

Pursuant to Article 19, paragraph (2) of the Law on the Government of the Federation of Bosnia and Herzegovina ("Official Gazette of the Federation of BiH" No. 1/94, 8/95, 58/02, 19/03, 2/06 and 8/06) the Government of the Federation of Bosnia and Herzegovina at its 303rd session held on 17 February 2022 has passed the following

DECISION

ON ADOPTION OF THE PROGRAMME FOR IMPROVEMENT OF WATER SERVICES IN THE FEDERATION OF BOSNIA AND HERZEGOVINA AND UTILISATION OF THE ANNOUNCED FINANCIAL AND TECHNICAL SUPPORT

I

The Programme for improvement of water services in the Federation of Bosnia and Herzegovina and utilisation of the announced financial and technical support (hereinafter: the Programme), which is enclosed with this Decision as its integral part, is hereby adopted.

II

In accordance with their responsibilities, the authorities and institutions referred to in the Programme shall be obliged to participate in and report on the implementation of the Programme to the Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina (hereinafter: the Federation Ministry).

III

The Federation Ministry is hereby tasked to report to the Government of the Federation of Bosnia and Herzegovina on the implementation of the Programme.

IV

This Decision shall come into force the day after its publication in the „Official Gazette of the Federation of BiH“.

V no. 199/2022
17 February 2022
Sarajevo

Prime Minister

Fadil Novalić, duly signed

PROGRAMME

**FOR IMPROVEMENT OF WATER SERVICES IN THE FEDERATION OF BOSNIA
AND HERZEGOVINA AND UTILISATION OF THE ANNOUNCED FINANCIAL AND
TECHNICAL SUPPORT**

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Acronyms

Acronym	
WA	Watershed agencies
BiH	Bosnia and Herzegovina
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FMPVŠ	Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina
FEPF	Environmental Protection Fund of the Federation of BiH
IFI	International financial institutions
IPA	Instrument for Pre-accession Assistance
LSU	Local self-governance unit
UC	Utility company
MoFTER	Ministry of Foreign Trade and Economic Relations
AMC FBiH	Association of Municipalities and Cities of FBiH
SAA	Stabilisation and Association Agreement
SSPP	Single Sector Project Pipeline for Environment Sector
FBiH WMS	Water Management Strategy of the Federation of BiH
UPKP FBiH	Association of Utility Companies of FBiH
WWTP	Waste water treatment plant

WB	World Bank
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1 Introduction

Water services, i.e. water supply and waste water drainage and treatment utility services are of general interest for the society, because they satisfy the basic needs of the population and other users of those services.

Despite direct investments of over 500 million EUR (from international financial institutions and bilateral donors) in the last ten years, the water services sector in Bosnia and Herzegovina (BiH) is far from the standards required within the framework of the EU water *acquis*. Access to public water services in BiH is low compared with the regional and world standards, while the losses of water are very high and waste water is mainly not treated, but it is directly released into surface waters and environment. According to the current data, 75% of BiH population have access to potable water, 41% are connected to the public drainage system, and less than 15% of the population are connected to waste water treatment plants.¹

It has been assessed that the quality of water services marks a negative trend, mainly due to decreased quality of potable water caused by pollution, increase of leakage and losses in the water supply network (the consequence of which are high levels of non-revenue water, 59% in average, but reaching more than 70%) due to inadequate investment maintenance and the consequent reductions in the regular supply of the users². Water utility companies do not earn sufficient income to be self-sustainable, and the average level of income from the provided water services does not cover the cost of labour and maintenance. Provision of public water services is compromised in many local communities due to numerous institutional, legal, operational and financial shortcomings.

Problems in the water supply services sector in BiH have also been identified by the international development partners, who have invested significant credit and grant funds in the water infrastructure over the past years, but unfortunately often with poor operational results. Inefficient management leads to deterioration of the existing infrastructure, because the prices of water services prevent the return of all the costs. Significant losses and high percentage of non-revenue water in the systems are an additional warning sign that serious reform is needed in the water services sector in BiH in order to achieve sustainability of water services and their compliance with the EU standards.

Strategic planning documents as the basis for improvement of the water services sector

With the adoption of the Law on Waters in the Federation of Bosnia and Herzegovina (FBiH) in 2006, the water sector started the process of transposition and implementation

¹ According to the BiH Water Services Sector Overview prepared by MoFTER BiH in 2019.

² Institutional Overview of the Water Services Sector in BiH prepared by Una Consulting in 2017 for WB.

of the EU Water Framework Directive and alignment of legislation with the EU regulations, i.e. EU water directives, with the aim of preparing for future EU membership.

With the adoption of a number of strategic planning documents, including the FBiH Water Management Strategy (2011), Water Management Plans for the Water Areas in FBiH (2016-2021), the Environmental Approximation Strategy of BiH (EAS BiH, 2017), reaching a good ecological state of all water bodies, as the main objective of the Water Framework Directive and other EU water legislation, has been defined as an imperative for the water sector in FBiH/BiH. In order to ensure accomplishment of this objective, significant investments in the water services sector are required, in the way that would improve the level of services available to the public, with a minimum requirement that the return on costs should cover the operational expenses, which have to be within the limits of affordability.

The Joint Socio-Economic Reforms for the period 2019-2022 adopted on the level of BiH have defined as a strategic objective the improvement of the existing living conditions of the population, creating adequate hygienic conditions in the field of water supply and waste water disposal and introducing the environmental protection measures, in line with the obligations related to association with the European Union and alignment with the European Union legislation, in particular with the Water Framework Directive, Drinking Water Directive and the Urban Waste Water Treatment Directive. Improvement of the framework for provision of water supply, drainage and waste water treatment utility services envisages depoliticisation and higher sustainability and efficiency of public companies.

In addition to that, in the 2021-2027 Development Strategy of the Federation of BiH, sustainable water services are defined as one of the priority measures for achieving resource-efficient environmental development, as one of the strategic objectives of the Federation of BiH.

Coverage of the population with water services in FBiH

The main objective in the field of water management in every country in the world is to ensure good living conditions and health of the population and protection of waters and environment. The common indicators for the general assessment of the health state of the population from the perspective of water management are the percentages of people connected to the public water supply systems, organised public sewerage systems and waste water treatment plants.

According to the Draft Sava River Basin Water Management Plan of the Federation of BiH (2022-2027), the current coverage of the population with the public water systems is 70%.

The estimated average percentage of the population connected to the public sewerage systems in the Sava river basin in FBiH, mainly developed in the municipal centres, is about 30%. There are currently eight operational waste water treatment plants (WWTP): Sarajevo, Trnovo (RS and FBiH), Žepče, Gradačac, Srebrenik, Odžak, Živinice and Bihać. Except for the Bihać plant, which enables tertiary treatment, i.e. removal of phosphorus (P) and nitrogen (N) from treated waste waters, all other plants enable secondary waste water treatment, i.e. removal of organic carbon compounds. The total current capacity of these plants is about 441,300 ES. Compared to the number of inhabitants in the Sava river basin area in FBiH, this percentage amounts to 14%³.

Even in the municipal centres with WWTPs, the public sewerage systems are not sufficiently developed, which is illustrated by the fact that 54% of the total population in the respective water area is connected to the system.

