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**EVALUATION REPORT**

**- BiH/97/056 -**

***Village Employment and Environment Programme KEEP/***

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Development Office in Bosnia and Herzegovina**



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**VILLAGE EMPLOYMENT AND ENVIRONMENT PROGRAMME  
VEEP**

**PROGRAMME EVALUATION**

# FINAL REPORT

Prepared by:  
The VEEP Evaluation Team  
1999

Sarajevo 9 March

BiH DEX DFER \_ EIA EC  
EO EU ETF GNP IDP ITE LCC MDC MOA MOU MPC NGO NUNV **PAB RS** TOR  
UNDP UNHCR UNV VEEP

## Currency Equivalents

KM 1.00 = DM 1.00

DM 1.00 = US\$ 0.585 = Euro 0.450

US\$ 1.00 = DM 1.71 = Euro 0.885

Euro 1.00 = DM 1.93 = US\$ 1.13

## Abbreviations

Bosnia and Herzegovina Direct Execution  
Draft Final Evaluation Report Environmental Impact Assessment  
European Commission Environmental Overview European Union  
Employment and Training Foundations  
Gross National Product Internally Displaced Persons  
Independent National Technical Expertise Local Contract Committee Municipal  
Development Committee Memorandum of Agreement with Municipality Memorandum  
of Understanding with Municipality Municipal Project Committee Non Government  
Organisation National United Nations Volunteer Project Approval Board  
Republic Srpska  
Terms of Reference for Evaluation Mission United Nations Development  
Programme United Nations High Commission for Refugees United Nations  
Volunteer  
Village Employment and Environment Programme

Village Employment and Environment Programme (VEEP)  
DRAFT FINAL EVALUATION REPORT

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## I

### I. EXECUTIVE

#### SUMMARY 1.1 Main

#### Findings

The Village Employment and Environment Project (VEEP) has been implemented in three overlapping tranches VEEP I, II and III financed by EC as well as funding

provided by the Japanese Government and UNDP. The programme commenced in November 1997 with actual physical work starting in March 1998. In 109 municipalities a total of 180 sub-projects have now been completed with 54 still ongoing and expected to be completed by April 1999. The sub-projects may be divided into two main categories: infrastructure and environmental. The main types of activities include: road, water system and sewage rehabilitation, cleaning of rivers and canals, and reforestation. Roughly two thirds of the sub-projects are located in the Federation, the remaining one third in Republika Srpska.

The overriding immediate aim of the project was to fast create employment, and secondly to deliver visible impact at the village level through the implementation of infrastructure and environment sub-projects. Linked to these aims were the immediate objectives of increasing community participation in the decision process, lowering social and ethnic tensions, and contributing towards a remonitisation of rural areas.

To implement the Programme UNDP used the Direct Execution Modality. Overseen by UNDP an administrative structure was created specifically for the operational side of the VEEP. It consists of a VEEP Country Office headed by a manager assisted by a staff of two other international experts and a number of Bosnian professionals and others. In addition, five Regional VEEP offices were created each staffed by a Coordinator (a UNV) supported by a Deputy Coordinator (a Bosnian professional) and others.

The administrative structure has amply proven its ability to ensure the implementation of a very large number of sub-projects within an exceedingly short time frame, thereby creating substantial and immediate employment. The VEEP procedures were geared to achieve that. On the other hand, the Programme has been less successful in achieving a medium or longerterm development effect; the Programme was simply not designed to achieve that.

To be considered for implementation of a sub-project, the municipalities signed a Memorandum of Agreement (MOA) with UNDP. In that, the municipality undertook to ensure free movements of displaced persons and others and to follow specific sub-project selection and implementation procedures.

To ensure a high employment level the MOA specified that all sub-projects should have a labour component which amounted to at least 66% of total sub-project cost as financed by VEEP. In fact the Programme has achieved a total labour component of 71%. The labourers are from the most vulnerable groups (IDPs, demobilised soldiers, women etc.) selected from the list of unskilled workers registered as unemployed with the Employment Bureau.

In implementing the Programme the procedures laid down in the MOA were followed. Thus, a Municipality Project Committee (MPC) was formed (if not already existing) and it selected sub-projects in accordance with guidelines in the MOA. Engineering

companies engaged by

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UNDP carried out a technical appraisal of the projects. Subsequently, contractors were appointed originally based on a fairly complex bidding procedure, subsequently in most cases contracts were awarded directly to the most appropriate public utility company or specialised public company in the municipality. This change of procedures speeded up programme progress but is more than likely to have led to some cost increases or loss of efficiency.

Detailed socio-economic appraisals of sub-project were not carried out by the municipality or by VEEP staff. Also, sub-project base line data were collected to a limited extent only and appear only in the individual sub-project files. A database in VEEP Country Office contains data on cost, physical progress and employment creation, but not data, which would permit a proper socio-economic (post)-evaluation.

The Programme has been very successful in creating employment; when completed about 24,500 workers would have been engaged for an average period of almost 2 months. As a consequence a significant contribution towards a remonitisation have been made.

Most works appear well completed. However, poor quality of certain works (most notably some roads) was observed by the mission. Associated with this, there would be a need for substantial maintenance which may or may not be carried out. In other cases, after cleaning operations of canal/river banks it was observed that garbage had been thrown again, thus asking for another cleaning. Therefore, for certain sub-projects sustainability has not been achieved. In the first case, the poor result is a trade-off from the requirement for a high labour component which makes it necessary to do certain activities by hand even though they can only be achieved effectively by machine. In the second case, there is a need for environmental education and enforcement.

As to the economic effect of the Programme, in the smaller municipalities (due to the relative importance of the VEEP in relation to their total investment budget) it can be quite important, in the large municipalities marginal only. From an economic point, rehabilitation projects as those selected, generally have a good economic justification provided they are subsequently correctly maintained.

As to the social effects of the VEEP it should be well understood that the Programme is small in relation to the size of the problems. VEEP can therefore only contribute modestly towards their resolution. The mission has observed cases where the Programme has succeeded in taking positive steps in other cases without success



In total when completed about US\$ 13.9 million would have been spent on executing the works and up till about US\$3.2 million would have been spent as UNDP and Programme Support Costs which includes all administrative costs, technical assistance, and supervision. This is a relatively high cost (about 23% of construction costs). On the other hand, this has been heavily influenced by the need for a relatively large administrative and technical assistance staff with their need for means of transport, offices etc. to accomplish the work within a short implementation period. Obviously, in a continuation of VEEP with a more uniform workload overhead costs would be significantly reduced.

## 1.2 Key Recommendations

A comprehensive list of recommendations is presented in Chapter VIII. Most recommendations are presented with a primary aim of rendering future similar small scale

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public work activities (in the infrastructure and environment sector) more development oriented. Applying the recommendations should also make it easier to plan, implement and measure project achievements. In that way corrections to procedures and improvement in performance would also be facilitated by continuously drawing the lessons of previous work. Implementing the recommendations would in no way jeopardise the creation of immediate emergency employment.

The recommendations follow

below. The Programme

#### Management

Continue using the Direct Execution Modality; specify in revised TOR the duties of VEEP staff; promote experienced Bosnian professional staff to positions presently held by International staff; decentralise to maximum extent operations to Regional VEEP offices; make enhanced use of municipal monitors; engage short term consultants for specialised types of work; and encourage donors to provide longer term uninterrupted financial support.

#### Policies

All future activities should have a clear policy dimension ensuring environmental protection, project sustainability and enhanced longer term

employment creation, for this policy guidelines should be elaborated; organise a short seminar with participation of Government staff, donors, engineering firms to discuss a longer term role of labour-based methods.

#### Project Identification and Preparation

Collect general, technical, economic and social base line data for each sub-project and store data in a data bank in VEEP Country office; ensure that a future project has immediate objectives against which progress can be measured with the help of performance indicators; give preference to sub-projects in smaller municipalities and those for which synergy with other projects can be established; ensure that women organisations have a say in selection of projects; ensure that various ethnic segments of communities are employed in number commensurate with their importance; prepare without delay a detailed plan for work to be carried out with ECU 1.0 million provided by EC for VEEP IV.

#### Capacity building

Hold a workshop to discuss revised operational guidelines; train municipality staff. The Environment

Carry out environmental assessments and ensure that environmental problems are properly addressed at the design and implementation stages as well as in the postconstruction period;

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#### Maintenance

On a demonstration basis provide funds for one year maintenance of typical projects.

#### Taxes and other Charges

Seek clarification as to the use of charges levied by the Employment Bureau and explore possibilities for using funds towards labour-based works.

#### Gender Issues

Set targets for women's participation in various types of sub-projects.

#### Operational Guidelines

Revise the present Operational Guide; ensure that quality of works is fully

satisfactory and use equipment where this is necessary; for certain types of work lower the required labour percentage to 50% where required to ensure quality; unemployed semiskilled and skilled workers should be allowed to participate in particular if their skills are required for good workmanship; sub-project appraisals should include a socio-economic assessment; bidding procedures should be simplified; engineering firms should continue to carry out project supervision , but short term consultants should also be used where their specialist know-how is required.

### Project Implementation

Use to increasing extent private construction firms selected through a simplified bidding procedure; include in Memorandum of Agreement measure to encourage return of refugees and participation of vulnerable groups as well as to set targets for ethnic structure of sub-project workforce;

### Project Monitoring and Evaluation

Create a data base linked to other relevant data banks and use it for monitoring and evaluation; undertake a brief study of the VEEP programme's social effects, and examine if non-committed funds of ongoing programme could be applied towards implementation of certain recommendations of the present report.

## **II. INTRODUCTION**

### **2.1 Evaluation Mission and its Terms of Reference**

For the evaluation of the Village Employment and Environment Programme (VEEP), the UNDP Country Office has engaged four consultants: Mr. Sven Hertel/Team Leader and Civil Engineer, Dr. Aleksandar Knezevic/Environmental Policy Specialist and Mechanical Engineer, Mr. Samir Dug/ Environmental Specialist, and Mr. Damir Miljevic/Economist. Messrs. Hertel and Dug started working on 11. February 1999, Mr. Knezevic joined the team the following day while Mr. Miljevic started work in the Banja Luka Region on 16. February to join the remaining team in Sarajevo on 26. February. The evaluation was completed on 8 March

The Mission has carried out visits to various Regions, municipalities and held meetings with representatives of municipalities, public utility and private construction companies as well as UNDP and VEEP staff. About 10 sub-projects were visited in connection with visits to the Tuzla Regional Office (17-18 Feb), the Travnik Regional Office (23 February, the Banja Luka Regional Office (24-25 Feb) and Sarajevo Regional Office (2nd March). Account has been taken of the internal VEEP evaluation carried out in December 1998. The Evaluation Mission Terms of Reference (TOR) are shown in Annex I and Mission main activities in Annex 2.

### **2.2 Economic and Social Background**

**Location:** Southeastern Europe, bordering the Adriatic Sea, Croatia, and Federal Republic of Yugoslavia.

**Area:** 51,233 km<sup>2</sup>

**Natural resources:** coal, iron, bauxite, manganese, forests, copper, chromium, lead, zinc. **Land use:**

- Arable land: 14%
- Permanent crops: 5%
- Forests and woodland: 39%
- Other: 22% (1993est)

**Environment-current issue:** air pollution from metallurgic plants; sites for disposing of urban waste are limited; widespread casualties, water shortages, and destruction of infrastructure because of the 1992-95 war.

**Geography note:** within Bosnia and Herzegovina's recognized borders, the country is divided into two entities: the Federation (about 51% of the territory) and The Republika Srpska (RS) (about 49% of the territory).

**Political structure:** Bosnia and Herzegovina became an independent state in April 1992 after dissolution of Socialist Federal Republic of Yugoslavia. Development of economy and society, as well as the whole process of transition were drastically interrupted by the war. The war lasted from April 1992 to December 1995, and ended by the Dayton Peace Accord in November 1995.

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According to the Dayton Peace Accord, Bosnia and Herzegovina consists of two entities: Federation of Bosnia and Herzegovina and Republika Srpska. The Capital of the State and of the Federation is the city of Sarajevo. The capital of Republika Srpska is Banja Luka. The Federation covers 51% of the territory, and more than 3/4 of industrial potential of the whole state is located in this area, as well as the biggest number of towns. Federation is comprised of 10 cantons identified by either number or name - Una - Sana (1), Posavina (2), Tuzla Podrinje (3), Zenica Doboje (4), Gorazde (5), Central Bosnia (6), Neretva (7), West Herzegovina (8), Sarajevo (9), Livno (10).

Republika Srpska is comprised of 68? municipalities which are main administrative units. Two entities in Bosnia-Herzegovina have very high level of independence. At the state level exist Presidency (with three members) and Council of Ministers with only three ministries:

- Ministry of Civil Affairs,
- Ministry of Foreign Affairs and
- Ministry of Foreign Trade and Economic Relations.

Both Entities have their own governments with a large number of ministries, such as ministries for energy and industry, ministries for physical planning and the environment and

so on. The Federation consists of ten cantons. The basic constitutional units are municipalities (in both entities). Chambers of commerce and other economy associations are also at entities level. This causes difficulties in establishing international co-operation.

The Environmental Steering Committee, as an intergovernmental body necessary for international co-operation, was established in September 1998.

**Population:** 3,365,727 (July 1998 est.). During the war 1992-1995, more than 200 thousand people were killed, over 2.2 million were expelled abroad or displaced internally. More than 50 thousand persons suffered permanent disabilities. All data dealing with population are subject to considerable error because of the dislocations caused by military actions and ethnic cleansing. Over 815,000 refugees are still seeking solutions, of whom the greatest number are located in Germany (315,000), the Federal Republic of Yugoslavia (253,000) and Croatia (160,000). In addition, some 750,000 remain displaced within Bosnia and Herzegovina, of whom roughly 450,000 are in the Federation and 300,000 in Republika Srpska (RS Entity). And a further 48,000 Croatian Serbs have settled in the Republika Srpska..

**Net migration rate:** 39.91 migrant (s)/1,000 population (1998 est.).

**Economy-overview:** Bosnia and Herzegovina ranked next to former Yugoslav Republic of Macedonia as the poorest republic in the old Yugoslav federation. Although agriculture has been almost all in private hands, farms have been small and inefficient, and the republic traditionally has been a net importer of food. The wide regional differences of war damages and access to the outside world have resulted in substantial variations in living conditions among local areas and individual families. Labor force was estimated at 1,026,000 in total. In March 1998 there were total of 353,205 employees in the Federation. The unskilled workers looking for a job accounted for 42,5% of unemployed persons. It should be however noted that out of the employed about 17% are on so called "waiting lists" and receive only minimum social benefits (up to 40 DEM per month). In Republika Srpska, there were 244,267 employees. According to these data the rate of unemployment is 48%. The average monthly net wages in 1998 were in the Federation 354 DEM, and in Republika Srpska 150 DEM.

