

Project Fiche – IPA Annual Action Programme 2007 for Bosnia and Herzegovina
Support to BiH Water Policy

1. Basic information

1.1 CRIS Number:

1.2 Title: Support to BiH Water Policy

1.3 ELARG Statistical code: 03.27 - Environment

1.4 Location: Bosnia and Herzegovina

Implementing arrangements:

1.5 Contracting Authority (EC): Delegation of the European Commission to Bosnia and Herzegovina

1.6 Implementing Agency: Delegation of the European Commission to Bosnia and Herzegovina

1.7 Beneficiary (including details of project manager):

State Level

- o Ministry of Foreign Trade and Economic Relations

Ministries at Entity Level

- o Ministry of Agriculture, Water Management and Forestry – FBiH
- o Ministry of Agriculture, Forestry and Water Management – RS
- o Ministry of Environment and Tourism – FBiH
- o Ministry of Physical Planning, Civil Engineering and Ecology – RS

Water Management Institutions at River Basin Level/ Water Agencies

- o Public Enterprise for Watershed of the River Sava¹ – Sarajevo
- o Public Enterprise for the Adriatic Sea Catchments² – Mostar
- o Directorate for Water of RS³ - Bijeljina

Cantons (applicable for FBiH) and Municipalities

¹ Future Water Agency for Sava River Basin, Sarajevo

² Future Water Agency for Adriatic Sea Catchments, Mostar

³ This will be transformed in two Water Agencies namely: Water Agency for Sava River Basin, Bijeljina and Water Agency for Adriatic Sea Catchments, Trebinje

Financing:

1.8 Overall cost: 1,000,000 EUR

1.9 EU contribution: 1,000,000 EUR (100%)

1.10 Final date for contracting: N+2

1.11 Final date for execution of contracts: N+4

1.12 Final date for disbursements: N+5

2. Overall Objective and Project Purpose

2.1 Overall Objective:

Overall objective is to ensure the protection and rational use of water resources in BiH by application of integrated water management principles in accordance with standards of the European Union.

2.2 Project purpose:

The project will further support the development and implementation of Entity Water Laws, in accordance with the principles of the European Union's Water Framework Directive and other water sector related EU directives. The project will further strengthen BiH capacities for coordination and implementation of international conventions to which BiH is party to.

2.3 Link with AP/NPAA / EP/ SAA

The 2006 BiH Progress Report states the following for water quality:

Some progress can be reported in relation to **water quality**. A Water Law which integrates the principles of the Water Framework Directive was adopted in both the Republika Srpska and in the Federation. Bosnia and Herzegovina has signed the International Convention for the Protection of the Danube River and the implementation is ongoing as foreseen. Collection of data in this area is not yet functioning well and reporting to the European Environment Agency is not systematic. Poor water quality and insufficient waste water treatment remains a key environment challenge.

The European Partnership lists as one of its mid-term priorities to continue strengthening administrative capacity of the institutions involved in environmental protection, in particular at State-level, and ensuring the implementation of the already transposed legislation. The European Partnership also requires ensuring that a functioning environmental and related water monitoring system is in place. The project purpose is in line with the above referenced priorities of the European Partnership and addresses the reported shortcomings in the 2006 BiH Progress Report.

2.4 Link with MIPD

The Multi-Annual Indicative Planning Document (MIPD) for 2007 to 2009 identifies as a result that the alignment of the Bosnia and Herzegovina environment and water sectors to the *acquis* will be advanced. The MIPD also identifies as a programme the support of development of needed policies and strategies in accordance with European standards. The support includes assistance and help in establishing and capacity building of the related agencies and institutions that are compulsory for implementation of strategic documents and to establish mechanisms and strategy for public participation. The proposed assistance envisages the above actions.

2.5 Link with National Development Plan (where applicable)

The foreseen activities under the project are in line and derive from the Entity Water Laws, recently adopted at Entity-level and harmonized with the European Union Water Framework Directive. These activities are also in conformity with the Midterm Development Strategy for BiH (2005-2007). The major activities in the period 2007-2009 (according to the Water Laws) are:

- Development of the global strategy in water sector
- Development of the work plan for implementation of WFD
- Preparation of the Secondary legislation
- Involvement of public and stakeholders in the planning activities

2.6 Link with national/ sectoral investment plans (where applicable)

The proposed activities are in the line with national investment plans regarding reconstruction and development of monitoring network in compliance with WFD requirements and support to lower authorities (e.g. cantons and municipalities) to ensure the protection and rational use of water resources.