According to the data of the Adriatic Sea Watershed Agency and the characterisation report for the next planning period (2022-2027), the level of connection to the public water supply systems in the Adriatic Sea Basin in FBiH is 78%, which is a considerable increase compared to 58% in 2010. The number of people living in the Adriatic Sea basin area in FBiH is 383,213 and 24.2% of them are connected to the waste water treatment plants.

Most of the settlements in the river basins of Cetina, Krka, Neretva and Trebišnjica in the territory of FBiH do not have a sewerage system, with the exemption of the municipal centres of Čitluk, Grude, Ljubuški, Jablanica, Mostar and Konjic, which have partly developed sewerage systems with waste water treatment devices. The settlements of Prozor, Široki Brijeg and Tomislavgrad also have partly developed sewerage systems, and they are currently installing waste water treatment plants with the plan to connect about 14,000 inhabitants to these. The local self-governance units of Čapljina, Livno, Stolac, Posušje and Bosansko Grahovo have partly developed sewerage systems in the city centres, but without waste water treatment plants, while Ravno municipality does not have a sewerage system.

Challenges for the water services sector

One of the requirements of the FBiH Water Management Strategy is the “recovery of costs”, i.e. “all costs must be recovered if water management, particularly in the water supply sector, is to be cost-effective and sustainable”, while ensuring financial sustainability of water management and the reform of prices of water services, with gradual introduction of the economic price of water, has been identified as a strategic objective. Within the mentioned strategic objective, the following operational objective has been established “progressive transition to the system that would ensure long-term sustainable

³ The total percentage of the level of connection represents the comparison of the number of inhabitants connected to WWTP with the number of inhabitants in the municipal centres according to the 2013 Census.

funding in the area of water management and full recovery of costs by customers“. Within this objective, operational, legislative and institutional measures aimed at forming the prices that would reflect real costs have been stipulated. Successful achievement of these objectives will also require strengthening of the programming and project implementation capacities.

According to Article 9 of the Water Framework Directive, recovery of costs of water services should be ensured by stimulating sustainable and effective use of waters, with prior improvement of efficiency of service providers (utility companies), i.e. optimisation of these costs. Assigning additional responsibilities (and thus also additional costs) for development of new infrastructure would lead to collapse (or the new infrastructure would not function adequately, as several latest investments of international financial institutions have shown), unless a comprehensive reform is implemented first.

Also, the costs of utility companies (UC) have still not been optimised. Many UCs have still not established the standards that they must meet and their work is not adequately monitored (there is no performance assessment system, business transparency, adequate human resources policy etc.). Due to insufficient maintenance of the existing water supply system and administrative losses, there is a high level of non-revenue water. In addition to the expected high costs of excessive water extraction, purification, transport and delivery (caused by the aforementioned lack of funds, as well as a lack of regular operational asset management procedures), the staff costs are considerably higher than defined by the international standards. The number of employees in utility services is far above the international standards, which leads to extremely high cost of labour. In order to optimise the staff costs and decrease the losses in the water supply system to a reasonable level, significant financial investments in renovation and modernisation of the water supply facilities management system are required, in addition to the aforementioned activities.

Since 2010, several projects have been implemented in the water supply services sector, including development of utility infrastructure. These projects have started the process of improvement in the sector and traced the directions for future activities to ensure systematic and long-term improvements. However, some of the projects have resulted in infrastructure and services that are not financially sustainable and thus pointed to the necessary reforms of water services sector in FBiH.

Improvement of water services in FBiH

Improvement of the water services sector entails implementation of a number of activities necessary for development and improvement of institutions and infrastructure and creating conditions for improved provision of sustainable water services to local communities.

The responsible BiH/FBiH institutions are facing a reform process that requires a harmonised regulatory framework, functional institutional framework (through reorganisation of the existing or establishing of new structures), as well as controlled financial flows. With the aim of defining activities and measures required in the reform of the water services sector, the FBiH Government has ordered establishment of an Interministerial Working Group with the task to develop ***the Programme for improvement of water services in FBiH and utilisation of the announced financial and technical support***. With the support of experts of the international development partners, the Working Group has:

- Conducted preliminary assessment of the shortcomings in the existing regulatory framework of the sector (laws, bylaws, regulations, decisions etc.), which have caused the mentioned main challenges, and proposed appropriate solutions for improvement of the existing and/or development of new regulations. It has been taken into consideration that such changes should not only enable, but must practically create the necessary preconditions (procedures, authorities/institutions) and define individual responsibilities, as well as possible consequences of a failure to fulfil the stipulated responsibilities (monitoring the established measurement system and selection of key performance indicators),
- Assessed the existence of appropriate authorities or institutions, capacities and shortcomings, in order to propose the most efficient solutions for overcoming the identified shortcomings. They have taken into consideration that there is already a high level of employment in the public sector that has not been adequately utilised, which violates the principle of efficiency and effectiveness. Therefore, the restructuring of the existing and development of good quality capacities for new responsibilities have been given a very high priority in every new employment,
- Assessed the shortcomings of the current financing and maintenance of processes and the required sector investments (by local self-governance units, using the local budgets, loans or grants provided by international financial institutions, cantonal or entity funds etc.) and proposed the most efficient models for overcoming such shortcomings.

Improvement or reform of the water services sector implies a number of activities that may be defined as activities pertaining to:

- A. **Regulatory framework in the water services sector** – with the task to propose improvement of the existing regulations and/or adoption of additional regulations (e.g. adopt the new Law on Water Services or improve the existing Law on Utility Services, on the appropriate administrative level), as well as the most effective procedure for overcoming the shortcomings related to the lack of capacities of

- the required agencies or institutions for the implementation of all the necessary activities.
- B. Institutional framework for the operational sustainability of water services** – assess the shortcomings related to the availability or the capacity of the required agencies or institutions for the implementation of all the necessary responsibilities and propose the most effective procedure to overcome such shortcomings,
- C. Water services sector financing framework** – which should assess the shortcomings in the current financing of operation and maintenance of the water systems and the necessary investment (by local self-governance units, using the local budgets, credits or support provided by international financial institutions, cantonal or entity funds for such investments etc.).

The issue of the financing will be partially solved by the proposed Methodology for setting the lowest basic price of water services in FBiH, the implementation of which will be appropriately advocated for at the lower levels of government in the FBiH.

In addition to that, the aforementioned will include establishment of new procedures for assessment of coverage of the operational costs of new investments (in order to avoid/postpone investments that the citizens of the local community can still not fully finance), with the aim of verifying whether the budgets of the local self-governance units have fully included the needs for local investments in this sector, whether the tariffs are adjusted to marginal costs related to new investments etc. Although this financial component is actually included in the legislative and institutional reforms, it should be additionally emphasised, because it has a potentially very high influence on sustainability and efficiency of major investments expected in the near future, on BiH's path towards the EU.

After development of the Programme of support to the financing and monitoring of the implementation of the utility infrastructure projects, it will be necessary to analyse and identify the possible sources of future financing that would be used for co/financing of investment projects in the sector of water supply, drainage and waste water treatment (e.g. through water sector financing mechanisms etc.). The new infrastructure as well as the reconstruction of the existing one requires very large investments, so that relying solely on the financial possibilities of the local communities and UCs will not give the expected results without additional support. At the moment, this support comes mainly from the international credit and grant funds, but in order to accelerate and ensure sustainability of investments in this sector it would be necessary to analyse the possibilities of other sources of financing for continuous support to the local self-governance units, which will be possible only after development of the Programme of support to the financing and monitoring of the implementation of the utility infrastructure projects.

