



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 15-Jun-2019 | Report No: PIDC191683



BASIC INFORMATION

A. Basic Program Data

Country Bosnia and Herzegovina	Project ID P168818	Parent Project ID (if any)	Program Name Republika Srpska Roads Program
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 15-Nov-2019	Estimated Board Date 27-Dec-2019	Does this operation have an IPF component? No
Financing Instrument Program-for-Results Financing	Borrower(s) Bosnia and Herzegovina	Implementing Agency Republika Srpska Ministry of Transport and Communications, Republika Srpska Roads Agency	Practice Area (Lead) Transport

Proposed Program Development Objective(s)

The Program Development Objective is to improve the operational efficiency and financial sustainability of the road sector and to provide a more climate resilient network and safer mobility for the road users in Republika Srpska.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	496.16
Total Operation Cost	56.14
Total Program Cost	56.00
Other Cost	0.14
Total Financing	56.14
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	56.14
World Bank Lending	56.14



B. Introduction and Context

Country Context

- 1. Bosnia and Herzegovina (BiH), a small country of close to 4 million people, with a complex governance structure.** The general government sector consists of four units: BiH Council of Ministers, Government of the Federation of Bosnia and Herzegovina (FBiH), Government of Republika Srpska (RS), and Government of Brcko District (BD). FBiH is further divided into ten cantons. The sub-national levels of government are given considerable power. This institutional structure resulted in significant fragmentation and duplication of public services and decision-making.
- 2. Economic growth is steady, yet below the Western Balkans average, while unemployment remains high.** In 2018 Bosnia and Herzegovina maintained a stable growth rate of 3.1 percent, with domestic demand being the dominant driver of growth. Greater external demand has supported export growth. However, due to the higher growth rate of imports during the same period, the final impact on net export growth was 1.0 pp lower. Export growth was mainly concentrated in the same commodities as in 2017 – namely, mineral products, base metals, chemical products and machinery, which jointly totaled 50.7 percent of export growth. Similarly, in line with figures from 2017, import growth was driven by the same four categories and by transportation equipment, which jointly corresponded to 47.7 percent of import growth. While unemployment remains high, recent figures show some improvements in labor market conditions. According to the Labor Force Survey data, the unemployment rate fell from 20.5 percent in 2017 to 18.4 in 2018, mainly driven by a reduction in activity rate and a slight increase in employment (mainly in the manufacturing and construction sectors).
- 3. Economic growth is projected to gradually strengthen to about 4 percent by 2021, supported primarily by consumption and to some extent by public investment.** As the reform agenda develops further, a moderate rise in exports is expected. Nevertheless, strong demand for imported goods implies that consumption-led growth will continue to be a dominant model of growth. Remittances are likely to remain high and stable, and, together with progress on reforms, will underpin a gradual increase in consumption. Investments in energy, infrastructure, and tourism will also support job creation in those sectors. At the same time, there are notable risks to the outlook - both domestic and external. The main domestic risk is the challenging political environment and a slow pace of implementation of structural reforms. Conversely, delays in NATO accession, slower-than-expected growth in the EU, and tighter financial conditions in global markets represent significant external risks.
- 4. BiH has one of the world's largest public sectors relative to the size of its economy,** with general government expenditures at 43.7 percent of GDP in 2016¹. Enhancing expenditure efficiency can therefore significantly improve economic growth and help reduce poverty. To reduce the fiscal burden of state-owned enterprises, SOE reform is a key priority for BiH, including the transport sector.
- 5. BiH is vulnerable to heat waves, flooding and droughts.** These events may become more common in the future with severe negative impacts for people and the economy. For instance, the negative impacts of the heavy floods in May 2014 in BiH were estimated at 15 percent of GDP. The estimated cost for damages for the transportation and communications sector was EUR 262 million, of which 143 in RS. A joint EU-UNDP-World Bank led Recovery and Needs Assessment estimated that the cumulative impacts could significantly slow growth, increase poverty and put pressure on public finances.
- 6. BiH Human Capital Index is lower than the ECA average.** A child born in Bosnia and Herzegovina (BiH) today will reach only 62 percent of its productive potential when he or she grows up as compared to children born in countries with

¹ WB staff estimates based on consolidated BiH 2016 public expenditure data.



best education and health care, according to the Human Capital Index. In particular, while in ECA the average expected number of years of school is 13, in BiH it is 11.7. Access to healthcare and job opportunities also strongly relate to transport accessibility, and in particular to road accessibility as the predominant transport mode.

