**Action summary**

The Action will contribute to the protection of the environment and facilitate sustainable development in Bosnia and Herzegovina (BiH). The specific objective is to support targeted reforms and further development of infrastructure in the environment sector in BiH by implementing water and sanitation projects, and enhancing further transposition of environmental acquis, in particular in area of water management.

The benefit of the Action for BiH and the EU is that degradation of the environment in BiH will be mitigated, the situation in the sector substantially improved and further steps taken to ensure approximation to EU acquis, standards and systems in this important, yet challenging sector.
<table>
<thead>
<tr>
<th><strong>Action Identification</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Action Programme Title</strong></td>
<td>Annual Action Programme for Bosnia and Herzegovina for the year 2018</td>
</tr>
<tr>
<td><strong>Action Title</strong></td>
<td>EU Support for Environment</td>
</tr>
<tr>
<td><strong>Action ID</strong></td>
<td>IPA 2018/decisionnumber.sequencenumber/country/title(short)</td>
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<table>
<thead>
<tr>
<th><strong>Sector Information</strong></th>
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<tbody>
<tr>
<td><strong>IPA II Sector</strong></td>
<td>Environment, climate action and energy</td>
</tr>
<tr>
<td><strong>DAC Sector</strong></td>
<td>41010 – Environmental policy and administrative management</td>
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<table>
<thead>
<tr>
<th><strong>Budget</strong></th>
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<tbody>
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<td><strong>Total cost</strong></td>
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</tr>
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<td><strong>EU contribution</strong></td>
<td>EUR 9 500 000</td>
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<td><strong>Budget line(s)</strong></td>
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<thead>
<tr>
<th><strong>Management and Implementation</strong></th>
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<tr>
<td><strong>Management mode</strong></td>
<td>Direct and indirect management</td>
</tr>
<tr>
<td><strong>Direct management:</strong></td>
<td>EU Delegation to BiH</td>
</tr>
<tr>
<td><strong>Indirect management:</strong></td>
<td>Delegation agreement for one specific activity to IFI</td>
</tr>
<tr>
<td><strong>Implementation responsibilities</strong></td>
<td>If possible, and if relevant, indicate the name of the person(s) in charge of management of the financial assistance</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th><strong>Location</strong></th>
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</tr>
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<tbody>
<tr>
<td><strong>Zone benefiting from the action</strong></td>
<td>Bosnia and Herzegovina</td>
</tr>
<tr>
<td><strong>Specific implementation area(s)</strong></td>
<td>Bosnia and Herzegovina</td>
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<table>
<thead>
<tr>
<th><strong>Timeline</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Final date for concluding Financing Agreement(s) with IPA II beneficiary</strong></td>
<td>At the latest by 31 December 2019</td>
</tr>
<tr>
<td><strong>Final date for concluding delegation agreements under indirect management</strong></td>
<td>At the latest by 31 December 2019</td>
</tr>
<tr>
<td><strong>Final date for concluding procurement and grant contracts</strong></td>
<td>3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation</td>
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<tr>
<td><strong>Final date for operational implementation</strong></td>
<td>6 years following the conclusion of the Financing Agreement</td>
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<tr>
<td><strong>Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)</strong></td>
<td>12 years following the conclusion of the Financing Agreement</td>
</tr>
<tr>
<td>Policy objectives / Markers (DAC form)</td>
<td>Not targeted</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>General policy objective</td>
<td></td>
</tr>
<tr>
<td>Participation development/good governance</td>
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</tr>
<tr>
<td>Aid to environment</td>
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<tr>
<td>Gender equality (including Women In Development)</td>
<td>X</td>
</tr>
<tr>
<td>Trade Development</td>
<td>X</td>
</tr>
<tr>
<td>Reproductive, Maternal, New born and child health</td>
<td>X</td>
</tr>
<tr>
<td>RIO Convention markers</td>
<td>Not targeted</td>
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<tr>
<td>Biological diversity</td>
<td>X</td>
</tr>
<tr>
<td>Combat desertification</td>
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</tr>
<tr>
<td>Climate change mitigation</td>
<td>X</td>
</tr>
<tr>
<td>Climate change adaptation</td>
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1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

The environment sector in BiH has been slow to reform in the past, but there have been notable improvements in the sector most recently, both at the strategic, institutional and implementation level. BiH adopted a countrywide sector strategy in the sector Environment and Climate Action, namely the Environmental Approximation Strategy (EAS). The EAS, together with its relevant implementation documents, adopted by Entities and Brcko District of BiH (BD BiH), represent the strategic framework necessary for harmonised countrywide approach in legal harmonisation, implementation and enforcement of the EU environmental acquis. Ultimately, the EAS aims to ensure that the sector reform priorities are not only defined but also addressed in a comprehensive and consistent manner. The progress gained with the adoption of the EAS needs to be supported, both by institutions in BiH and main international partners, most notably the EU, in order to ensure sustained reform progress in this important sector.

The BiH Economic Reform Programme (ERP) 2018-2020 placed a strategic emphasis on environment sector reform, with the Federation of BiH (FBiH) government specifically identifying reform in this sector as a priority, under Sector Reform - Point 3. The following concrete measures are proposed for 2018-2020 for FBiH: (i) waste management, (ii) development of financial and other economic instruments to support the reform in the environment sector, (iii) passing new Law on Environment Protection, and (iv) implementing envisaged energy efficiency measures. Moreover, the new draft FBiH Law on Environmental Protection was accepted at the session of the FBiH House of Representatives (in June, 2014) and the House of Peoples (in May, 2016) of the FBiH Parliament. In addition, FBiH Strategy for Integral Water Management is in place. Republika Srpska (RS) has similar strategic orientations and priorities, that are being implemented on the basis of following strategies, laws and plans: RS Law on Environmental Protection, RS Water Law, RS Strategy for Integral Water Management and RBMPs for Sava and Trebišnjica rivers.