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GDP: \$ 4.41 billion (1997 est.)

**GDP-real growth rate:** 35% (1997

est.) **Per capita income:** \$1,690 (

1997 est.) **GDP-composition by**

**sector:**

- Agriculture: 19%
- Industry: 23%
- Services: 58% (1996 est.)

## 2.3 Organisation of the Evaluation Report

The report is organised in 8 Chapters followed by Annexes.

Chapter I **Executive Summary** provides an overview of the study findings and key recommendations are presented.

Chapter II **Introduction** provides primarily basic socio-economic data.

Chapter III **The VEEP Programme** provides a brief description of the VEEP programme.

Chapter IV **Project Implementation and Performance** outlines the programme implementation with its successes and difficulties.

Chapter V **Attainment of Project Objectives and Outputs** discusses the relevance of the programme objectives and the difficulties encountered in measuring the extent to which these have been attained. The Chapter also describes the outputs achieved as of 31. January 1999.

Chapter VI **Effects** describes the economic, social and environmental effects of the programme and analyses the difficulties in quantifying these.

Chapter VII **Programme Sustainability and Replicability** discusses the extent to which the programme activities may be sustainable and replicable. The Chapter also analyses ways and means of ensuring a greater degree of sustainability and replicability.

Chapter VIII **Lessons Learned and Recommendations** analyses the need to learn from the programme in order to enhance the positive effects of future similar programmes. Lessons learned from this programme are interwoven with more general principles. The Chapter includes a comprehensive list of fairly "straight forward" suggestions and recommendations which in most cases could be considered for implementation in a near future.

### **III. THE VEEP PROGRAMME**

#### **3.1 Project Background and Project Areas**

The after-war period in Bosnia and Herzegovina is characterised by the interruption (or destruction) of all previous main systems (constitutional, economical, international Co-operation and market, technical and infrastructure ...). That caused a very low level of effective use of national resources, even though they were not physically damaged. The consequence is that only a very limited number of people are employed to carry out rehabilitation, reconstruction and development of the country. Due to a perceived high political risk, capital from abroad needed to re-establish destroyed systems is forthcoming only slowly.

The international community makes significant efforts to establish new political, social and economical systems in BiH. This they can not do by direct investments in the economic sector, because most enterprises are in state ownership (under control of governmental political parties). Therefore, the international community is investing in communal infrastructure in order to improve general living conditions, and at the same time it indirectly supports economical development. Also, historical experience shows that public works is a good method to achieving a social recovery and facilitate an economic recovery.

Above mentioned facts has been a reason for UNDP Country Office, in co-operation with other international organisations and governments, to establish and implement the "Village Employment and Environment Programme". Total amount spent in three rounds of programme implementation, has been about DEM 25 million or about 2 % of total international support to BiH after the war. The significance of the Programme is not just the amount invested, but also that this is a first step in a process of reintegrating human resources (specially those affected by the war), also producing secondary effects such as enhanced environmental performance, reduction of social tensions and so on.

A project document for the Programme was signed on April 23<sup>rd</sup>, 1998 by Mr. Mirsad Kurtovic, Minister of Foreign Trade and Economic Relations, on behalf of Bosnia and Herzegovina, and Mr. Hans Bruyntjes on behalf of the UNDP Country Office. The programme area is the whole of Bosnia and Herzegovina. The programme has been realised through municipalities, the smallest management units in the Country, in close cooperation with local communities (a settlement, one or a few villages) and civil associations. Specially, the Programme has been supported by National UNVs as monitors acting as catalysts in the implementation process.

### 3.2 The Project Framework

In the Project Document the programme objectives are described and the Programme outputs are indicated in general terms (without quantification).

The programme objectives have subsequently been modified and now reads:

- a) To employ some 5,000 workers over a period of 12 months, particularly vulnerable groups such as unskilled, internally displaced and demobilised soldiers.
- b) To deliver visible impact at the village level through the completion of minor infrastructure works such as rural road repair, refurbishing communal buildings and environment improvements such as refuse collection and clearing of riverbanks.
- c) To lower social tensions in villages targeted for refugee return and create improved conditions for repatriation through employment of the resident population, improvements to the environment and community participation in the decision

making progress.

- d) To further the peace process in and around Brcko and elsewhere through the speedy initiation of public works aimed at multi-ethnic reintegration of the different ethnic groups.
- e) To increase community participation in the decision making process regarding development, through the strengthening or the creation of representative mechanisms for the identification and prioritisation of sub-projects.

To engage a basic remonitisation of rural areas to facilitate micro-economic development through the normal multiplier effect associated with public works contracts.

No specific performance indicators have been attached to these immediate objectives. The latest Progress Report covering the period up till 28 January 1999 mentions positive steps taken which would enhance progress towards attainment of these objectives. However, these steps do not by themselves ensure attainment.

### 3.3 Project Costs and Financing

The VEEP is being implemented in four overlapping tranches financed by EU:

- |          |  |
|----------|--|
| VEEP I   | ECU 999,614 signed 28 October 1997. Activities were completed 28 April 1998        |
| VEEP II  | ECU 6,000,000 signed 28 October 1997 and completed by end of 1998                  |
| VEEP III | ECU 5,000,000 signed on 27 March 1998 and 95% completed by 31 <u>January</u> 1999. |

In addition, the Programme has been financed by a contribution from Japan (US\$3,000,000) and a contribution from UNDP (US\$600,000).

The completion date for VEEP III is 27. March 1999. However due to the hard and long winter it will not be possible to complete all work on time. It is expected that an extension of one months would be required.

The total financing excluding VEEP IV amounts to about US\$17.3 million.

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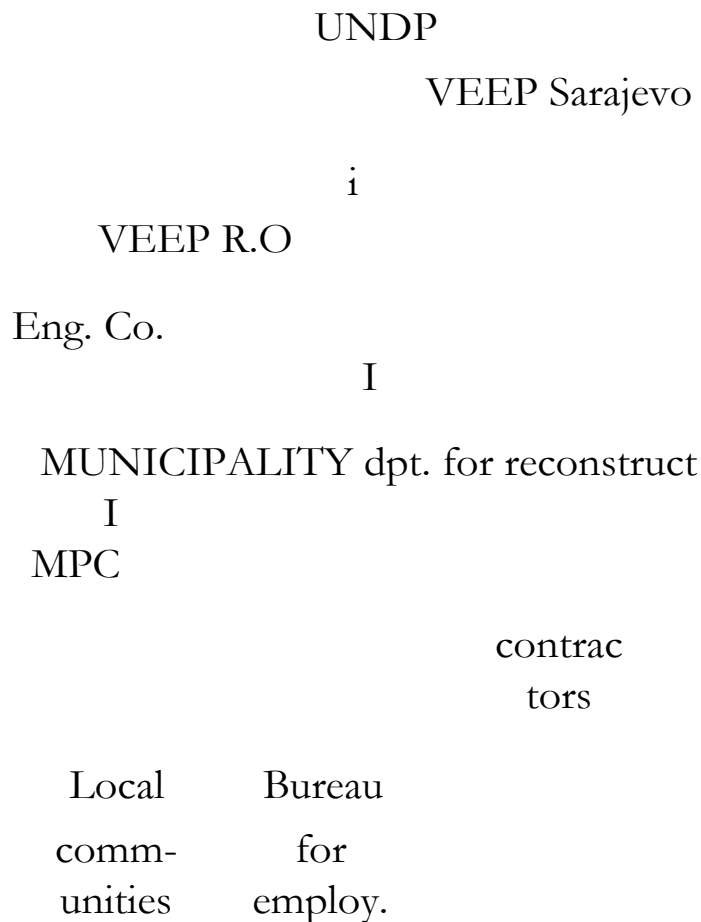
A VEEP IV contribution from EC of ECU 1.0 million has just been approved for a total project period of 12 months. A subsequent EC contribution of about ECU 6 million is



expected by August/September 1999.

### 3.4 Project Management Structure

The Programme Management Structure is shown in the organogramme - Fig. 3.1. Execution of the Programme is under the overall responsibility of the UNDP Country office in Sarajevo, under the Direct Execution Modality. UNDP is responsible for providing monitoring, guidance and oversight of the Programme activities otherwise managed by a VEEP management team.



In particular UNDP shall (see Project Document):

1. ensure that the Project Team has the means and capacity to carry out the project as agreed among the EC, the Japanese Government and UNDP;
2. ensure that gender concerns are taken into consideration;

3.be responsible for all aspects other than the operational side of VEEP, including relations with donors and other agencies involved in the project;

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4. assume full responsibility and accountability for the production of outputs, the achievement of objectives and the use of project resources;
5. through independent contracted technical expertise, appraise on a technical basis the sub-projects submitted by the municipalities to the Project Approval Board, including the capabilities of the potential contractors and proposed implementation procedures and make recommendations to the Project Approval Board on sub-projects selected and prioritised by the municipalities;

The UNDP Resident Representative is a member of the Project Approval Board, and a representative of UNDP shall attend all other meetings concerning general issues related to the project.

To implement the Programme UNDP has a VEEP operation management structure, which was gradually increased to include:

A Country Management Office in Sarajevo with 3 expatriates and professional and other Bosnian staff;

Five Regional Offices (Tuzla, Travnik, Banja Luka, Bihac and Sarajevo) each headed by a Regional Coordinator (a UNV) and Deputy Regional Coordinators (Bosnian).

About 50 National UNVs engaged to undertake general monitoring at the municipality level.

Independent engineering companies engaged to undertake sub-project appraisal, a mid-term review of the sub-projects and a final certification of works.

The respective tasks of the various VEEP staff and UNVs are defined in their respective TORS.

Due to a decreasing works volume, the staff of Travnik and Bihac Regions have been reduced and the Sarajevo Country office and Regional office have been consolidated into one office.

### 3.5. Taxes and Charges

The tax system is not the same in both Entities. In the Federation of BiH the first level of taxes is a tax on services (10% of total value of a contract value, i.e. bill). According to Federal law, donations are free of this kind of tax - so UNDP projects are free of that tax. Second level are taxes on wages, as well as insurance charges. There are no taxes on wages for engagement of unemployed people. Only, from their net wages workmen have to pay a

service charge of 10% to the Employment Bureau. In some cases workers receive part of that amount as "meals", but this fact does not influence the total amount of money workers receive, because for the whole of their income it is necessary to pay a service charge of 10 %. So workers in the Federation BiH have the following wage

$$2.35 \times 0.9 \text{ (work and meals)} = 2.11 \text{ DEM per hour.}$$

Of the 10% Employment Bureau service charge (in FBiH) one tenth is tax on the Bureau service, and nine tenths is going to the Federal fund for development. That Fund is managed by a Board of 5 members (one of them is the representative of Federal Ministry of Finance).

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Also in Republika Srpska there are no existing taxes on funds from donations. But employed people in temporary engagement have to pay about 40% tax towards some forms of health insurance. In practice under the Programme, workers' wages have been divided in two parts (salary and meal charge). The amount given for meals is not subjects to charges. So, workers in RS receive:

$$0.25 \text{ DEM (meals)} + 0.6 \times (2.35 - 0.25) \text{ (work)} = 1.51 \text{ DEM per hour.}$$

It is important to realize that the average wages (employed workers) in RS are about 2.5 times lower then in the Federation. So, it seems that the authorities in RS have wished (introducing a tax charge of 40%) to reduce the difference between wages of employed and unemployed workers, as well as to replenish some their insurance funds.

From the money paid into the Federal Fund for Development, a smaller part is to cover costs of the Employment bureau, and rest is provided as an incentive towards creation of new employment. The money is transferred to the canton level from where it is operated.

Requests to receive money from the Fund is examined by an Expert team, and approved by a Managing board, consisting of representatives of the Trade Union, the Chamber of Commerce and the Federal Government. Requests are in the amount of 200 - 600 DEM (practically only private enterprises are applying.) If a worker engaged with the incentive mentioned, is not performing satisfactorily in his workplace, he can be dismissed but not earlier than after 6 months.

In both entities there also exist taxes on products/materials. The taxes are about 20%, in some cases (such as for petrol) higher.

In the Federation BiH, material used by a firm for subsequent activities is exempt of tax, because tax is paid only at the end of the production chain (on the end-product) The Final tax is 10% on total value of the end-product. However, for activities financed by donations, like the VEEP, no taxes are paid.<sup>i</sup>

Regarding activities of the Fund, from time to time, these are subject to interviews

covered in newspapers.<sup>2</sup>

<sup>1</sup>This part will be extended in a few days <sup>2</sup>This part will be extended in a few days

#### **IV. PROJECT IMPLEMENTATION AND PERFORMANCE 4.**

##### **1      Execution and Implementation Structure of VEEP 4.1.1**

###### **General**

The operational structure of VEEP has been described in Chapter III. In general it has functioned well, in particular proven its ability to prepare, appraise and implement 234 sub projects within an extremely short time horizon agreed with the main donor EC. The high output in terms of employment and realisation of sub-projects has been achieved by a systematic concentration on a high turn around of sub-projects, maintaining a high labour component of all sub-projects and streamlining procedures. On the other hand, some developmental aspects of the programme had to receive less attention.

However, the launching of the Programme appears less than effective, partly as a consequence of EC funding initially limited to VEEP I (ECU 1.0 million). It also seems that a better and more effective setting up of the Programme could have been achieved if outside professional advice had been systematically sought at the very onset of the programme. The programme has been designed and implemented as an emergency programme. For this reason not much attention has been given to achieving more sustainable results. The terms of reference for the VEEP staff are also a reflection of this fact.

No emphasis has been given towards the development of technical and socio-economic guidelines specific for each type of sub-project, simpler competitive bidding procedures with more rational bid evaluation criteria, and the creation of a true data bank in the VEEP Country office.

It is felt that now time has come to pay more attention to sustainable development aspects. This will be further discussed in subsequent chapters.

##### **4.1.2 VEEP Monitoring Procedures and their Effectiveness**

VEEP monitors the progress of the works using Municipal monitors (NUNVs), Engineering companies and through visits by VEEPs own staff to municipalities and work sites.