Sectoral (or multi-sectoral) and Institutional Context of the Program

7. **The road sector structure reflects the political and institutional structure of BiH.** The road sector is administered and managed at the State level by the Ministry of Communications and Transport (MoCT), and at the entity level, by a separate Ministry of Transport and Communications (MoTC) in each entity. The day to day management of the road network in each entity is undertaken by a motorway company responsible for tolled roads, while another company is responsible for the untolled network.

8. **The key challenges in the transport sector are how to ensure that sparsely available resources are put in network enhancements which would provide uninterrupted, safe and cost-effective transport of goods and people.** This calls for a focus on sustainable asset management and preservation, adequate provision of safety and preemptive actions to ensure the network's resilience to extreme climatic events. These are the central elements of the Bank-supported program in the BiH, and in particular the "Federation Road Sector Modernization Project" in the FBiH, which shall also guide the support in RS that this operation focuses on.

9. **The transport sector in RS is financially unsustainable in its current form and requires significant public subsidy to maintain operations.** Both the road and rail companies have outstanding debts that are being serviced by the RS Ministry of Finance (MoF) and, in the case of the railway company (ZRS), there are also significant operating subsidies that are being provided. While ZRS's IFI related debts are being converted to equity to restructure its ownership, MoTC has been servicing PRS international credit without a clear vision for financial sustainability. The Bank is already supporting the railway sector through the RS Railways Restructuring project (P161122), which seeks to improve the operational efficiency and financial sustainability of the railways principally through right sizing the workforce and restructuring the ownership structure of the company. This Program will focus on operational efficiency and financial sustainability of the road sector but with a greater focus on improved asset management and optimizing the balance between investment and maintenance activities.

10. **PRS manages about 4,100 km of roads – divided into main, regional and local roads.** The network is mostly paved (87 percent) and includes 702 bridges with a total length of 20 km and 105 tunnels with a total length of 22 km. The detailed condition of the overall network is currently not known but outside of the major road links it is considered that the network is in medium to poor condition and in need of renewal. The pavement surface has been patched extensively, there is considerable cracking and rutting, and the drainage is inadequate. About 15 percent of the bridges are in poor condition and/or are made from wood, while all tunnels were constructed in the pre-war period with the majority needing waterproofing and installation of lighting. The situation is further aggravated by the frequent occurrence of slope instabilities (landslides and rockfalls) and road subsidence. PRS is currently conducting an extensive roughness survey and an assessment of the condition of bridges and tunnels for this program preparation.

11. **Inadequate recurrent funding and poor debt management have limited expenditures in the sector to covering essential maintenance only.** The fuel levy, the major source of finance for this category of roads, has not kept pace with inflation and is gradually being diluted in real terms. PRS took out loans from commercial banks and international financial institutions (IFIs) to finance more urgent rehabilitation and improvement activities. The service of these loans later absorbed a significant amount of the company revenues – 30 percent in 2019 – and further limited its capacity to maintain and rehabilitate the network. Furthermore, during the period 2012-2017, PRS did not service the international loans and



instead relied on these being covered by the RS Ministry of Finance. As a result, due to the growing backlog of periodic maintenance and rehabilitation activities, there is now a need for a more expensive reconstruction process.

12. **Following growing concern from the international community over the long-term sustainability of road sector funding, the excise duty on motor fuels was increased in 2018.** This has directed considerable additional funds to the road sector, representing a major relief to PRS. Operating revenues in 2018 amounted to BAM 118 million, which corresponded to a 30 percent increase compared to 2017. This was mainly due to the new fuel tax but also to higher car registration fees following an increase in motorization. However, during the coming years the company will continue to allocate a significant part of their revenues to servicing the loans but over time there is the potential for a more positive outlook and a more financially sustainable approach.

