1. **Background and Project Description**

1.1. **Purpose and Scope of IEE:** The purpose of this IEE is to provide an evaluation of the proposed activities, and to recommend a Threshold Decision applicable to activities proposed under USAID Tourism sector development Activity. No obligation of funds will occur until all pre-obligation requirements are met.

1.2. **Project Overview**

BiH is well-positioned to compete in the burgeoning global tourism industry. The travel and tourism industry generated a direct contribution of about 409 million euros (BAM 799.7 million) in 2018 to the BiH economy, representing 2.6% of the total GDP. BiH welcomed more than 700,000 international tourists in 2018. From January-November 2019 BiH welcomed 1,544,452 international tourists, leading to an overall record year for tourism. BiH will have the 3rd highest tourism growth rate in the world between 1995-2020. BiH is endowed with a varied natural landscape conducive to outdoor sports and adventure activities, ecotourism, a wide range of cultural, historical and religious sites, and other unique natural resources (Stolac-Radmilje, Trebinje, etc.) Mostar welcomes thousands of tourists every year, many of whom take day trips from the coast just to take pictures of the famous bridge. The streets of Sarajevo’s old city are filled with those who want to experience the “Jerusalem of Europe,” a unique mix of Eastern and Western
cultures. Whitewater rafting, hiking, and cycling are available in multiple areas of the country. The soil is mostly unspoiled and fertile, leading to a unique offering of culinary products.

However, the World Economic Forum’s 2019 “Travel & Tourism Competitiveness Report” ranks BiH 105th out of 142 analyzed countries and the second-lowest ranking in the Europe & Eurasia region. Both private and public sector stakeholders acknowledge that the tourism sector is fragmented and underdeveloped due to mismanagement, lack of capacity, and poor access to finance. The industry suffers from several constraints to growth, including fragmented offerings, a lack of qualified human resources, inadequate infrastructure, inefficient transportation, poor promotion, and an international image that struggles to escape a troubled past.

But many of these challenges could be addressed effectively through targeted interventions. The tourism industry has the potential to promote a single economic space between the two BiH entities, BiH Federation and Republika Srpska. An international tourist will not distinguish one entity from another, therefore effective tourism development and promotion will maximize the synergy among attractions – regardless of their location – and create the most attractive tourism packages. Successful tourism development will bring jobs and income opportunities to many underdeveloped regions of the country and to related sectors such as agriculture, arts and crafts, transportation, and entertainment. Rural areas would particularly benefit from investments in tourism development since agriculture remains an economic mainstay for many communities. With more concentration occurring among producers of high quality and unique natural products, which are in much demand by segments of the tourism industry, there is a natural connection between agriculture and tourism. In addition, successful tourism development will support and perpetuate a positive image for the country that will benefit other economic development initiatives. This mismatch between high growth potential and relatively low competitiveness indicators is the main driving force behind this activity. BiH ranks towards the middle or lower end of the “Journey to Self-Reliance” country roadmap spectrum in government effectiveness and biodiversity and habitat protections. This activity seeks to improve both of those key indicators through assistance to public and private sector stakeholders involved in the tourism sector and, as a result, help accelerate BiH’s journey to self-reliance. USAID also believes that the tourism sector can grow exponentially with targeted assistance.

1.3. **Project Description:**

The purpose of the Activity is to accelerate growth in the tourism sector, which will lead to more jobs, provide sustainable income for producer organizations and tourism-related companies, help to change the “BiH brand”, and have a positive spill-over effect to other sectors, such as agriculture, transportation, and environmental protection.