The NUNVs monitor the progress of work more generally with particular attention to the recruitment and attendance of workers on site. They also monitor the municipality's identification and selection of projects. The engineering firms are engaged to appraise sub-projects, to carry out a mid-term review/supervision of works and to issue a certificate of

acceptance when the works have been completed. The Municipality would on a more continuous basis follow the works. It seems that in the case of public utilities or public construction companies they would, however, to a certain extent and in certain cases be their own supervisors.

#### 4.1.3 The Role of Engineering Companies and their Cost

Engineering consultants are engaged to undertake the following three tasks in connection with each sub-project:

- (a) technical appraisal of sub-project prepared by municipality;
- (b) mid terms review of project implementation; and
- (c) final certification of sub-project;

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The actual "Sub-Project Agreement" with the engineering companies actually provides several other services such as: "provide technical assistance to the VEEP Regional Coordinator as required" and "ensure through on-site visits that contracting and procurement procedures undertaken ... are conducted in compliance with UNDP procurement procedures."

The engineering companies are selected after a bidding where the lowest satisfactory bid has been accepted. The cost of carrying out all three steps amount generally to about DEM 2,700 irrespective of size or type of project. However where the Employment and Training Foundation has been selected their price is fixed as a percentage of total project costs.

The engineering company completes each task with a report to the Regional VEEP office. Satisfactory reporting means for the first step that the sub-project can be approved, selection of contractor can be undertaken and after signing contract first 40% of the contract sum can be paid to the contractor. For the second step that a second payment tranche of 40% can be released; and for the last step that the sub-project has been satisfactorily completed and the last payment tranche of 20% can be released to the contractor.

The evaluation mission has reviewed some reports prepared by engineering companies and discussed their performance with VEEP offices. While the technical competence of the firms should not be put into question, a number of other observations can be made:

- (ii) the engineering firms do not have fully relevant experience in all types of subprojects;
- (iii) sometimes the engineering firms due to their manpower constraints could visit municipalities and work sites only with considerable delay (up to 2 weeks);
- (iv) only one visit (the mid-term review) during construction is not adequate as a

technical monitoring of works;

- (v) the engineering firms have in certain cases accepted works which were not satisfactory from a technical point of view. Often the inadequate technical quality could be traced to a need to reach a labour percentage of 66 which prevented the use of mechanical compaction of road running surface layers;
  - (vi) (apparently) the engineering firms do not specify maintenance requirements for completed works; and
  - (vii) the cost of the engineering services is high.
- (i)

the appraisal of sub-projects is technical only, and do not include collection of any data of value for a subsequent economic and social evaluation of projects;

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In particular for facts mentioned under (iii) and (vii) above, VEEP offices have suggested that they should themselves engage engineers, since this would amount to a cheaper and more convenient procedure.

While the evaluation mission has sympathy for the "reason d'être" of above, it could risk to create a too large VEEP apparatus which some day in a not too distant future would have to be dismantled. Furthermore, the need for an increased number of competent Bosnian engineering companies is manifest. Therefore, it would seem a better solution to continue using engineering companies ensuring to the extent feasible that their performance is adequate and the cost of their services competitive. It should be contractually ensured that the firm makes available an adequate number of excellently qualified engineers and that their cost would be reasonable.

For specific tasks for which the engineering firm may not have the competence or inadequate availability of staff, the UNDP/VEEP could resort to short term Bosnian consultants.

#### 4.1.4 VEEP Reporting Procedures

VEEP provides monthly Progress Reports to UNDP. These describe physical and financial progress. Due to the pressure to show employment results through physical progress of works, the reports have not been used as a vehicle to steady improvement of performance. Changes which have occurred in procedures have had the main purpose of facilitating accelerated physical progress, not to improve quality of works, to enhance capacity building or achieve more sustainable results.

#### 4.1.5 Cost-Effectiveness of the Direct Execution and VEEP Structure

The present structure of UNDP Direct Execution and an operational VEEP structure have succeeded in implementing 234 projects in 109 municipalities. Many problems have had to be overcome. The programme was divided into three EC tranches for which separate funding was provided with extremely short periods for implementing each tranche and without much consideration, if any, to the fact that in the winter period nearly all works have to stop.

The implementation for that reason has also had relatively high overhead costs. More staff than optimal had to be recruited and for these means of transportation and offices had to be provided. It also led to the recruitment of a larger international staff (three international experts and five UNVs) than otherwise would have been required.

A pilot project was carried out in advance of the VEEP project; it is not clear to the mission how many lessons were drawn from this activity. The VEEP programme from its launching in November 1997 till construction could begin in March/April 1998 prepared procedures for the programme, which in some ways were not adequate. This fact added to certain difficulties in the implementation. It would seem that a part of the VEEP staff had insufficient experience in public works programmes and contracting.

Annex 12 shows the original and revised budgets for VEEP. The Annex provides also an overview of expenditures and commitments as per UNDP computer print-outs. It is seen that actual works (labour and material costs) has amounted to the equivalent of US\$12,790,000 with other expenditures (administration, engineering firms, visibility etc.) amounting to

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US\$3,079,000 or 24% of the cost of the works. Of this amount it is estimated that visibility activities has cost about US\$ 100,000 reducing the real overhead cost to about 23%.

This high overhead cost is partly explained by the difficult conditions and short time during which to implement the project. Furthermore, the work in connection with ensuring some community participation in selecting sub-projects and transparency in workers selection has added substantially to the cost. Finally, the cost of services by engineering firms also is high. On the other hand it would be wrong to say that the high overhead cost is a result of the Direct Execution Modality.

The programme has been executed under great strain of various kinds and, in the view of the mission, learning the lessons from this would provide a firm basis for a continuation with substantially lower overhead costs.

The VEEP has prepared an Operational Guide, which has fully satisfied the immediate and main aim of the programme: to create emergency employment through the rehabilitation of infrastructure and environmental sub-projects. However, the Operational Guide is not adequate for a programme, which also would aim at sustainable development.

Thus, the Operational Guide only provides general advice common for all types of projects

even though they are immensely different. They require different basic data, different approaches to labour-intensity, possible needs for equipment (for reasons of quality), special requirements as to design and monitoring/supervision.

A further problem with the present procedures is that generally they do not provide adequate basic data to enable a proper quantification of sub-project effects and benefits. It seems that a proper databank has not been developed for other than physical and financial progress of subprojects. Again different types of projects require different types of data and information in order to evaluate their effects.

Originally works were subject to a complicated bidding procedure. Qualified contractors were invited (in newspapers and over the radio) to bid for sub-projects. The invitations were apparently not sufficiently precise, in any case many contractors with inadequate experience and understanding of the programme provided bids which required a lengthy bid evaluation, selection of contractor and finally award of contract.

Somewhat confusing evaluation criteria added to the difficulties. Thus, the procedure contained three items which should be evaluated: contractors rating (max. 15 points) (experience as firm, staffing, and equipment with each 5 points), labour component (max 15 points) (for min. 60% of total cost towards payment of labour; reduced to 5 points for 50% to 60%), and financial evaluation (max. 15 points). The methods gave a very low weight to price, and excessive weight to labour and equipment. In particular it is noted that while "enough" equipment gives 2 points, very well equipped gives for unknown reasons 5 points.

As a consequence of above difficulties with bidding, it was in May 1998 decided in most cases to abandon the bidding procedure and award contracts directly to what was considered the most competent local firm (generally a utility company or specialised company). Only if a competent "best" local public utility company or public contracting firm was not available

## 4.2

### Operational Guidelines incl. Bidding Procedures

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would the bidding procedure be used. This speeded up considerably the process, but apparently in some cases it lead to increased costs (increases of 10% to 15% has been mentioned to the mission)

## 4.3 Selection and Performance of Contractors

Nearly all municipalities have one or several public utility companies and specialised public construction companies. There are also a relative large number of relatively small private contractors in the country. Since public utility companies and contractors all own equipment obviously they would like to use this since most of it has been fully amortised.



On the other hand, the mission found that there was great understanding for creating employment through public works. Generally, all companies contacted appeared fairly competent. However, in particular the private contractors seemed concerned over the inadequate quality achieved in certain cases because of restrictions on using equipment even in cases where its use was a sine qua non for obtaining adequate quality (mechanical compaction of roads as an example).

The advantage of awarding a contract directly to a Public Utility Company is that the bidding procedure is avoided and the utility company in most cases would be responsible for subsequent maintenance. However, this should be weighed against the advantage of a transparent bidding procedure, the likelihood of lower costs, and development of a private sector. Therefore, in most cases bidding would appear the most appropriate. Suggestions for revised and simplified bid evaluation criteria are shown in Annex 5.

#### 4.4 Budgeting Allocation Procedures and Mechanisms

In the following sub-sections criteria for selecting municipalities and sub-projects will be discussed. The relevance and usefulness of the Memorandum of Understanding will also be analysed.

##### 4.4.1 Criteria for Selection of Municipalities

It was envisaged that all the Municipalities in BiH (both Entities) could be included in the Programme. Due to lack of cooperation by some local governors, the Project was not realised in some municipalities in eastern part of RS, as well as in some municipalities in the southwestern part of FBiH ("Herzeg-Bosnia").

Municipalities in the Federation of BiH received 66% of the total budget, and Republika Srpska 34% which corresponds well to the relation between the number of inhabitants in each Entity.

##### 4.4.2 Criteria for Selection of Sub-Projects

In a first round of distributing funds each municipality could propose sub-projects amounting in total to US\$100,000. In a second round (additional funding) the municipalities could propose further sub-projects for financing. The VEPP office in Sarajevo had prepared criteria for selection under this second round using such criteria as extent of war damage, number of unemployed, etc. A workshop was organized with the aim to identify specific sub-projects. The sub-project proposals had to be appraised in respect of technical feasibility and eligibility by the Engineering consulting companies. The selection of sub-projects was made at the

municipal level by the Municipal Project Committee composed of civil societies and Municipal Representatives.

In general terms sub-projects for both rounds were identified and proposed on the basis of Amount of money available, and

- o Criteria specified for sub-projects (public works, use of unemployed unskilled workers, a labour component amounting to not less than 66% of total cost etc.).

Therefore, the proposals usually were not chosen from existing plans, but new projects were proposed. The volume of work was adjusted to the available funds, and often not from a real estimation of needs. In particular, a quality evaluation (in economic and social terms) of proposed sub-programs was not done. In that way, possibly on some occasions, priority problems were not resolved and/or more money than necessary was spent.

All municipalities gave a contribution in kind by organizing the job, but some of them gave also contributions in material (for a bridge in Dobož visited by the mission), or towards transport costs (Stari Grad). It is estimated that generally the municipalities' contribution amounted to at least 10% of total sub-project costs.

The connection of VEEP sub-projects with other projects (financed by municipality budgets or other donors than VEEP) appeared (based on the limited sample of sub-projects visited) fairly weak. In this way, the decisions might have been made more on the basis of opinions of members of MPC, than on the basis of a proper economic and social evaluation. Only a smaller number of the municipalities appeared before to have prepared projects, which were technically and economically verified.

In municipalities, covered by sub-projects, relative economic and social impacts of the sub-projects were not the same. In bigger Municipalities the percentage of the VEEP program (in relation to total investments) was about 1 % (Tuzla), and in smaller up to 30% (Kalesija). It shows that there is relatively bigger effect in smaller, less developed Municipalities, and that it is advantageous, in those municipalities to finance bigger works. On the other hand, it does not mean that it is necessary to stop financing sub-projects in bigger and more developed Municipalities. Also, some kind of UNDP policy advice should be present, but in these bigger Municipalities, less financing could be made available.

#### 4.4.3 The Relevance of the Memorandum of Agreement

On the basis of experiences gained under the first round of sub-projects, the UNDP and the VEEP Country office prepared the text for a Memorandum of Agreement (MOA) that subsequently has been the legal basis for the relationship between a municipality and the UNDP Country office. The MOA contains:

- a) criteria for sub-project proposals
- b) procedure for sub-project formulation
- c) respective responsibilities of the Municipality and UNDP
- d) payment procedures
- e) detail forms to be used to record sub-project progress and completion.

The MOA gives preference to engagement of local public utility companies due to the public nature of the works to be undertaken. Only in exceptional cases, when a suitable public utility

company is not available should bidding with invitation of private and public companies take place.

The decision to avoid bidding was mainly taken on grounds that it was thought that public utility companies would in any case be the most suitable choice since they would subsequently be responsible for maintenance. Furthermore, the bidding was cumbersome and took too long time. However, it may be questioned if it was necessary or advantageous from a cost-efficiency point of view or from a developmental point of view. Experience under the project has proven that private firms have been as good as public utilities to implement projects. In addition by using bidding procedures it may be possible to reduce cost by at least 10% and often assure better results thanks to the fact that the private contractor does not have a partial monopolistic position.

The MOA is not strange to municipality staff since it was similar to contract forms otherwise used and less complicated than those used by other international organisations.

The MOA introduces the Municipality Programme Committee as a supporting body of the Municipality, aiming to propose an appropriate program and making the sub-project selection transparent.

#### 4.5 Technical Performance

The main donors of the VEEP programme did not have other requirements besides basic ones - temporarily engagement of unemployed persons in public works, particularly in connection with return of refugees.

##### 4.5.1 Construction Standards and Techniques

Before the war conventional equipment-based construction methods were used in BiH. After the war with massive unemployment and social depredation various agencies, including the World Bank launched labour-based small-scale infrastructure work programmes. The VEEP programme followed in late 1997.

Of the total investment of about 24.5 million KM about 9.4 million KM (38%) has gone towards road rehabilitation and repair. The quality of the works has been variable but generally not of adequate standard and in most of the observed cases in need of substantial repair and maintenance. Most other infrastructure works such as digging of trenches are much less prone to damage.

From an environmental point the labour-based methods disturb the natural terrain, vegetation and soils much less than do equipment. Obviously during construction labour-based methods cause less pollution and noise than equipment.

##### 4.5.2 Cost-Effectiveness of Labour-intensive Works

It has been proven in many countries that using labour-based methods can for most works render a quality similar to that of equipment-based methods. For finishing works most often labour-based methods are better.

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As to the cost efficiency of labour-based methods generally at a daily labour rate of up till about US\$8.0 - US\$ 10 (DM 15 - DM18), many types of construction, which conventionally would be carried out with equipment, can be carried out at about the same cost with labourbased methods. Generally labour should be supported by equipment where required for reasons of quality (compaction of road materials by roller) or for reasons of cost efficiency (stripping of selected soil and gravel pits by bulldozer).

In the present case of a labour-rate of about DM19, in particular for small works in areas where machines would have difficulty in operating effectively, it is judged that labour-based methods are appropriate from an efficiency point of view. However, it may not always be possible for labour costs to amount to fully 66% of total costs as required under VEEP. In Tuzla an experienced construction engineer estimated for the mission that from a cost efficiency point the labour cost should rather be about 50% in the case of road repair ( by far the largest VEEP component). This means that labour costs above the 50% should be considered subsidised employment.