13. **While PRS medium-term plan calls for further development of the network, available resources are allocated to maintenance and debt servicing.** The PRS 2019-2021 operational plan envisages a total of BAM 886 million investment. The use of revenues from taxes and levies of BAM 416 million is to be largely allocated to maintenance (including small rehabilitation and co-financing of local projects), about 50 percent, and repayment of debts, 25 percent, while the remaining 25 percent will be allocated to partly finance a series of investments, including road rehabilitation, reconstruction, new construction, tunnel works, road safety and other small activities. The remaining part of this series of investments will come in a small share from government funds and IFIs existing loans for a total of about BAM 50 million. However, the majority of the total amount, which corresponds to more than BAM 400 million, is currently unfunded.

14. **The challenge for PRS over the next few years will be to achieve long term financial sustainability while increasing the efficiency of expenditures and the governance in the sector.** This will require an appropriate balance between new construction activities and activities to maintain and restore the network. PRS is in the process of developing an asset management system to support with the effective prioritization of maintenance and investment expenditures. This system should also support the development of performance indicators to demonstrate the incremental improvement in the network given the additional funding available. Such performance indicators will also support a better corporate governance through performance contracts between PRS and RS government.

15. **The level of competition in the industry for road rehabilitation and maintenance is limited.** PRS manages road maintenance based on 12 zones for which they contract a company to undertake the maintenance. Currently, 9 companies cover the market. The contract is procured in principle on a competitive basis, but in practice most of the companies currently undertaking maintenance were previously a state-owned maintenance company. Through the years, these companies managed to acquire extensive experience in performing routine and winter maintenance – a competitive advantage which, however, comes at a cost - in addition to cost-efficiency issues, this practice leads to lack of innovation and insufficient quality improvement. Most major works, such as overlays, do have some elements of competitive tender, but the works are often undertaken with low design standards, which limits the life of interventions and is cost ineffective.

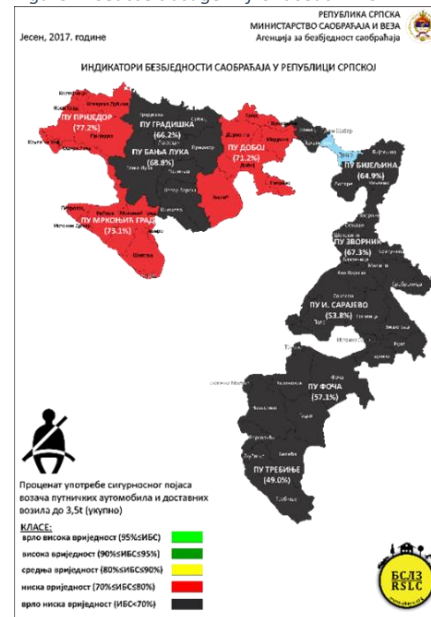
16. **Due to its mountainous landscape, BiH is sensitive to extreme climate conditions.** The road network managed by PRS was significantly affected by the floods in 2014 and there have been recurring problems in the years that followed. The road network is particularly affected by flood occurrences and in RS in particular, the large number of bridges and tunnels are most vulnerable to floods and landslides. The Bank supported PRS with emergency repairs following the floods through the BiH Floods Emergency Recovery Project (P151157). However, there is a need for a more sustainable approach which incrementally reduces the vulnerability of the network through improved drainage, bank protection works, slope stability measures and strengthened pavements in vulnerable areas.



17. **Road fatality rates² remain double compared to EU countries, despite a slightly decreasing trend between 2011 and 2018.** Overspeeding is identified as the main cause for about 20 percent of the accidents. Seat belt usage remains low at 65 percent in the front seats and 17 percent in the rear seats. With support from the previous WB project (RISP³), the Government of Republika Srpska established in 2011 the Traffic Safety Agency of the Republic of Srpska (TSARS) as the leading agency for road safety.

18. **TSARS is the leading agency and provides coordination and cooperation between all road safety stakeholders.** The National Road Safety Council is composed of ministers in charge of traffic issues, interior affairs, health, finance, education, representatives of universities and research institutes, with the main aim of establishing co-operation and harmonizing efforts to improve road safety. TSARS is a secretary of the National RS Council and provides professional support. In both entities, the National Road Safety Coordination Body at the entity level provides exchange of best practice and information about road safety activities at the ministry level. In RS, there are Local Councils at the local government level, which are located in each local community and are responsible for local road safety plans.