1.4. **Project Objectives:**

Objective 1: An enabling environment conducive to noticeable growth in the tourism sector that harmonizes policies so that standards are consistent across the country;

Objective 2: Improved tourism quality, services, and branding;

Objective 3: Improved access to finance to tourism service-providers and SMEs; and

Objective 4: Tourism and indigenous agriculture products access regional and global markets;

**Results and Indicators may include:**

1) Improved competitiveness based on the 2019 [Travel & Tourism Competitiveness Index](#);

2) Increased number of tourism receipts, per the Agency for Statistics of BiH;

3) Increased number of tourism nights, per the Agency for Statistics of BiH;
4) Amount of new investments in the tourism sector;

5) Number of new public-private partnerships created;

6) New full-time jobs created, disaggregated by rural and urban areas, per AFIP and implanter records;

7) Number of new, indigenous agriculture products that have achieved protected status and/or an increase in sales;

USAID’s Tourism Sector Development Activity will be procured through full and open competition on the basis of the **Statement of Objectives**. The Statement of Objectives identifies the broad, basic, top-level objectives of this acquisition and it will be published as part of the Request for Proposal (RFP). Based on the Statement of Objective the prospective bidders will identify and propose specific interventions to be implemented under this Activity. The SOW of the successful proposal will constitute the SOW of the future contract, with details of the implementation outlines as well as illustrative activities. As these details are not known at this stage of the process, and since IEE is required in this procurement phase, we hereby request deferral. Once the procurement is completed but before the implementation starts, USAID will prepare the supplemental IEE with necessary details of activity.

### 2. Baseline Environmental Information

**Locations Affected and Environmental Context:** The activities under this IEE will be implemented exclusively in the territory of Bosnia and Herzegovina. The project team will work with municipal governments from both entities (Federation of BiH and Republika Srpska).

#### 2.1. Description of Applicable Environmental and Natural Resource Legal Requirements Policies, Laws, and Regulations

BiH has a State level government, which is administratively subdivided into two entity governments: the Federation of Bosnia and Herzegovina (FBIH) and Republica Srpska (RS). The FBIH is further subdivided into 10 cantons. Municipal level is the lowest form of government. In addition to the entities, which are divided into municipalities, there is also the Brcko District.

There are no institutions at the State level that are entirely dedicated to either environmental protection or agricultural development. In other words, there is no State level Ministry for the Environment or Agriculture, neither there is a Law on environment at the State level. As per the Constitution, Entity level governments regulate environmental issues through their laws, regulations and standards.

However, Ministry for Foreign Trade and Economic Relations (MoFTER) has been delegated to manage certain environmental and agricultural issues at the State level in the absence of dedicated State level Ministries as per the Law on Ministries and other bodies of administration of BiH (Official Gazette of BiH, No. 5/03) enacted in March 2003. MoFTER is responsible to define and coordinate activities between the Entity authorities and institutions at the international level, in the field of environmental protection, agriculture, energy and natural resources and administer enforcement of relevant laws and other regulations.

In order to improve and standardize environmental legislation, both entities drafted a set of 6 environmental laws that are largely in accordance with EU acquis:

The Framework Law on Environmental Protection;
The Law on Air Protection;
The Law on Water Protection;
The Law on Waste Management;
The Law on Nature Protection, and
The Law on the Fund for Environmental Protection

These laws represent a framework for the legal protection of the environment, setting forth basic principles of the protection, defining basic notions and terms, as well as authorities responsible for policy implementation. They also lay down basic rules for drafting specific measures in the function of environmental protection policy implementation, as well as that of environment conservation and improvement.

2.2. **Country/Ministry/Municipality Environmental Capacity Analysis**: Federation BiH:

Environmental management in the Federation BiH is uneconomical and unsustainable. The main reason for this serious lack of coordination, disorientation, and duplication between the different levels of administration responsible for environmental issues lies in the fact that institutionalized mechanisms and channels for exchange of information virtually do not exist. In addition to the relevant ministries involved in the environment and biodiversity, the Federation has quite an impressive number of specialist institutions that provide expert consulting, inspection and monitoring, and/or services that protect citizens, property and the environment/biodiversity from natural disasters. These institutes and agencies work under relevant ministries or report directly to the government. While the structure and number of institutions is rather impressive, the lack of inter-ministry coordination on all levels, as well as weak information exchange, are serious issues that impede and obstruct efficient environment/biodiversity management. Additionally, inadequate experience in environmental management of ministerial staff often results in serious gaps between the legal requirements and actual implementation.