It should also be noted that the evaluation has seen two examples of rehabilitation of gravel roads (municipalities Doboj and Srbac) where compaction using rollers had not been carried out with the result that the roads had potholes in particular in Doboj. Adding to the poor condition of the roads: (a) the roads were not given a proper camber to facilitate water running into the ditches, and (b) (round) river gravel were used as running surface layer. Admittedly, the road in Doboj had had heavy truck transport of river gravel for an extension of the road financed by the World Bank under the Public Works Project. It had therefore been agreed that the contractor for that project would do some repair work to the VEEP section.

The conclusion is that gravel roads should be compacted by equipment and that this would likely decrease the labour component to 50%. Furthermore, that roads must be given proper camber which would require that the formation level of the road should also be provided with a camber. This may slightly increase costs, but not decrease the labour component. As to river gravel, ideally it should be mixed with fine materials including preferably a small percentage of cohesive materials. This would increase overall costs and also decrease the labour component slightly.

It was the impression of the mission that the use of labour-based methods was generally appreciated by municipalities and construction companies. They may even as a result in the future consider alternative construction methods and not just assume that equipment-based must be the right answer. Often equipment-based methods are favoured simply because contractors do not in their estimates price equipment at its replacement cost (because it may already have been amortised).

#### 4.5.3 Maintenance of Assets

All sub-projects require maintenance each year. Without maintenance most sub-projects will rapidly deteriorate again. It is noted that the contracts do not include for a period (often 6 months) during which the contractor remain responsible for correcting damage and ensure maintenance. The municipalities and the public utility companies to whom the maintenance is delegated do not have sufficient resources to carry out proper maintenance. Therefore, it must be expected that infrastructure maintenance will often be deficient, even though there are examples of municipalities which have taken steps to undertake maintenance.

#### 4.6 Socio-economic Performance

The main aim of the VEEP programme was to temporary include people from target groups such as unskilled, internally displaced and demobilised soldiers and woman in public works in order to earn some money and to gain confidence and self-esteem through participation in the project. In VEEP projects were employed in total 24,771 workers (15,387 in the Federation and 9,384 in Republika Srpska).

This means that the VEEP programme provided temporary jobs for 3.3% of totally unemployed in the state as a whole. In some cases it was possible to create permanent jobs. It is estimated that VEEP projects have contributed to the establishment of at least 200 permanent jobs. For example, in the municipality Kiseljak after cleaning a huge dumping site it is expected that four persons will get a job as guardians and they will take care of dumping site.

Temporary employment enabled money to circulate in the local economy. People often invested earned money in improvement of their living conditions (textbooks for children, food supply for winter, driving license, small reparation of house, etc.).

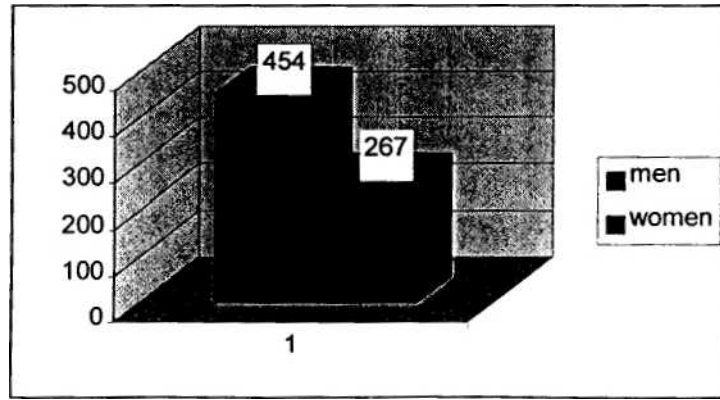
One of the goals was to lower social tensions in villages targeted for refugee return and create improved conditions for repatriation through employment of the resident population, improvements to the environment and community participation in the decision making progress.

Also, VEEP projects have significant indirect effects in this field. For example in the region of Travnik a VEEP project of road reparation represents a significant contribution for villages where 520 houses have or will have been repaired. In that way this project contributed to the return of refugees and IDP's and to lowering tensions.

Due to the lack of statistical data we have not been able to make reliable statistical analyses. Analysis of data from five randomly selected projects provided by the Regional Office in Banja Luka has shown that participation of women in the projects was relatively

low - only 27% in average. The highest participation was in the reforestation project (37%) (Fig. 4.1), and lowest in road reparation project (4%) (Fig.4.3).

Fig.4. 1. Breakdown by gender in reforestation project



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Fig. 4.2. Breakdown by gender in canal cleaning project

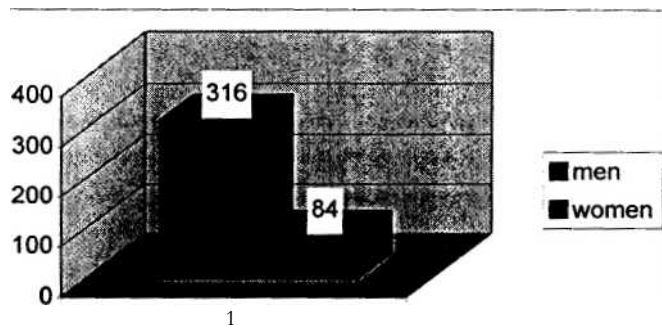
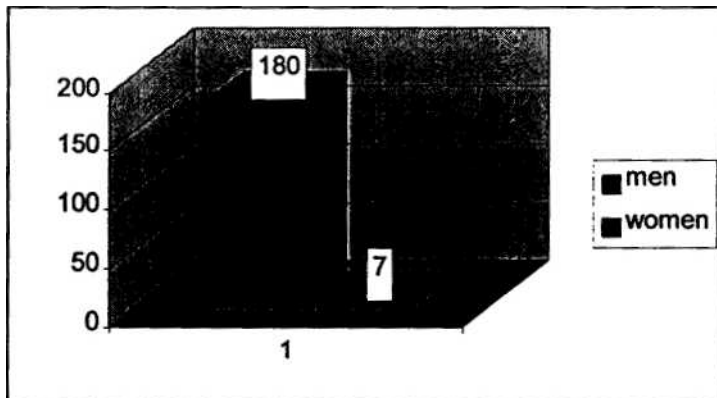


Fig.4.3. Breakdown by gender in road reparation project



#### 4.7 Environmental

##### Considerations 4.7.1. Existing

## Environmental Legislation

Environmental protection in Bosnia-Herzegovina is the responsibility of the entities. Since Bosnia-Herzegovina is a legal subject and it has all responsibilities and obligations towards the international community, it is necessary to link responsibility of both entities and the responsibility of the state as a whole towards the international community. The first step is to adjust laws of entities in accordance with international standards. After signing of Memorandum of Agreement in July 1998, the Steering Committee for the Environment was established. This reflects high awareness and good will to co-operate in further improvement of legislation in this field.

The draft environmental law of Republika Srpska was written on the basis of the text of the Law on the environmental protection in Serbia from 1991, and the draft of the environmental law of the Federation is based on the Law on the environmental protection of Croatia and Slovenia. Such approach could have significant negative effects, since on the territory of one state exist two draft laws which are very different. From a legal standpoint this could be a

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very significant obstacle with possible consequences on the future co-operation with the international community.

Sustainable development as one of the most important principles in international legislation, does not have an adequate treatment in existing environmental laws of the two entities. This issue is very important for Bosnia-Herzegovina that has just started to recover after the war. Without inclusion of the principle of sustainable development the whole system of environmental protection will not be included into economic and social development.

In existing environmental laws of both entities there is no special act on the right of the public to participate in the decision-making process.

The law on physical planning has been in use since 1974. This law has been continuously updated. The law provides environmental protection as a part of physical planning, trying to decrease conflicts in the environment area through a system of planning. Technical measures are for a second stage of environmental protection. These measures are carried out in the process of step by step approval of the location, the construction and the use through:

- An approval of location
- A construction permit
- A permit for use

In the process of obtaining approval of location it is necessary to provide data on the emission of pollutants in air or in water and to provide evidence that emissions will not exceed legal limits. In other words, it is necessary to prove that their concentration in the

air basin or in the water flow will not exceed permitted environmental standard values for the concentrations. In the process of obtaining construction permit it is necessary to prove that project solutions enable fulfillment of the stipulated conditions as specified in the approval of location. In the process of obtaining permit for use it is necessary to prove that installed equipment is in accordance with project plans. It is also necessary to carry out measurements of the emission from the facilities.

The law on physical planning is still in use in the Federation.

Conventions (Succession from former Yugoslavia):

- The Vienna Convention for the Protection of the Ozone Layer (1985) 6.3.1992
- The Montreal Protocol on Substances that Deplete the Ozone Layer (1987) 16.3.1992
- Convention on Long-Range Transboundary Air Pollution (13 Nov 79); and Protocol on EMEP Financing, 1984
- Convention Concerning the Protection of the World Cultural and Natural Heritage (16 Nov 72)
- Convention on Fishing & Conservation of Living Resources of the High Seas (29 Apr 58)
- Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter, (London, December 29, 1972).

#### 4.7.2. VEEP Competence and Performance

In general, both types of VEEP projects, those dealing with infrastructure and those dealing with the environment did not have significant negative effects on the environment. In the projects dealing strictly with the environment, such as reforestation, and cleaning of the riverbanks significant positive results were achieved. Unfortunately, projects dealing with

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riverbank cleaning have only short-term positive effects, as observed in Tuzla. On the other hand, the canal cleaning project carried out in the city of Busovaca was clearly successful. It prevented future flooding which had occurred often in the past.

One of the reasons is lack of environmental awareness in the local community. This has caused significant losses and sometimes significantly reduced achieved results. For that reason it would be necessary to pay much more attention to maintenance of the projects. The problem could also be solved through more intensive work with local community in the field of environmental education and training. Local NGOs and schools could be suitable partners in such a program.

A very important issue in the process of design and implementation of the projects is the quality of the information. Unfortunately, in most cases there was not adequate information on some important environmental parameters. For example, in projects dealing with the cleaning of canals it would be very important to have data on previous floods (frequency,



impacts, etc.). These data would help to fill gaps in the project and to ensure much better sustainability of the project. In the design of a future project it will be necessary to organise a databank with relevant environmental information on components of ecological systems at risk, vulnerable human groups, and natural resources. Regarding basic and specific data requirements see Annex 6.

#### 4.8 Training and Capacity Building

The VEEP did not include any specific training and capacity building.

The level of competence to select sub-projects was very different in the various municipalities. Some municipalities proposed sub-projects only following their immediate needs (Kiseljak), others on the basis of expertise (Stan grad - Sarajevo). The municipalities did not have a background necessary for a socio-economic evaluation of sub-project proposals.

Also, there was not any resources available for a capacity building for contractors, for example in solving of specific problems - evaluation of the quality of raw materials available from local sources (crushed gravel vs. river gravel).

This lack of capacity building had a significant indirect influence on an unavoidable decrease of economic effects from the finished works (which will demand significant resources for maintenance).

Reference is made to Annex 12, which provides information on approximate expenditures for the Programme. It is seen that Programme support costs are estimated at USD2,150,000 and UNDP costs at USD1,139,000. However, of this USD110,000 has not yet been committed reducing total overhead cost to USD 3,189,000 or 23% of the cost of physical works (labour and materials cost). However it may be taken into account that the equipment procured at a total cost of about USD322,000 would still have a depreciated value of about 75% of its original purchase price. If this is taken into account the overhead cost would be reduced to USD2,947,000 or 21% of construction cost. The total cost of visibility activities amounts to about USD145,000.

#### 4.9

#### Financing and Costs

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### **V. ATTAINMENT OF PROJECT OBJECTIVES AND OUTPUTS 5.1**

#### Analysis of Attainment of Objectives

The immediate objectives of the programme are stated in Section 3.2. In principle immediate objectives should be attained as a direct end result of project. Normally, it would be required that these would be measurable directly or indirectly (through

performance indicators). In the VEEP Programme attainment of the immediate objectives a), b) and f) can be measured directly. The remaining three immediate objectives represent a trend for which no performance indicators are provided.

- a) To employ some 5,000 workers over a period of 12 months, particularly vulnerable groups such as unskilled, internally displaced and demobilised soldiers

The total programme (VEEP I, II and III) has created employment to 24,771 unemployed persons with an average length of employment of about two months. Thus the VEEP programme has created a total of 49,000 work-months corresponding to about 5,000 persons working on a full time basis during one year.

- b) To deliver visible impact at the village level through the completion of minor infrastructure works such as rural road repair, refurbishing communal buildings and environment improvements such as refuse collection and clearing of riverbanks.

The programme has achieved visible impact at the community level through the completion of about 180 sub-projects. The remaining 54 ongoing projects are expected to be completed by April 1999.

The sub-projects include a total of 107 infrastructure sub-projects: road repair (79), rehabilitation of water supply (12), rehabilitation of power lines (3), city utility works (6), rehabilitation of PTT lines (4), rehabilitation of bridges (3); and a total of 127 environmental sub-projects: Rehabilitation of springs (3), rehabilitation of drainage (8), rehabilitation of sewage systems (8), Rehabilitation of cemeteries (6), Reforestation (37), river cleaning (26), and garbage removal (39).

From the above it is obvious that the project has had a visible impact. On the other hand, some of the projects have been executed to a relatively low standard so that they would require renewed repair or excessive maintenance; neither of which is likely to be provided. Others would require normal maintenance, which may not always be provided by the municipalities.

- c) To lower social tensions in villages targeted for refugee return and create improved conditions for repatriation through employment of the resident population, improvements to the environment and community participation in the decision making progress.

Committees for the selection of workers have been set up at the municipal level. Representatives of all most vulnerable groups are part of that committee. Based on limited field visits, the mission considers that the system works relatively well. However, it was

found that selection of workers may not always reflect the ethnic composition of the municipality and too little efforts had sometimes been exercised to recruit women.

- d) To further the peace process in and around Brcko and elsewhere through the speedy initiation of public works aimed at multi-ethnic reintegration of the different ethnic groups.

The Programme has implemented 4 sub-projects in Brcko(RS) and Brcko (Federation ) at a total value of US\$ 187,000. Reference is also made to Section 6.2.

- e) To increase community participation in the decision making process regarding development, through the strengthening or the creation of representative mechanisms for the identification and prioritisation of sub-projects.