Figure 1: Seatbelt usage in front seat in RS⁴



19. **A new Road Safety Action Plan for the period 2019-2022 was recently approved.** The plan maintains the objective set in the previous action plan (2013-2018) to reduce the number of fatalities in RS by 50 percent by 2022 compared to 2011. The plan applies a safe system approach and identifies priority actions around 5 pillars in line with the UN Decade of Action for Road Safety 2011–2020: (i) road safety management, (ii) safer road infrastructure (iii) safer vehicles, (iv) safe behavior of road users, and (v) post-crash response.

Relationship to CAS/CPF

20. **The proposed PforR operation constitutes the continuation of the ongoing WB involvement in the transport sector in BiH.** The Transport Sector Modernization Program (TSMP) was approved by the World Bank’s Board in August 2016 to support BiH’s transport modernization in the most effective manner to achieve national economic and social goals. The Federation Road Modernization Project was the first phase of the TSMP aimed at improving road connectivity and safety. The Republika Srpska Railways Restructuring Project, the second phase of TSMP, is currently supporting the financial, operational and organizational performance improvement of the railways in RS. The proposed RS Roads Rehabilitation Program, although not formally part of the TSMP, would de facto⁵ constitute the third phase of the Program and would continue the agenda on connectivity, safety and SOE reform.

21. **The proposed PforR operation is consistent with the Country Partnership Framework (CPF) FY16-20.** The

² In terms of fatalities per million inhabitants.

³ Road Infrastructure and Safety Project (P100792)

⁴ Black represents less than 70%, red between 70% and 80%, yellow between 80% and 90%, dark green between 90% and 95% and light green more than 95%.

⁵ This operation is a PforR which, due to a system issue, cannot be part of a Series of Projects. Otherwise it would have been considered for the series.



proposed Program would support the 3 pillars of the CPF: increasing public sector efficiency and effectiveness, creating conditions for accelerated private sector growth, and building resilience to natural shocks. Support to increasing public sector efficiency and effectiveness includes improving the management and efficiency of public finances; strengthening governance and reducing fiscal burden of state-owned enterprises; and improving public service delivery. All these three elements are reflected in this Program design, which would support the financial sustainability and better allocation of public resources as well as better governance and transparency of the road sector. The Program would support the pillar on creating conditions for accelerated private sector growth through more efficient market competition for road works. Finally, the Program also supports the pillar on building resilience to natural shocks, through incremental reduction of infrastructure vulnerability to extreme weather conditions. The CPF's Performance and Learning Review (PLR, December 2018) suggests that the World Bank needs to continue actively supporting the improvement of the efficiency of SOEs and enhancing the operational and financial sustainability of infrastructure for provision of public services.

22. **The proposed PforR operation is consistent with national and regional policy objectives.** At RS level, the PforR program is consistent with the Road Sector Development Strategy 2016-2025, the PRS Operational Plan 2019-2022, and the Road Safety Strategy 2019-2022. The BiH Transport Strategy (2016-2030) identifies improving financial sustainability, improving the quality of highways and regional roads and increasing road safety as key objectives. Road safety is also a key objective (along with railways and regional integration) of the recently established Transport Treaty Secretariat following the Western Balkans Transport Ministerial Declaration on road safety from Ljubljana TEN-T Days and its Action Plan (2018).

Rationale for Bank Engagement and Choice of Financing Instrument

23. **PRS administers a well-defined road maintenance program.** Two previous WB projects, Road Infrastructure and Safety Project and Road Management and Safety Project, provided support in improving the planning and implementation capacity of PRS. Despite these efforts, overall condition of the network is deteriorating, and planning tools are not being properly used, due to both lack of adequate funding as well as lack of programmatic thinking. While the new fuel levy will bring additional financial resources, PRS will have to manage a delicate transition period balancing the service of previous debts and the rehabilitation of a deteriorating network.

24. **The Bank's financial support and involvement along with public sector financing will incentivize and support better planning and project implementation.** The Bank will incentivize the use of good asset management systems and data-driven prioritization of investments and interventions. Bank participation in the program could also foster private sector involvement in the construction sector through the use of improved and competitive tender. The operation will also support enhancing the efficiency of public procurement, which would facilitate a more vibrant construction sector.

