Project Assistant, the Sector Associate will support all activities related to recruitment of consultants.

Project Board and Project team structure



5. PROJECT MONITORING, EVALUATION AND REPORTING

The Project will be monitored and evaluated in line with UN corporate standards. Project monitoring will be characterised by a gender-sensitive approach and it will incorporate the monitoring of potential adverse environmental impact, particularly for the activities implemented in the environmentally sensitive areas, including legally protected areas (e.g. nature reserve, national park). The main tools for organising the Project monitoring system encompass:

- The gender-sensitive Logical Framework (as described within *Annex I* of the Project document);

- The Project risk analysis.

Evaluations

The Project will undertake the final participatory review to assess the results and effects, as well as to define the forward-looking vision.

Reporting

UNDP will consolidate narrative reports, as well as detailed financial reports as per the requirements of the local government. Those reports will include:

- **Annual Narrative Progress Reports;**
- **Annual Financial Reports;**
- **Final Project Narrative Report;**
- **Final Project Financial Report.**

6. RESOURCES

6.1. Project budget

The total project budget is USD 2,444,710. The contribution by the Government of Sweden is USD 1,796,890 and by UNDP USD 113,400 (in total USD 1,910,290).

In addition, local governments and cantons are expected to participate with USD 534,420 over the project implementation lifetime (these contributions are to be managed in parallel or directly depending on government preferences).

The full Project budget is enclosed as *Annex II* (including contribution by the Government of Sweden and UNDP, which are to be directly managed by UNDP).

The Facility

The total budget for this intervention is US\$ 554,456 and the duration is 13 months. Sida will provide US\$ 354,456, with UNDP providing funding to the amount of US\$ 200,000. Participating local authorities will also be asked to co-finance Facility operations at a level of 25% of the total value of the technical assistance sought.

6.2. Cost-effectiveness

The Project will deploy numerous measures to achieve cost effectiveness. In terms of procurement, outsourcing of services will be based on a transparent and competitive process, as well as on the value-for-money principle.

The Project will seek to achieve economy of scale in investments by combining, where possible, public funds of local governments and higher government levels.

Moreover, all training and capacity development assistance will be delivered by clustering partner local governments, to ensure economy of scale. The Project will seek to utilize in-kind contribution from partners in the form of hosting venue, hospitality and transport costs for events and training.

RISK MANAGEMENT

7. RISK ASSESSMENT

The main risks related to the Project implementation are described below, together with types of effects on the Project and anticipated mitigation measures.

General Risks	Probability	Type / Impact	Project response
2020 Local Elections may pose risks to the Project implementation due to change in political leaderships and their commitment to the Project	Medium	Political / Medium	The Project will apply adequate mitigation measures, such as signing Agreements with institutional partners, thus formalising their commitment and contribution to the Project. The project will also reserve the right to remove and replace local governments with uncooperative leaderships.
Decrease of USD exchange rate against EUR / BAM	Low	Financial / High	The Project will apply pro-active early warning and financial planning and management system.
Political gridlock between municipal government and municipal assembly interfere in Project implementation	Low	Political/ Medium	There will be a clear message from the Project team that local governments' involvement will be discontinued without support and cooperation of all political parties and relevant stakeholders. The Project's communication efforts will be directed to widely publicize it to the public to build pressure of the citizens and local development partnerships in its implementation.
Partners fail to ensure financial sources for local development	Low	Financial/ High	Expected financial crisis will significantly reduce level of investments by higher government levels for local development in various sectors. Nevertheless, relevant local development measures and priorities are outlined in the existing sectoral strategies, therefore it is expected that some financial resources will be in place. The Project will seek commitment and engagement of relevant authorities from the outset, insisting on early transfer of funds.
Local governments have limited resources to allocate for further development of local services	Medium	Financial / Medium	The Project will engage with interested and committed local governments, allowing for timely, regular and realistic planning of public investments.
Force Majeure (e.g. natural hazards and disease outbreaks conditions) impacts Project activities	Medium	Environment / Medium (delays)	The Project will sequence the activities in such a manner that the bulk of infrastructure/construction works are delivered during the peak construction season to mitigate the impact of this risk to the project implementation.

ANNEXES

ANNEX I. RESULTS AND RESOURCES FRAMEWORK

	Results chain	Indicators	Baseline (incl. ref, year)	Targets	Sources and means of verification	Assumptions and risks
Overall objective / Impact:	To contribute to an improvement in the overall quality of public service infrastructure in BIH.	World Bank Quality of Infrastructure Index year-on-year growth acceleration rate.	6.24 (2019)	7 (2024)	Global proxy	
Specific objective/Outcome 1	To improve access to critical public services through better governance and greater investment in local infrastructure.	Number of local and cantonal governments practicing improved revenue and expenditure management, to include asset management internal control and public procurement.	0 (2019)	15 local governments 2 cantonal governments (2023)	Project and municipal financial and other reports.	
		Number of households in target localities with access to previously unavailable local services.	0 (2019)	20,000 (2023)	Project and municipal reports.	
Specific objective/ Outcome 2	To inject speed and purpose to the implementation of the newly elected local government leaders' reform agenda.	Number of local governments improving the quality of life in their communities, focusing on the delivery of critical public services.	0 (2019)	10 (2022)	Project and municipal reports.	