In accordance with the economic gap analysis from the EAS the total cost of approximation in the sector Environment and Climate Action was estimated at approximately EUR 7 Billion. 55% is needed for the approximation in the sub-sector of Water Management, 29% for the approximation in the sub-sector of Air Quality and in the sub-sector of Climate Change and 15% for the approximation in the sub-sector of Waste Management. The cost of reform cannot be borne solely by BiH authorities, even in this initial phase. However, data from ERP indicates that BiH currently spends only 0.9% of total expenditure for the environment sector.

Clearly, if momentum is to be kept for the reform in the sector, additional assistance is needed. BiH has sought financing of environmental infrastructure projects in area of water management through WBIF/IPF MW, such as water supply and sanitation projects, waste water treatment projects, water purification and water management projects, as well as participated in regional grant projects related to river water management. While these projects will contribute to planning and implementation of infrastructural improvements within the sector in general, and subsectors in particular, additional complementary financial assistance is needed through IPA, to facilitate and support implementation of the identified reform priorities and to ensure acquis implementation in this sector.

Approximation of EU environmental acquis is one of the most demanding tasks for any EU candidate or potential candidate country. It represents almost one third of the whole EU acquis. While the country is at an early stage regarding overall approximation with the EU acquis in general, and with the environmental sector in particular, certain level of approximation has been made, as outlined in ECRAN Progress Report: Monitoring Transposition and implementation of EU environmental acquis (2015-2016). Therefore, given the above strategic framework and the current state of the reform in the sector, for BiH, the areas of Water protection and Waste Management represent the two priorities in the sector. The current Action will address the area of Water management. Within this priority area, the key problems are related to the need to accelerate Water sector reforms, including infrastructure development to provide for further transposition and implementation of EU water related acquis.

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1 RS Official Gazette, No. 71/12, 79/15
2 Source: BiH ERP 2018-2020
The pace of reform progress needs to accelerate in order to ensure sufficient level of transposition and implementation of EU directives and facilitate further improvements of the sector.

Further reform and development of water sector relies on legal and institutional capacity developments as well as on related infrastructure development. It is essential that existing legislation continues to be harmonised with EU directives at adequate pace, upgraded and complemented in order to achieve vertical and horizontal harmonisation within BiH and long term sustainability of the overall system. These actions would ensure implementation of relevant EU legislation such as: Water Framework Directive (WFD), Flood Protection Directive (FPD), Urban Waste Water Directive (UWWD) and Drinking Water Directive (DWD) as well as implementation of other requirements on the international agenda such as Sustainable Development Goals (SDGs), particularly SDG6, Water Convention, UNECE Protocol on Water and Health, Convention for Protection of Danube River Basin, Framework Agreement on Sava River Basin, etc. While BiH authorities are committed to the reform in this sector, additional assistance is needed to improve knowledge, data availability, institutional capacities and to provide co-financing for on-going investment projects.

BiH not only lacks financial means to solely implement UWWD, but the current legal and institutional framework in BiH still do not provide adequate sustainability for the communal utilities, thus subsidy schemes between municipal authorities and communal utilities as service providers are taking place. According to the EAS, BiH has to adopt Directive Specific Implementation Plan (DSIP) two years upon adoption of the EAS. Initial draft UWWD DSIP was prepared on the basis of preliminary data and it strongly suggests that data has to be updated, particularly those related to size of population, recent infrastructure developments, household incomes and budgetary developments in BiH. The programme of measures of the recently adopted River Basin Management Plans identify a set of measures related to reduction of organic, nutrient and hazardous pollution mainly originating from untreated urban wastewater. Organic, nutrient and hazardous pollution are determined as the significant water management issues at international river basins (Danube and Sava Rivers, Adriatic Sea) as well. Missing baseline data and assessment such as number of people-equivalent (PE) and discharges for each agglomeration, organisation and treatment methods, infrastructure developments, inventory of technical documentation and spatial planning documentation, sludge treatment, affordability etc. have to be provided as inputs for final UWWD DSIP formulation and adoption. To maintain progress of reforms supported by EU funded actions the BiH responsible authorities will commit to process the outputs developed for adoption and implementation. Same is the case with the earlier developed outputs, such as draft DWD Directive that is yet pending adoption.

Implementation of WFD through six years cyclic river basin management concept requires strong institutions, adequate knowledge, financial and technical capacities, cross-sectorial and trans-boundary cooperation. Through the first planning cycle River Basin Management Plans (RBMP) were developed. However, certain gaps were identified, which could not be addressed in the first planning cycle due to lack of resources, technical knowledge and relevant expertise. The already achieved level of development needs to be upgraded. This as well as other developments in water sector need to be integrated into the Water Information Systems (WIS), thus respective upgrade of WIS has to be done. In this way a higher level of alignment of river basin management planning with WFD would be achieved. Based on the results of this action RBMPs will be updated and adopted for the next planning cycle 2022-2027.

Additional co-financing support should be provided to the main mechanism for water supply and sanitation infrastructure development in the sector, namely WATSAN (Water and Sanitation). So far, this blending mechanism of 50% European Investment Bank (EIB) loans, grants and entity/local government financing was used to implement projects related to water sector reform in BiH. During the implementation of the currently on-going WATSAN projects significant investments gaps were identified, thus further negotiations to extend loan financing for additional projects are already taking place.