3. Description of project

3.1 Background and justification:

The Water Sector has been undergoing reform since 1998. The main aim is to establish transparent and cost-efficient water management at river basin level based on principles of the EU Water

Framework Directive (WFD). The most important result of this reform is the establishment of a legal and institutional framework for water management on Entity level in BiH based on Water Laws and establishment of Water Agencies in 2007.. With the adoption of this set of entity legislation the country has expressed its readiness to apply European standards, instruments and measures aimed to reduce environment pollution and promote the sustainable use of natural resources. Within the Entity Water Laws the accent is given to the implementation of WFD. Full implementation of the Water Laws in both entities is expected in 2007. In Brcko District, a Commission for drafting a new Water Law has been formed and is expected to be adopted in 2007. Please consult the Annexes to this document to obtain a detailed overview of the institutional set-up of the water sector in BiH.

The rivers of Bosnia and Herzegovina belong to river basins draining into the Black Sea and Adriatic Sea. In general, river water quality in the downstream parts of the rivers is poor due to lack of wastewater treatment and waste disposal, while the upstream rivers, flowing from the mountains, have good quality. The main sources of water pollution are human settlements, industry and agriculture. The lack of sewage treatment and poor management practices result in severe pollution and consequently public health problems may arise in both urban and rural populations. The New Water Laws are primarily based on compliance with WFD and incorporation of other EU directives (such as Urban Waste Water Treatment (UWWT), Nitrate, Drinking Water Directives) is planned within the framework of the secondary legislation.

The new Water Legislation has taken into account the current constitutional set-up when defining the institutional concept for integrated water management at river basin level. The legislation transposes the key elements of the WFD: purposes, definitions, river basin districts formation principles, administration of water protection issues and the need for the establishment of Agencies for Waters in BiH. According to the legislation, entities will still responsible for the preparation of that part of overall river basin management plan, which is falls under their administrative competence.

The general provisions of the Water Law(s) do not clarify competences of the authorities; also related procedures and standards are not detailed. Secondary legislation should transpose the requirements of WFD in detail. It will also establish in detail the responsibility of competent authorities.

Apart from the institutional aspects, the new water legislation is expected to have a significant impact on the improved financing of the water and environmental sector in general by a redistribution of revenues and the introduction of a new financing model for Environmental Funds as well.

Implementation of new the legislation would also create improved conditions for the financing of municipal water and waste-water infrastructure, in view of increased percentage of water revenues available to cantons and municipalities. Nevertheless, the adoption of new Water Laws would require swift action by the BiH authorities in several aspects:

- enhanced State-level capacity for coordination and implementation of increasing activities stemming from international conventions to which BiH is party and in new BiH legislation
- transposition from the existing into the new Water Agencies and the branch offices within the legally prescribed six month period
- finalisation secondary legislation and further developing the Water Information System
- enhancing public participation and the involvement of various stakeholders in decision making processes and selecting priorities (water companies, public institutions, civil society)
- demonstrating partnership between water authorities, water users and suppliers

- developing a strategy for water management, focusing on water policy and mechanisms for definition of investment priorities based on economic, social and environmental criteria
- accelerating reform of Water Utilities (water and wastewater systems) to adjust existing tariff rates closer to cost-recovery principles and enhancing affordability and financing position of municipalities for investment borrowing in environment infrastructure

The adoption of new water legislation enabled the creation of a legal framework for economic instruments for water protection. The Water Laws recognize the “polluter pays” and “user pays” principles. The use of economic instruments is also foreseen in other recent environmental laws, specifying fees, penalties and other instruments for the purposes of water protection, air protection, waste management, and nature protection. Even though the Water Laws have officially entered into force, the economic instruments listed in them cannot be implemented until the necessary secondary legislation (by-laws, regulations and guidelines) have been adopted (e.g. to specify the amount of fees and charges to be paid by polluters and users). The development of this secondary legislation is in the process of preparation and deadlines for its preparation are set by the new Water Law.