Outputs 1/ Results	Result 1: Partner local governments improve service delivery through better management of the municipal asset portfolio.	Number of local governments implementing improved asset management policies and practices.	0 (2019)	15 (2023)	Decisions of Municipal Councils; Inventory exercise reports; Project reports; Municipal reports.	Local development planning in the country is conducted based on the standardized methodology for local development planning, thus eliminating possibilities for overly-high number of local planning documents, which are not aligned with municipal budgets and remain detached from the municipal development management system.
		Number of local government staff from target local governments with increased professional and technical capacity for asset management.	0 (2019)	100 (2023)	Attendance sheets; Project reports; Postings and information in media and newspapers; Photo and video records	
	Result 2: Partner local and cantonal governments practice smart revenue and expenditure management, including through enhanced	Amount of savings/additional revenues generated through better expenditure management.	0 (2019)	BAM 10 million (2023)	Budget reports, budget documents.	Political climate in

	internal control and public procurement capacities.	Number of local government staff who benefit from improved skills and capacities in the areas of expenditure management, internal control and public procurement.	0 (2019)	100 (2023)	Attendance sheets; Project reports; Postings and information in media and newspapers; Photo and video records	BIH is still tense and dominated by nationalistic rhetoric.
	Result 3: Public service infrastructure in partner local communities upgraded.	Number of infrastructure projects implemented in partnership with selected local governments. Number of residents who benefit from new/improved local services.	0 (2019) 0 (2019)	9 (2023) 20,000 (2023)	Official documentation and reports from target local governments, and rehabilitated public buildings/ infrastructure photos; Postings and information in media and newspapers; Photo and video records; Project reports.	Forthcoming Local Elections in 2020 may delay planned local level project intervention.
Outputs 2/ Results	Result 1: Local government leaders effectively delivered their reform agendas aimed at improving the quality of life in their communities, focusing in particular on the delivery of critical public services.	Number of infrastructure projects implemented in partnership with selected local governments.	0 (2019)	5 (2022)	Official documentation and reports from target local governments and rehabilitated public buildings/ infrastructure photos; Project reports.	
		Number of local governments revised their financial planning.	0 (2019)	5 (2022)	Budget reports, budget documents; Project reports.	

		Number of local governments embarked on digitalization of governance processes and instruments.	0 (2019)	5 (2022)	Project reports; Postings and information in media and newspapers; Photo and video records.
		Number of local governments developed new instruments to support private sector in their local communities.	0 (2019)	5 (2022)	Project reports; Postings and information in media and newspapers; Photo and video records.

Budget Item	Unit	Number of units	Unit cost	Donor	Total
RESULT 1: Partner local governments improve service delivery through better management of the municipal asset portfolio.					329,239
LG asset management analysis	day	170	250.00	Sweden	42,500
Support to implementation of improved asset management practices,	day	400	250	Sweden	100,000
Support to implementation of improved asset management practices,		96	250	UNDP	24,000
Training and support to LG to implement the asset management model	day	80	250	Sweden	20,000
Project Officer (SB4/2)	month	36	2,750	Sweden	99,000
Project Officer (SB4/2)	month	36	550	UNDP	19,800
Preparation of asset management manual	day	15	250	Sweden	3,750
Roundtable to enable dialogue between practitioners and policy makers	event	6	1,188	Sweden	7,126
Design and printing of the asset management manual	lumpsum	1	2,375	Sweden	2,375
Travel	lumpsum	3	3,563	Sweden	10,688
Result 2: Partner local and cantonal governments practice smart revenue and expenditure management, including through enhanced internal control and public procurement capacities					569,418
Comprehensive revenue and expenditure review at municipal level, including recommendations (15 municipalities)	day	180	250	Sweden	45,000
Comprehensive revenue and expenditure review at cantonal level (2 cantons)	day	200	250	Sweden	50,000
Technical assistance to LGs/cantons for enhanced revenue and expenditure management	day	400	250	Sweden	100,000
Support to strengthening internal control frameworks in partner LGs (review, recommendations, technical assistance)	day	400	250	Sweden	100,000
Support to strengthening internal control frameworks in partner LGs (review, recommendations, technical assistance)	day	400	250	UNDP	100,000
Design (including initial review) and provision of training for improved public procurement capacities	day	80	350	Sweden	28,000
Design (including initial review) and provision of training for improved public procurement capacities	day	80	350	UNDP	28,000
Logistics for training for improved public procurement capacities	lumpsum	3	2,910	Sweden	8,730
Project Officer (SB3/3)	month	36	2,750	Sweden	99,000
Travel	lumpsum	3	3,563	Sweden	10,688
Result 3: Public service infrastructure in partner local communities upgraded					622,978
Grants for best performers among partner LGs/cantons	grant	9	53,260	Sweden	479,340
Project/Operations Officer (SB 3/3)	month	36	2,750	UNDP	99,000
Civil Engineer	day	125	250	Sweden	31,250
Harmonised Approach to Cash Transfer (HACT) Assessment	lumpsum	1	2,700	Sweden	2,700
Travel	lumpsum	3	3,563	Sweden	10,688
ACTIVITY 4 Project Management and Operating Costs					534,550
Project Manager NoC	month	36	7,000	Sweden/UNDP	252,000
Admin/Finance Associate SB 3/3	month	36	2,450	Sweden/UNDP	88,200
Admin/Finance Associate SB 3/3	month	24	300	UNDP	7,200
Operations costs (rent of offices, IT equipment, DPC, etc.)	month	36	3,500	Sweden	126,000
Visibility	lumpsum	3	9,000	Sweden	27,000
Visibility	lumpsum	1	1,000	undp	1,000
Final external project evaluation	day	15	610	Sweden	9,150
Miscellaneous (bank charges, advertisement)	lumpsum	3	4,500	Sweden	13,500
Travel	lumpsum	3	3,500	Sweden	10,500
Sweden					1,663,787
Indirect operating costs for Sweden contribution (8%)					133,103
UNDP					396,000
Indirect operating costs for undp contribution (8%)					31,680
Total					2,224,570