25. **A Program for Results (PforR) is proposed as a suitable instrument** since: (i) it would support an ongoing program implemented using national standards and systems, (ii) it has tangible and measurable results which are fully aligned with the country's strategy and action plans; and (iii) the Bank can add value to improve the overall efficiency and effectiveness of program implementation.

C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

Program Development Objective(s)

The Program Development Objective is to improve the operational efficiency and financial sustainability of the road



sector and to provide a more climate resilient network and safer mobility for the road users in Republika Srpska.

PDO Level Results Indicators

B. PDO Level Results Indicators

26. Key program indicators would include:

- (a) **Improved operational and financial sustainability of PRS**, as measured as: (i) declining liabilities as a percentage of revenues; (ii) revised performance-based service level agreement in place.
- (b) **Improved mobility**, as measured as: (i) improvement in the travel time and costs between main activity centers; (ii) improved condition of the network.
- (c) **Climate change adaptation**, as measured as: (i) reduction in the average number of days of road/tunnel/bridge partial or total closure on the network; (ii) incremental reduction in the number of identified network vulnerabilities.
- (d) **Improved road safety**, as measured as: (i) reduction in the number of fatalities and serious injuries; (ii) reduction of overspeeding.

D. Program Description

PforR Program Boundary

27. **The Government Program.** The operation will support the main (excluding motorways), regional and local roads program as managed by PRS, consisting of 4,100km of road, 702 bridges and 105 tunnels. The program managed by PRS consists of network maintenance, rehabilitation and incremental improvement of the network. PRS is also responsible for responding to emergencies because of natural disasters, improving the resilience of the network to natural disasters and for the safety of the infrastructure under its control.

28. The overall strategy for road sector development in RS is governed by the RS Road Sector Development Strategy 2016-2025. The activities of PRS are set out in the PRS operational plan 2019-2021, which is approved on a rolling basis and serves as the contract between the government of RS and PRS. Road safety activities (for all stakeholders) are set out in the RS Road Safety Action Plan 2019-2022.

29. **Program for Results.** The proposed PforR Program (“Program”) will finance a portion of about 20⁶ percent of the PRS program per year as described above, for a period of 4 years. Specifically, the Program will support enhancing the operational and financial sustainability of PRS to benefit the road users of RS. The PRS program and PforR Program will support the following results areas (the results chain is shown in Table 1):

⁶ Considering a loan of about EUR 90 million.



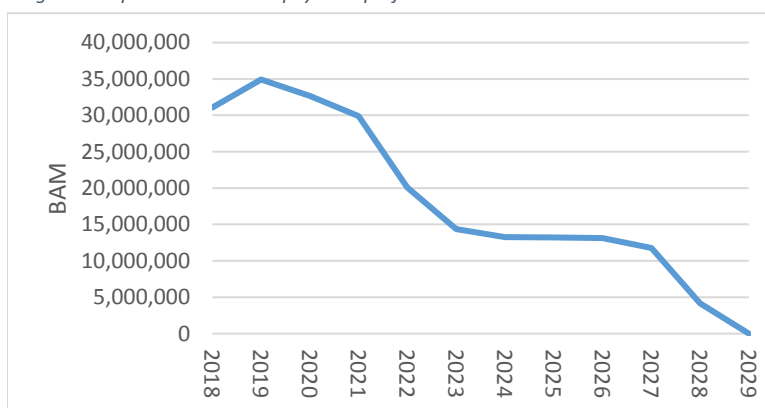
Table 1: Results chain

Results area	Expected outputs	Expected outcomes
Improved operational and financial sustainability of the road sector	<ul style="list-style-type: none"> - Asset management systems operational - Revised performance-based service level agreement in place 	<ul style="list-style-type: none"> - Long term financial sustainability, full maintenance and rehabilitation program funded by PRS revenues
Improved mobility and accessibility	<ul style="list-style-type: none"> - About 300km of priority roads improved, prioritized to improve accessibility - Optimized maintenance program implemented network wide 	<ul style="list-style-type: none"> - Improved accessibility to key points of interest such as hospitals, schools and employment centers
Improved network resilience	<ul style="list-style-type: none"> - Resilience plan prepared and reflected into AMS - About 80 priority tunnels and bridges improved for climate resilience - About 10 weather stations installed 	<ul style="list-style-type: none"> - Likelihood failure of key infrastructure on a 100 years event reduced by 50%
Improved road safety	<ul style="list-style-type: none"> - About 30 black spots fixed - Reduction in observed overspeeding by 20% 	<ul style="list-style-type: none"> - Fatalities decreased by 25% compared to 2018