The financial support of the FBiH Government would be directed to infrastructural projects in the water services sector. FMPVŠ would conduct the selection procedures according to the selected criteria for all applications submitted by local communities.

Programme for improvement of water services

The Working Group has developed the Programme for improvement of water services in FBiH and utilisation of the announced financial and technical support, which contains:

- Brief description of activities that will be implemented;
- Precise definition of responsibilities of institutions, i.e. organisations, whose lead responsible persons shall have the responsibility to define the sub-activities and the implementation team;
- Deadline for the implementation of activities (ultimate deadline and deadlines for achieving the specific objectives);
- Brief risk assessment for the implementation of activities, including the measures to minimise the risks;
- Definition of the expected results, as well as indicators and milestones enabling progress monitoring;
- Backup plan (alternatively with transfer of responsibilities, if not fulfilled);
- Brief overview of estimated financial funds required for the implementation of activities;
- Explanation of the proposed activities.

The aim of the Programme is to define the activities that will result in removal of shortcomings in all levels of government in FBiH/BiH in order to improve the water services sector, provide support to the reform of the water services sector and the work of UCs and achieve sustainability of water services and alignment of the quality of water services with the EU standards.

The agencies and institutions responsible for the implementation of the Programme activities shall be obliged to participate in and report on the implementation of the Programme to the FBiH Ministry of Agriculture, Water Management and Forestry. The Federation Ministry will monitor the implementation of the Programme activities in cooperation with the Sava River Watershed Agency Sarajevo and the Adriatic Sea Watershed Agency Mostar and with the support of international partners.

It should be especially noted that the Programme has been developed in cooperation with the FBiH Gender Centre and that all the proposed future amendments of the regulatory framework shall be aligned with the provisions of the Gender Equality Law in BiH (“Official

Gazette of BiH” No. 32/10), (hereinafter: GEL BiH), just as all the activities of the programme have also taken into consideration the respect of the gender equality of the citizens.

Activities A1-A6, B1-B2, C1 and D1-D2 have been identified as short-term priorities, i.e. the activities that should start urgently, and at the latest within one year.

Activities A7-A10, B3 and D3-D4 have been identified as mid-term priorities, i.e. activities that should start and be implemented within two to five years.

Activities D5 and D6 have a long-term priority, i.e. they should start and be implemented within five and more years, except that for activity D5 detailed guidelines for conducting the affordability assessment procedure through household income and expenditure survey on the level of LSU shall be developed in the first year of Programme implementation.

No priority has been defined for the implementation of activities A11-A12 and C2-C4.

2 Activities pertaining to the regulatory framework

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
A1	Adoption of the Regulation on methodology for setting the lowest basic price of water services in the Federation of Bosnia and Herzegovina (Methodology)	FBiH Government FMPVŠ	0+6 months	Challenges that should be overcome on the way to adoption of regulation on Methodology by the FBiH Government with respect to agreement with all the relevant actors the regulation refers to, which should be mitigated by IFI support for the sector reform	Adoption of Regulation on Methodology and its implementation	-	-	MEG II Project technical support secured, no foreseen financial cost from the FBiH Budget
<p>Explanation: The Working Group established by the end of 2018, composed of the representatives of FMPVŠ, AMC FBiH, UPKP FBiH, Sava River Basin WA and Adriatic Sea WA and the FBiH Ministry of Environment and Tourism drafted the Regulation on Methodology. This Regulation was developed in accordance with all the stipulated procedures, including the public debate (https://fmpvs.gov.ba/2020/10/19/javna-rasprava-nacrt-uredbe-o-metodologiji-utvrdivanja-najnije-osnovne-cijene-vodnih-usluga/). All the institutions concerned (at all levels of administration in FBiH, including the institutions whose representatives were members of this Working Group) participated in the public debate. After the procedure, the text of the Regulation was agreed and prepared for submission to the FBiH Government for consideration and adoption. However, due to requests of individual actors in this process, it was decided to submit the Methodology to the FBiH Government in the second adjusted form by which its practical application (including necessary amendments of the respective laws and bylaws) would be recommended to the cantons, i.e. local self-governance units.</p>								

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
A2	Law on Amendments to the Law on Waters of FBiH	FBiH Parliament FBiH Government FMPVŠ	0 + 9 months	High risk of slow consideration and adoption of the Law on Amendments to the Law on Waters in the FBiH Parliament; backup plan to be activated in case of failure of adoption in the first four months.	The Law on Amendments to the Law on Waters of FBiH in force	The Law on Amendments to the Law on Waters of FBiH included in the Agenda of the FBiH Parliament within four months – backup plan to be activated if needed	Consider alternative options for conducting a separate process of development of the Law on Amendments to the Law on Waters of FBiH, which would be sent to the FBiH Parliament according to the appropriate procedure.	No financial cost from the FBiH Budget is foreseen.
<p>Explanation: In its 132nd session held on 14 December 2017, at the proposal of FMPVŠ as the processor, the FBiH Government agreed the Draft Law on Amendments to the Law on Waters⁴ and forwarded it to the FBiH Parliament on 15 December 2017 for their consideration and adoption. This Draft contains proposed</p>								

⁴ The Amendments to the Law on Waters that are in the procedure include the following:
 Article 28b. Cost recovery for water supply services

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	amendments of a significant number of articles of the current FBiH Law on Waters. However, it had not been discussed by the House of Peoples of the FBiH Parliament until the day of development of this Programme and it is unknown when this could happen. There is a realistic risk that this activity will not be successfully completed any time soon. In case this activity is not implemented in the next four months.							
A3	Develop a Pre-draft Law on Water Services of FBiH and carry out the appropriate procedures until its	FBiH Parliament FBiH Government	0+48 months	Possible slow process of adoption of the FBiH Draft Law on Water Services in the FBiH Parliament	Draft Law on Water Services prepared/adopted	Pre-draft Law on Water Services of FBiH 0+12 months		MEG II Project technical support secured, financial cost of activity pertaining only

- 1) Recovering the costs of water supply services, including the cost of environment protection and preservation of resources, in accordance with the economic analysis referred to in Article 29, paragraph (2) of this Law, and in particular in accordance with the principles „polluter pays“ and „consumer pays“, ensures:
 - a) That the water pricing policy encourages consumers to use the water rationally and thus contribute to achieving the environmental objectives of this Law;
 - b) That the appropriate participation of consumers of water intended for industry, households and agriculture in the cost recovery for water services takes into account the social, environmental and economic effects of the fee, as well as the geographic and climate conditions.
- 2) The water management plan referred to in Article 25 of this Law provides an overview of the planned steps for the implementation of the provisions of paragraph (1) of this Article, which will contribute to achieving the environmental objectives of this Law, as well as of participation of different forms of water consumption in the recovery of costs for water services.
- 3) The provisions of this Article are not an obstacle for the financing of preventive or recovery measures, in order to achieve the objectives of this Law.
- 4) At the proposal of the FBiH Minister of Agriculture, Water Management and Forestry and the FBiH Minister in charge of Environment, the Government of the Federation of BiH shall adopt a regulation on methodology for setting the lowest basic price of water services.