Many decisions regarding water management in BiH are still based on emergency legislation/ruling, but there is no water policy. This leads to a permanent lack of clarity regarding goals and budgets. A policy would at least provide the new agencies with a basis for preparing and defending their budgetary choices. A policy is needed, not only for water quality, but also for all other aspects. A vision is necessary for the future of all aspects of water management.

In the Water Laws for the entities, Entity governments have an obligation for preparing a ‘strategy document for the water sector’ that will be politically adopted in Federation and RS.

In the laws, River Basin Management Plans are mentioned as well. These documents can provide at least part of the strategic guidance needed for the decisions that have to be made in the coming years. Preparation of these Water Management Plans is the responsibility of the new Water Agencies.

It is important that a comprehensive water sector policy is developed and adopted as soon as possible, and that thereafter other activities such as planning and water sector institution development are undertaken or reviewed in terms of the policy. This will ensure greater consistency in planning and greater success in project implementation.

It is not suggested, however, that current development undertakings in Bosnia and Herzegovina should be delayed or suspended until a sector wide policy has been adopted, *but rather that existing strategic plans should be reviewed in the light of new policy developments as they emerge.*

Policy should also not be confused with legislation. Once a policy has been developed and adopted, the legislation needs to be examined to see where amendments and changes are needed so that the policy can be implemented. Laws and regulations need to be developed with which water-related policies are put into effect.

The formulation of a Water Policy is therefore considered a most urgent activity and all related activities shall be built on the findings and results of the water policy development process. Specific issues that are important in formulating and implementing an appropriate water management strategy shall be based on the implementation requirements of the Water Framework Directive

The tasks involved in implementing the legislation require actions by the respective government(s), through an appointed competent authority. The government will also need to set overall policy within the context of the EC directives, for example, establishing the role that taxation or other fiscal measures will have in implementing water quality objectives.

In addition, the Urban Waste Water Directive and the directives concerned with use-related water quality (for example the Bathing Water and Drinking Water Directives) require action from water and sewerage providers. The Nitrates Directive requires action from agricultural undertakings, and directives addressing various industrial pollutants ('priority substances') will also require action from industry.

The costs of implementing these directives – based on experience of the EU enlargement process of 2004) are likely to be overall very substantial, so careful planning is necessary at the strategy formulation stage for the water sector development process in BiH.

The development of secondary legislation should be interlinked with the development of a 'Water Policy' for BiH. Focus should be directed on the available economic, financial, institutional and technical capacity of the BiH water sector and the society in general. The development of the secondary legislation usually request strong technical analysis and input and should be based on the WFD approach in order to secure a smooth transition towards a fully EU compliant water legislation.

A strategy for the further development of secondary legislation shall be jointly prepared by all concerned 'water & environment' stakeholders, ideally resulting in the creation of a comprehensive policy development strategy.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

The project will contribute to improved and more efficient implementation of BiH water legislation, aligned with EU *acquis communautaire*, and to improved implementation of the Entity Water Laws (especially parts that are related to water management). Also, the project will improve the understanding, and definition of key problems in river basins in Bosnia and Herzegovina, and in further definition of River Basin Management Plans, through work on the water management strategies. This process has already been started with definition of water protection plan, related to municipal wastewater, finalized in April 2007. Cross-border impacts are expected through intensifying cooperation with international commissions for river basin management (Danube and Sava). Direct improvement of water quality in international river basins, including Sava (Croatia and Serbia) and Danube indirectly, is expected through definition of key problems in river basins, their prioritisation and work on programme of measures (work on River Basin Management Plans).

3.3 Results and measurable indicators:

1. Water policy and corresponding implementing strategy developed, harmonized and adopted in accordance with Entity Laws.
2. Secondary legislation to Entity Water Laws developed, harmonized and adopted and in line with the EU *acquis communautaire*.
3. Mechanism of public consultation and information exchange is established and public and stakeholders are active involved in planning procedure.

Measurable indicators:

- Planning and water sector institution development are undertaken or reviewed in terms of the adopted water policy.
- Investment priorities for Bosnia and Herzegovina defined and are based on sound economic, social and environmental criteria.
- Adopted basis for the new Water Agencies to develop Water Management Strategies and Plans according to the Water Laws, e.g. key documents for development of Strategy

and technical background documents for developing river basin management plans are prepared.