30. **Result area 1: Improved financial and operational sustainability.** Through the PforR program the Bank will support the company to improve the financial sustainability and gradually reduce the excessive debt burden. It will also support the company to develop a comprehensive policy on road sector finance to maximize expected revenues to the sector.

31. Despite being well defined and specific, the annual and multi-annual plans are not based on reliable condition data and evidence for prioritization. Routine and winter maintenance planning is mostly based on the historical expenditure records. Similarly, expenditures from previous years are used to secure contingency amount for the emergency works without taking into consideration the current conditions and probability of extreme weather events.

Figure 2: Expected PRS debt repayment profile to 2029



32. Under the Program, PRS will use the results from the road asset management systems (AMS) currently under development to optimize the type and timing of expenditures to prepare realistic medium-term maintenance and investment plans. Balancing the short term needs of the network and the medium to long term capacity of the company to cover its debts and ensure financial sustainability will be the key to the long-term viability of the company.

33. Improving corporate governance will also be important to the long-term success of the company, ensuring professional directors are selected and that the relationship between RS government and PRS is properly regulated. This will be achieved through an enhanced operational plan called a service level agreement, which defines the expected performance indicators in return for the funds allocated to the sector.



34. **Result area 2: Improved mobility and accessibility.** The objective of this result area is to improve the overall condition of the network. To this end, PRS would need to implement a series of changes that would be supported through the engagement. These include the establishment of an AMS to prioritize investments and optimize public expenditures, reform of the mechanisms for maintenance execution and the supervision of that maintenance. It would also support the prioritization of interventions to meet the strategic requirements of RS to improve social mobility and to attract investment.

Figure 3: Typical road in RS (source: WB team)

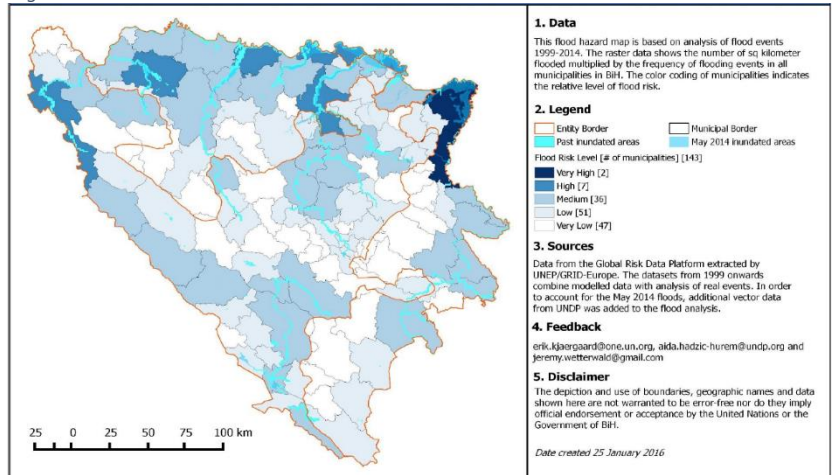


35. To enhance mobility and access to education, health and economic opportunities, the prioritization of investments will include the accessibility dimension, in particular relating to accessibility to key urban areas and facilities such as hospitals and schools. A GIS-based transport model is currently being built to measure the road links criticality in terms of accessibility to points of interest. The results of the model will be integrated into the prioritization mechanism to ensure that higher prioritization is given to essential roads connecting to key facilities such as hospital/clinics and education centers.

36. **Result area 3: Improved network resilience to extreme climatic events.** This result area will support a more sustainable approach to reduce the vulnerability of the network through improved drainage, bank protection works, slope stability measures and strengthened pavements in vulnerable areas. Most of the infrastructure is now built to last for 40 years or longer, and therefore it is important to understand how future climate change might affect these investments in the coming decades. Hazard and risk assessment were not performed for the overall network nor for any of its segments.