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1 Directive 2000/60/EC concerning establishment of a framework for Community action in the field of water policy
2 Directive 2007/60/EC concerning assessment and management of flood risks
3 Directive 91/271/EEC concerning urban wastewater treatment
4 Directive 98/83/EC concerning quality of water intended for human consumption
5 UNCE Convention on the Protection and Use of Transboundary Watercourses and International Lakes
This Action would therefore provide support to finalize implementation of on-going and ready-made project activities within WATSAN projects in selected municipalities by contributing to the grant component of the financial mechanism.

The most affected by the poor state of the sector are citizens of Bosnia and Herzegovina who do not have adequate access to safe drinking water and sanitation. In the institutional framework the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina is the lead sector institution at the state level, while entity ministries and Brcko District institutions responsible for environment maintain sectoral competencies in the entities and Brcko District. These are: in the Federation BiH (FBiH): the FBiH Ministry of Environment and Tourism, the FBiH Ministry of Agriculture, Water Management and Forestry; in Republika Srpska the RS Ministry of Physical Planning, Civil Engineering and Ecology, RS Ministry of Agriculture, Forestry and Water Management and in Brcko District: the Department for Physical Planning and Department for Agriculture, forestry and Water Management at the Brčko District Government level. Sectorial coordination within the environment sector in BiH requires further improvements to ensure country wide consistent and harmonised approach in pursuing necessary development and reforms in area of environment. Specific inter-sectorial coordination has not been established. The administrative capacities in environmental institutions require further strengthening for improved coordination between the various competent institutions and to enable efficient implementation of the EAS. Special attention needs to be paid to strengthening the local level capacities to enforce environmental legislation since they are often disconnected from changes and progress happening at higher level. The coordination with local level government is of paramount importance for effectiveness and efficiency of interventions in communal utility sector.

IPA II assistance could contribute towards enhancing water management in line with EU water acquis and solving the issue of connection of local population to the drinking water supply and sewerage system. Currently, affected municipalities deal with negative impacts of the afore mentioned issues. Improvement of current situation will be monitored through proposed indicators. It is very important to include all stakeholders from the very beginning of the implementation of the proposed projects.

**OUTLINE OF IPA II ASSISTANCE**

The Action will support interventions to address key priorities in the sector of environment in the area of water management, aiming at the acceleration of the reforms and the enhancement of infrastructure, with the purpose of meeting EU standards.

Through assessment of the current situation on wastewater management, technical and financial capacities in all municipalities in BiH, a set of comprehensive recommendations for sustainable solutions for each municipality will be developed in the form of the Master Plan of Agglomerations in BiH. Master plan of agglomerations will be a baseline technical document which results would be further used by the respective institutions to finalize and adopt UWWD DSIP and following APIDs. BiH responsible authorities will commit to process the outputs developed for adoption and implementation. This is the key cornerstone for the EU acquis.

Required data collection, analysis, update of the relevant background documents for the river basin management planning will be supported. Upgrade of Water Information System will provide support to further implementation of River Basin Management planning in BiH and to the respective decision-making process. Moreover, WIS would serve as a transparent communication hub towards a wide range of stakeholders and interested parties. Institutional capacities will also be developed up to level that will ensure the capability of administrative structure for further transposition and proper enforcement of the EU acquis.

Support to implementation of water supply, sanitation and wastewater treatment infrastructure (WATSAN) projects in FBiH and RS will accelerate their completion in targeted local communities with a view to their improvement in order to meet EU standards.

**RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES**

Indicative Strategy Paper for BiH (2014-2020) (ISP BiH) stipulates that IPA II assistance to BIH will, among other priorities in the environmental sector, aim to support compliance with the EU environmental acquis,
improve implementation of the existing environmental policies and adaptation to climate change, including adequate investments for policy implementation, particularly in the waste and water management areas (through improvement of the waste water collection and treatment). Implementation of this Action will support BiH in further implementation of the EU environmental acquis, provide necessary funds for investments and technical support aiming to accelerate the reforms in the water sector.

The SAA in this sector calls for developing cooperation between the Parties in order to halt further degradation and start improving the environmental situation with the aim of sustainable development. The SAA further calls BiH for strengthening its administrative structures and procedures in the sector Environment and Climate Action to ensure strategic planning of environment issues and coordination between relevant actors in order to be able to align its environmental legislation to the Community environmental acquis and to implement and enforce it properly. Attention is to be particularly paid to the development of strategies to significantly reduce local, regional and trans-boundary air and water pollution, including waste and chemicals, to establish a system for efficient, clean, sustainable and renewable production and consumption of energy, and to execute environmental impact assessment and strategic environmental assessment.

The BiH 2016 Report emphasises that some progress has been achieved in further aligning policies and legislation with the acquis, in particular in the water and waste sectors. The Report emphasises lack of country wide strategies for waste and waste water management as well as lack of investment pans on water management that would include implementing legislation and monitoring. The Report also indicates that in the coming year, BiH should enhance the legal framework in accordance with adopted a country-wide environment approximation strategy and accordingly, strengthen administrative capacity and monitoring systems and improve inter-institutional coordination among all authorities on environmental protection.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

Considerable technical assistance projects financed by international donors to strengthen the environment sector were implemented in the last years in BiH. Bosnia and Herzegovina was a beneficiary of IPA I funds for the period from 2007 to 2012. During this period, a number of environmental institutional and infrastructural projects were approved, with a total value of EUR 87.1 million. In the past insufficient readiness and immature project proposals faced obstacles, slowdowns and delays during execution. Building on the lessons learned from its experience with the initially slow implementation, the country is committed to strengthening administrative capacities at all government levels. In 2015, Bosnia and Herzegovina established the National Investment Committee (NIC) framework and adopted a methodology for the selection and prioritisation of infrastructure projects, primarily financed through donors and IFIs in form of loans. However, in area of environment there is no Single Sector Project Pipeline yet in place to enable sound prioritisation of investments. Further support to investments in area of environment would benefit from a SSPP that is endorsed by the NIC. While the establishment of NIC is a step forward in infrastructure investment planning, sectorial donor coordination is still not in place. Lacking sector specific strategic focus, donor coordination in the past has not produced the desired impact. Therefore, understanding that cost effectiveness and benefits come with sector specific strategic focus in donor coordination, IPA support needs to be coupled with effective communication with donors and IFIs. Furthermore, understanding that effective donor coordination is essential for sustainability of investments, the key stakeholders will create a basis to initiate regular donor coordination for the sector.