- Entity laws and main by-laws regulations in the water management sector are in line with the EU *acquis communautaire*.
- Technical documentation needed for supporting of drafting the corresponding legislation is in line with the water-related EU Directives.
- Process of implementation of the Water Laws is in line with the deadlines.
- Stakeholders and public informed on the new approach to regulation of water issue (e.g. integrated water management).
- Strategy for implementation of public participation of stakeholders developed and adopted.
- Advisory councils for Water fully operational.

3.4 Activities:

Activity 1 – Development, harmonization and adoption of a Water Policy and corresponding implementation Strategy for BiH according to the Water Laws (technical assistance)

Within this activity needed technical elements should be provided by the consultant and necessary training should be organized for the local experts.

Sub-activity 1.1: to define basic principles, instruments/tools and objectives of BiH water policy, including:

- elaborating the case for a BiH water policy;
- formulating the overall objectives of the BiH water policy
- agreement / endorsement of key stakeholders on developed water policy document
- agreement on arrangements with regard to use/application of adopted policy / implementation of strategy

Sub-activity 1.2: development of a strategy document to reach the stated policy, e.g.:

1. how to meet environmental objectives
2. how to approach/address specific problems, meet directive-specific requirements
3. review of water related cross-cutting matters
4. analysis of financing requirements for development & management of water sector and use of related instruments
5. analysis of cost effectiveness of applied measures
6. Application of water accounting methodology at river basin level

Sub-activity 1.3: Harmonization of existing and planned activities in the water sector

Sub-activity 1.4: Training of the staff in various segments essential for the preparation of the Water policy and Strategy

Activity 2 – Development of secondary legislation as described by the Water Laws

Support to the development of secondary legislation based on water policy findings and conclusions (technical assistance)

Sub-activity 2.1: to conduct policy analysis with regard to existing institutional set-up of water management/use sector and related specific legislation

Sub-activity 2.2: to define outline of consecutive legal development needs of specific sub-laws.

Sub-activity 2.3: drafting of specific secondary legislation/ sub-laws in accordance with agreed water policy

Activity 3 –Formulation and Implementation of Public Participation Strategy (technical assistance)

The goals of public participation are to improve the level of background information relevant to implementation of the Water Laws for all stakeholders, improve the decision-making process and ensure commitment of the stakeholders towards the implementation of the river basin management plans. Key players in this activity are Water Agencies in cooperation with Entity ministries.

The foreseen activities will be implemented through a Technical Assistance/Services contract (Contract 1) of 24 month duration.

3.5 Conditionality and sequencing:

Duration of this project should be maximum 24-month technical assistance, starting Q2 of 2008.

Activity 1 should take place up to year one. Activity 2 should start in year one of the project, partly in parallel to Activity 1 with work being conducted on priority legislation agreed in the inception phase. Activity 2 should intensify in year 2 of the project, and must base itself on the water policy that should be endorsed by key stakeholders by the end of year 1. Activities 2 and 3 should be based on the results of Activity 1, and Activity 3 should start implementation during the implementation of Activity 1.

As regards Activity 3, key stakeholders for this Activity should take part in Activity 1 and be part of the policy development phase.

Conditionality is establishment of the Advisory Councils for River Basin Management, in accordance with the Water Laws, previous to start of project.

3.6 Linked activities

- Development of the Water strategy on the Entity level
- Implementation of Water Framework Directive in Sava and Danube river basin through participation to the International Commission for the Protection of Danube River (ICPDR) and the Sava River Basin Commission
- Neretva and Trebisnjica River Basin (NTRB) Management Project
- Ongoing activities in water sector in Bosnia and Herzegovina that are realised through European Union projects implemented from CARDS Programme (Water Quality Management project Phases I and II and Sava River Basin Project), and other projects realised in the water sector in BiH.

3.7. Lessons learned:

One of the priorities of past EC assistance in the BiH water sector was to support the development of framework legislation. Experience of this past assistance and the assessment of the current water sector needs, have shown that upcoming interventions in the sector should focus more on supporting the development of secondary legislation and implementation mechanisms of acquis-harmonized legislation (such as polluter pays principle) as to assist in facilitating the framework laws (e.g. Water Laws, Environment Protection Laws) to be fully implementable. The intervention will therefore assist the implementation of existing laws and work on the capacity building of the newly established Water Agencies.