Budget Item	Y1				
	Unit	Number of units	Unit cost	Donor	Total Y1
ACTIVITY 1: Digital Governance					72,500
On-site technical assistance	day	165	300	Sweden	49,500
	day	70	300	UNDP	21,000
Printing	lumpsum	1	1,000	Sweden	1,000
Travel	lumpsum	1	1,000	Sweden	1,000
ACTIVITY 2: Financial management and Service Delivery					72,500
On site technical assistance	day	165	300	Sweden	49,500
	day	70	300	UNDP	21,000
Printing	lumpsum	1	1,000	Sweden	1,000
Travel	lumpsum	1	1,000	Sweden	1,000
ACTIVITY 3: Economic Development					149,500
On-site technical assistance	lumpsum	165	300	Sweden	49,500
	day	70	300	UNDP	21,000
Support for development of tools to support private sector	municipality	7	11,000	UNDP	77,000
Printing	lumpsum	1	1,000	Sweden	1,000
Travel	lumpsum	1	1,000	Sweden	1,000
ACTIVITY 4: Public Service Delivery and Infrastructure					223,000
On-site technical assistance	lumpsum	200	300	Sweden	60,000
	day	70	300	UNDP	21,000
Support to infrastructure projects for public service delivery	infrastructure project	7	20,000	UNDP	140,000
Printing	lumpsum	1	1,000	Sweden	1,000
Travel	lumpsum	1	1,000	Sweden	1,000
ACTIVITY 4 Project Management and Operating Costs					114,700
Project Officer (SB3/3)	month	12	2,600	Sweden	31,200
Junior project Officer (SB3/2)	month	12	2,500	Sweden	30,000
Operations costs (rent of offices, IT equipment, DPC etc.)	month	12	3,500	Sweden	42,000
	month	12	250	UNDP	3,000
Visibility and communications	lumpsum	1	2,500	Sweden	2,500
Miscellaneous (bank charges, advertisement)	lumpsum	1	2,500	Sweden	2,500
Translation	lumpsum	1	1,000	Sweden	1,000
Travel	lumpsum	1	2,500	Sweden	2,500
Sida					328,200
<i>Indirect operating costs for Sida contribution (8%)</i>					26,256
UNDP					304,000
<i>Indirect operating costs for UNDP contribution (8%)</i>					24,320
Total					682,776

ANNEX III. MULTI-YEAR WORK PLAN (UNDP FORMAT)

OUTPUT 1

EXPECTED OUTPUT	ACTIVITIES	PLANNED SUB-ACTIVITIES	Planned Budget by Year			RESPONSIBLE PARTY	PLANNED BUDGET		
			Y1	Y2	Y3		Funding Source	Budget Description	Amount
Improved access to critical public services through better governance and greater investment in local infrastructure.	Activity/Result 1: Partner local governments improve service delivery through better management of the municipal asset portfolio.	1.1 Develop and administer an in-depth survey of asset management practices	42,500	0	0	UNDP	Sweden	Expertise	42,500
		1.2 Support implementation of key strategic municipal asset management practices across all partner governments	40,000	68,125	42,000		Sweden/UNDP	Expertise, Training, Printing	150,125
		1.3 Enable dialogue between practitioners and policy makers	2,375	3,563	1,188		Sweden	Events	7,126
		MONITORING	43,163	43,163	43,163		Sweden/UNDP	Travel, Project Officer (SB4/2)	129,488
		Sub-Total for Activity 1							
	Activity/Result 2: Partner local and cantonal governments practice smart revenue and expenditure management, including through enhanced internal control and public procurement capacities.	2.1 Improve revenue and expenditure management capacities	95,000	50,000	50,000	UNDP	Sweden	Expertise	195,000
		2.2 Introduce a system of stringent internal controls	50,000	75,000	75,000		Sweden/UNDP	Expertise	200,000
		2.3 Improve local public procurement capacities	37,910	13,410	13,410		Sweden/UNDP	Training	64,730
		MONITORING	36,563	36,563	36,562		Sweden	Travel, Project Officer (SB3/3)	109,688
		Sub-Total for Activity 2							
	Activity/Result 3: Public service infrastructure in partner local	3.1 Develop and administer the performance evaluation framework	2,700	228,040	282,551	UNDP	Sweden	Expertise, Grants	513,291
		3.2 Select and implement priority infrastructure interventions							
		MONITORING	36,563	36,563	36,562		Sweden/UNDP	Travel, Civil Engineer	109,688