The projects funded by IPA were mainly related to institutional strengthening and the capacity building of key BiH institutions that are involved in the management of environmental policies in both entities, as well as infrastructure development projects including water and wastewater systems, wastewater treatment plants and regional sanitary landfills. The implementation of infrastructure projects in both water and solid waste sectors faced many risks and problems. Institutions at all levels, especially local communities, gained significant experience and learned a number of lessons from the past experience. Among the most important lessons learned are:

- The municipal infrastructure projects should only be implemented if the funds from all financial sources are secured;
• Preparation of project technical documentation, the development of various studies, the timely acquisition of necessary permits and other obligations, respecting the principles of good practice and EU regulations in this field must be ensured;
• The strengthening of professional capacities at all levels of government, in particular in local communities, in the processes of environmental planning, development and management should be supported by the responsible BiH authorities;
• Capacities for faster absorption of EU funds and other funds must be strengthened;
• Sustainability of project results delivered with EU and other donors' support needs to be ensured by BiH institutions;
• During the preparation of the project, a plan for the long-term sustainability and functional operation of facilities and systems including the projection of the necessary operational assets, maintenance assets and depreciation should be developed by the project beneficiaries;
• Institutional commitment and agreement on how the investments would sustainably operate is required by the BiH responsible authorities;
• Public utility companies needs to be strengthened to enhance their operational capacities and financial management;
• Training of project implementation staff needs to be carried out both within the beneficiaries responsible institutions and supported by other donors' assistance, which will include the opportunities for acquiring practical knowledge and professional challenges.
• Transfer of knowledge (gained through EU and donors' assistance projects) by the trained beneficiaries' staff needs to be ensured within their respective institutions;
• Post-project technical and environmental monitoring to meet planned achievements must be established.
### 2. Intervention Logic

#### Logical Framework Matrix

<table>
<thead>
<tr>
<th>OVERALL OBJECTIVE</th>
<th>OBJECTIVELEY VERIFIABLE INDICATORS (*)</th>
<th>SOURCES OF VERIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>To contribute to better protection of the environment facilitating sustainable development in BiH</td>
<td>Progress made towards meeting accession criteria in the environment sector</td>
<td>EC BiH Reports</td>
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</table>

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<thead>
<tr>
<th>SPECIFIC OBJECTIVE</th>
<th>OBJECTIVELEY VERIFIABLE INDICATORS (*)</th>
<th>SOURCES OF VERIFICATION</th>
<th>ASSUMPTIONS</th>
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</thead>
<tbody>
<tr>
<td>To support targeted reforms and further development of infrastructure in environment sector in BiH.</td>
<td>Progress achieved in aligning policies and legislation with the <em>acquis</em> in the environment sector</td>
<td>EC BiH Reports</td>
<td>BiH remains committed to progressing in fulfilling SAA requirements; Momentum for reform in the sector in maintained;</td>
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<table>
<thead>
<tr>
<th>RESULTS</th>
<th>OBJECTIVELEY VERIFIABLE INDICATORS (*)</th>
<th>SOURCES OF VERIFICATION</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result 1: Reforms in Water sector accelerated</td>
<td>1.1. Developed Master Plan of Agglomerations in BiH for the effective planning and implementation of UWWD in BiH</td>
<td>Progress implementation reports MoFTER Annual Report</td>
<td>Good cooperation, commitment and coordination amongst key stakeholders including local communities; Proactive involvement of all relevant stakeholders in implementation of the Action; Technical and human resources required for implementation of the Action allocated;</td>
</tr>
<tr>
<td></td>
<td>1.2. Degree of alignment of River Basin Management planning in BiH with WFD</td>
<td>River Basin analysis reports</td>
<td></td>
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<tr>
<td></td>
<td>2.1. No. of new household connections to the new systems for water supply and sewerage in 10 municipalities</td>
<td>EC BiH Reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.2 Population Equivalent (PE) - Number of residents connected to the WWTP</td>
<td>Agency for Statistic BIH</td>
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</tr>
<tr>
<td></td>
<td>Entities’ Institutes for statistics</td>
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<tr>
<td>Result 2: Water sector infrastructure further enhanced to meet EU standards</td>
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<td></td>
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</tbody>
</table>

(*) All indicators should be formulated as measurement, without specifying targets in the Logical Framework Matrix. The targets should be included in the performance measurement table in section 4. More detailed guidance on indicators is provided in Section 4 on performance measurement.  
(**) Relevant activities have to be included only in the following sub-section.
**DESCRIPTION OF ACTIVITIES**

**Result 1: Reforms in Water sector accelerated.**

For Result 1 the following activities will be implemented:

**Activity 1.1. Develop Master Plan of Agglomerations in BiH**

This activity will include:

**Sub-Activity 1.1.1.** Data collection and assessment of the current status of wastewater collection and treatment including industrial and agricultural sectors, update analysis of technical and financial capacities for implementation of Urban Waste Water Directive in each municipality;

**Sub-Activity 1.1.2.** Analysis of the other relevant issues such as: status of spatial planning documentation, availability and quality of technical documentation, population developments based on the results of 2013 Census, treatment technologies, sludge management, affordability, sustainability etc.;

**Sub-Activity 1.1.3.** Provide recommendations for sustainable solutions to be applied in each municipality in BiH; and

**Sub-Activity 1.1.4.** Capacity building of State, entity level, DB BiH, cantonal and local level institutions with respect to the effective implementation of the UWWD.