Explanation: In order to standardise the water services practice and legal framework (water supply and sewerage services and waste water treatment) on the level of the Federation of BiH, stipulate the adoption of a single water services tariff setting methodology on the level of the Federation of BiH and the parameters for setting the lowest water services prices at the cantonal level, with the local self-governance unit deciding on the final price of the water service for its water supply system, with the aim of gradually ensuring protection of waters from pollution by urban waste waters and excessive exploitation and meeting the requirements of the EU water and utility directives in this segment, which is a prerequisite for use of EU funds.

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	final adoption in the FBiH Parliament.	FMPVŠ						to the work of a possible working group that would be established for the implementation of this activity
<p>Explanation: Development of the Law on Water Services of FBiH, which would integrate the existing and the expected issues of water supply services, is considered the best and integrated response to the challenges of the necessary sector reforms. This Law would also integrate responses to the issues of tariff methodology, agreements on provision of public services, i.e. direct competences and responsibilities of LSUs and UCs in the provision of water services, competences and responsibilities for the subsidising of all expenses needed for the payment of these services, competences and responsibilities for full inventory of utility infrastructure, calculation of its depreciation and, based on that, allocation of funds for regular replacement of infrastructure, and other necessary issues related to the field of water services. Defining the processor in accordance with the responsibilities for the water services sector in FBiH is a prerequisite for the implementation of this activity.</p>								
A4	Initiate activities for amendment of the Law on Public Companies and/or Law on Companies of FBiH	FMPVŠ + UPKP FBiH Ministry of Energy, Mining and Industry	Immediately after the adoption of this Programme	Preparedness for development of laws on amendment of the mentioned laws	Precisely regulated recording of water utility infrastructure			MEG II Project technical support secured, no additional cost from the FBiH Budget
<p>Explanation: The amendments of these laws are needed to facilitate and more precisely regulate the recording of fixed assets used in provision of water services, as well as to more precisely regulate recapitalisation of water companies. At present, a significant part of the communal infrastructure which is in function</p>								

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	of provision of water services is not recorded in the fixed assets records, avoiding the legally prescribed calculation of depreciation. The consequence of this is a lack of sufficient funds, collected based on calculated depreciation, for regular rehabilitation and replacement of infrastructure, which therefore deteriorates over time and causes high percentages of non-revenue water and thus unjustifiably high costs of water pumping and distribution, water supply cuts and decrease of quality of water (potential risk for public health). It is therefore very important to legally regulate and stipulate the appropriate procedures for this clearly identified problem of comprehensive recording of fixed assets used for provision of water supply services.							
A5	Initiate amendment of Article 20 of the BiH Law on VAT	Parliamentary Assembly of BiH FBiH Ministry of Finance	Immediately after the adoption of this Programme	High risk of slow consideration and adoption of the Law on Amendments to the Law on VAT in the Parliamentary Assembly of BiH	It is clearly stated that special water fees shall not be included in the basis for calculation of VAT Only one article of the BiH Law on VAT should be amended	Termination of forced collection of these by ITA BiH	Initiating appropriate lawsuits	No additional cost for the FBiH Budget
	<p>Explanation: In its notification of 9 December 2005, ITA BiH instructed UPKP FBiH not to calculate VAT on special water fees. However, VAT has been calculated retroactively for the past several years with default interest and fines for companies and responsible persons. On 22 August 2019, the FBiH Government through its Conclusion tasked the FBiH Ministry of Finance and the FBiH Tax Administration to ensure that within the ongoing amendment of the Law on VAT Article 20 of the Law on VAT be more precisely defined to exempt the UCs from payment of VAT on collected special water fees. The mentioned amendment of Article 20 of the Law on VAT has not taken place yet, and ITA BiH by its official document of 21 March 2019 informed UPKP FBiH and the Association of RS Waterworks that it would use the second instant decision as the final official document of ITA BiH as its final opinion, i.e. that it will include the special water fees in the basis for calculation of VAT. This position of ITA BiH has created uncertainty of companies, because some of them</p>							

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	calculate VAT on special water fees, while the others are still not doing that. The inspected companies had to pay the “stipulated” VAT on special water fees retroactively, as well as default interests and fines (whether voluntarily or though forced collection), and some of them have filed lawsuits.							
A6	Amendment of the BiH Law on Public Procurement	Parliamentary Assembly of BiH UPKP FBiH through the FBiH Government and the Public Procurement Agency urges for the adoption of the existing proposal	Immediately after the adoption of this Programme	Risk of slow consideration and/or failure of adoption of the new Law on Public Procurements of BiH	Amendments to the BiH Law on Public Procurement adopted	The Council of Ministers of BiH submitted the Draft into urgent procedure on 16 March 2021		No additional cost for the FBiH Budget
	<p><u>Explanation:</u></p> <p>The activity of amendment of Article 10.c. of the Law on Public Procurement of BiH is already ongoing. It is only monitoring and reporting on the results of this activity that is additionally requested.</p>							
A7	In line with the Methodology for setting the lowest basic price of water services in FBiH,	The cantonal ministries responsible for utility affairs of the cantonal	A1+12		The aligned cantonal regulations are in force			MEG II Project technical support secured, the financial cost of

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	initiate the activities for advocating for development of new or alignment of the existing cantonal regulations on utility activities	government and assembly						the activity pertaining only to the work of possible cantonal working groups that would be established for this task
<p>Explanation: Within one year from the adoption of the Methodology document, the cantons should initiate activities on harmonisation of the laws on utility activities and other regulations.</p>								
A8	Establishing the responsible authority defined by the Methodology and establishing a regulatory mechanism for supporting the implementation of the Methodology through the financing of LSUs/UCs (that join the reform) from the cantonal water fees	Cantonal assemblies Cantonal governments Cantonal ministries responsible for utility services	A4+6		Regulatory authorities established and monitoring the implementation of the regulation		Until the responsible agency is established, an independent commission of the canton or an independent audit company can give an opinion	MEG II Project support ensured, members of the body to be appointed from the public sector (with the planning of sources of funding)

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	<p>Explanation: At the latest within six months from the entry into force of the harmonised laws on utility activities and other regulations, the cantons should establish the responsible authority and the procedure for setting up the prices of water services. It is expected that the cantons will need support in these processes, which will be provided by MEG II Project.</p>							
A9	Analysis of effectiveness and alignment of the existing decisions on water supply of the LSUs (including decisions on waste water drainage), with the preparation of guidelines and new template decisions.	LSU, AMC Heads of organisational units in LSU responsible for utility affairs	A1+12	Risk of poor quality decisions on new investments in the water services infrastructure, which are not based on fundamental assessments of needs and future operational and investment maintenance costs	Limited access to public and IFI funds for those who do not have adequate decisions			Possible cost of labour of the working body for the implementation of this activity at the LSU level
	<p>Explanation: The further financial and technical support to development of the water services sector in FBiH fully depends of the success of previous investments. Therefore, special attention should be given to assessment of the future operational costs and investment maintenance costs for potential new investments in the water services infrastructure. An important part of such assessment is analysis of effectiveness of the existing decisions on water supply of LSUs and their adjustment to the current needs of LSUs. The activity will also result in development of guidelines and Draft Decision, which would help better quality implementation of this activity by LSUs. It is expected that AMC FBiH will promote the activity in LSUs and support the training for the implementation of this type of analysis.</p>							
A10	Draft a proposal of concentration of	FMPVŠ + FBiH Ministry	Parallel with A3	During the preparation of the	Draft Law on Amendments to	Prior assessment		MEG II Project technical