	communities upgraded.	Sub-Total for Activity 3							622,979
	Activity/Result 4: Project Management and Operating Costs	Project Manager	84,000	84,000	84,000	UNDP	Sweden/UNDP	Salary	252,000
		Admin/Finance Associate	33,000	33,000	33,000		Sweden/UNDP	Salary	99,000
		Operations costs (rent of offices, IT equipment, communications, direct project costs etc.)	42,000	42,000	42,000		Sweden	Operational costs	126,000
		Visibility	9,000	10,000	9,000		Sweden/UNDP	Promotion	28,000
		Final external project evaluation	0	0	9,150		Sweden	Expertise	9,150
		Miscellaneous (bank charges, advertisement)	4,500	4,500	4,500		Sweden	Miscellaneous	13,500
		Travel	3,500	3,500	3,500		Sweden	Travel	10,500
		Sub-Total for Activity 4							538,150
		Sida							1,663,787
		General Management Support (8%) - Sida							133,103
		UNDP							396,000
		General Management Support (8%) - UNDP							31,680
	TOTAL	TOTAL							2,224,570

OUTPUT 2

EXPECTED OUTPUT	ACTIVITIES	PLANNED SUB-ACTIVITIES	Planned Budget by Year		RESPONSIBLE PARTY	PLANNED BUDGET		
			Y1			Funding Source	Budget Description	Amount
Implementation of the newly elected local government leaders' reform agenda accelerated through the provision of expert technical assistance across several priority sectors	Activity/Result 1: <i>Digital governance;</i> Improved service delivery and/or general performance through the introduction of digital tools and/or processes.	On-site technical assistance		70,500	UNDP	Sweden/UNDP	Expertise	70,500
		Printing		1,000		Sweden	Printing	1,000
		Travel		1,000		Sweden	Travel	1,000
		Sub-Total for Activity 1						72,500
	Activity/Result 2: <i>Service delivery and infrastructure;</i> Critically important infrastructure projects from concept to maturity taken.	On-site technical assistance		70,500	UNDP	Sweden/UNDP	Expertise	70,500
		Printing		1,000		Sweden	Printing	1,000
		Travel		1,000		Sweden	Travel	1,000
		Sub-Total for Activity 2						72,500
	Activity/Result 3: <i>Financial management;</i> operational expenditures to create fiscal space for capital development projects reduced and the budgeting process improved.	On-site technical assistance		70,500	UNDP	Sweden/UNDP	Expertise	70,500
		Support for development of tools to support private sector		77,000		UNDP	Grants, Trainings	77,000
		Printing		1,000		Sweden	Printing	1,000
		Travel		1,000		Sweden	Travel	1,000
		Sub-Total for Activity 3						149,500

Activity/Result 4: <i>Local economic development; developing innovative entrepreneurship and employment incentive and promotion programs developed and deployed.</i>	On-site technical assistance	81,000	UNDP	UNDP, Sweden	Expertise	81,000	
	Support to infrastructure projects for public service delivery	140,000		UNDP	Grants	140,000	
	Printing	1,000		Sweden	Printing	1,000	
	Travel	1,000		Sweden	Travel	1,000	
	Sub-Total for Activity 4					223,000	
	<i>Project Management and Operating Costs</i>	Project Officer (SB3/3)	31,200	UNDP	Sweden	Salary	31,200
		Junior project Officer (SB3/2)	30,000		Sweden	Salary	30,000
		Operations costs (rent of offices, IT equipment, DPC etc.)	45,000		Sweden/UNDP	Operational costs	45,000
		Visibility and communications	2,500		Sweden	Visibility	2,500
		Miscellaneous (bank charges, advertisement)	2,500		Sweden	Misc	2,500
Translation		1,000	Sweden		Translation	1,000	
Travel		2,500	Sweden		Travel	2,500	
Sub-Total for Activity 5					114,700		
Sida					328,200		
General Management Support (8%) - Sida					26,256		
UNDP					304,000		
General Management Support (8%) - UNDP					24,320		
TOTAL					682,776		

ANNEX IV. RESULTS FRAMEWORK (UNDP FORMAT)