Current situation on wastewater management as well as technical and financial capacities and all other relevant issues will be updated and assessed for each municipality in BiH. In support of implementation of this activity BiH responsible institutions will commit to ensure cooperation by the targeted municipalities in providing relevant and required data. Based on this set of comprehensive recommendations for sustainable solutions to be applied in each municipality will be developed in the form of Master Plan of Agglomerations in BiH. Since DSIP and APIDs are “live” documents they have to be updated over time in order to be aligned with achieved developments, thus Master plan will be used as baseline input to update and finally formulate respective UWWD DSIP and following APIDs. Both DSIP and APIDs have to be further reflected within the budgetary planning and programs of public investments in BiH. BiH responsible authorities will commit to process the outputs developed for adoption and implementation.

**Activity 1.2. Further implement River Basin Management planning in BiH in line with the Water Framework Directive**

This activity will include:

**Sub-Activity 1.2.1.** Data collection, analysis of biological parameters and status of water bodies, analysis of anthropogenic pressures, determination of referent conditions for surface waters, analysis of hydro-morphological pressures, research and data collection for qualitative and quantitative assessment of ground water bodies;

**Sub-Activity 1.2.2.** Support to preparation of background documents for the next planning cycle 2022-2027;

**Sub-Activity 1.2.3.** Analysis of the monitoring of surface waters, groundwater and protected areas and recommendation for its improvements;

**Sub-Activity 1.2.4.** Upgrade of Water Information System to support full implementation of river basin management planning including transparency of the processes and reporting; and

**Sub-Activity 1.2.5.** Institutional capacity development of the responsible institutions for River Basin Management planning.

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8 Significant investments in wastewater collection and treatment facilities are taking place and they amounts up to 10% of overall approximation costs of UWWD in BiH

9 This action is also requested by the Programme of measures of the adopted river basin management plans in BiH
Full implementation of the river basin management planning requires extensive knowledge and comprehensive data availability on river basins. Collection of missing data and analysis of the water bodies status and pressures on water and water related eco-systems will be used to improve existing characterization of river basins. Based on this and during upcoming planning cycle, relevant background documents will be developed. This is key precondition for determination of significant water management issues and elaborations of Program of Measures within river basin management plans. Recommendations for monitoring developments are essential for efficient planning and decision making as well as for the progress monitoring and reporting. This is particularly important for improvement of bilateral and multilateral cooperation on trans-boundary and international river basins. Upgrade of water information system will enable efficient data acquisition, assessment and storing to follow river basin planning developments. It will be used in decision making process, and as very transparent communication hub towards wide range of stakeholders and interested parties. Further, this system will be used as a key reporting tool. Through extensive cooperation, institutional capacities will be developed to the level that will ensure long term ability and self-confidence for future actions and implementation of EU acquis.

**Result 2: Water sector infrastructure further enhanced to meet EU standards.**

For Result 2 the following activity will be implemented:

**Activity 2.1. Provide further support for implementation of water supply, sanitation and wastewater treatment infrastructure projects in RS and FBiH**

This activity will include construction of infrastructure for water supply, waste water collection and treatment in municipalities included in implementation of WATSAN projects in FBiH and RS, through direct co-financing.

With this activity, the implementation of WATSAN projects in both entities FBiH and RS will be supported. Direct investments will speed up finalization of infrastructure development projects in local communities. Eligible projects will be those that are ready for immediate implementation, those that are already in implementation but with limited resources or those that would increase their efficiency of operations of treatment facilities. Selection of the particular actions under the overall WATSAN projects would be done under the strong leadership of PMUs and EIB in order to gain maximal effects of the action. Effects will be measured by increasing the number of population who will have access to the services, increase of waste water treatment and reduction of pollution in water courses.

This activity will be implemented through a delegation agreement with the EIB, which is providing loans for the two WATSAN projects.

**Risks**

With respect to the complex institutional arrangement of BiH, a certain number of risks could be emphasized:

- Continued lack of political commitment for environmental protection;
- Lack of ownership, commitment, participation, and efficient coordination in managing the environment sector that affects strategic planning for further reforms and agreement on priority actions to be undertaken in that regard;
- Lack of priority and awareness by beneficiaries on tasks related to preparation for EU accession in the environmental sector;
- Lack of absorption capacities of beneficiaries institutions to actively participate in projects implementation and ensure follow-up on delivered results;
- Sustainability of the project results to be ensured by the project beneficiaries institutions, including maintaining the trained capacities of operational staff and ensuring knowledge transfer within the beneficiaries institutions;
- Lack of commitment by BiH responsible authorities to process for adoption strategic outputs developed (such as DSIPs for heavy investment directives, environment policy documents, etc.) and maintain pace of reforms supported by IPA funded projects;
- Weakness of the environmental administration at all levels of government in particular in local communities, in the processes of environmental planning, development and management;
- Insufficient financial support for the municipal infrastructure projects from local authorities;
- Problems with the adoption of the adequate fees and tariffs for water management services at the municipal level;
- Starting infrastructural projects without secured financial sources;
- Lack of project documentation or incorrect project documentation;
- Problems related to the timely acquisition of necessary permits and other legally regulated obligations;
- Lack of the capacities for faster absorption of EU funds and other funds available to BiH;
- Weak capacities in the public utility companies.

