

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC1100

<b>Project Name</b>	Kosovo Water Security and Canal Protection Project (P133829)
<b>Region</b>	EUROPE AND CENTRAL ASIA
<b>Country</b>	Kosovo
<b>Sector(s)</b>	Irrigation and drainage (40%), Water supply (25%), General energy sector (25%), Wastewater Treatment and Disposal (10%)
<b>Theme(s)</b>	Water resource management (100%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P133829
<b>Borrower(s)</b>	Ministry of Finance
<b>Implementing Agency</b>	Iber-Lebence Company of the Ministry of Economic Development, Ministry of Environment and Spatial Planning
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	20-Dec-2013
<b>Date PID Approved/ Disclosed</b>	23-Dec-2013
<b>Estimated Date of Appraisal Completion</b>	17-Nov-2014
<b>Estimated Date of Board Approval</b>	31-Mar-2015
<b>Concept Review Decision</b>	Track I - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

Since the declaration of independence in February 2008, as a potential candidate of EU membership, Kosovo has launched a broad socio-economic program for sustained growth and taken developmental reforms are largely driven by EU policies and requirements. Although Kosovo's economic growth has been generally positive, averaging 4-5 percent annually over the last decade, driven mostly by massive donor-funded reconstruction efforts as well as remittances from its diaspora, Kosovo remains one of the poorest countries in Europe with a per-capita GDP of about €2,700. About one-third of its population of 1.8 million lives below the poverty line and roughly one-eighth in extreme poverty. Together with agriculture, mining, manufacturing and the service industry account for the majority of the country's economic activity. Kosovo's location, EU membership prospects and market access to the EU and Central European Free Trade Agreement (CEFTA) countries offer great opportunities for overall economic growth and advancement, but

substantial efforts on several fronts are necessary. The government is beginning to put in place the policies, institutions and investments necessary to address the range of development challenges and has sought Bank support to contribute to these efforts.

### **Sectoral and Institutional Context**

As a landlocked country located in the southern region of the Balkans, Kosovo has limited water resources and its distribution remains largely unequal throughout the country. The central/northern region especially has limited water resources but holds the country's largest development potential as most of the mining, agricultural and industrial activities are located here, including the Durres–Prishtina–Belgrade industrial belt. This region has the highest population of and thermal power plants, Kosovo A, B and the planned Kosovo C.

This region of central Kosovo depends almost entirely on the Ibër-Lepenc canal to meet its water needs. The Ibër -Lepenc canal conveys water from the Ibër River, a trans-boundary river flows through Montenegro and Serbia. The canal is a multi-purpose water conveyance system, supplying water for energy production, mining, industry and agriculture and drinking water to central Kosovo. Its efficient and continuous operation is particularly critical for the socio-economic well-being of the country. However, built in the 1970s, the canal has gradually declined in performance due to physical damage, pollution, and non-optimal operation, and little has been done for the canal's maintenance and modernization. The Iber-Lepenc Company (ILC) in charge of operating and maintaining the canal rehabilitated canal lining for the most seriously damaged sections, but water seepage losses and operational losses persist.

In consequence, the region generally suffers from water scarcity during the summer months. This has resulted not only in water rationing but threatens future prospects for development in the region. Combined with a growing demand for industrial, agricultural and domestic water, water security for Central Kosovo is becoming an increasing cause for concern. Therefore, economic development will require increasing the reliability and quality of water delivery.

Recognizing this, the Government of Kosovo has requested Bank support to improve the functioning of the Iber canal. The World Bank has undertaken a study, "Water Security for Central Kosovo" (2012), which assessed the existing structural integrity and construction quality of the bulk water conveyance systems. The study concluded that, out of several alternatives, the set of measures to improve water security in the Ibër-Lepenc Canal basin proved to be economically, institutionally and technically the most preferable. The proposed project is being prepared in response to the outcomes of this study.

### **Relationship to CAS**

The proposed project is in line with the objectives of the Country Partnership Strategy (CPS) FY2012-15 that seeks to support Kosovo to: (i) accelerate broad-based economic growth and employment generation and (ii) improve environmental management. These objectives are embedded within the overall context of assisting the Government of Kosovo move towards EU-compliant standards and requirements.

The CPS specifically states that given the limited and insufficient water resources in the country, water is expected to be a limiting factor for economic and social development in the future. The CPS identifies water availability and quality as one of the key areas of attention. The proposed project, by seeking to improve the reliability and quality of water to Central Kosovo, is one effort in

the government's overall strategy to promote socio-economic development and protect its natural resource base.

The project contributes to the WBG strategic twin goals of eliminating extreme poverty and promoting shared prosperity. Ensuring the reliability and the quality of the canal's bulk water supply would obviously support promoting shared growth; whereas improving the reliability of irrigation water and rural water supply would enhance the wellbeing of the rural poor. Whereas, improving the reliability of irrigation water and rural water supply would enhance the wellbeing of the rural poor. About two-thirds of poor and extremely poor people reside in rural areas (source: "Consumption Poverty in the Republic of Kosovo in 2011", by the Kosovo Agency of Statistics and World Bank).

## **II. Proposed Development Objective(s)**

### **Proposed Development Objective(s) (From PCN)**

The development objective of the project is to improve the Iber-Lepenc Canal efficiency and strengthen the Iber Basin protection and management. This will be achieved through investing in ensuring the canal structural safety, improving the canal conveyance and operational efficiencies, protecting the canal water from the major pollution effluents, and developing the technical capacity of the service provider, the Iber Company, as well as of the water-resource regulator, the Ministry of Environment and Spatial Planning (TBC).

### **Key Results (From PCN)**

Key outcome indicators (to be refined during project preparation), include:

- (i) Reduced water conveyance and operational losses along the canal (e.g. through measuring the flow using the input-output method, in cubic meters per annum);
- (ii) Improved water quality along the canal (e.g. through monitoring a cross-sectoral "Water Quality Index").

## **III. Preliminary Description**

### **Concept Description**

The project objective will be achieved by undertaking the investments needed to secure uninterrupted and good quality water supply from the Iber-Lepenc Canal. The ongoing feasibility study will analyze a list of potential investments and measures. Probable investments and measures include:

- (i) Works for canal repair (e.g. lining, abutments, foundations, cuttings, culverts, etc.) and for protection against renewed physical damage from landslides, unstable soils, and man-made disruptions;
- (ii) Equipment for better management of gates and regulation of water flows, including provisions for remote monitoring and controlling of other structures (e.g. SCADA);
- (iii) Equipment for optimized operational schedule of the Gazivoda reservoir and its downstream balancing reservoir, Pridvorica (for balancing the releases for hydropower with the releases for the Iber canal intake);
- (iv) Works for short-term storage along the canal to bridge peak water demand (small balancing reservoirs) and/or to provide supply during temporary outages for routine or emergency repair purposes (small emergency reservoirs);
- (v) Works for protection of the canal against renewed pollution, accidental pollution and other

threats and disruptions, such as installing canal fencing, covers, or parallel interceptor drains;  
 (vi) Supports for the preparation of an EU-compliant River Basin Management Plan.

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#### IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37	x		
Projects on International Waterways OP/BP 7.50	x		
Projects in Disputed Areas OP/BP 7.60		x	

#### V. Financing (in USD Million)

Total Project Cost:	20.00	Total Bank Financing:	17.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			3.00
International Development Association (IDA)			17.00
Total			20.00

#### VI. Contact point

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