The environmental protection legal framework in FBiH consists of five laws that were developed and adopted in 2003 at the entity level:

- Law on Environmental Protection;
- Law on Nature Protection;
- Law on Waste Management;
- Law on Air Protection; and
- Law on Environmental Protection Fund.

Adoption of these laws was a crucial step towards harmonizing BiH legislation with the EU. Although, FBiH adopted several of the sub-laws that harmonized many aspects of environmental protection with the EU legislation, the process of harmonization is far from finished. The process of harmonization must continue in order for FBiH to meet all EU directives related to regulating the environment. The main impediments to harmonization are the lack of a vision and the lack of a strategy for improving the efficiency of the harmonization processes.

Furthermore, harmonization of legislation is required within the legal structure in the entity and cantonal governments. The environmental laws adopted in 2003 were at the entity level, and some cantons have never adopted cantonal laws. In addition, some cantonal laws were adopted prior to the year 2003; so many provisions in these laws are inconsistent with the 2003 entity environmental laws.

The Republika Srpska (RS): The institutional framework for environment in the RS is simpler than the one in FBiH. There are only two levels of administration in the RS: entity and local. Similarly to FBiH, there are public enterprises tasked with specific consulting, monitoring or other services related to the environment.

At the entity level, the Ministry for Spatial Planning, Construction, and Ecology is responsible for all issues related to the environment. This Ministry is responsible for drafting and adopting laws, implementing laws relevant to environmental protection, recommending areas to be protected, and monitoring and supervising work of local/municipal administrations. Within this ministry, there is a specialized department that handles environmental issues. Some responsibilities at the entity
level related to the environment are also delegated to the Ministry of Agriculture, Forestry and Water Works; the Ministry of Education; and the Ministry of Trade and Tourism. The roles and responsibilities of each of these ministries have been defined by the Law on Ministries (2002). This same law provides for the role of the Public Institute for Protection of Cultural, Historical and Natural Heritage of Republika Srpska. This institution is tasked with all works related to protected areas, including updating the register of protected areas. They also provide expert and consulting services related to protection of the RS. In its work, the institute cooperates with other public institutions in the RS, such as faculties, museums, etc. In addition, and similarly to FBiH, there are public enterprises that manage natural parks. In the RS, there are two such institutions that are responsible for the national parks, Sutjeska and Kozara. Also, there is a public enterprise “Srpske Sume” that is responsible for overall management of all forests in the RS.

The most significant legislative reform related to the environment in the RS was the adoption of a set of entity laws on the environment. This set of five laws was drafted and adopted by both entities at the same time and are harmonized with EU legislation regulating the environment. Furthermore, and similarly to FBiH, there are other pieces of legislation that regulate certain aspects of the environment that were adopted in the RS. These include the following:

- Law on Forests (2003);
- Law on Hunting (2002);
- Law on National Parks (2005);
- Law on Waters (2006);
- Law on Agricultural Lands (2006);
- Law on Fishing (2002);
- Law on Communal Police (2003);
- Law on Fees for Utilizing Natural Resources for Energy Generation (2003); and

The Republika Srpska is facing some of the same issues as FBiH, including the requirement for full harmonization of its legislation with EU regulations. As previously stated, in order to harmonize its legislation with the EU, the BiH government started revising existing laws in 2006. This project was financed by the EC with the ultimate goal of monitoring the level of harmonization with EU regulations.

2.3. **Sustainability Analysis**: To address the sustainability issue in a broad context, and to protect the USG investment, USAID makes sure that its activities comply with all relevant recommendations prescribed in the EU accession documents for BiH. These reforms are required for EU accession, so their sustainability is guaranteed by the strict EU conditionality, and driven by the country’s strong commitment and keenness to join the EU.