Actions proposed through this AD have primary goal to improve and strengthen environmental administration and infrastructure in BiH. In order for projects to be successful and to mitigate the risks mentioned above, it is very important to include all stakeholders from the very beginning of the implementation of the proposed projects. In addition, the implementation of grants by IFIs has to be done in timely manner. It also should be mentioned that activities related to the support of the adequate system for economic fees and tariffs for water management services are on-going through other projects implemented with UNDP and other international partners. Beneficiaries are obliged to present project documentation and acquisition of necessary permits, prior to the funds being disbursed for the infrastructural projects. This will mitigate potential risks for the proposed actions.

**CONDITIONS FOR IMPLEMENTATION**

The beneficiaries shall participate in the preparation of activities (e.g. preparation and approval of ToR, procurement processes, etc.) to facilitate and enable project implementation. Prior to start of implementation, respective beneficiaries institutions will commit to take proactive engagement in projects implementation. To that end institutions shall officially nominate its representatives for each activity.

Prior to start implementation of activities related to Result 2, BiH will provide the EU with a comprehensive overview of the main issues in the water services sector, possible gaps in the assessment, and information on actions taken and still to take in order to address these issues.

For all activities under this action, the beneficiary institutions shall be responsible for ensuring maintenance and upgrades, as well as training of their staff on the new equipment and facilities with their own financial means.

**3. IMPLEMENTATION ARRANGEMENTS**

**ROLES AND RESPONSIBILITIES**

Main institutional stakeholders at all level of authority are:

- **BiH Ministry of Foreign Trade and Economic Relations;**
- **FBiH:**
  - Federal Ministry of Agriculture, Water Management and Forestry, with the Sava and Adriatic Sea Watershed Agencies;
  - Federal Ministry of Environment and Tourism;
  - Federal Ministry of Finance;
- **RS:**
  - Ministry of Agriculture, Forestry and Water Management, with the Public institution *Vode SrpSke*;
  - Ministry of Spatial Planning, Civil Engineering and Ecology;
  - Ministry of Finance;
- **BD BiH:**
  - Government of the Brčko District BiH - Department for Agriculture, Forestry and Water Management; and
  - Government of the Brčko District BiH – Department for Spatial Planning and Property Affairs.
Steering Committees will guide implementation of activities that will be implemented as Technical Assistance. Apart from Contracting Authority, Steering Committees will include representatives from main stakeholders from all levels of authority - State, Entity and BD level. The composition of the Steering Committee will ensure equal representation of the interest of all key actors highlighting effectiveness and efficiency of such body.

**IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING**

Activities related to Result 1 will be implemented in direct management by the EU Delegation through:

- **One Service Contract** to provide the Technical Assistance related to development of Master plan of Agglomerations in BiH. The Service contract is envisaged to last 24 months;
- **One Service Contract** to provide the Technical Assistance for further implementation of River Basin Management Planning in BiH in line with the Water Framework Directive including upgrade of the water information system. The Service contract is envisaged to last 18 months; and

Activities related to Result 2 will be implemented in indirect management by the EIB through:

- **One or two delegation agreements, depending on practical arrangement with the EIB** to support implementation of water supply, sanitation and wastewater treatment infrastructure projects in RS and FBiH. Funds will be allocated equally between RS and FBiH and implemented through existing financial arrangements with European Investment Bank. The choice of the EIB as implementing partner is because the two projects (WATSAN in FBiH and WATSAN in RS) are already on-going, implemented by the EIB, and the support envisaged in this Action will be a continuation of those two projects.

**4. PERFORMANCE MEASUREMENT**

**METHODOLOGY FOR MONITORING (AND EVALUATION)**

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

To ensure objectivity, DG NEAR's Thematic Support, Monitoring and Evaluation Unit usually contracts independent experts and supervises their work (with the help of a steering committee), to ensure that they apply a robust methodology in a transparent way and deliver high quality products.

This action will be regularly monitored by EU Delegation to Bosnia and Herzegovina. Internal monitoring will be implemented through steering committee’s meetings, EU Delegation quarterly Implementation reviews, on-the-spot checks, meetings with beneficiaries and consultant companies/contractors. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement. That is subject to the DG NEAR's Thematic Support, Monitoring and Evaluation Unit. They assess EU support, over a significant time period, looking at specific sectors/themes, country support, aid modalities, financial instruments. They help understand why, in a specific context, the policy dialogue and financial assistance have been successful or not, and provide recommendations to decision-makers for the future programming and implementation.
## INDICATOR MEASUREMENT

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline (value + year) (2)</th>
<th>Target 2020 (3)</th>
<th>Final Target (year) (4)</th>
<th>Source of information</th>
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<tr>
<td>CSP indicator (impact/outcome)</td>
<td></td>
<td></td>
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<tr>
<td>Progress made towards meeting accession criteria in the environment sector</td>
<td>(2017) BiH is at an early stage</td>
<td>Progress is on going</td>
<td>(2022) Targeted progress is in place</td>
<td>EC BiH Reports</td>
</tr>
<tr>
<td>Progress achieved in aligning policies and legislation with the <em>acquis</em> in targetted areas</td>
<td>(2017) BiH is at an early stage</td>
<td>Reforms are on going</td>
<td>(2022) Reforms are in place</td>
<td>EC BiH Reports</td>
</tr>
<tr>
<td>Status of Master Plan of Agglomerations in BiH for the effective planning and implementation of UWWD</td>
<td>(2017) No Master plan of Agglomerations in BiH</td>
<td>Development of Master Plan of Agglomerations in BiH is under-way</td>
<td>(2022) Master Plan of Agglomerations in BiH as baseline for the effective planning and implementation of UWWD in BiH developed and integrated into DSIP</td>
<td>MOFTER annaul report</td>
</tr>
<tr>
<td>Status of alignment of River Basin Management planning in BiH with WFD</td>
<td>(2017) River basin management plans prepared for adoption in first planning cycle&lt;sup&gt;11&lt;/sup&gt;</td>
<td>Up-date of the background documents and River basin management plans for second</td>
<td>(2022) River basin management plans prepared for adoption in second planning cycle&lt;sup&gt;12&lt;/sup&gt;</td>
<td>River Basin analysis reports</td>
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<sup>10</sup> EC BiH Progress report for 2016  
<sup>11</sup> First planning cycle 2017-2021  
<sup>12</sup> Second planning cycle 2022-2026
| No. of new household connections to the new systems \(^{13}\) for water supply and sewerage in 10 municipalities \(^{14}\) | (2017) 0 | New system for water supply and sewerage under construction in 10 municipalities | (2022) 1750 | Project Progress report |
| Population Equivalent (PE) - Number of residents connected to the WWTP \(^{15}\) | (2017) 0 | 19.000 | (2021) 46.450 | Project Progress Report |