Intended Outcome as stated in the UNDAF/CPD 2021-2025: Outcome 4. By 2025, people contribute to, and benefit from more accountable and transparent governance systems that deliver quality public services and ensure rule of law.										
Outcome indicator as stated in the Country Programme, including baseline and targets: Output 2.1 Collaboration between authorities and societal actors is supported for the design of evidence-based and gender-sensitive policy and regulatory frameworks that enable reforms and system change.										
Indicator: Indicator 2.1a: Number of new/revised policy, strategic and regulatory frameworks designed in a collaborative, evidence-based and gender-sensitive manner. Baseline (2019): 5; Target (2025): 25.										
Applicable Output(s) from the UNDP Strategic Plan: Output 3.2. Functions, financing and capacity of sub-national level institutions enabled to deliver improved basic services and respond to priorities voiced by the public. Output 7.6. Innovations enabled for development solutions, partnerships and other collaborative arrangements. IRRF Indicator: 1.2.1.1 National and sub-national governments have improved capacities to plan, budget, manage and monitor basic services.										
Project title and Atlas Project Number: Project for Improving Performance of Local Services (PIPLS) in Bosnia and Herzegovina, Award ID 00126502										
EXPECTED OUTPUT	ACTIVITY RESULTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)				DATA COLLECTION METHODS & RISKS
				Value	Year	Year 1	Year 2	Year 3	FINAL (2023)	
Output 1: Improved access to critical public services through better governance and greater investment in local infrastructure. Indicator 1: Number of local and cantonal governments practicing improved revenue and expenditure management, to include asset management	Activity/Result 1: Partner local governments improve service delivery through better management of the municipal asset portfolio.	Number of local governments implementing improved asset management policies and practices.	Decisions of Municipal Councils; Inventory exercise reports; Project reports; Municipal reports.	0	2019	0	5	15	15	Assessment Feedback from users
		Number of local government staff from target local governments with increased professional and technical capacity for asset management.	Attendance sheets; Project reports; Postings and information in media and newspapers; Photo and video records	0	2019	0	50	100	100	Review of reports and materials
	Activity/Result 2: Partner local and cantonal governments practice smart revenue and expenditure	Amount of savings/additional revenues generated through better expenditure management.	Budget reports, budget documents.	0	2019		BAM 5 million	BAM 10 million	BAM 10 million	Review of reports and materials

<p>internal control and public procurement.</p> <p>Target: 15 local governments 2 cantonal governments (2023)</p> <p>Indicator 2: Number of households in target municipalities with access to previously unavailable local services.</p> <p>Target: 20,000 (2023)</p>	<p>management, including through enhanced internal control and public procurement capacities.</p>	<p>Number of local government staff who benefit from improved skills and capacities in the areas of expenditure management, internal control and public procurement.</p>	<p>Attendance sheets; Project reports; Postings and information in media and newspapers; Photo and video records</p>	0	2019	40	60	100	100	<p>Review of reports and materials.</p>
	<p>Activity/Result 3: Public service infrastructure in partner local communities upgraded.</p>	<p>Number of infrastructure projects implemented in partnership with selected local governments.</p>	<p>Official municipal reports, rehabilitated public buildings and infrastructure photos; information in media; photo and video records; Project reports.</p>	0	2019	0	4	9	9	<p>Review of reports and materials.</p>
		<p>Number of residents who benefit from new/improved local services</p>	<p>Project and municipal reports.</p>	0	2019	0	8,000	20,000	20,000	<p>Assessment, review of reports and materials, media reviews, interviews with partners</p>
<p>Output 2: Implementation of the newly elected local government leaders' reform agenda accelerated through the provision of expert technical assistance across several priority sectors</p>	<p>Activity/Result 1: <i>Digital governance;</i> Improved service delivery and/or general performance through the introduction of digital tools and/or processes</p>	<p>Number of local governments implementing digitalization of governance processes and instruments, enhancing transparency and accountability of locally elected officials and their administrations.</p>	<p>Project reports; Postings and information in media and newspapers;</p>	0	2020	5	N/A	N/A	<p>FINAL (2022) 5</p>	<p>Review of reports and materials.</p>

Target: 10 local governments (2022)	Activity/Result 2: <i>Service delivery and infrastructure;</i> Critically important infrastructure projects from concept to maturity taken.	Number of local governments implementing critical infrastructure projects, linked to municipal development strategies and the 2030 Agenda for Sustainable Development, supported to maturity.	Project reports; Postings and information in media and newspapers; Photo and video records	0	2020	5	N/A	N/A	FINAL (2022) 5	Review of reports and materials.
	Activity/Result 3: <i>Financial management;</i> operational expenditures to create fiscal space for capital development projects reduced and the budgeting process improved.	Number of local governments downsizing their operational expenses to create fiscal space for capital investment projects at risk from the effects of the pandemic	Budget reports, budget documents.	0	2020	5	N/A	N/A	FINAL (2022) 5	Review of reports and materials.
	Activity/Result 4: <i>Local economic development;</i> developing innovative entrepreneurship and employment incentive and promotion programs developed and deployed.	Number of local governments implementing new instruments to support private sector in their local communities.	Project reports; Postings and information in media and newspapers;	0	2020	5	N/A	N/A	FINAL (2022) 5	Review of reports and materials.

ANNEX V. SOCIAL AND ENVIRONMENTAL SCREENING

Project Information

Project Information	
1. Project title	Project for Improving Performance of Local Services (PIPLS) in Bosnia and Herzegovina
2. Project number	00126502
3. Location	Bosnia and Herzegovina

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

QUESTION 1: How Does the Project Integrate the Overarching Principles to Strengthen Social and Environmental Sustainability?