The intervention should also place a strong focus on the aspect of public participation mechanisms prescribed by the EU Water Framework Directive, in order to feed into and support the strategic aims and policy needs of BiH water sector.

4. Indicative Budget (amounts in €)

Activities	TOTAL COST	SOURCES OF FUNDING											
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE		
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *	
Contract 1.1: Support to BiH Water Policy	1,000,000	1,000,000	100	1,000,000		0	0						
TOTAL	1,000,000	1,000,000	100	1,000,000		0	0						

* expressed in % of the Total Cost

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1: Support to BiH Water Policy	Q1 2008	Q3 2008	Q3 2010

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the FA

6. Cross cutting issues (where applicable)

6.1 Equal Opportunity

Equal opportunity for participation of men and women will be assured in all aspects of project implementation.

6.2 Environment

The project will not have any negative environmental effects.

6.3 Minorities

Participation in the project activities will be guaranteed on the basis of equal access regardless of racial or ethnic origin, religion or belief, disability, sex or sexual orientation.

ANNEX I: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche	Programme name and number: Support to BiH Water Policy		
	Contracting period expires		Disbursement period expires
	Total budget : 1,000,000 EUR		IPA budget: 1,000,000 EUR
Overall objective	Objectively verifiable indicators	Sources of Verification	
Overall objective is to ensure the protection and rational use of water resources in BiH by application of integrated water management principles in accordance with standards of the European Union.			
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
The project will further support the development and implementation of Entity Water Laws, in accordance with the principles of the European Union's Water Framework Directive and other water sector related EU directives.	Implementation of Entity Water Laws on schedule. Development of implementing legislation in accordance with the EU Directives.	Sectoral reporting. Related implementing legislation adopted.	Water Agencies established and operational. Water Information System operational. Adequate human and technical resources. Entity Environmental Funds operational. Stakeholders willing to participate. Established Water Councils at River Basin Level in accordance with Entity Water Laws
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
1. Water policy and corresponding implementing strategy developed, harmonized and adopted in accordance with Entity Laws. 2. Secondary legislation to Entity Water Laws developed, harmonized and adopted and in line with the EU acquis communautaire. 3. Mechanism of public	Planning and water sector institution development are undertaken or reviewed in terms of the adopted water policy. Investment priorities for Bosnia and Herzegovina defined and are based on sound economic, social and environmental criteria. Adopted basis for the new Water		

<p>consultation and information exchange is established and public and stakeholders are active involved in planning procedure.</p>	<p>Agencies to develop Water Management Strategies and Plans according to the Water Laws, e.g. key documents for development of Strategy and technical background documents for developing river basin management plans are prepared. Entity laws and main by-laws regulations in the water management sector are in line with the EU acquis Technical documentation needed for supporting of drafting the corresponding legislation is in line with the water-related EU Directives. Process of implementation of the Water Laws is in line with the deadlines. Stakeholders and public informed on the new approach to regulation of water issue (e.g. integrated water management). Strategy for implementation of public participation of stakeholders developed and adopted. Advisory Councils for Water fully established and operational.</p>		
Activities	Means	Costs	Assumptions
<p>Activity 1 Preparation of the key inputs for the development of the Water policy, implementing strategy and Road Map for development of RBM plan. Activity 2 – Development of secondary legislation as described by the Water Law(s) Activity 3 –Formulation and Implementation of Public Participation Strategy</p>	<p>Beneficiary human resources. Technical Assistance :</p> <ul style="list-style-type: none"> - Team Leader who will be a senior water resource management expert - Legal, economic expert - Short-term pool of experts, including experts in IT development - Training budget - Incidentals budget 	<p>Technical assistance/fees: 900,000 EUR Incidentals: 100,000 EUR</p>	