Some municipalities had already Municipal Development Committees. Where that was not the case Municipal Project Committees (MPCs) have been created. The MPCs are composed of municipal and civil society representatives. They are in charge of identifying and selecting sub-projects. The MPCs are supported by the VEEP Municipal Monitor to ensure that the selection of sub-projects is done according to criteria set by the EU/UNDP agreement and guidelines established by the Programme.

However, the mission finds that generally the projects have been selected based on the availability of VEEP financing for each municipality (about US\$ 100,000), and which is worse, a proper economic and social evaluation/appraisal of the sub-projects was not carried out.

The Programme has contributed considerably to a short-term remonitisation of rural areas. In total workers have received about KM 13.8 million, while funds for materials tools, services have amounted to KM 7.2 million.

## 5.2 Analysis of Attainment of Outputs

Target outputs in terms of emergency employment creation has been discussed in Section 5.1. The target outputs has been met. Regarding outputs in terms of infrastructure and environment projects physical targets were not set, only a financial target for the total investment costs. This will be met when VEEP III has been completed.. Annex 3 provides a complete list of sub-projects completed and ongoing with their associated costs and employment creation.

f)

To engage a basic remonitisation of rural areas to facilitate micro-economic development through the normal multiplier effect associated with public works contracts.

## 6.1 Economic

### Effects 6.1.1 An

#### Overview

The VEEP project was not primary oriented towards achieving economic objectives. According to the programme objectives focus was more on the social side of the problem and creating better infrastructure and enhanced environmental conditions. But the programme has had significant economic impacts and effects.

Direct Economic Effects created by VEEP are the following:

- a) Temporary Employment for 24,771 unemployed people in Bosnia, 15,387 in the Federation and 9,384 in Republika Srpska.
- b) An average length of employment of almost 2 months per person with an average monthly net salary of 340 KM for the whole BH (380 KM in the Federation and 270 KM in RS).
- c) Provision of materials and tools for sub-projects realization created a direct cash inflow in Bosnian construction, building materials and tools industry of 7,091,000 KM including taxes, (4,684,000 KM in Federation and 2,407,000 KM in Republika Srpska) (Tab.6. 1).
- d) One of the direct economic effects which is achieved through the programme realization, but which was not planned and included in the programme design, was a budget income made by Entity governments and organizations. Taxes, fees and charges paid on workers salaries reached 3,268,000 KM which is 13.3 % of the total amount spent on sub-projects. Income for Entity government's budget through taxes and contributions on workers salaries is 1,147,000 KM for Federation and 2,121,000 KM for Republika Srpska (Tab.6.1).
- e) Better capacity utilization of local utility and construction companies in

Bosnia. Indirect Economic Effects created by VEEP include:

New demand for products and services through workers salary spending (ca. 14,092,000 KM) (Tab.6.1).

Rising of Entities budget incomes of 1,276,000 KM through collected taxes on products and sales (estimated at 843,000 KM in Federation and 433,000 KM in Republika Srpska) through wages spent (Tab.6. 1).

- h) Created better business and living conditions in rural areas through reparation of roads and infrastructure projects
  - i) Created potential for a new raw material base for the wood processing industry in Bosnia through reforestation of 2,373 hectares of land with 4, 214,679 pcs. of seedlings. The reforestation will create 2.5 million m' of wood after about 20 years.
- f) g)

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Table. 6.1. Taxes/charges on the works - in percentage

In 000 KM						
<u>Federation BH</u>						
costs						
Tax/char						
e'						
Republika Srpska						
Total costs						
<b>Tax</b>						
Labor costs	11,467	1,147	5,893	2,121	17,360	3,268
Material costs	4,684	843	2,407	433	7,091	1,276
Total costs	16,150	1,990	8,300	2,555	24,450	4,544
<b>Tax</b>		<b>12.32</b>		<b>30.78</b>		<b>18.59</b>

Calculated on the basis of:

Tax rates/percentages:

#### 6.1.2. Short Term Employment and its Relevance

Short-term Employment through Public Works may have a more social than economic role in macro - economic terms. For post war countries where the degree of war damage is high and the socio-economic situation is bad, short-term employment is one of the ways social tensions in society could be reduced for some time. In Bosnia where almost 400, 000 people are seeking a job, the relevance of short-term employment was very high in terms of economic survival of the unemployed population and for social and political stability of the society.

Short-term employment is especially important in rural areas where possibility of long-term employment is low and where temporary employment has a significant role in keeping people in villages and lowering the pressure on urban areas.

The future privatization process in Bosnia planned to start this year will create additional surplus of unemployed workers. Estimations are that 100.000 - 150.000 additional workers will be fired. In that situation the importance and relevance of short-term employment through labour- intensive projects (as VEEP) will rise because it may be the only way social and economic tensions could be kept under control.

A net wage level of 282 KM per working month could be considered as proper for the economic and social situation in both entities in particular for unskilled and semi- skilled workers. A price of labor rated at 2.35 KM per hour could be used as a reasonable parameter in the future, but preferably with lower levels of taxes, fees and charges than paid on labour wages in the past period. There is not any real reason why Entity governments must have the income from activities that are basically supporting socially deprived citizens in the country and that help resolving the country's economical, social and environmental problems which are usually under government's authority and budget.

#### 6.1.3. Analysis of Prospects for Longer Term Employment

The VEEP Project did not have longer-term employment as one of its objectives. The nature of sub - projects did not provide enough opportunity for longer-term employment for workers, which participated in the sub - projects. However, some results in longer-term employment are achieved. In Trebinje, for example, after finishing of the VEEP sub-project:

WAGES

FBiH RS

10% 36%

MATERIAL

18%

Rehabilitation of the city cemetery (SA - Co - 25) one worker is hired by the local public utility company as guard which will take care of keeping the cemetery clean. There are several examples as this, but there are not exact data about that how many workers got longer-term employment after finishing the sub - projects in the municipalities. Estimations provided by VEEP Country Office are 50 - to 60 workers, but would more likely be at least 200.

The nature of the VEEP programme (objectives, labour-intensive projects of infrastructure and environment) could not create prospects for longer-term employment directly. Of course there will always be some effects as the example shows, but they could not be considered as main results or part of the objectives. From another point of view, VEEP has had impact on longer term employment in a non direct way through creating better conditions for business and living in rural are

#### 6.1.4. Benefits to the local Economy (micro-economic

Benefits) Benefits to the local economy created through

VEEP are:

- temporary employment of unemployed unskilled workers from the local community;
- resolving some infrastructure or environmental problems which are obstacles for developing or sustaining of business activities (on short term as in the case of garbage cleaning, on medium term as for road repair or on long term as for reforestation and some infrastructure projects);
- better capacity utilization of existing public utility companies and private construction companies;
- increased level of income in local companies which are selling materials necessary for VEEP sub - project implementation
- increased level of income in local merchandise shops and markets and service businesses through spending of workers salaries

#### 6.1.5. Benefits to the National Economy (macro-economic benefits)

Benefits to the national economy created through VEEP realizations are the following:

- increased government budgets through taxes, fees and charges paid on workers salaries;
- increased level of income from taxes on sales created through direct and indirect spending made by VEEP sub - projects
- increased value of national basic assets through road repairs, infrastructure works and reforestation;

#### 6.1.6 Ranking of Projects in Respect of their short and long Term Employment Effects

Sub-projects always have short term direct employment effects in line with the weight of their labour input component. In addition, engagement of the contractors to use their equipment and purchase of materials has also an influence on employment not linked to the target groups.

The longer term employment effects relate to a large extent to economic activities created or facilitated by the project.

A second step in generating longer term employment is the need for maintenance of rehabilitated or built roads, forests, drainage and sewage systems etc. Here resources for maintenance are not generated directly, but only indirectly as far the sub-projects are useful and economically justified in general.

A third step in generation of employment is a case where an implemented sub-project enables paying a service charge (per phone call, per one cubic meter of water in the case of rehabilitation of PTT and water systems respectively). Here, resources for new employment would be available.

The fourth step in employment generation are those sub-projects with wide economic effects and which produce employment not only in the sub-project domain but also in a longer production-consumption chain (irrigation, i.e. agriculture and food and industrial goods production; forestry (wood processing, secondary forest production, tourism)

A number of possibilities for long term employment, in the framework of the Programme, exist but they are difficult to quantify. Never the less, below a ranking is provided (using a scale of 1 to 10) for long-term employment generation and economic effects of specific subprojects.

Tab. 6.1. Ranking of sub-projects in respect of long term employment and economic effects

Sub-project	Rank
River cleaning * Garbage removal* Rehabilitation of cemetery	0
Rehabilitation of springs * Rehabilitation of sewage system Rehabilitation of drainage	1
Rehabilitation of PTT lines Rehabilitation of water lines	3
Road repair Bridge repair	4
Spring rehabilitation (water supply)	5
Irrigation	8
Reforestation	<b>10</b>

\* without considering investments in possible follow-up

## projects 6.2      Social Effects

The VEEP programme has without any doubt had positive socio-economic effects. This is reflected by:



- Direct earning which makes it possible to satisfy certain needs, as well as a personal satisfaction as a result of the engagement (creating a sense of hope and perspective).
- Creation of enhanced working conditions in the village (shorter travelling time, possibility to irrigate agricultural land etc.).
- Creation of better living conditions (cleaning of river banks, garbage removal).

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In greater detail, social effects could be evaluated by:

- The satisfaction of the workers:
  - because they had a useful job
  - because the procedure for selecting workers from the unemployment list was fair,
  - with the amount of salary and promptness of payment
- Satisfaction of people from the local community:
  - because living conditions were improved, as well as conditions for business,
  - trust in international organizations (UNDP),
  - development of local self-management (through the sub-project proposal).

The Programme, as it was designed, contains elements to obtain satisfaction. The impression of the mission is that in practice, due to the activities of the Regional offices and monitors, a reasonable level of satisfaction was quite well achieved.

#### 6.2.1 Lowering of Ethnic Tensions

A very important objective of the VEEP was the lowering of ethnic tensions. Significant efforts were made in trying to develop sub-projects that would include neighbouring municipalities from the Federation and Republika Srpska. The success of such attempts was variable depending on the local situation. For example, on a road repair project in the municipality of Trnovo located in the Federation, due to the lack of workers in the Federation part of the municipality, workers from municipality Trnovo located in Republika Srpska participated. This without any doubt represents a contribution towards the lowering of ethnic tensions in that region. In Central Bosnia, in several projects Bosniaks and Croats were working on the same project but in separate teams. On the other hand, experiences from the Tuzla Regional office showed that although significant efforts were made to bring people from both entities to work together there was no success.

#### 6.2.2 Facilitation of Returnees' and Minorities' Integration

Facilitation of the return of refugees and IDP's, particularly into the cluster areas was an important element of the programme. In general, it can be concluded that it was too much to expect that the programme could help in any major way to solve this very significant problem. The programme can just make a small contribution towards the whole process of refugees' and IDPs' return. Analyses of the ethnic composition of workers who participated in some projects carried out in the Banja Luka region showed that there was almost no participation of minorities.

Only workers from the list of the Employment Bureau were selected for VEEP sub-projects, and among them particularly people from the target groups such as demobilized soldiers and to a lesser extent women. A weakness is that IDPs are not registered with the Employment Bureau.

The main problem is that internally displaced persons are not always on the Employment Bureau lists in municipalities where they temporarily live, but on other lists (the lists of unemployed from one municipality which include all unemployed persons wherever they may presently be). Those persons did not get any recommendations from the Employment Bureau and therefore they were not able to participate in the works.

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Where there were more unemployed persons than positions offered, the Employment Bureau in co-operation with local communities, decided on priorities. Representatives of local authorities and staff of Regional offices state that there were no problems with the selection (information from Tuzla and Banja Luka).

### 6.2.3 Balance and Fairness in Gender Issues

Although municipalities should ensure that human resources involved in the project implementation would have a balanced and fair representation of women and men it can be concluded that women participated only to a relatively limited extent in many of the projects. A significant involvement of women was only seen in reforestation projects.

### 6.3 Capacity Building and Institution Building Effects

The capabilities of municipal staff, due to constitutional changes (new cantons, new municipalities), and especially due to the process of decentralization in BiH (increased number of municipalities, some of them very small) is relatively modest. They have to be experienced not only to develop a project through a process of contracting and implementation, but also to identify the project, that has the highest eco-efficiency (economic and environmental). That requires a knowledge and tools for:

- Development of indicators (condition, pressure and response) and
- Evaluation (social, economical and environmental) of the proposed sub-projects before and after realisation of the projects.

The capacity building of local staff should be a part of the Programme.

In some cases, capacity building of the VEEP staff is also necessary (project management, evaluation methods, databases etc. ).

The VEEP programme has the intention to achieve an equal balance between projects to improve local infrastructure and to contribute to an improvement of the environment. It should be emphasised that not only projects dealing strictly with environment have environmental impacts. Main activities in the field of the environment were carried out through projects of reforestation, cleaning of rivers and removal of garbage. Through these

projects about 2,400 hectares of forests have been replanted and 4 million seedlings have been planted. Also 160 km of riverbanks have been cleaned. The projects, besides positive effects from an socio-economic standpoint, have also had significant positive environmental effects. Cleaning of rivers and removal of garbage has, however, had only temporary effects. In order to achieve better long-term effects it will be necessary to maintain the works and probably in certain cases repeat the activities. A suggestion is not to carry out projects, which will have only temporary effect in the future. The main characteristics of the projects from an environmental standpoint are provided in Table 1.

#### 6.4

##### Environmental Effects

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Table 1. Characteristics of projects

Type of project	Environmental impact	Effect	EIA'
Reforestation	+	Long-term	Full
Road reparation	+,-	Long-term	Further analyses
Water supply system	+,-	Long-term	Further analyses
River cleaning	+	Short-term	Further analyses
Garbage removal	+	Short-term	Further analyses

Guidelines for environmental impact assessments would become a standard

procedure. Reforestation

Forests not only produce wood, they are also protect soils, and retain moisture. When they are destroyed or damaged, the loss extends far beyond the elimination of the source of the wood. It extends to the productive capacity of soil. Further serious repercussions arise in areas far removed from the site of deforestation.

It usually takes at least 30 years to return forests to ecologically sustainable conditions after deforestation.

Present use degrades the natural resource base to the detriment of the current generation in subsequent years, and of generations into the indefinite future.

Deforestation illustrates the interdependency between natural systems and human beings. It is necessary to consider environment as an important sector of development.

Reforestation provides a range of environmental benefits and services. Reestablishing or increasing the tree cover can increase soil fertility by improving moisture retention, soil structure, and nutrient content. Tree planting stabilizes soils by reducing water and wind erosion on slopes, and in adjacent agricultural fields.