Briefly describe in the space below how the Project mainstreams the human-rights based approach

The Project will seek to enhance social inclusion in all stages of the implementation, thus contributing to the creation of equal opportunities when it comes to access to public infrastructure and services.

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

The Project recognizes that long-term, sustainable development will only be possible when women and men enjoy equal opportunity to rise to their potential. The notion of gender equality has been considered in the process of Project design, as well as mainstreamed within its activities. The Project monitoring framework is gender-sensitive and envisages sex-disaggregated data collection for all relevant indicators. The Project will use gender-sensitive criteria to encourage local governments to address infrastructure projects which focus on addressing issues pertinent to women. As part of the overall financial management overhaul, the Project will recommend to governments to internalize elements of gender sensitive budgeting across both planning and implementation processes. Gender equality will be considered in the preparation and delivery of capacity building and awareness-raising events throughout the Project to ensure representation.

Briefly describe in the space below how the Project mainstreams environmental sustainability

In terms of environmental sustainability considerations, improvements to energy efficiency will be pursued, to help manage the carbon footprint for the buildings and reduce cost to beneficiaries, as will upgrades to water management and sanitation.

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

By establishing a system for strategic management of the public assets portfolio and by building the necessary staff skills to manage this system, local governments will increase the level of transparency and accountability in managing publicly owned goods, generating additional revenues and improving service delivery. UNDP in BIH will assume full responsibility and accountability for the overall management of the Project, including achieving of the outputs and outcome, the efficient and effective use of resources, as well as implementation monitoring. The Project structures will include the Project Board as a main steering mechanism and the decision-making authority, responsible for the Project management oversight. The Project Board will review and endorse annual work plans, supervise the implementation progress and authorize any major deviation therefrom. Members of the Project Board will be senior representatives of the local and cantonal governments and UNDP. UNDP will notify its major stakeholders on available compliance mechanisms to ensure individuals, peoples, and communities affected by projects have access to appropriate grievance resolution procedures for hearing and addressing project-related complaints and disputes.

Part B. Identifying and managing social and environmental risks

QUESTION 2: What are the Potential Social and Environmental Risks?

Note: Describe briefly potential social and environmental risks identified in Attachment 1 – Risk Screening Checklist (based on any “Yes” responses). If no risks have been identified in Attachment 1 then note “No Risks Identified” and skip to Question 4 and Select “Low Risk”. Questions 5 and 6 not required for Low Risk Projects.

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 6

QUESTION 6: What social and environmental assessment and management measures have been conducted and/or are required to address potential risks (for Risks with Moderate and High Significance)?

<i>Risk description</i>	<i>Impact and probability (1-5)</i>	<i>Significance (Low, Moderate, High)</i>	<i>Comments</i>	<i>Description of assessment and management measures as reflected in the Project design. If ESIA or SESA is required note that the assessment should consider all potential impacts and risks.</i>
Risk 1: There a potential risk that duty-bearers do not have the capacity to meet their obligations in the Project.	I = 2 P = 2	Low		The Project will pursue a proactive public campaign showcasing both positive and negative examples of good public finance management, as well as focusing on how the savings are being channelled into fostering growth and improving public services.
Risk 2: The Project could potentially restrict availability, quality of and access to resources or basic services to marginalized individuals or groups.	I = 2 P = 2	Low		The Project will engage with interested and committed local governments, allowing for timely, regular and realistic planning of public investments on the fully inclusive basis.
Risk 3: The Project result in potential to increase health risks related to COVID-19 pandemic	I=2 P=3	Low to moderate		The Programme will develop basic tools and approaches to enable potential distance learning and remote implementation of activities in times of such events.
QUESTION 4: What is the overall Project risk categorization?				
Select one (see SESP for guidance)			Comments	
Low Risk			<input checked="" type="checkbox"/>	The project is assessed as a low risk category, particularly from human rights, climate change and health aspects viewpoint.
Moderate Risk			<input type="checkbox"/>	
High Risk			<input type="checkbox"/>	

QUESTION 5: Based on the identified risks and risk categorization, what requirements of the SES are relevant?		
Check all that apply		Comments
<i>Principle 1: Human Rights</i>	<input checked="" type="checkbox"/>	N/A
<i>Principle 2: Gender Equality and Women's Empowerment</i>	<input type="checkbox"/>	N/A
<i>1. Biodiversity Conservation and Natural Resource Management</i>	<input type="checkbox"/>	N/A
<i>2. Climate Change Mitigation and Adaptation</i>	<input type="checkbox"/>	N/A
<i>3. Community Health, Safety and Working Conditions</i>	<input checked="" type="checkbox"/>	N/A
<i>4. Cultural Heritage</i>	<input type="checkbox"/>	N/A
<i>5. Displacement and Resettlement</i>	<input type="checkbox"/>	N/A
<i>6. Indigenous Peoples</i>	<input type="checkbox"/>	N/A
<i>7. Pollution Prevention and Resource Efficiency</i>	<input type="checkbox"/>	N/A