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	responsibilities for water services in FBiH Activity directly linked with A3	of Environment and Tourism		draft law, it is necessary to take into consideration the current distribution of capacities in the ministries and responsible public institutions	the Law on Federal and Cantonal Ministries	of interests in FMPVŠ and the FBiH Ministry of Environment and Tourism		support ensured. Possible cost of labour of the working body for the implementation of this activity.
<p><u>Explanation:</u> Because of the current organisation and responsibilities for water services on different levels of government in FBiH, it can be proposed to merge the tasks in the field of waters and a part of water services from FMPVŠ, the tasks in the field of environment from the FBiH Ministry of Environment and Tourism and the rest of the water services tasks from the FBiH Ministry of Spatial Planning, so that the tasks currently located in three ministries at the FBiH level and two ministries in each of the cantons (the total of 23 ministries in charge of this issue), would all be located in one ministry in each of the cantons and one at the FBiH level, which would reduce these tasks to 11 authorities and it would be significant for the concentration and more efficient use of capacities. This reorganisation shall be ensured through amendments to the laws on federal and cantonal ministries.</p> <p>The obligation to harmonise the appropriate laws related to the competences of the federal, i.e. cantonal ministries and other institutions shall be stipulated by the Law on Water Services of FBiH as the <i>lex specialis</i> regulation for this field.</p>								
A11	Harmonise the cantonal laws on waters with the amendments to the FBiH Law on Waters (if A2 is implemented)	Cantonal ministries responsible for the water sector, cantonal governments	A2+12 months	Activity required only if the adopted amendments of the FBiH Law on Waters pertain to the water services sector	Aligned cantonal laws on waters in force			MEG II Project technical support ensured, no additional cost from the FBiH Budget

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
		and assemblies						
<p>Explanation: This activity is proposed as a conditional activity, in case the adopted Law on Amendments to the FBiH Law on Waters stipulates the obligation of aligning the cantonal laws on waters.</p>								
A12	Mutual alignment of FBiH regulations on LSUs and other regulations containing provisions on water services	FBiH Ministry of Justice	12 months after the regulation enters into force	Activity required only if such alignment is necessary	Harmonised FBiH regulations on LSUs in force			MEG II Project technical support ensured, no additional cost from the FBiH Budget
<p>Explanation: This activity is proposed only as a conditional activity, in case regulations containing provisions on water services are adopted.</p>								

3 Activities pertaining to the institutional framework for operational sustainability of water services

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
B1	Establish and maintain a good/continuous exchange of data and implementation of the Central Water Information System (CWIS), establishing a common benchmarking system for UCs with defined data to be collected and key performance indicators (KPI) to be calculated	WAs are the lead institutions for development of a software platform, for development of the utility infrastructure (UI) module within the existing CWIS, Cantons, LSUs and UCs are responsible for preparation and entry of data	0+6 to establish a benchmarking for UCs, followed by continuous activity	It is necessary to select a relevant and well explained set of data to be submitted by UCs, avoid multiple reporting There is a risk that the data will not be submitted to UCs if this is not a legal obligation (a matter to be resolved under the FBiH Law on Water Services)	A functional benchmarking for UCs, which will enable better quality and more efficient financing in the sector	The platform for receiving and presentation of data developed in WAs; the data to be collected and the formulas for calculation of KPI in 2022 selected.	-	Leadership and expert and financial assistance of the World Bank is expected for establishment of the system
<p>Explanation: The aim of the benchmarking for UCs is to encourage more efficient performance, monitoring the results of improvement measures and implementation of the financing programme based on achieved results. The benchmarking is very important for the functioning of future regulatory authorities, as well as for decision-making on management at the level of LSUs and UCs.</p>								

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	<p>By the conclusion of the Government of the Federation of BiH Ref. 1786/2016 of 22 September 2016, WAs and FEPP were tasked to initiate the activities for development of the Central Water Information System (CWIS) with the aim of providing a platform for entry of data by the competent institutions, monitoring the implementation of plans by individual water directives, monitoring the fulfilment of requirements of the transposed EU regulations and reporting on the level of transposition and implementation of water directives. According to the conclusion of the FBiH Government, the activities on development of the system have been completed. WAs have organised workshops/training courses for entry of data into CWIS – module KI (Utility Infrastructure) for all registered representatives of municipalities/cities and the representatives of utility companies in charge of water and sewerage system.</p> <p>The experience in working with the UCs in BiH so far shows that the employees and the management mostly still do not see the advantages of <i>benchmarking</i> as a tool for making informed decisions. For a successful implementation of the proposed activity, it will be necessary to strengthen the capacities and show the benchmarking as a tool for improvement of performance, and not (principally) as an obligation. Within the activity, capacities (technical and human) for the implementation of benchmarking will be assessed and solutions for overcoming the identified challenges will be proposed. <i>Benchmarking</i> is a tool for making informed decisions, which can only be made based on valid data and indicators. Within this activity, good practices of the water supply systems from the region and BiH that have been using benchmarking in their operations for a long time already will be promoted, in order to encourage the other companies to implement it. UPKP FBiH and AMC FBiH would play a special role in that promotion.</p> <p>The WB Project for Danube Watershed had organised collection and presentation of the selected set of success indicators, in which a large number of UCs from FBiH also took part, and, recently, the WAs also developed the software platforms for collection and presentation of data on the work of UCs. The transfer of already collected data from the Danube Watershed System to the new information system managed by WAs should be organised to avoid re-entering of all the data. A software routine should also be developed for the LSUs and UCs that participated in the first phase of MEG project that would enable extraction of data collected in XLS files and format them for automated entry into the benchmarking system managed by WAs.</p> <p>The full operability of the established CWIS will primarily depend on the entry of data available to the cantons, LSUs and their responsible services and UCs. The data that should be entered is related to economic and technical data and capital development investments, public water and sewerage systems, urban waste water treatments, as well as the benchmarking of public companies (operator success indicators), local water supply systems (for all water sources which according to DWD supply settlements of more than 50 inhabitants), sewerage system and waste water treatment.</p> <p>In selection of monitored KPI, special attention will be given to inclusion of the global indicators from the UN's 2030 Agenda, which might be related to provision of water services.</p>							