Establishing tree cover on bare or degraded land help reduce rapid runoff of rainwater, thus regulating stream flow and improving water quality by reducing sediment inputs into surface waters. Cooler temperatures and moderate wet and dry cycles under trees provide a favorable microclimate for soil microorganisms and wildlife. Also, the increased vegetation cover established by reforestation projects represents a carbon sink, a short-term answer to global warming caused by carbon dioxide build-up in the atmosphere.

Although reforestation projects have mainly positive effects, they could also have negative effects on the environment. The degree of impact depends to a large part on site conditions prior to planting, site preparation techniques, and the species planted.

The socioeconomic benefits of large reforestation projects include employment generation and often some improvement in local infrastructure and social services.

<sup>3</sup> According to European Commission's Directorate General for Development, DG VIII, some types of projects require further environmental analysis, and others a full Environmental Impact Assessment (EIA).

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A common mistake of reforestation projects is to overlook biodiversity and natural resources (mushrooms, medical plants, nuts, berries, fruits, etc.) found in forests. The opportunity to increase production and use of these products is generally neglected. An environmental assessment needs to collect data on the availability and use of natural resources by population in the project area and bring this information to the attention of planners.

### Water

Water is one of our most important resources. Unfortunately, it is easily contaminated, and once polluted expensive to restore. Water resource management is thus a key element in environmental protection work.

A wide range of human activities can have a negative impact on the aquatic environment. Quality degradation due to pollution limits the possibilities for consumption of water. These problems are very severe in urban areas of Bosnia-Herzegovina with high population density, high industrial activities and intensive agriculture.

The environmental assessment provides a framework within which it is possible to analyze project hazard risk and to evaluate the costs and benefits of disaster prevention and mitigation.

The VEEP programme includes three types of projects dealing with water resources:

- Riverbank cleaning
- Canals
- Water supply systems

### River Cleaning

Riverbanks are left without protection, and they are usually very polluted with various types of solid waste. Such a situation creates an ideal environment for spreading of diseases and hydro epidemics and puts in danger the local population. Also, polluted water cannot be used for recreation and irrigation in agricultural areas. This emphasises the need for cleaning but also for the future protection of the river through maintenance activities. Successfully combating the future disposal of community garbage into the river will demand additional actions in order to achieve long-term sustainability of the project.

Unfortunately, the results of some projects are minimised due to lack of awareness of citizens who continue to use the river as a dumping site. This is the case with VEPP sub-project cleaning riverbanks in Derventa (the banks of the river Ukrina are again polluted with solid waste). A similar situation exists in Tuzla with the river Jala, although the cleaning was carried out several times.

### Canals

The first type of canal includes cleaning of river canals. A good example is the canal in the town of Busovaca. The canal was heavily polluted and there was a high possibility of occurrence of epidemics in the surrounding area. Due to the irregular cleaning in the past there was also very high risk of flooding of the town. Unfortunately, there were no reliable data on the frequency and character of flooding, but flooding had already occurred in the

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past. For such type of sub-project adequate data can play an important role in project design and implementation.

The second type includes cleaning of irrigation canals which is very important in agricultural regions. Cleaning of the riverbed from waste materials, deposits and cutting and removing of bushes on the riverbanks will significantly contribute to the development of agricultural activities in the surrounding area. This was the case with the project of rehabilitation of a canal that was carried out in the municipality Srbac. Before the war, the river from which the canal obtained water was very polluted from industrial sources and the canal was not used for irrigation of agricultural land. The canal had dried out and was out of use for more than 30 years. After ceasing of heavy industrial activities, the quality of the river water has significantly improved, and it can now be used for irrigation. The realization of the project has enabled pumping of water from the canal for irrigation and thereby facilitate the growth of crops and vegetables, which are main sources of income in this area. However, as a matter of principle it is necessary to carry out an environmental overview before implementation of this type of projects.

Excavation of a canal bed can have significant negative effects on the flora and fauna of the bed, which is very important for self-purification of the water and maintenance of the water quality in the future. Complete removal of a part of a riverbed (the so-called active sludge) could cause future aggravation of the water quality and put in danger the possibility of using the water for irrigation.

### Water supply systems

Water supply system projects involve construction of a transmission system and pumping stations. These types of projects do not have significant negative environmental effects. Due to the worn out condition of facilities, leakage in the system is often significant (from documentation provided by the VEEP Regional Office for Banja Luka it can be seen that in case of the city of Brcko leakage was over 50%) and waste of water is therefore enormous. In other cases, where the water supply is insufficient (such as in the case of the town of Kalesija) building of a water supply system contributes significantly to the improvement of living conditions, and minimise possibilities for spreading epidemic diseases and infections.

## **VII PROGRAMME SUSTAINABILITY AND REPLICABILITY 7.**

### **1      Technical Sustainability**

The technical sustainability of the project should be judged in two ways. First, the extent to which the sub-projects prove technically sustainable i.e. do not suffer (substantially) more physical deterioration than those for which conventional equipment-intensive methods have been used. Secondly, the extent to which the labour-based approaches are or will be used for other projects, in other words are replicated.

Presently, some of the VEEP sub-projects would not qualify as technically sustainable since they are not executed to such a standard that they are easily maintainable or it may be assumed that the sub-project will not receive the maintenance required in order not to deteriorate substantially. In particular this seems to be the case for those road rehabilitation projects where no mechanical compaction has been carried out.

As to the sustainability of the employment-intensive approach, it is a pre-condition that works are carried out to the minimum construction standard referred to above. In the cases where this means that the labour-intensity of 66% of total cost can not be kept, either the sub-project should be excluded from the VEEP programme, the labour percentage should be modestly reduced (but not below 50%), or other resources to cover non-labour costs must be made available. Other projects may still be reluctant to use the approach if the labour-intensive approach is costlier or "takes too long time". It was found that the labour-intensive approach for small projects (as identified under VEEP) would generally not be costlier (but flexibility must be observed as to labour intensity).

The World Bank has over the past two years carried out a labour-intensive public works programme at a total cost of about US\$45 million. The project is coming to an end and the Bank has no plans for continuing the programme. Originally it was stipulated that labour costs for each sub-project should represent at least 50% of its total cost. This was later relaxed to 35% only. Never the less, the average labour cost for sub-projects has remained

relatively high at 55%. The project does not try to cater particularly for vulnerable groups. It is entirely up to the contractors to choose labourers as they wish. Labourers are paid net 1.4 - 1.7 DEM/h in both the Federation and Republika Srpska.

Several municipalities, public utility and private companies have expressed satisfaction with the labour-intensive approach and stated their interest in using the approach also in the future. However, the companies may consider their equipment holding a sunk cost already amortised. In that case they are likely to show great reluctance to apply the employment-intensive approach since it from their limited perspective (ignoring the equipment replacement cost) is costlier, even though from a national point of view in most cases this would not be the case.

The BiH economy is very depressed with extremely high unemployment, low wages, and limited export earnings. This sombre situation can be expected to improve only slowly. Therefore, for years to come the employment-intensive approach to infrastructure work would continue to be justified for both technical and socio-economic reasons. It is therefore extremely important that UNDP continue and reinforce its promotion and actual

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implementation of a programme like VEEP. Without it the sustainability would be put in jeopardy.

## 7.2. Socio-economic Sustainability

Socio-economic sustainability includes economic effects with positive influences on the social system (both at a local and at a national level, for both present and future generations). Two letters in the title of the Programme stress the main elements of sustainability in BiH: VILLAGE and ENVIRONMENT.

Reconstruction and development of villages is the best way to re-establish a Bosnia and Herzegovina. In the pre-war period the village was exploited by the city. Development of the cities was based on the use of cheap resources from villages, including cheap labour of a whole farmers' family. The war was, among the other things, a revenge of the village against the city. Therefore, there is a very strong opinion in scientific spheres in BiH that a new Bosnian development should start just in the village. By utilisation of natural resources such as land, water and sunshine, the village could be renewed in a few years. For the industry in towns it will take longer time (planning time, designing time, erecting time, market time). Also, the village is a place of natural resources (biomass that will be a resource so long as mankind lives). Not only production, but also processing of biomass in the village can also be the beginning of a process of industrialisation on an ecological basis. Small industrial facilities in villages can keep people in the village, without wishing (that was present before the war) to leave the village and go to the city where it would be necessary to build apartments for them, find a place in kindergarten for their children, room in buses, etc.

An environmental component also enhances sustainability. The republics of former

Yugoslavia had different tasks. Bosnia and Herzegovina had the task to provide a steady supply of raw materials and heavy industry products. For that reason in 1990, Bosnia with 18% of the Yugoslav inhabitants produced only 13% of Yugoslav GDP but stood for 28% of Yugoslav sulphur-dioxide emissions. At that time, BiH had only 6% of Yugoslavia's scientists.

The above analysed two facts provide a picture of the significance of the VEEP programme, as well as the significance of its possible longer term extension and expansion. After completion of the VEEP it would be a good idea to organize an exhibition where the main achievements of the VEEP would be presented.

In the environmental section in the magazine "Dani" (February 1999) it would be necessary to pay much more attention to achievements of VEEP sub-projects in the field of environmental protection. Articles on the projects of reforestation deserve to be published in this very popular Bosnian magazine.

Co-operation with television companies which cover a large part of the state, such as Open Broadcast Network would ensure a better coverage of VEEP activities not only in local communities, but in the country as a whole.

### 7.3

#### Project Visibility

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Building and maintenance of Web site is necessary to increase visibility in future activities, and it would also at the same time represent a very **valuable source of information for those** who are potentially interested in participation and co-operation in this type of activities.

#### 7.4 Replicability and Multiplier Effects

To ensure a reasonable medium term replication of the programme approach would, in our opinion, require an extension of the VEEP programme and an active promotion vis-à-vis Government agencies and donors. To be successful this would also require a more development oriented approach without de-emphasising the direct and immediate employment aim.

Any project has indirect employment effects as a result of the wages and other cash sent in circulation. However the higher the local cost component the higher the economic multiplier effects. Wages are mostly spent locally and would therefore have a significant employment effect. Generally it may be assumed that the indirect employment created in that way may be 40% to 100% of the direct employment.



## VIII LESSONS LEARNED AND RECOMMENDATIONS

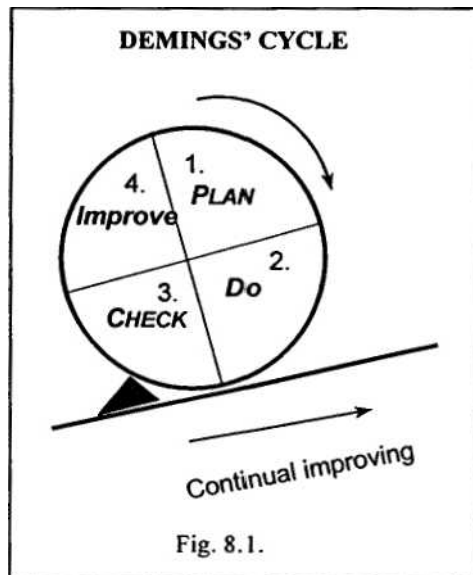
### 8.1 Lessons Learned

In the following lessons learned from the programme are interwoven with general experiences from other programmes and activities. It is felt that a continuation of VEEP or similar activities would and should also benefit from these latter.

#### 8.1.1 General Principles for the Project

##### Cycle A. Project management

Taking into account that this is a very complex project (a large number of participants), with a large number of similar sub-projects, a system of quality improvement would increase working efficiency. The system of quality should be established on the principles of the standard group "Quality Management System" (ISO EN BA 9000) to day with wide use in European Union. They are international standard (ISO), European standard (EN), as well as Bosnian standard (BA). They are until now the only standards, which have been issued in Bosnia and Herzegovina. From this the importance of this standard is visible. Practically, its use can enable shorter time of implementation, as well as lower staff and other costs. Also some rules from standard group "Environmental Management System" (ISO EN 14000) can be used, which should also be Bosnian standard before the end of this year.



#### **DOCUMENTATION**

*Documents -  
how to do*

*Records -  
how it is done*

Policy, memorandu texts, procedur es, contract forms instruc tion	VEEP Sarajevo	Plans, schedules, agreements contracts, minutes reports, check lists
	Regional Offices sub-projects	
	Activities on implementation	

Fig. 8.2

Some rules from these two standards are given here:

(1) Rule of continual improving (Fig. 8.1) which in each project, in each of its parts, in each activity have four phases: (1) Plan (what and how I like to do), (2) Do (Implementation in situ), (3) Check (measurement and evaluation) and (4) Improve (Corrective and Preventive Actions - these actions are corrective for a given cycle, and preventive for a next cycle). So, the rule of continual improvement is satisfied.

(2) Documentation: Documentation consists of (1) Documents and (2) Records (Fig. 8.2). Documents are giving what is necessary to do, and how, when.... The records are

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providing information on what have been done and how, when ... Always should there be three levels of documentation. Upper level is relating to the whole organization and at that level we have documents on policy, memorandum forms (documents), as well as plans (based on policy) etc. The medium level is relating to parts of an organization as well as to the projects. Here we have working procedures (documents) and contracts and agreements (signed), minutes etc. Lowest level is relating to working operations and documentation is relating to work places.

Responsibility for every activity in the organization should be clear and possibility to identifying causes of decline of required quality should be possible.

## B. Policies

The policy of the Program is

- Through
- Employment of the vulnerable groups
- Rehabilitation of nature on the local level
- Achieve economic and social effects
- On a local level and
- **On** a broader level.

Having in mind primarily the objectives, realization of the program would include:

Searching for a program with local and wider effects (social and economic), not only inside the target group,

- Identification of the indicators of program sustainability (Eco-efficiency) see Fig. 8.3.
- Comparing more program proposals,
- Implementation
- Measuring of efficiency as basis for corrective actions, as well as for better new planning.

### C. Maintenance and sustainability

There are two levels of sustainability. The first level is here called Technical sustainability, i.e. assurance of financial and other resources for maintenance (for example: small repairs on road) - does exist once resources and organization for road maintenance has been put in place. Second level of sustainability is to satisfy the rules of sustainable development, i.e. the economical and social benefit must be bigger than the environmental burden, as well as that of limits on environmental damage- fig. 8.4. It means that effects and impacts have to be measurable.