Final Sign Off

Signature	Date	Description
QA Assessor		Amra Zorlak, Monitoring and Evaluation Analyst
QA Approver		Sukhrob Khoshmukhamedov, Deputy resident Representative
PAC Chair		Adela Pozder-Cengic, Chair of the LPAC

SESP Attachment 1. Social and environmental risk screening checklist

Checklist Potential Social and Environmental Risks		Answer (Yes/No)
Principles 1: Human Rights		
1.	Could the Project lead to adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups?	No
2.	Is there a likelihood that the Project would have inequitable or discriminatory adverse impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups? ²⁵	No
3.	Could the Project potentially restrict availability, quality of and access to resources or basic services, in particular to marginalized individuals or groups?	Yes
4.	Is there a likelihood that the Project would exclude any potentially affected stakeholders, in particular marginalized groups, from fully participating in decisions that may affect them?	No
5.	Is there a risk that duty-bearers do not have the capacity to meet their obligations in the Project?	Yes
6.	Is there a risk that rights-holders do not have the capacity to claim their rights?	No
7.	Have local communities or individuals, given the opportunity, raised human rights concerns regarding the Project during the stakeholder engagement process?	No
8.	Is there a risk that the Project would exacerbate conflicts among and/or the risk of violence to project-affected communities and individuals?	No
Principle 2: Gender Equality and Women’s Empowerment		
1.	Is there a likelihood that the proposed Project would have adverse impacts on gender equality and/or the situation of women and girls?	No
2.	Would the Project potentially reproduce discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?	No
3.	Have women’s groups/leaders raised gender equality concerns regarding the Project during the stakeholder engagement process and has this been included in the overall Project proposal and in the risk assessment?	No
4.	Would the Project potentially limit women’s ability to use, develop and protect natural resources, taking into account different roles and positions of women and men in accessing environmental goods and services? <i>For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their livelihoods and well being</i>	No

²⁵ Prohibited grounds of discrimination include race, ethnicity, gender, age, language, disability, sexual orientation, 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 people and transsexuals.

Principle 3: Environmental Sustainability: Screening questions regarding environmental risks are encompassed by the specific Standard-related questions below		
Standard 1: Biodiversity Conservation and Sustainable Natural Resource Management		
1.1	Would the Project potentially cause adverse impacts to habitats (e.g. modified, natural, and critical habitats) and/or ecosystems and ecosystem services? <i>For example, through habitat loss, conversion or degradation, fragmentation, hydrological changes</i>	No
1.2	Are any Project activities proposed within or adjacent to critical habitats and/or environmentally sensitive areas, including 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	Does the Project involve 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	Would Project activities pose risks to endangered species?	No
1.5	Would the Project pose a risk of introducing invasive alien species?	No
1.6	Does the Project involve harvesting of natural forests, plantation development, or reforestation?	No
1.7	Does the Project involve the production and/or harvesting of fish populations or other aquatic species?	No
1.8	Does the Project involve significant extraction, diversion or containment of surface or ground water? <i>For example, construction of dams, reservoirs, river basin developments, groundwater extraction</i>	No
1.9	Does the Project involve utilization of genetic resources? (e.g. collection and/or harvesting, commercial development)	No
1.10	Would the Project generate potential adverse transboundary or global environmental concerns?	No
1.11	Would the Project result in secondary or consequential development activities which could lead to adverse social and environmental effects, or would it generate cumulative impacts with other known existing or planned activities in the area? <i>For example, a new road through forested lands will generate direct environmental and social impacts (e.g. felling of trees, earthworks, potential relocation of inhabitants). The new road may also facilitate encroachment on lands by illegal settlers or generate unplanned commercial development along the route, potentially in sensitive areas. These are indirect, secondary, or induced impacts that need to be considered. Also, if similar developments in the same forested area are planned, then cumulative impacts of multiple activities (even if not part of the same Project) need to be considered.</i>	No
Standard 2: Climate Change Mitigation and Adaptation		
2.1	Will the proposed Project result in significant ²⁶ greenhouse gas emissions or may exacerbate climate change?	No

²⁶ In regard to CO₂, 'significant emissions' corresponds generally to more than 25,000 tons per year (from both direct and indirect sources). [The Guidance Note on Climate Change Mitigation and Adaptation provides additional information on GHG emissions.]