Pre-conditions

ANNEX II: amounts (in €) Contracted and disbursed by quarter for the project

Contracted	1st Quarter 2008	2nd Quarter 2008	3rd Quarter 2008	4th Quarter 2008	1st Quarter 2009	2nd Quarter 2009	3rd Quarter 2009	4th Quarter 2009	1st Quarter 2010	2nd Quarter 2010	3rd Quarter 2010	4th Quarter 2010
Contract 1.1			1 M									
Total			1 M									
Cumulated			1 M									
Disbursed	1st Quarter 2008	2nd Quarter 2008	3rd Quarter 2008	4th Quarter 2008	1st Quarter 2009	2nd Quarter 2009	3rd Quarter 2009	4th Quarter 2009	1st Quarter 2010	2nd Quarter 2010	3rd Quarter 2010	4th Quarter 2010
Contract 1.1			0.3 M		0.2 M		0.2 M		0.2 M			0.1 M
Total			0.3 M		0.2 M		0.2 M		0.2 M			0.1 M
Cumulated			0.3 M		0.5 M		0.7 M		0.9 M			1 M

ANNEX III: Details of EU-funded contractor (where applicable)

Main Relevant BiH Legislation:

Water Laws, Official Gazette of RS 50/06

Water Laws, Official Gazette of FBiH 70/06

EU Legislation:

Integrated Pollution Prevention and Control Directive (96/61/EEC) (the IPPC Directive) as amended by Directives 2003/35/EC and 2003/87/EC);

National Emissions Ceilings Directive (2001/81/EC);

Directive on the control of major accident hazards involve dangerous substances (the “Seveso II” Directive) (96/82/EC – see also COM (2001)624 on proposed amendments);

Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters (Aarhus) (1998);

Convention on Environmental Impact Assessment in a Transboundary Context (Espoo) (1991);

Helsinki Convention on Watercourses and International Lakes (1992);

River basin conventions (Danube (1987), Sava (2006)

Barcelona Convention (1976) as amended and its protocols;

OSPAR Convention (1992) as amended;

Bonn Agreement for Co-operation in Dealing with Pollution of the North Sea by Oil and other Harmful Substances (1983);

Helsinki Convention on the Baltic Sea (1992).

Urban Waste Water Treatment Directive (91/271/EEC, as amended by Directive 98/15/EC) and related Decision 93/481/EEC;

Nitrates Directive (91/676/EEC);

Ground Water Directive (80/68/EEC as amended by Directive 91/692/EEC, but to be repealed under the Water Framework Directive (2000/60/EC) as from 22.12.13);

Dangerous Substances Directive (76/464/EEC, but to be repealed under the Water Framework Directive (2000/60/EC) as from 22.12.13, save for Article 6, which was repealed with effect from 22.12.00);

Directive on Discharges of Mercury from the chlor-alkali electrolysis industry (82/176/EEC, note the potential for its repeal under the Water Framework Directive, Article 16);

Directive on Discharges by Cadmium (83/513/EEC, note the potential for its repeal under the Water Framework Directive, Article 16);

Directive on Discharges of Mercury from other sources (84/156/EEC, note the potential for its repeal under the Water Framework Directive, Article 16);

Directive on Discharges of Hexachlorocyclohexane (84/491/EEC, note the potential for its repeal under the Water Framework Directive, Article 16);

Directive on Discharge of List I Substances (Directive 86/280/EEC as amended by Directives 88/347/EEC and 90/415/EEC, note the potential for its repeal under the Water Framework Directive, Article 16).

ANNEX IV: Details of EU-funded contractor (where applicable)

Technical Assistance/Services Contract

1. Tasks expected from contractor

The contractor will supply all technical assistance identified as being required for the implementation of the project, included in all 3 Activities. Provision of training. Timely reporting of project implementation and progress.

Tasks:

- Coordination of project activities in line with agreed work plan;
- Ensure efficient and timely project implementation;
- Arrange training – both internally in the form of workshops, on the job training and externally on two study tours to accession countries and new EU member states;
- Oversee purchase of agreed inputs using approved methods and contracting systems;
- Installation and correct use of inputs in line with work plan;
- Undertake analysis and evaluation with project counterparts;
- Prepare reports in line with official EU reporting guidelines.

2. Results to be achieved through implementation of project:

1. Water policy and corresponding implementing strategy developed, harmonized and adopted in accordance with Entity Laws.
2. Secondary legislation to Entity Water Laws developed, harmonized and adopted and in line with the EU *acquis communautaire*
3. Mechanism of public consultation and information exchange is established and public and stakeholders are active involved in planning procedure.