PROFIT + WELFARE

COSTS + ENVIRONM. DAMAGE

Improving Eco-efficiency through:

- clear objectives and targets
- clear project identification
- project management improvement

by:

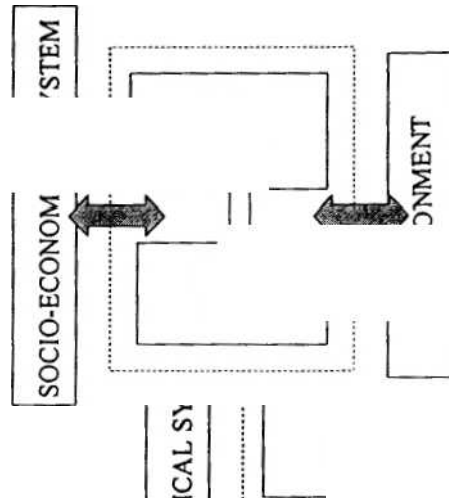
- using program managing tools
- transfer of knowledge
- education and training.

Fig. 8.3

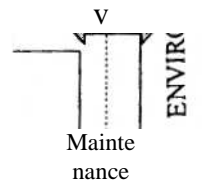
ECO EFFICIENCY

•

# **SUSTAINABILITY OF SUB-PROJECT OBJECTIVES AND TARGETS**



Subproject



n

Technical sustainability

v

Sustainability Fig. 8.4

41

## **D. Project Identification and Preparation**

The sub-projects should have the goal to improve present indicators of sustainability. The subproject should be derived from indicators of society response to eliminate or reduce pressure indicators, so that the condition indicators could be improved - Fig. 8.5. This means that the project is based on the prevention of causes, and not only on the removal of consequences. Example

- Indicator of condition: dirty river bed and banks
- Indicator of pressure: reasons why the waste was disposed in a river
- Indicator of society response: education of citizens, finding a disposal site, role of NGOs, etc, as well as river cleaning.

## **E. The Environment**

**In** the analysis of the environmental component it is necessary to pay attention to three

levels of environmental performance and impact (Fig. 8.6):

- Enhancement of conditions (forestation of barren terrain, irrigation of arable land),
- Rehabilitation (deforestation after illegal cut, cleaning river beds and banks),
- Reduction of pollution of water, soil, and air.

During the design process and in-situ implementation, measures on environmental protection have to be undertaken.

#### F. Education and training

Before the war Bosnia and Herzegovina was late with some specific knowledge and behind European countries. The war stopped the inflow of new knowledge, especially in the field on standardization what is to day a pillar of united Europe (Europe 92). All involved institutions are feeling a necessity of education and training, especially Bosnian. Two ways of education and training are possible (Fig. 8.7):

#### **INDICATORS OF SUSTAINABLE DEVELOPMENT**

**Condition indicator**

**Pressure indicator**

**Society response indicator**

i



**Fig. 8.5**

#### **SUB-PROJECT SCOPE**

#### **HIERARCHY OF ENVIRONMENTAL PERFORMANCES**

**ENHANCEMENT**

**REHABILITATION**

**REDUCING OF POLLUTION**

**Fig. 8.6**

**Necessary knowledge**

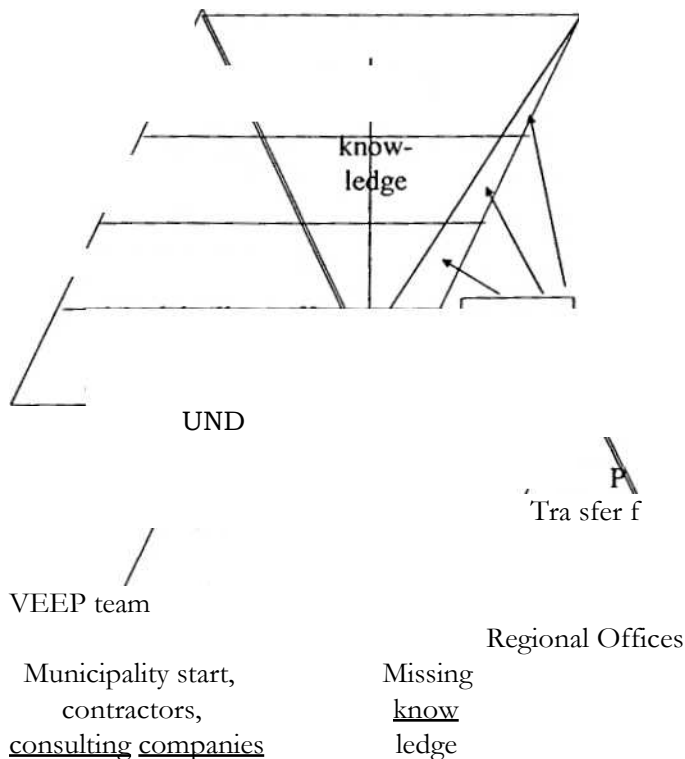


Fig. 8.7

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- Transfer of knowledge from top to bottom - from UNDP in Bosnia and Herzegovina through VEEP offices to local involved organizations (Municipality staff, contractor, workers ...) and
- Training and education through seminars and workshops specially organized in every region (cantons, regions).

Education should address, in the first place, (a) quality assurance (in order to increase efficiency of project management) and (b) sustainable development (in order to have more adequate choice of sub-projects).

### G. Transparency

Transparency is important for the former socialistic countries. Both politicians and citizens have to change their way of thinking and acting. The process of decision making must be founded on established procedures aiming at economic effects and welfare. Public participation in this process should be established. In this process the role of the monitors is very important. They have to assure linkage with all interested sides, establish the information flow, specially reporting through media and separate bulletins. Particularly they have to assure regular and social justice in the choice of workers, which would be engaged - Fig. 8.8.

All vulnerable groups have to be included, also all ethnic groups living to day in that area.

## **TRANSPARENCY**

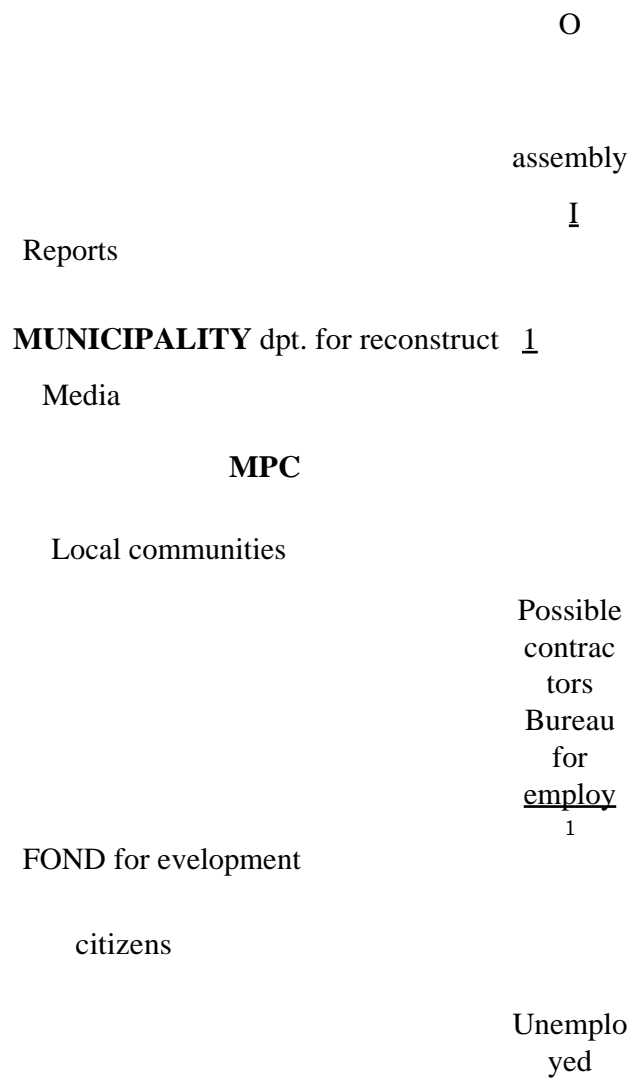


Fig. 8.8.

**Third level**

**Second level**

**First level**

Fig 8.9

Proposes a list of  
professionally  
prepared possible  
sub-projects

## MUNICIPALITY

Dpt. for development

Bidding /  
contracting process,  
supervision

Chooses sub-project, selection of workers

## MPC

Bureau for employm.

Demob. sold. organiz. Displaced persons organ.

Local community repr.

Municip. Represen.

a w w

## CITIZENS

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Referring to the Figure above (8.9) three levels of involved citizens, bodies and structures should be identified. At the first (lowest) level are citizens (communities) whose needs (short term and long term) should be satisfied. The second (medium) level is citizens' organization which express the interest of the citizens, especially the vulnerable groups. The place to accommodate their needs (temporary employment in the short term, and wider socioeconomic effects in the long term) is the MPC. At this level the monitors provide a linkage with VEEP Regional Office. The third level (highest) is the Municipality, which as an organised body in a professional way can evaluate and propose sub-project, as well as implement them through a process of bidding, contracting and supervision.

By identifying the three levels separately it is possible to integrate human needs into government activities.

### 8.1.2 Organisational/Managerial

The present management structure was created in answer to an emergency situation. As such it responded generally well to immediate pressing requirements. It demonstrated



its ability to plan for and implement a very large number of sub-projects simultaneously and finalise the various tranches of the programme within extremely short timeframes. The programme has also succeeded in identifying and recruiting a number of Bosnian staff with potential for management functions.

The project is implemented as Direct Execution by UNDP. This formula was in direct response to the emergency nature of the programme. At this advanced stage with the accumulated lessons learned by the UNDP Country Office there is no justification to change this mode of implementation for similar projects in the foreseeable future. However, in order to avoid overlapping and unclear distributions of work between the UNDP Country Office and the VEEP Country office with its Regional offices it would be advantageous to more clearly define the roles of each.

#### 8.1.3. Operational

The present Operational Guidelines, Bidding Procedures and Procedures for engaging Engineering firms have now been used for 9 months or more. Experience has shown that these could be improved upon with the aim of enhancing quality and sustainability of works. In line with a continued regionalisation of the management structure and a greater participation of Bosnian staff in the management, the duties of each office should be made clearer. It has been found that the present guidelines in some specific areas provide insufficient advice and instruction on project appraisal, monitoring, bidding etc.

#### 8.1.4 Socio-economic

Most of the VEEP activities have a relatively high effect, since in a large number of subprojects a valorization of previous investments has been achieved. For example:

- Road reparations enables previous investments in road construction to enhance their performance
- Bridge repair may enable the use of an existing road
- Cleaning of irrigation canals enables a whole system of irrigation function, etc.

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The medium term effects could however in certain cases be much reduced:

- If there is no maintenance after cleaning of river banks and river bed (Tuzla)
- If there is no maintenance of a repaired macadam road (Doboj - Brestovo)
- If there is no maintenance of forested areas.

This could be avoided only by a permanent engagement of specialised companies or individuals. In other words, employment of a minimum number of people would help to maintain achieved economic effects of the sub-projects.

The VEEP programme is not designed to initiate self-employment (unskilled workers), but

it should stimulate inhabitants in a given community to start some self-employment activities - compost production, collection of waste, change in type of products (growing more vegetables and producing cheese, instead of only crops and milk, etc.).

#### 8.1.5 Environmental

Experiences have shown that certain projects dealing with the environment, such as cleaning of rivers and garbage removal would in some cases only have a temporary effect. It would be necessary to pay more attention to the projects with long-term impacts, such as reforestation and rehabilitation of natural springs. Also, it will be necessary to introduce quality control of materials used in projects. This will contribute to a future minimisation of potential negative environmental impacts. In planning future activities it would be necessary to include environmental impact assessments at an early stage of project design. Also, there should be **done much more in education/training of** all parties involved in project realisation. That would help local communities to much better identify environmental problems and to propose suitable and adequate sub-projects. Their successful implementation would help in creating a much better living environment and enhance a shift towards sustainable development. EIA should start early in the planning stage and it should be focused on major developments/impacts. This should be an open process encouraging communication, education and participation. Visibility of the projects would be significantly improved by keeping local population fully informed on the decision made by their local representatives. Design of web sites could also contribute to a better visibility.

#### Reforestation

A rate of 78% of seedling that adapt and survive is considered the best possible, while the lowest acceptable rate is 55%. The exploitation of forests can start 15 years after planting, and it will reach full level only after 50 - 60 years. One of the most serious problems is that non-indigenous species with fast growth rate are often planted in order to achieve faster economic results. However, these species are often not suitable for local condition, and they are much more vulnerable to pest attacks and diseases. It is necessary to pay proper attention to the quality of seedlings. In one case there was unacceptable loss due to the bad quality of seedlings. For that reason it will be necessary to have a certificate for each seedling. Maintenance plays a very important role in provision of sustainability of the project. The costs of the maintenance are very high and initial 2nd year maintenance usually costs 20% of the total project costs. The maintenance should start full scale in the spring one of the first years after planting, while in the autumn it should be carried out on a smaller scale. In the following year maintenance can be reduced by 50%.

Technical support and training may be needed in:

- Site assessment and mapping
- Selection of species
- Management of propagation material (seed: purchase or collection, storage and handling; vegetative material [i.e., cuttings]: collection and handling)

- Nursery operations
  - Planting methods and timing
  - Management techniques, such as thinning, fertilizing, irrigating, monitoring insects and disease, weeding, and protection against livestock
  - Collection of growth and yield data necessary for evaluation
  - Harvesting and transportation
  - Development of end uses for the wood and by-products.

It is necessary to include:

- Identification of specific groups which could be involved in tree planting
- Communication and extension skills

The following factors should be monitored:

- Environmental impacts of site preparation and growth rates of the plantation
- Weed problems
- Presence of pests and disease
- Management treatments: verify if done properly and according to schedule
- Protection of stands
- Market trends
- Environmental impacts of tree exploitation
- Long-term viability of the plantation from ecological, economic and managerial standpoints

#### Public participation in environmental issues

Adequate attention in the project was not paid to participation of the public, and particularly to the participation of youth.

Children and young people are in general very vulnerable to the effects of environmental degradation. Therefore, it is very important to allow them to participate in the decision-making process. Young people should participate actively in decisions that will determine their future, and they should be involved in planning of development and resource management at local levels. Through these activities young people will actively participate in the creation of better living conditions, contribute to environmental protection and sustainable economic and social development.

Implementation of any successful activities towards sustainable development will demand greater public participation of NGOs and young people at all stages of the development and implementation process. NGOs possess established and diverse expertise in fields which will be of particular importance to the implementation and monitoring of environmentally sound, socially responsible and sustainable development. There is still significant lack of awareness of the interrelation of human activities and the environment. Public sensitivity to the environment and development problems must be increased along with a sense of personal responsibility and greater motivation. In raising public awareness, modern communication technologies should be used to ensure that all sectors of society are being reached.