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	<p>If an LSU assesses that they cannot enter the data themselves and that they need help for entry of data, they can find another solution and give their access to CWIS to a consultant or for example authorise AMC FBiH to enter its data.</p> <p>WA shall save this data in the utility infrastructure model (KI) and enable public access (develop a protocol to define who can see the entered data or make all the data publicly available – this must be a decision of the canton, LSU and UC as owners of the entered data).</p> <p>The cantonal ministries in charge of the water management and UC shall, with the support of AMC FBiH and UPKP FBiH, establish a system for collection of data and monitoring of water companies' performance indicators with clearly defined measurable progress indicators and the plan of measures for improvement of operations with a time frame. They shall be responsible, in cooperation with AMC FBiH, for continuous monitoring and reporting on progress based on adopted indicators. WAs are lead institutions for establishing the Utility Infrastructure (KI) module within the existing ISV (the existing database and web application). The collection of data and assessment of the values of indicators shall be done by responsible institutions.</p> <p>The collected data should also include the official number of inhabitants per populated area and assessment of demographic changes of the number of inhabitants for a long term planning period, so that the sector studies would have a starting point. Special attention is to be given to realistic assessment of the number of inhabitants in a planning period (increase or decrease). These data shall be collected in separately determined time periods (e.g. annually).</p>							
B2	<p>Preparation of guidelines for development and improvement of water services, in particular from the cost-effectiveness point of view and preparation of master plans for development of water services with optimal solutions for each LSU</p>	<p>FMPVŠ (Water Sector and PMU)</p> <p>Support o AMC FBiH and UPKP FBiH</p> <p>LSUs will lead the activities related to master plans, with the</p>	0+15 months	<p>Activity to be implemented parallel with the drafting of the Law on Water Services or amendments of the existing sector regulations</p>	<p>Guidelines for the procedure of assessing the cost-effectiveness of new investments</p> <p>Template of the master plan for development of the system of water services with</p>	<p>Draft guidelines by the end of 2022</p> <p>Individual LSU master plans developed according to their own priorities</p>		<p>Coordination with IPA 2018 project for development of the Master Plan of Agglomerations in BiH</p> <p>LSUs shall assess the cost of development of master plans according to their own</p>

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
		support of cantons and FMPVŠ (PMU)			optimum solutions for LSU Identified investment priorities, as well as the overall financial potential for investments in the sector, which will not adversely affect the affordability of the services			needs, a part of cost is to be covered from the collected water fees
<p>Explanation: LSUs have a direct responsibility for ensuring the provision of water services for all their inhabitants, including those in the LSU's rural area. To facilitate this task for them, FMPVŠ (Water Sector and PMU), with the advisory support of WAs, shall prepare the guidelines for development and improvement of water services, which will include detailed description of procedures for assessing the cost-effectiveness of new investments (e.g. how to assess the cost-effectiveness of connecting new/remote settlements to the central system), how to solve the problem of waste water drainage and treatment in small settlements, how to analyse the effects of possible connection of buildings with a significantly lower or higher altitude, how to efficiently manage disposal of septic tank contents or disposal of waste sludge etc. AMC FBiH, as the institution representing all LSUs shall comment and guide the contents of the guidelines and promote their application among its members. The guidelines shall contain the template of the master plan for development of the water services system with optimum solutions for LSUs.</p>								

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	<p>In order to achieve the aim of detailed assessment of both the needs and capacities of LSUs, it is necessary to first prepare a master plan for development of water services system with optimum solutions for each LSU. It is especially important to emphasise the need for identification of priorities and phases of investments, which would be fully aligned with the financial and credit capacities of the LSU. In addition, the investment, as well as operational costs must be determined as realistically as possible, and the effects of implementation of the investment on the price of water services and their overall affordability must be analysed. It is advisable to avoid investments that would cause increase of the prices of services to the level above the limit of affordability (4% of the total monthly family income for water and sewerage bill). Since all the related costs should be covered, if the higher price would lead to reaching the limit of affordability, the difference above that limit should be covered by the LSU (from its own budget or in some other way the LSU manages to implement).</p> <p>Before creating master plans, the current situation shall be assessed through the benchmarking analysis and the existing values of the selected indicators, the objectives for the target values shall be defined and measures and activities for the achievement of these objectives proposed. In order to verify the efficiency of the implementation of the measures, the annual values of the indicators shall be monitored.</p> <p>The results of the master plans may serve as input for development of the BiH Master Plan of Agglomerations, or the results of the Master Plan of Agglomerations in BiH must be incorporated in these master plans. The solutions must be in line with good technical and international practices. These activities shall be implemented by LSUs according to their own needs and with the expert assistance of AMC FBiH (with respect to exchange of experience and best practices) and the cantons. If needed, FMPVŠ (PMU) shall explain the details of the previously provided template of the master plan for development of water services system with optimum solutions for LSUs.</p>							
B3	Start an initiative towards MoFTER BiH that projects cannot be included in the SSPP list without analysis of the effects of investment implementation on the price of water services	MoFTER BiH FMPVŠ FBiH Ministry of Environment and Tourism WA AMC FBiH Cantons	FUTURE A1 + 3 months	Resistance of LSUs is a risk, but the activity is required in order to avoid financially and/or operationally unsustainable investments in the sector	Potential non-realistic plans of new investments in the sector eliminated			MEG II Project technical support ensured, no cost for the FBiH Budget

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
		FEPF						
	<p>Explanation: The aim of this activity is to filter the investment projects for which the analysis of effects of implementation of the investment on the price of water services has clearly proven the future sustainability of the investment, with full coverage of all operational and investment maintenance costs. Previously, the procedure for selection of projects that could be included in the SSPP list did not include this requirement. This will improve the efficiency of all new investments in the sector. An integral part of this task is the preparation of a priority list of projects from the water services sector in line with the strategic objective from this sector and both AMC FBiH and the cantons will contribute to this, as well as WAs from the viewpoint of influence on water quality. FEPF should be involved with the purpose of assessing the possibility of co-financing.</p>							

4 Activities pertaining to the water services sector financing framework

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
C1	Strengthening the capacities of institutions at all levels in FBiH, including UCs, for applying for funding and project implementation procedures of IFI, as well as for carrying out tender procedures	FMPVŠ (Water Sector and PMU) + WA, LSU, AMC FBiH, UPKP FBiH, FEPF, UC	Continuous activity	The interest of end beneficiaries for these types of financing should be increased and capacities for effective application strengthened	Better quality application for IFI funds	Monitor the number of successful applications to IFI calls for proposals		To be implemented by the existing institutions as part of their regular activities, with the support of IFI and other interested international institutions
	<p>Explanation: From time to time there are financial programmes for support to development of the water services sector in FBiH (e.g. WatSan, WB programme, EBRD etc.), for which a good quality application needs to be prepared. The lack of capacities for preparation of such applications, especially at the local level, was, even before, one of the main reasons of slow implementation of the financing programmes and their longer duration than expected. The identified low effectiveness of applications can be changed through continuation of the existing support in preparation of applications and carrying out of project implementation procedures provided to LSUs/UCs by the established Project Implementation Unit (PIU), as well as through higher engagement of AMC FBiH, which can prepare the available examples of best practices (adjusted to the potential source of financing, as the procedures differ), and the support in this can also be provided by UPKP as the representative of the UCs, which are the end users of the infrastructure built with such funds. FEPF should get involved in the processes in the similar way as before, through support for the commonly requested own co-financing of such projects. FMPVŠ shall be the first point of contact in communication with international financial institutions that could offer such financing programmes. It is proposed that expert teams (PIU) be established, which will deal exclusively with the preparation of those proposals and their implementation. The members of PIU shall be the employees of LSUs/UCs, while WAs shall provide technical support (this activity is not permanent and it is limited by WA's activities and workload), at the same time strengthening the capacity of AMC FBiH and UPKP FBiH to provide better future support to their members.</p>							