(1) This is the related indicator as included in the Indicative Strategy Paper (for reference only)

(2) The agreed baseline year is 2010 (to be inserted in brackets in the top row). If for the chosen indicator, there are no available data for 2010, it is advisable to refer to the following years – 2011, 2012. The year of reference may not be the same either for all indicators selected due to a lack of data availability; in this case, the year should then be inserted in each cell in brackets. The baseline value may be "0" (i.e. no reference values are available as the Action represents a novelty for the beneficiary) but cannot be left empty or include references such as "N/A" or "will be determined later".

(3) The target year CANNOT be modified.

(4) This will be a useful reference to continue measuring the outcome of IPA II support beyond the 2014-2020 multi-annual financial period. If the Action is completed before 2020 (year for the performance reward), this value and that in the 2020 target column must be the same.

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\(^{12}\) Second planning cycle 2022-2027

\(^{13}\) Expected total number of the new household connections to the new systems is 5000 (35% IPA II)

\(^{14}\) Action will co-finance approximately 35% of the costs of the new systems in 10 municipalities

\(^{15}\) For WATSAN FBiH IPA 2018 funds will be used to sufinance approximately 30% of the total cost of design and construction WWTP in five cities/municipalities with the capacity as follow: Siroki Brijeg (PE 10.000); Prozor-Rama (PE 3.000); Tomislavgrad (PR 6.000); Lukavac (PE 16.500) and Orašje (PE 10.950)
5. Sector Approach Assessment

The Action falls under the Environment and Climate Action sector. BiH adopted a countrywide sector strategy in the sector Environment and Climate Action, namely the Environmental Approximation Strategy (EAS). The EAS, together with its relevant implementation documents, adopted by Entities and Brcko District of BiH (BD BiH), represent strategic framework necessary for harmonised countrywide approach in legal harmonisation, implementation and enforcement of the EU environmental acquis. In addition, there are also other subsector strategies at state, entity and BD BiH level. Monitoring of the progress of reforms in the sector needs strengthening and the sector strategic framework implementation monitoring to be adequately established. The Action will be contributing to the implementation of the EAS in the subsectors of waste, water and wastewater management.

MoFTER is the competent sector institution at the state level and there are entity environment and water sector Ministries, cantonal sector Ministries and BD BiH sector departments. Coordination between different government levels in the environment sector in BiH takes place as required within the scope of work of sector institutions.

Overall legislation in BiH is partially aligned with the acquis covered by chapter 27 (Environment and Climate Action), but implementation and enforcement are at an early stage. There is substantial amount of work to be undertaken as regards the transposition of legislation and establishment of the necessary administrative and control capacities required by the acquis.

Existing institutions responsible for Environment and Climate Action policy development, implementation and enforcement are partially in place, but need to be strengthened considerably.

The administrative capacities and staffing levels for environmental issues are low at all levels of administration (state, two entities and BD BiH) and across the entire environment and climate sector. Substantive efforts are needed to consolidate administrative capacity for Environment and Climate action sector. BiH needs to ensure adequate staff number, competence, training, equipment and overall coherence between its plans for alignment and the timetable for the reinforcement of its capacity. A precise division of responsibilities between the relevant ministries needs to be better defined and more effective coordination between these institutions is required.

Sector and donor coordination is in place but it is necessary to reinforce their capacities for an effective internal (within the institutions conforming the Environment and Climate Action sector) and external (with other donors) coordination. Coordination with donors in the sector takes place on an ad hoc or project-by-project basis.

There is a scope for further strengthening of sector coordination and coordination with donors. There is a three-year as well as annual general budget planning of institutions in BiH. For investments, strategic planning and public expenditure monitoring in BiH is performed through the Public Investment Programme (PIP), as an instrument for identification, formulation and monitoring of projects funded from or with participation of public funds/budget, credits and donations. Funds for the environment sector infrastructure are provided primarily in the form of loans from the IFIs such as the EIB, the EBRD, the World Bank, and also from the EU and bilateral donors, but with the EU as the strategic grant provider in the sector, in particular for preparation of high-scale investment projects.

The Action will further strengthen the capacities of the relevant authorities in the environment sector in Bosnia and Herzegovina and accelerate the sector alignment with the EU acquis.

6. Cross-cutting Issues

Gender Mainstreaming

This Action Document will give equal opportunities to men and women to be an integral part of its design, implementation, monitoring and evaluation. Gender mainstreaming will be ensured in all aspects whenever possible, e.g. composition of various implementing, administrative or supervising bodies, gender sensitive language etc. The impact of the Action is considered to be beneficial for both men and women. Due attention
will be given to gender aspect within Action activities, including ensuring participation of both women and men, recognising different needs of women and men, ensuring benefits for both men and women, ensuring gender sensitive data. In general, a gender perspective will be maintained ensuring that the results of the Action impact positively on gender equality as well.