3. Means/ Expertise Required

- Team Leader who will be a senior water resource management expert
- Legal, economic expert
- Short-term pool of experts, including experts in IT development
- Training budget
- Incidentals budget

ANNEX V: Institutional Set-up of the Water Sector in BiH

The country of Bosnia and Herzegovina has two major, highly autonomous “Entities”: the Federation of Bosnia and Herzegovina (FBiH), and Republika Srpska (RS). Each has its own laws that impact the delivery of water and wastewater services, addressing most aspects of technical, administrative and financial matters.

The role of MoFTER

The role of the State in the sector has been increasing in BiH over the past years, in view of increasing international obligations of BiH and a need for an improved coordination at state level and ensuring more efficient use of scarce resources available to the Sector. The State level coordination role is assigned to the Ministry of Foreign Trade and Economic Relations and its Sector for Environment, Energy and Natural Resources.

Consensus has been reached on creation of temporary Water Framework Directive Unit attached to MoFTER, which in return must receive more significant assistance to increase human and technical capacities. The WFD Unit will facilitate and coordinate in meeting the international obligations in water sector (e.g. ICPDR and Sava commission, Barcelona Convention etc.). Currently, the "embryo" of the WFD Unit has been formed, with the engagement of a water expert who is engaged (with the support of ICPDR) on the implementation of the WFD in BiH, and obligations towards the ICPDR and Sava Commission.

Water and Environment Ministries in the Entities

In the Federation the main authorities responsible for environment and water issues are the Federal Ministry of Agriculture, Water Management and Forestry (MoAWMF) and the Federal Ministry of Environment and Tourism (following a recent restructuring). The Federal Ministry of Agriculture, Water Management and Forestry (is responsible for the water policy and strategy development, the issue of approvals and permits, setting of standards and regulations. The Federal Ministry of Environment and Tourism is responsible for the preparation of the environmental policy and strategy-related documents, quality standards for air, water, and soil, environmental monitoring as well as supervision of relevant institutions from the environment sector.

Similar to Federation BiH, there are two Ministries in Republika Srpska responsible for environment and water issues, namely: Ministry of Agriculture, Forestry and Water Management (MAFWM RS) and Ministry of Spatial Planning and Ecology of RS. Their competencies are similar to those in FBiH

In addition to the above-mentioned ministries, several other institutions in Bosnia and Herzegovina deal with water issues indirectly. These include other ministries, independent administrative offices and institutions, and institutions related to the ministries. Other ministries with secondary responsibilities for water are usually the ones dealing with health, industry, energy and mining (or the economy in general), labour and public welfare.

Public Water Companies in Federation and Directorate for water in RS

There are two watersheds in BiH: Sava (Danube) and Adriatic. For discharging operative functions in past, two public water management companies were set up in FBiH (Sarajevo and Mostar), while in RS existed Directorate for Waters in Bijeljina. The adoption of new Water Laws in FBiH and RS envisages the transposition period of 6 months from existing Companies into the 4 Entities Water Agencies (in RS, a new agency the Agency in Trebinje should be established).

Whilst responsibilities of the Public Companies and Directorate in past included more activities on water policy and infrastructure development and sector planning, its main role in new Water Law is related to implementation aspect of river basin management planning, licensing, enhanced public participation.

ANNEX VI: Excerpt from Discussion Paper for the 6th Reform Process Monitoring meeting on February 8th, with reference to Water Sector

Water Quality Management, Implementation of Entity Laws on Water, and Planning of Water and Sanitary Infrastructure