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	<p>Once LSUs/UCs are awarded the funds (from international financial institutions or local sources of financing) for improvement of infrastructure for provision of water services, as well as when they secure their own funds for such purposes, the next step is the preparation of good quality tender documentation and publication of the call for proposals for public procurement. The lack of capacities at the local level often prevents preparation of good quality descriptions of the technical requirements the bidder should meet, but the possibility that during the tender preparation the criteria that is more favourable for a targeted bidder is consciously sought should not be excluded either. Public procurement in the sector can be carried out according to the lowest price method or the best offer method. It would also be good to prepare guidelines for development of matrix for evaluation of the set criteria.</p> <p>Within this activity, good practices of the LSUs and UCs from BiH that have good quality master plans will be promoted, in order to encourage the other LSUs to develop theirs. AMC FBiH and UPKP FBiH would play a special role in that promotion.</p>							
C2	<p>Periodical preparation of overviews of implementation of projects in the field of water services, with the updating of data on possible additional sources of financing and funds required for completion of projects (data from PIMIS and cantons should be used in the overview)</p>	<p>FMPVŠ (PMU) Support of WA Support of FEPP CANTONS FMF BiH Ministry of Finance and Treasury Support of AMC FBiH</p>	<p>Periodic activity</p>	<p>Good coordination and exchange of all information of participants in the activity should be ensured</p>	<p>Updated information on potential new sources of financing and grant funds FBiH investment programme in the sector</p>	<p>Monitor the availability and up-to-dateness of information on available loans and grants</p>		<p>MEG II Project technical support</p>

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	<p>Explanation: The Programme of implementation of projects in the field of water services with analysis of possible sources of financing should be periodically updated, the information on potential new sources of financing, as well as on grant funds, should be consolidated and made publicly available, (FMPVŠ shall lead the activity with the support of WAs and FEPP). The role of AMC FBiH is to share all information among its member, with all LSUs. FMPVŠ shall periodically update the economic analysis of the needs for financing in the water services sector in FBiH (with the support of consultants).</p>							
C3	Development of the programme of support to financing of utility infrastructure projects with the list of capital priority projects	FMPVŠ FBiH Ministry of Finance Cantons FBiH Government	Continuous activity		Programme developed After that, start ensuring the funds for development of utility infrastructure which is a requirement on the path towards the EU	Monitor the funds allocated to this purpose		No cost for the FBiH Budget
	<p>During the development of the Programme, FMPVŠ will in cooperation with the relevant institutions and with the support of the international organisations conduct a more detailed analysis and propose possible sources of financing for its implementation. The aim is to secure support for the LSUs that would be used exclusively for the investment projects in the water supply and waste water drainage and treatment sector. The new infrastructure, especially the waste water treatment plants the construction of which is BiH's obligation on its path towards the EU, as well as reconstruction of the existing infrastructure, requires continuous investments. Relying only on the capacities of LSUs and UCs will not give the expected results. The respective cantonal ministries shall monitor the implementation of projects in their territory and participate with allocation of the funds collected from the water fees.</p>							

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	<p>AMC FBiH shall work on promotion of their development and implementation in all LSUs in BiH by presenting the examples of the best practices of LSUs implementing similar projects.</p> <p>During the selection of specific priority projects that will be implemented, indicators selected according to the specificities of the project will also have to be analysed, and they should verify the necessity of the implementation of the specific project (e.g. level of coverage with the water supply service in case of projects for expansion of the supply system). In order to check the efficiency of the implementation of project activities, regular control of values of the selected indicators is recommended (the frequency of controls will depend on the type of project and achievement of milestones).</p>							
C4	Analysis of effects of implementation of EU directives in the field of water supply services transposed into BiH legislation	AMC FBiH	0+12 months		Assessment of the extent to which the implementation of directives implies increase of activity of UCs and LSUs and their expenses			MEG II Project support
	<p>Explanation: Assessment of the extent to which the implementation of EU directives implies increase of activity of utility companies and LSUs and their expenses and how to cover these new needs is required. The analysis of the effects of implementation of EU directives in the field of water supply services transposed by BiH on its path to EU pertains to the possible expected additional expenses of the LSUs and it can also include gender aspects of water supply services in line with the requirements of UN's 2030 Agenda and other ratified conventions.</p>							

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
D1	Prepare a guide for preparation of feasibility studies ⁵ to define the contents and the methodology for preparation and the sources of data that must be used in the preparation of these studies	FMPVŠ (PMU)	0+12 months	No risk	A guide for preparation of feasibility studies which will increase the quality of new investments	Draft guide after 6 months		MEG II Project technical support secured, no cost for the FBiH Budget
	<p>Explanation: Good quality feasibility studies are a very important tool for prevention of implementation of financially unsustainable investments. Before starting to invest into a new utility infrastructure (sometimes also rehabilitation), it is very important to assess all the financial consequences. In addition to assessing the level of investment itself and the sources of financing, this also refers to the subsequent operational expenses, as well as investment maintenance expenses. The guide for preparation of feasibility studies which will define the contents and methodology of preparation and the sources of data that must be used in the preparation will help the LSUs that are just starting to consider the possibility of such investments.</p>							
D2	Defining the activities to change and amend (redesign) the system of economic instruments in the water sector	FMPVŠ WA FEPF Cantons	0+18 months	The risk is a possible resentment towards redefining the level of water fees and their distribution; a detailed	Improved water fees system, more efficient spending of collected funds	Draft Decision on the level of water fees 0+10 months Amendments to the Law on Waters with respect to redistribution of water fees		MEG II Project and WB technical support expected

⁵ Feasibility studies are related to construction or expanding of water supply and sewerage systems, i.e. development of water infrastructure, as well as the projects for decreasing the losses or improving energy efficiency and similar activities leading to improvement of water services, with a special overview of financial aspects (construction costs, future operational costs, affordability for citizens).

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
		Support of AMC FBiH and UPKP FBiH		explanation of the needs defining the level and distribution of fees is required				
<p>Explanation: The existing system of collection and distribution of water fees is not assessed as satisfactory. The activity is aimed at redefining the level of water fees according to their purpose, collection method and distribution, as well as the final allocation to LSUs and UCs. According to their purpose, the part of the revenues collected from the water protection fees distributed to cantons should be transferred to the LSUs that are building WWTPs. It is also necessary to integrate at the level of FBiH and make publicly available the reports on utilisation of funds collected from water fees at the cantonal level. The activity shall be led by FMPVŠ, with the support and participation of WAs, FEFP and representatives of the cantons, through which the water fees funds are utilised. AMC FBiH and UPKP FBiH shall be consulted about the level and utilisation of the funds collected through water fees.</p>								
D3	Preparation of guidelines and a guide for support in selection of technologies for urban waste water and sludge treatment, aligned with requirements on quality of effluents	FMPVŠ and FBiH Ministry of Environment and Tourism Support of AMC FBiH	0+12 months with periodical updating	No risk	The guide for support in selection of technologies for urban waste water and sludge treatment	Draft guide after 6 months		MEG II Project technical support secured, no other significant financial costs of the activity
<p>Explanation: The guide will in the first place contain advice on the cost elements, both the investment costs and the subsequent operational costs and costs of investment maintenance for waste water treatment plants. Special attention will be given to possibilities and related costs for different methods of sludge disposal, for which there is still no appropriate regulation (belonging to environment sector). The guide will not prejudice priority or propose specific treatment technology, but the emphasis is on the cost aspects and their effects on the price of water service. The activity can also be viewed as part of D1, but due to a very high level of expected investments in construction of waste water treatment plants in FBiH, it needs to be mentioned</p>								