**EQUAL OPPORTUNITIES**

Based on the fundamental principles of promoting equality and combating discrimination, participation in the Action will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. Equal opportunities principles and practices in ensuring equitable participation and non-discrimination within the action will be guaranteed. Equal opportunities for participation of men and women will be assured in all aspects of action implementation. The foreseen interventions related to the water supply, waste water collection and treatment in municipalities, as well interventions related to waste management will have equal positive impact on the well-being and health of all categories of population in the society. Activities financed under this AD will thus be implemented by complying with the principles of preventing all forms of discrimination, and promoting gender equality.

**MINORITIES AND VULNERABLE GROUPS**

Participation in the Action activities will be guaranteed on the basis of equal access regardless of racial or ethnic origin, religion or belief, disability, sex or sexual orientation. Since this Action will deal with environmental issues targeting a general improvement of the priority areas, its outcomes will be beneficial to all citizens, especially national minority and underprivileged social groups, having in mind that these groups often live in areas where solving environmental problems is one of the top priorities. Further improvements in environmental protection (water and waste) and management will assist in poverty reduction and increase the potential for economic activity. It is expected that through the citizen feedback on the policy issues, the public concerns and aspirations of all citizens including minorities and disadvantaged or marginalised groups will be properly understood and addressed.

**ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)**

In order to ensure that public concerns and aspirations are understood and addressed in the field of environment, civil society is expected to be actively involved in the consultation process during development of policy documents and action plans and in related public hearings, according to the applicable domestic laws. To the extent possible, the action will also support the involvement of the civil society in monitoring of the implementation of the policy documents. Consultation with the public is also a key feature of environmental assessment procedures. Representatives of non-governmental organizations and civil society will be consulted and invited to actively take part in the different consultation events foreseen during the implementation of the Action Document.

**ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)**

This Action will contribute to the protection of the environment and facilitate sustainable development in Bosnia and Herzegovina and support targeted reforms and further development of capacities and infrastructure in environment sector in Bosnia and Herzegovina. This will be achieved by implementation of several water and sanitation projects, as well as by transposition of environmental acquis.

The benefit of the Action for Bosnia and Herzegovina and the EU is that degradation of the environment in Bosnia and Herzegovina will be mitigated, situation in the sector substantially improved and further steps taken to ensure approximation to EU acquis, standards and systems in this important, yet challenging, sector.

The interventions in the water sub-sector are directly linked with the implementation of the Urban Waste Water Directive and Water Framework Directive. All interventions are aimed to further approaching of BiH to the EU environmental standards in these areas.
7. SUSTAINABILITY

Bosnia and Herzegovina has a responsibility to ensure the outputs of this action are fully used and allocates the necessary resources to ensure the sustainability of the action. The harmonisation of the legal framework with the EU acquis and the establishment of the institutional mechanisms and administrative capacity for implementation represent the prerequisites for the full enforcement of the transposed legislation.

The sustainability of results will be achieved through ensuring that the design of the Master Plan of Agglomerations in BiH and the River Basin Management Planning, as well as the implementation of the water infrastructure interventions will be done with full involvement of all relevant authorities of Bosnia and Herzegovina on municipal, cantonal, entity, BD level and the BiH level.

BiH responsible authorities, being the beneficiaries of this assistance, have to ensure strong ownership and involvement of relevant stakeholders in the preparation of both the planning documents and the technical documentation (necessary permits/approvals, including urban planning and environmental permits, and construction permits), regarding the infrastructure interventions. This is necessary to provide for further follow up of actions in adoption and implementation of delivered results. This will consequently contribute to further effective transposition and implementation of the EU water directive in BiH. Most of the technical documentation for water management is prepared.

Public Companies will provide all necessary permits, approvals including: detailed land expropriation studies, special planning, environmental permits, and the construction permits. In this way, all the preconditions for obtaining domestic and/or international funding and beginning of construction works will be in place once the institutional building part of this action is implemented. All the institutions involved will continue using the methodology and approach developed by the consultants engaged in the action implementation.

Proposal for upgrade of relevant legislation expected through the action will be used and further elaborated by the competent ministries in BiH.

The proposed Actions will produce sustainable results in the long-term environmental management and ensure good living and health conditions for the population. The proposed activities are based on the coordination of national and international institutions efforts to implement EU Directives in the water management sectors and support to further economic growth.

In the long-term, implementation of the proposed actions will provide the chance for a strong and sustainable economic and social development across country. It is expected that living and health condition will be improved by improved management of the wastewater and safe discharge of the treated wastewater into environment.

The intended projects will ensure adoption of best practices and fulfilment of commitments under the SAA and the EU Acquis and the best European practices in the field of construction. For all civil infrastructural projects is necessary to ensure through the application, professional trainings/workshops for beneficiaries/municipalities aiming to inform and train staff how to operate and maintain constructed facilities will be provided. The trainings will be specified through each project application.

For projects applications, beneficiaries/municipalities should prepare the long-term business plan for sustainable maintenance of their investments. If necessary new tariffs for the water management services should be considered and discussed by the beneficiaries/municipalities.
8. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be funded from the amounts allocated to the Action. All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the EU communication and visibility requirements in force. All stakeholders and implementing partners shall ensure the visibility of EU financial assistance provided through IPA II throughout all phases of the programme cycle.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU’s interventions and will promote transparency and accountability on the use of funds.

Visibility and communication aspects shall be complementary to the activities implemented by DG NEAR and the EU Delegations in the field. DG NEAR and the EU Delegations should be fully informed of the planning and implementation of the specific visibility and communication activities carried out by the beneficiaries and the implementing partners.

It is the responsibility of the beneficiary to keep the EU Delegation fully informed of the planning and implementation of the specific visibility and communication activities. The beneficiary shall report on its visibility and communication actions in the report submitted to the IPA Monitoring Committee.