2.2	Would the potential outcomes of the Project be sensitive or vulnerable to potential impacts of climate change?	No
2.3	Is the proposed Project likely to directly or indirectly increase social and environmental vulnerability to climate change now or in the future (also known as maladaptive practices)? <i>For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population's vulnerability to climate change, specifically flooding</i>	No
Standard 3: Community Health, Safety and Working Conditions		
3.1	Would elements of Project construction, operation, or decommissioning pose potential safety risks to local communities?	Yes
3.2	Would the Project pose potential risks to community health and safety due to the transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	No
3.3	Does the Project involve large-scale infrastructure development (e.g. dams, roads, buildings)?	No
3.4	Would failure of structural elements of the Project pose risks to communities? (e.g. collapse of buildings or infrastructure)	No
3.5	Would the proposed Project be susceptible to or lead to increased vulnerability to earthquakes, subsidence, landslides, erosion, flooding or extreme climatic conditions?	No
3.6	Would the Project result in potential increased health risks (e.g. from water-borne or other vector-borne diseases or communicable infections such as HIV/AIDS)?	Yes
3.7	Does the Project pose potential risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during Project construction, operation, or decommissioning?	No
3.8	Does the Project involve support for employment or livelihoods that may fail to comply with national and international labour standards (i.e. principles and standards of ILO fundamental conventions)?	No
3.9	Does the Project engage security personnel that may pose a potential risk to health and safety of communities and/or individuals (e.g. due to a lack of adequate training or accountability)?	No
Standard 4: Cultural Heritage		
4.1	Will the proposed Project result in interventions that would potentially adversely impact 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
4.2	Does the Project propose utilizing tangible and/or intangible forms of cultural heritage for commercial or other purposes?	No
Standard 5: Displacement and Resettlement		
5.1	Would the Project potentially involve temporary or permanent and full or partial physical displacement?	No
5.2	Would the Project possibly result in 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	Is there a risk that the Project would lead to forced evictions? ²⁷	No
5.4	Would the proposed Project possibly affect land tenure arrangements and/or community-based property rights/customary rights to land, territories and/or resources?	No
Standard 6: Indigenous Peoples		
6.1	Are indigenous peoples present in the Project area (including Project area of influence)?	No
6.2	Is it likely that the Project or portions of the Project will be located on lands and territories claimed by indigenous peoples?	No
6.3	<p>Would the proposed Project potentially affect 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)?</p> <p><i>If the answer to the screening question 6.3 is “yes” the potential risk impacts are considered potentially severe and/or critical and the Project would be categorized as either Moderate or High Risk.</i></p>	No
6.4	Has there been an 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	Does the proposed Project involve the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	No
6.6	Is there a potential for forced eviction or the whole or partial physical or economic displacement of indigenous peoples, including through access restrictions to lands, territories, and resources?	No
6.7	Would the Project adversely affect the development priorities of indigenous peoples as defined by them?	No
6.8	Would the Project potentially affect the physical and cultural survival of indigenous peoples?	No
6.9	Would the Project potentially affect the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	No
Standard 7: Pollution Prevention and Resource Efficiency		
7.1	Would the Project potentially result in 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
7.2	Would the proposed Project potentially result in the generation of waste (both hazardous and non-hazardous)?	No
7.3	Will the proposed Project potentially involve the manufacture, trade, release, and/or use of hazardous chemicals and/or materials? Does the Project propose use of chemicals or materials subject to international bans or phase-outs?	No

²⁷ Forced evictions include acts and/or omissions involving the coerced or involuntary displacement of individuals, groups, or communities from homes and/or lands and common property resources that were occupied or depended upon, thus eliminating the ability of an individual, group, or community to reside or work in a particular dwelling, residence, or location without the provision of, and access to, appropriate forms of legal or other protections.

	<i>For example, DDT, PCBs and other chemicals listed in international conventions such as the Stockholm Conventions on Persistent Organic Pollutants or the Montreal Protocol</i>	
7.4	Will the proposed Project involve the application of pesticides that may have a negative effect on the environment or human health?	No
7.5	Does the Project include activities that require significant consumption of raw materials, energy, and/or water?	No

ANNEX VI. MONITORING AND EVALUATION PLAN

Monitoring Activity	Purpose	Frequency	Expected Project	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. ²⁸	UNDP/Project	
Collect stakeholder feedback and evidence on contextual changes, and operational performance	Appropriate and credible data and documents will be collected and properly maintained as evidence for monitoring and reporting.	Quarterly, or in the frequency of the Project Board review	Slower than expected progress will be addressed by project management. ²⁹	UNDP/Project	
Verify progress	Verify output progress and/or completion	Quarterly, or in the frequency of the Project Board review	Slower than expected progress will be addressed by project management. ³⁰	UNDP/Project	
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management Projects 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.	Annually	Risks are identified by project management and Projects are taken to manage risk. The risk log is actively maintained to keep track of identified risks and Projects taken. ³¹	UNDP/Project	
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. ³²	UNDP/Project	

²⁸ Templates: [Results framework](#); [CO Project Monitoring Platform](#); Atlas (Output, Targets and Results Log; Activity Log).

²⁹ Templates: Project Progress Report; [Project space in the corporate planning system](#).

³⁰ [Field Visit Report Template](#).

³¹ [Project Risk Log and Templates](#); [Social and Environmental Standards](#); [Enterprise Risk Management Policy](#).

³² Template: [Lessons Learned Log](#)

Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Every other year	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance. ³³	UNDP/Programme	
Review and Make Course Corrections	Internal review of data and evidence from all monitoring Projects to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.	UNDP/Project	
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)		UNDP/Project	
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 Projects agreed to address the issues identified.	UNDP/Project	
Project monitoring budget is 5 % from the total project budget generated through regular project activities and already included in the total Project Budget³⁴					USD 122,235

³³ UNDP Quality Assurance Corporate System

³⁴ 1% per year for monitoring and evaluation