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	<p>separately. AMC FBiH shall promote the guide among its members and provide examples of good practices in the preparation (of their members and those learned through exchange of experience with RS AMC).</p> <p>The technical requirements to be met by already constructed or planned urban waste water treatment plants are regulated by water related documents (prior water approval, water approval and water permit).</p>							
D4	<p>Preparing guidelines for development of UCs' business plans that will define the necessary contents, preparation methodology and data that will be used</p>	<p>Cantonal ministries</p> <p>FMPVŠ (PMU) monitors the implementation</p> <p>Support of AMC FBiH and UPKP FBiH</p>	0+9 months	<p>The risk is a possible resentment of UCs towards development of business plans of a wider format than that stipulated by laws on companies</p>	<p>The UCs' planning system improved</p>	<p>Draft business plan template for UC</p>		<p>MEG II Project technical support secured, no other significant financial cost of the activity</p>
	<p>Explanation:</p> <p>The guidelines for development of UCs' business plans, which will define the contents, preparation methodology and data that will be used, will help UCs to also plan the activities which so far have mainly not been a part of the existing business plans, such as plans for improvement of non-revenue water management, plans for improvement of energy efficiency, plans for optimisation of the number and competences of employees.</p> <p>Energy efficiency is a frequently neglected aspect of business, although the cost of electric power is the second largest cost for a water company (after the cost of labour). In addition, there is a growing practice in the European water supply systems of producing energy from renewable resources, using it for their own needs and selling the surplus to the supply network, with a significant profit for the company. The guidelines for developments of business plans of UCs will include these topics (additionally with the aim to increase awareness about the possibilities), and present the steps for assessing the potential for using the solar energy (e.g. by installing panels on the roofs of reservoirs) or water energy (by installing pipe turbines for using the surplus pressure in the system). The guidelines will also explain the legal procedure for obtaining the licence to produce energy and connect to the electric energy network.</p>							

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
	<p>Business plans should also contain the values of key business success indicators for several previous years, as well as their targeted/projected values for the next 3 years at least, which would enable the monitoring of the plan implementation and success and its regular updating as needed. The overview of these values and their trends will be an important tool for improvement of management in UCs, as well as a tool for management assessment. Where applicable, all the collected and presented data shall be gender segregated in line with Article 22 of the BiH Law on Gender Equality. FMPVŠ (PMU) shall lead the activity, but the key contributions will actually be provided by AMC FBiH and UPKP FBiH.</p>							
D5	Carrying out surveys of household incomes in the LSU area, in order to assess the affordability and develop a methodology for assessment of affordability	LSU AMC FBiH	Periodic activity	The risk is a lack of knowledge about the assessment methodology and definition of total incomes; it will be mitigated through training of LSUs	Affordability assessed and methodology developed	Assessment of affordability before filing the next request for setting the price of services		MEG II Project advisory assistance secured, LSUs can individually assess the cost of survey
	<p>Explanation: With the support of AMC FBiH in the form of guidelines and instructions for more efficient implementation of income survey, LSUs shall periodically carry out a survey on total income of an average family on their territory (including direct and indirect income). The survey shall be conducted with the purpose of assessing affordability, which implies that it should be carried out at the initial consideration of new and major investments in the water services sector at the level of LSU (e.g. when considering the construction of waste water treatment plants and selecting the capacity and the type of treatment, with assessment of coverage of the population with the waste water disposal service and the possibility to connect them to the waste water treatment plant).</p>							
D6	Develop a study on the possibility of consolidation of the existing UCs	Cantons and LSUs Support of UPKP FBiH and AMC FBiH	0+18 months	The risk is a political opposition to consolidation of several UCs, especially if at that time the	Decreasing indirect costs of UCs; improved management	Pilot study upon expressed interest		Subsequent assessment, not an urgent activity

Code	Activity	Competence	Time frame	Risk assessment	Expected result	Milestones with deadlines and monitoring indicators	Backup plan	Funds required (+the source)
		Support of FMPVŠ and WA		governments in the neighbouring LSUs do not belong to the same political option				MEG II Project support
<p>Explanation: Development of the study on consolidation of the existing UCs was a measure defined by the 2016-2022 Sava River Basin Management Plan in FBiH, but it was given up on in a subsequent report, because it was assessed that major results could not be achieved during that planning period. However, in the long term, the interest and consequent initiatives can be expected from the neighbouring LSUs that may identify the need for a common part of water or waste water disposal system and joint construction of a WWTP. Also, LSUs with a small number of inhabitants may have high unit cost of their UC and therefore have interest in consolidation with the neighbouring and bigger UC. It is also realistic to expect such requirements on the path towards the EU (as they have already appeared in Croatia as an EU member state), and it would be good to plan this activity, which would still not be given priority over the other activities. The realistic risk is opposition of mayors and/or LSU councils, because in that case they would have to share their management responsibility with other LSU.</p> <p>From the economic point of view, it is extremely important and justified to encourage the process of transfer to consolidation of the system, i.e. regional approach to water systems, wherever this is technically and technologically justified. This issue has been elaborated from the aspect of water management in the Long Term Water Supply Study. Based on the data collected by utility companies, the Study recommended to first solve other issues in this sector (non-revenue water, surplus of employees in the companies etc.), and then plan the consolidation.</p> <p>Measure 51 of the 2016-2021 Sava River Basin Management Plan for FBiH had foreseen the following: Prepare the study of justifiability of consolidation of the existing water and sewerage companies (KTM 9). Accordingly, Sava River WA Sarajevo financed the Study of long-term supply of water to population, economy and industry in the Sava River Basin in the Federation of BiH, 2019, which recommended that water supply companies should be consolidated based on the cantonal affiliation by establishing through a detailed analysis which water company has the most efficient operations and qualified experts in all fields of operations of the water company, and to have the less efficient and less equipped companies use the services and the resources of this main company, as independent legal entities or by merging. Measure 40 of the 2022-2027 Draft Water Management Plan for the Sava River Basin in FBiH has foreseen the following: Develop a study to increase the efficiency of public utility companies (UCs) that will also include an analysis of justification of consolidation of UCs (KTM 9). The explanation of the measure: In most of the UCs there is a huge potential for savings with respect to: rationalisation of the number of employees, increasing energy efficiency (pump plants), decreasing the losses of water. Taking into</p>								

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	<p>consideration modest resources of most of the utility companies, it is proposed to develop the respective studies at the water area level. Individual studies would be developed on the basis of a single methodology.</p> <p>It is presumed that there are about 60 utility companies in need of such a study. Some of the UCs have already developed similar studies to increase the efficiency. According to the Long-term Water Supply Study (2019), the recommendations are to first improve the financial and operational performance of UCs, including decreasing of non-revenue water and after that to discuss the issue of consolidation, the final decision on which should be made and the processes lead by the cantons and LSUs, with possible advisory support of FMPVŠ and WA, as well as UPKP FBiH and AMC FBiH.</p>							