37. Response and recovery elements of the disaster management cycle are principally established through the maintenance contracts. This result area is closely linked to the development of the AMS, which will be required to assess network vulnerability and improve maintenance practices, which are the single most effective way to reduce network vulnerability. The Bank will support PRS to develop strategies to deal with this critical issue in the BiH context through the work done on climate resilience in the region, and in BiH in particular. The focus will be given to areas identified as a high flood risk (see Figure 4). As vulnerability of the network to

Figure 4: Floods risk areas⁷



⁷ Source: UN.



climate change and natural disasters needs to be assessed, the Program will include installation of weather stations at key places in the network.

38. **Result area 4: Improved road safety.** The overall decreasing trend of road fatalities in RS has been positive. However, the number of road fatalities in RS remains far above the EU average (see Figure 5). This results area will support the RS Government to achieve their road safety targets (Figure 6) over the period of the project by strengthening the role, and impact of the programs, of the Traffic Safety Agency of Republika Srpska (TSARS) and other supporting agencies including PRS.

39. Focus will be given to addressing black spots through the PRS program and enforcement of speed. The Program will also pilot a corporate responsibility engagement in road safety to engage the private sector, in particular the trucking industry, to proactively implement road safety measures.

Figure 5: Mortality (road deaths per million inhabitants) in Republic of Srpska in 2017 compared to EU

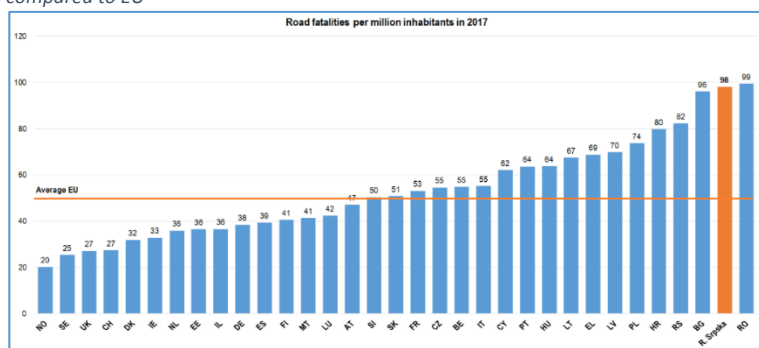
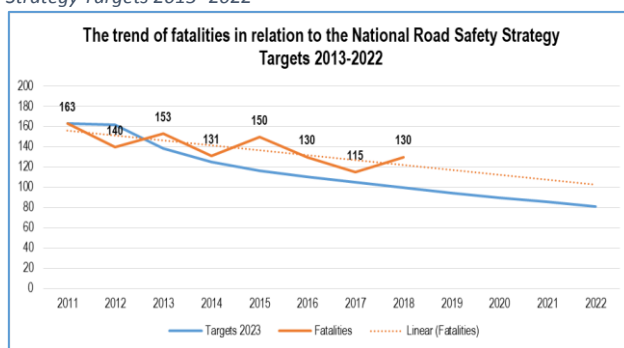


Figure 6: Trend of fatalities in relation to the National Road Safety Strategy Targets 2013- 2022



40. **Possible DLIs and loan amounts.** The table below provides an initial assessment of DLIs and associated weightings in terms of loan amounts.

Table 2: Disbursement Linked Indicators and loan allocations

Results area	Improved operational and financial sustainability of the road sector	Improved mobility and accessibility	Improved network resilience	Improved road safety
Possible DLIs	(i) declining liabilities as a percentage of revenues; (ii) preparation of annual and multi-annual plans based on asset management system; (iii) revised service level agreement in place.	(i) improvement in the condition of the network; (ii) number of kms of road/bridge/tunnel rehabilitated.	(i) number of bridges and tunnels rehabilitated; (ii) reduction in the number of identified network vulnerabilities;	(i) implementation of a speed management and enforcement program; (ii) implementation of a pilot corporate responsibility program;(iii) number of blackspots treated.
Total share of loan allocated	40 percent	30 percent	15 percent	15 percent



41. **The PforR Program excludes any activities which:**

- (a) are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people;
- (b) involve the procurement of: (i) works, estimated to cost US\$ 75 million equivalent or more per contract; (ii) goods, estimated to cost US\$ 50 million equivalent or more per contract; (iii) nonconsulting services, estimated to cost US\$ 40 million equivalent or more per contract; or (iv) consulting services, estimated to cost US\$ 20 million equivalent or more per contract.
- (c) the repayment of current or new debts, including commercial, IFIs or government related.