The Ministry of Foreign Trade and Economic Relations of BiH has a water expert hired by the International Commission for Protection of the Danube River (ICPDR), as assistance in implementation of the Framework Directive on Waters (FDW). Significant progress in implementation of the Framework Directive on Waters in the EU has been reached through cooperation with the ICPDR and drafting of the Report on Characterization for the Danube River Basin in BiH. In late 2006, the Report was submitted to the ICPDR Secretariat. In this way, Bosnia and Herzegovina has met part of its commitments pertaining to drafting of the 2004 Roof Report (RR). Implementation is underway for a number of projects accomplishing progress in all segments of water management, such as: water quality management at the level of river basins (Water Quality Project - WQM), the Spanish Project, the Project of the Norwegian Organization for Research and Development (Norad), the World Bank Project for Protection of Water Quality in BiH which involves major participation of the domestic institutions: MoFTER, Ministry of Agriculture, Forestry and Water Management of RS, Ministry of Agriculture, Water Management and forestry of FBiH, Public Enterprise for the Water Area of the Sava River Basins, Institute for Public Health of FBiH, Federal Meteorological Institute, Public Enterprise for the Adriatic Sea Basin Area from Mostar, Republic Directorate for Waters of RS, Ministry of Spatial Planning, Construction and Ecology of RS, Institute for Health Protection of RS, Hydro-Meteorological Institute of RS, and the Delegation of the European Commission in BiH.

The Ministry of Foreign Trade and Economic Relations of BiH coordinates and implements the project «Monitoring of Progress in Implementation of the EU Directives Requirements in the Environmental Legislation of Potential Candidate Countries». This project involves conformity assessment of the legislation of Bosnia and Herzegovina with four (4) EU Directives in the area of waters (Framework Directive on Waters, Directive on Urban Wastewaters, Directive on Potable Water, and Directive on Nitrates). In cooperation with the Global Environmental Assistance Fund for Developing Countries (GEF), the Neretva-Trebinjica project is in preparation, through which, among other things, the River Basin Management Plan (RBM Plan) will be prepared for the Neretva-Trebinjica River Basin. This project will be implemented jointly with the Republic of Croatia.

The Water Information System (WIS) has been established as an important water management instrument. Through the RBM project, procurement of the required equipment has been made (hardware and software), as well as training of the staff to work on the WIS. The Module of Surface Waters and Water Management Facilities has been implemented, and further WIS development is planned through implementation of the other required modules. The situation in the area of water supply, particularly in drainage and purification of urban wastewaters is not satisfactory, and in spite of the considerable funding, there is also the need for reforming the water management companies, strengthening of their autonomy, governance capacities and return on costs for their services.

Water Resource Management in the Federation of BiH and Republika Srpska

The new Law on Waters has been passed ("Official Gazette of the Federation of BiH", No. 70/06 dated 20.11.2006), which resolves the issue of integral water resource management at the river basin level, in compliance with the recommendations from the Framework Directive on Waters and other EU Directives. Of the activities arising from the new Law on Waters, one should point out as follows: identification of river basins in the Republika Srpska and the Federation of BiH, determination of the competent institutions, identification of the obligations and procedures for passing and reviewing of River Basin Management Plans, Programs for Water Management Measures and Strategy. It prescribes the competencies and periods for passing of bylaws prescribing quality standards, determining ecologically acceptable flow rate as well as the procedure for issuance of water enactments. Transitional period is currently underway for starting of application of the new Law on Waters, which has been planned in the duration of six months. Full implementation of the Law is expected in mid-2007, by which time Water Agencies are to be established.

Currently, preparation is going on for the drafting of priority bylaws that will allow for implementation of the new law on waters, of which we list as follows:

- Decree on Dangerous and Harmful Matters in Waters,
- Rules on Border Values for Dangerous and Harmful Matters in Wastewaters Released into Recipients from the Public Sewer System After Purification,
- Rules on Border Values for Dangerous and Harmful Matters in Technological Wastewaters Before Their Release into Recipients,
- Rules on Requirements to be Met by Certified Water Testing Laboratories,
- Decision on Water Fees and Other Financial Enactments,
- Rules on Issuance of Water Enactments,
- Statute of the Water Agencies.

The new Law on Waters in the Republika Srpska ("Official Bulletin of the Republika Srpska", No. 50/06) provides for water management in the manner as defined in Directive 2000/60/E3 of the European Parliament and EU Council dated October 23, 2000, stipulating the framework of the Community action in the area of waters. Full implementation of the Law on Waters is expected in 2007, provided that Water Agencies should be established in the first year, so that transfer to basin-based management could be effected.

Brcko District

The government of the Brcko District of BiH formed the Commission for drafting of the new Law on Waters, which should be adopted in 2007. The most favorable bidder for the potable water factory has been selected, so a tender is planned for the next year for building of wastewater purification collectors.