NGOs could increase their involvement through initiatives and proposed interactions with other sectors of society. They could also play an important role in the fields of education, public awareness, and environmental protection and rehabilitation.

Very often the result and the long-term effects of the projects are jeopardized due to the irresponsible behaviour of the people.

It is necessary to promote training to develop human resources to facilitate the transition to a more sustainable world.

The following public involvement methods could be applied:

- group meetings of representatives of the various stakeholders
- lectures, workshops, seminars
- public meetings
- seeking individual public responses to written

documents NGOs in Bosnia-Herzegovina

Before the war, environmental NGOs worked in all bigger towns in Bosnia-Herzegovina. They were organised on several different levels, from local and municipal groups to regional and national associations. The state government regularly supported the work of these associations. Also, local governments, companies, and social organisations very often supported their activities and programs. There was a certain level of co-operation between NGOs and governmental bodies, NGOs contributed to programs and decisions that had environmental implications, and they co-operated with educational organisations, as well cooperation with the media was also fairly well developed.

During the war the majority of NGOs stopped their activities. It is estimated that about half of environmental NGOs are located in Sarajevo. Most NGOs were created after 1990. They define themselves as grass-root organisations or as associations of environmental professionals, which usually do not have paid staff. Most NGOs operate at the local or regional level. The most common activities are protest actions, education and training.

The environmental NGO community in the country is still in a very hard situation. With financial support, environmental NGOs in Bosnia-Herzegovina should develop rapidly over the next few years and their activities and influence should become more significant in the decision-making process.

One possibility is to encourage schools to "adopt" part of their neighbourhood and monitor what is happening there, for example as regards garbage disposal at the riverbanks. This type of action oriented activities would provide necessary maintenance of the results of the project, and at the same time contribute to the improvement of environmental education.

In future programs it would be good to create a network among NGOs, schools and academic communities. Environmental scientists could help in deciding what NGOs and schools should monitor in local community and how to carry out measurements. Scientists would process the data and make reports based on the obtained results. The results should be sent to the local authorities in charge of environmental protection either by the NGO or school or by scientists.

#### 8.1.6 Taxes and Charges

In many countries, the government supports employment by a tax policy. That practice is expected also in Bosnia and Herzegovina, i.e. in both its Entities. But, in the Federation of BiH there is a service charge of 10%, which it is necessary to pay to the Employment Bureau and in Republika Srpska there is tax on wages of 36%. Use of 10% service charge in Federation and such a big tax in Republika Srpska should be subject to discussion at a higher level (UNDP and Entity authorities).

#### 8.1.7 Gender Issues

The gender issue is very important, specially having in mind that women are on average less educated, and some of them are widows. On the other hand the program require physical work, i.e. male power. In formulation of a new program, some programs have to be oriented towards female working power.

In continuation of the analyses carried out under this evaluation study and the lessons learned and summarised in para. 8.1 above, the following suggestions and recommendations are formulated:

#### 8.2.1 Programme Management

for an extension of VEEP or a similar future programme the UNDP Country Office could with advantage apply the **Direct Execution Modality**;

the role of VEEP should be made clear in a **revised version of terms of reference for the VEEP** Country Manager and other VEEP staff (for suggested modifications to present TORS see Annex 4);

the qualifications of the **senior Bosnian staff** on the VEEP programme should without delay be reviewed and those staff members **suitable for promotion** within the VEEP should be identified;

(4) the **VEEP work** should to the maximum extent **be decentralised** (carried out in the Regional offices). The VEEP Country office should have an overall co-ordinating role and ensure the maintenance of an overall up-to-date data bank for the programme. The Country office staff requirements could be reduced to two expatriates and later to one expatriate only and qualified professional Bosnian staff. Immediate consideration should be given to undertake a well planned and gradual

replacing of expatriate Regional Co-ordinators by Bosnian technical staff trained on the VEEP programme;

the role of the **municipal monitor** should be further **clarified** by providing him/her with modified terms of reference and a clearer description of his/her **duties** (for suggestions see Annex 4); in particular the monitor should work for a **reduction of ethnic tensions**;

## 8.2

### Recommendations

(1)

(2) 4

(5)4

## 48

(6)+ UNDP should **engage short term consultants (Bosnians** to the extent feasible) to undertake work which require know-how not possessed by VEEP staff or for which "a second opinion" is required; this work may include assistance to: (a) setting up of a data base in the VEEP Country office, (b) revising operational guidelines, (c) developing project specific technical guidelines, and (d) modifying bidding procedures;

**donor contributions** are ideally provided in advance and for the full length of a programme like VEEP; falling short of that, it should be possible to expect a donor approval procedure by tranches **which allows** for the executing agency to carry out the work in a way that **uses resources in a cost-effective way**. Satisfying this would in the case of VEEP necessitate a greater flexibility in EC development assistance procedures;

even though most NUNVs have functioned well as monitors, a number of these (financed by Germany) had a background not entirely related to their TOR; therefore, UNDP should be allowed in the future to **exercise a more effective check on the background of NUN Vs** financed bilaterally;

divide and clarify the **duties and rights of the Municipality and the MPC**. The task of the municipality is to professionally: (a) prepare sub-projects, (b) propose subprojects to MPC, and (c) to implement sub-projects through a process of bidding, contracting and supervision. The task of MPC is to select workers in a just way and choose the sub-project

that is most suitable for the local community;

### 8.2.2 Policies

- (10)x- a future programme should have a **clear policy dimension** in the following areas: (i) **environmental protection**, (ii) **project sustainability**, and (iii) **longer-term employment creation** by applying cost-effective employment-intensive construction methods. With that in mind, policy strategy with guidelines should be elaborated,
- (11) **donors** and Government should agree that future small infrastructure sub-projects would respect the above **policy guidelines**;
- (12)+ a **brief seminar** should be held with participation of Government staff, donors, consulting engineers and contracting companies to **discuss the role labour-based methods** could play in the short and medium term. External Bosnian consultants could assist in organising the seminar;

### 8.2.3 Project Identification and Preparation

- (13)+ general **base line data** should be collected as part of each sub-project identification and preparation; in addition depending on the type of project additional **technical, economic and social data** should be collected in order that sub-project performance and subsequent effects can be analysed and quantified (for details see Annex 6);
- (14) **Sub-projects in smaller municipalities** have relatively much greater impact than
- (7)
- (8) (9)

- projects in large municipalities; therefore the smaller municipalities should be given **preference** in allocation of resources. However, to achieve effects at the policy level certain sub-projects must also be allocated to large municipalities;
- (15\* a future programme should have immediate objectives for which it is feasible to **provide performance indicators** (see suggestions in Annex 11);
- (16)4+ **women organisations** should be ensured a **role in the selection of sub-projects**; this should be written into a future Memorandum of Agreement;

- (17) the selection of larger sub-projects obviously reduces the total project overhead costs; but in that case it should be ensured that the sub-projects in a given municipality benefits various segments of the population in a fair way; this may require that a **larger project is composed of various elements** which each **benefits particular segments of the population**;
- (18) in selecting projects **preference** should be given to **projects which:** (a) **are in synergy with projects financed by others and/or which valorise previous investments**; (b) indirectly **stimulate permanent employment** of new workers or workers on waiting lists; and (c) **stimulate self-employment**. This should be emphasised in expanded operational guidelines;
- (19\* The Memorandum of Agreement should stipulate the need to **include internally displaced persons on the lists of the local Employment Bureau**;
- (20) Sub-projects which include co-operation between neighbouring municipalities from the Federation and Republika Srpska should be encouraged as a means to lower ethnic tensions;
- (21)x- **an EC contribution** of ECU 1.0 million for VEEP IV has just been approved and a tentative agreement has been reached between UNDP and VEEP regarding a Regional distribution of the funds. Therefore, **VEEP should without delay propose a list of municipalities** for which VEEP IV interventions are suggested and obtain final agreement with EC. Subsequently, and in parallel with completing the ongoing VEEP III, start identification and preparation of VEEP IV sub-projects.

#### 8.2.4 Capacity Building

- (22)1- a **brief workshop** with participation of UNDP, VEEP and engineering firms should be held to **discuss programme operational and technical guidelines** as soon as a revised draft has been prepared; external Bosnian consultants could assist in the organisation of the workshop;
- (23)-f- **municipality** and selected VEEP staff should be **trained** in development and use of indicators in respect of
- present situation, pressure/ causes and community response
  - simple evaluation (social, economic and environmental) of proposed sub-projects before and after realisation of sub-projects

#### 8.2.5 The

##### Environmen



t

### Reforestation

(24)+ The following general information is necessary in order to **estimate possible negative environmental impacts:**

- Description of the Proposed Project: operation and maintenance
- Description of the Environment
- Physical environment: topography, surface and groundwater hydrology, soil type, geological foundation, slope, aspect
- Biological environment: natural vegetation, wildlife (species: number, habitat),
- Specific recommendation for this type of projects: seedlings must be provided with a certificate (see Annex 7).

(25)-

in order to ensure that **future development projects** dealing with **water resources** will not have significant negative environmental effects it is necessary to, depending on the type and scale of the project:

- Provide description of the Proposed Project: operation and maintenance Provide description of physical environment: surface and groundwater, frequency of flooding, soil type)
- Control of land use in surrounding area (especially in the case of irrigation canals)
- Monitor the physical and chemical water quality
- Implementation of above mentioned guidelines would enable long-term sustainability of the project.

(26) to encourage schools to "adopt" part of their neighbourhood and monitor what is happening and to identify environmental problems. To create network among NGOs, schools and academic communities in order to promote environmental awareness and education.

### 8.2.6 Maintenance and Sustainability

(27)+ experience has shown that municipality resources for maintenance are inadequate. Low cost works by nature are subject to some damage after construction.

Consideration should be given to the **VEEP programme providing funds for maintenance** in the case where subsequent projects of a similar nature were to be executed in the municipality. The maintenance should be limited to first year repair/maintenance works **on a demonstration basis;**

### 8.2.7 Taxes and Other Charges

(28) 1- UNDP should **seek clarification as** to the activities supported by the Development Fund financed by **charges levied by the Employment Bureau**. UNDP should seek

a negotiated agreement to the effect that part of the charges was used for the implementation of future employment-intensive works;

#### 8.2.8 Gender Issues

(29)f realistic **targets** should be set **for women's participation** in the programme; the

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targets should be sub-project, activity and municipality specific, taking into consideration prevailing socio-economic conditions and cultural costumes. As an initial guide it is suggested for future similar activities to aim at a women participation of **60% - 70% for forestry sub-projects**, 25% for river and canal cleaning works and 10% for other sub-projects;

#### 8.2.9 Operational Guidelines

(30)1- the **present Operational Guidelines should be revised** to include guidance on: (a) basic data collection, (b) project appraisal, monitoring and evaluation procedures, (c) bidding procedures and evaluation criteria for contractors' bids, (d) engagement of engineering firms, and (e) assessment of project effects (for details see Annexes 5, 6, and 7);

(31) the general rule that **labour costs** should amount to **at least 66%** of total costs financed by VEPP **should be modified** to suit conditions of each type of sub-project in order that quality of work would always be ensured; thus for reforestation subprojects 70% should generally be reached while **for road sub-projects**, for which **mechanical compaction** must be carried out, 50% would seem a more reasonable target. Other subprojects should generally apply a percentage in between depending on site conditions.

(32)+

present rule that only unemployed unskilled workers can participate with VEPP financing should be changed to also cover **unemployed semi-skilled and skilled** workers to the extent these are required on a full time basis **to ensure effective construction of good quality**; furthermore, consideration should be given to also include in the workforce to be financed, a technician/engineer which work full time on the project; the wages paid to semi-skilled and skilled workers should be considered part of total labour costs;

(33) fi **sub-project appraisals** should include a proper **socio-economic assessment**;

(34)f **bidding with participation of normally 3 and maximum 5 qualified contractors** invited public utility companies, state and private contracting firms should be made the general procedure; thus, invitation of only one utility or

other company as  
presently mostly done, should be used only with special justification;

- (35) **bid evaluation procedures** should in addition to price also consider: (a) wage component as % of total cost, (b) firms experience in works of similar nature, (c) firms technical staff which would be made available for the project on a full time basis, and (d) adequacy of equipment made available for project. In the invitation to bid contractors should be advised that these factors would be taken into account, however without giving the weight to each factor. The weights given should be significantly different from those used initially by the VEEP programme (for further details see Annex 5.);
- (36)+ **engineering firms** should continue to be used for appraising projects, and undertake mid-term and project completion reviews. However they must always **pay timely visits** to the projects and provide reports without delay;

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- (37)-f - **fees for engineering firms** should vary with type of sub-project and more generally with the volume of work to be carried out. For most VEEP type assignments **more competitive fees** (present fees are clearly on the high side) **should be aimed at**; in case the present use of monitors may be discontinued it would generally not be sufficient for the engineering firm to pay only one visit to site during construction (as presently is the case);
- (38)i' **engineering final project** acceptance report **should specify** post construction **maintenance requirements** with indication of resource requirements;

#### 8.2.10 Project Implementation

- (39) **private construction firms** should in the future be **used to a larger extent**. First, the competition created through bidding would likely reduce costs; secondly, the programme could in that way assist in developing a private construction sector
- (40)1- in the **Memorandum of Agreement** include articles and instruments (reports, checklists etc.) to promote and measure:
- (i) (ii)
- return of refugees** and internally displaced persons;  
**participation of vulnerable groups** in sub-project workforce (indicating separately women, demobilised soldiers, internally displaced persons etc.);  
the extent to which the **ethnic structure** of the sub-project workforce reflect the ethnic composition of the community at large.
- (41) + introduce a **Quality Assurance system** as an integrated part of the

programme implementation procedures;

#### 8.2.11 Project Monitoring and Evaluation

- (42)-(- **create a database** with relevant Programme and sub-project data (MS Access could be an appropriate software) with possibility to aggregate data as **required for monitoring and evaluation** of the Programme; establish data link and exchange with other relevant data banks (Institute of Statistics, World Bank Country office, EU etc.);
- (43) **introduce and use indicators** for monitoring and evaluation of -
- basic programme objectives;
  - specific programme and sub-project aims;
- (44) + with the assistance of short-term consultants **undertake a brief study of the social effects** of the Programme (see Annex 10 for suggested study TOR);
- (45) it could be reviewed if non-committed funds under budget line for Area Coordinator could be applied towards implementation of certain recommendations of the present report to the extent these relate to activities pertaining to the duties of an area coordinator.