E. Initial Environmental and Social Screening

42. **Environmental Aspects.** The scope of works proposed under the Program includes rehabilitation and reconstruction of the existing road network including the associated infrastructure, such as tunnels and bridges, and improving road safety through reconstruction of the identified black spots within the network. The Program does not envisage new construction of road segments or any other infrastructure. The environmental implications and impacts that are associated with such works include dust and noise generation, disruptions to the traffic, waste management, material sourcing and health and safety implications.

43. **The legal framework under which the PRS operates is very well defined and the environmental management is well integrated into the overall permitting procedure.** The legislation in force in RS - including the Law on Environmental Protection that stipulates the development of Environmental Impact Assessment as well as the Rulebooks and other bylaws - regulate the environmental due diligence process. The final outcome of this process is to obtain the Environmental Permit, which is an integrated part of the Construction Permit for works on reconstruction and new construction. Activities dubbed as rehabilitation activities do not require these permits, and therefore this segment presents one of the gaps to be addressed in the Environmental and Social System Assessment (ESSA) to be prepared for this Program.

44. **PRS has a Planning, Development and Environment department which is in charge of ensuring that all activities are in line with RS legislation that governs different permits, including environmental ones.** The environmental section of this department is composed by one person, which is sufficient at this stage, since all of the EIA development is outsourced to the consultants that are formally registered with the Ministry of Physical Planning, Construction and Ecology of RS. The findings of the EIA are integrated into the Environmental Permit which the contractor is then obliged to follow, including adequate mitigation and monitoring measures for each location. The permitting process for the locations and urbanistic conditions are done in consultations with and through the local municipalities and also include guidance on sensitive areas such as protected areas, cultural heritage or waterways. All opinions, inputs and permits are requested from the relevant authorities for each of these sectors.

45. **Social Aspects.** During the initial meeting on April 24, 2019 with PRS counterparts, PRS confirmed that the main activities would relate to the rehabilitation of roads that typically occur within the right of way of national roads on land owned by the government. However, some activities such as road correction could involve temporary or permanent land acquisition. PRS was unable to provide early estimations regarding the number of households that could be affected. PRS would prefer to exclude any roads that would involve resettlement from the PforR Program as the procedures associated with the resettlement process can cause delays in implementation. More clarity is needed on what this exclusion would entail in practice and how works will be screened and monitored to ensure that the land involved is not being used or occupied. PRS has offered to provide a list of all the roads under the government program that are being considered for rehabilitation and indicate which roads would potentially involve land acquisition and/or resettlement. The rehabilitation



of tunnels and bridges that may involve working at heights and in confined spaces also presents occupational health and safety risks for construction workers.

46. **PRS has staff in place responsible for social aspects, including grievances.** PRS has an Expropriation Unit that is comprised of one lawyer and three technical engineers. The environment section’s sole staff member also handles some social aspects. Regarding grievance mechanisms, five employees currently manage and respond to feedback and complaints from all PRS communication modes, which include email, mail, website, and phone calls. However, the procedure for case handling varies. For instance, while emails and letters are filed, phone calls are not documented in their recordkeeping system. As part of the ESSA, further analysis will be undertaken to assess the legislative procedures of the Program systems and the implementation track record of the implementing parties, including rehabilitations contractors. The analysis will also examine social effects of the activities under the proposed Program on stakeholders, including vulnerable groups, community and worker safety, and opportunities for gender related interventions and strengthening grievance mechanisms.

47. **Initial consultations with stakeholders will begin in June 2019 to further inform the scope of the ESSA and the design of the PforR operation.** A more formal consultation on a publicly disclosed draft ESSA will take place before the end of Appraisal.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	
Projects in Disputed Areas OP 7.60	
Summary of Screening of Environmental and Social Risks and Impacts of the IPF Component	
Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.	

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Borrower/Client/Recipient

Borrower :	Bosnia and Herzegovina		
Contact :		Title :	
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Implementing Agencies

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