To ensure sustainability in a context of long-term development, USAID verifies that all of its activities are in line with the guiding principles for sustainable development described in the renewed EU Strategy for Sustainable Development (EU SDS), adopted by the European Council in June 2005. The focus of the EU Sustainable Development Strategy is on ecological and social potential of the economy and economic growth. The Strategy promotes the idea and sets the conditions for sustainable economic development that ensures better quality of life through economic growth that is conscious of, and responsive to the environment and natural resources. All EU activities, particularly those in the policy arena, must be designed in accordance with the Strategy. The Strategy outlines education and public finance as important key instruments and preconditions in facilitating the transition to a more sustainable development. The Sustainable Development Indicators (SDIs) are used to monitor the EU Sustainable Development Strategy in a report published by Eurostat every two years.
Baseline Environmental Information will be further expanded when individual activities are defined, which will enable a drafter to recommend the appropriate environmental determination. USAID shall then amend the IEE with a Supplemental IEE for the subject program.

2.4. **Climate Change Vulnerability Analysis: n/a**

3. **Analysis of Potential Environmental Impact**

Analysis of Potential Environmental Impact will be completed when activities are defined which will enable a recommended environmental determination to be made; USAID shall amend the IEE with a Supplemental IEE for the subject program.

4. **Recommended Environmental Actions**

4.1. **Recommended Mitigation Measures**

A deferral is requested for the new Sustainable Tourism Development Activity program. Recommended Mitigation Measures will be provided after specific activities are defined, and after a recommended environmental determination is made. USAID shall amend the IEE with a Supplemental IEE for the subject program. No activities may proceed until the Supplemental IEE is approved by the BEO.

4.2. **Terms and Conditions:**

4.2.1. USAID/ BiH shall ensure that an environmental review will be completed prior to sub-obligation of funds.

4.2.2. Once activities are delineated that enable a recommended environmental determination to be made, USAID shall amend the IEE with a Supplemental IEE for the subject program.

4.2.3. Activities subject to a deferral may not be awarded prior to the Bureau Environmental Officer’s approval of appropriate environmental review documentation.

5. **Limitations of the IEE:** This IEE does not cover activities (and therefore should changes in scope implicate any of the issues/activities listed below, a BEO-approved amendment shall be required), that:

5.1. Normally have a significant effect on the environment under §216.2(d)(1) [See http://www.usaid.gov/our_work/environment/compliance/regulations.html]

5.2. Support project preparation, project feasibility studies, engineering design for activities listed in §216.2(d)(1);

5.3. Affect endangered species;

5.4. Result in wetland or biodiversity degradation or loss;

5.5. Support extractive industries (e.g. mining and quarrying);

5.6. Promote timber harvesting;

5.7. Provide support for regulatory permitting;

5.8. Result in privatization of industrial or infrastructure facilities;

5.9. Lead to new construction of buildings or other structures;
5.10. Assist the procurement (including payment in kind, donations, guarantees of credit) or use (including handling, transport, fuel for transport, storage, mixing, loading, application, cleanup of spray equipment, and disposal) of pesticides or activities involving procurement, transport, use, storage, or disposal of toxic materials and/or pesticides (cover all insecticides, fungicides, rodenticides, etc. covered under the Federal Insecticide, Fungicide, and Rodenticide Act); and

5.11. Procure or use genetically modified organisms.

6. Revisions

6.1. Under §216.3(a)(9), if new information becomes available that indicates that activities covered by the IEE might be considered major and their effect significant, or if additional activities are proposed that might be considered major and their adverse effect significant, this environmental threshold decision will be reviewed and, if necessary, revised by the Mission with concurrence by the BEO. It is the responsibility of the USAID COR/AOR to keep the MEO and BEO informed of any new information or changes in the activity that might require revision of this IEE.

7. Recommended determination:
Distribution:
IEE File
MEO (to also provide a copy to AOR/COR)