

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA46211

Project Name	Kosovo Water Security and Canal Protection Project (P133829)
Region	EUROPE AND CENTRAL ASIA
Country	Kosovo
Sector(s)	Irrigation and drainage (40%), Water supply (25%), General energy sector (25%), Wastewater Treatment and Disposal (10%)
Theme(s)	Water resource management (100%)
Lending Instrument	Investment Project Financing
Project ID	P133829
Borrower(s)	Government of Kosovo
Implementing Agency	Iber-Lebence Company of the Ministry of Economic Development
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	05-Mar-2016
Date PID Approved/Disclosed	08-Mar-2016
Estimated Date of Appraisal Completion	31-Mar-2016
Estimated Date of Board Approval	29-Jul-2016
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

The declaration of independence in February 2008 gave a new impetus to Kosovo's development agenda. The government launched a broad socioeconomic program to counter the legacies of socialism and the effects of the 1998–1999 war. As a potential candidate for the European Union (EU) membership, developmental reforms are driven by EU policies and requirements to a large extent. Over the past decade, Kosovo's overall economic growth has been generally positive, averaging about 4–5 percent annually, driven mostly by massive donor-funded reconstruction efforts as well as remittances from its diaspora. The country has successfully transitioned from a fragile, postconflict, low-income country into a lower-middle-income nation with a partially functioning market economy.

Despite the positive trend in growth and relatively stable and resilient economy, Kosovo remains one of the poorest countries in Europe with a per capita gross domestic product (GDP) of about €2,900 in 2013. About 30 percent of its population of 1.8 million lives in poverty and roughly 10.2 percent in extreme poverty. Unemployment is widespread, estimated at about 30 percent in 2012, the highest in southeastern Europe. Unemployment rates are especially high among the youth,

where it averages about 55 percent. Low domestic productivity and a narrow production base have left Kosovo with large trade and current account deficits. Maintaining the gains achieved and responding to current and future development needs pose significant challenges to Kosovo as foreign aid and remittances decline. Public sector investment, at historic levels of about 40 percent of total budgetary spending, is unsustainable and underscores the need for a more rational public expenditure program, shifting from the current focus on large, new capital investments to maintaining the existing stock and investing in human capital.

Kosovo's location, EU membership prospects, and market access to the EU and Central European Free Trade Agreement countries offer great opportunities for overall economic growth and advancement. The government is working to put in place the policies, institutions, and investments necessary to address the range of development challenges and has sought the World Bank's support to contribute to these efforts.

Sectoral and institutional Context

Kosovo is a landlocked country. The country has limited water resources, and water distribution remains largely unequal throughout the country. While the mountainous western and southern fringes are plentiful in water, the central/northern high-lying plateau that covers about half of the country's territory has limited water resources. Yet, it is precisely this area that holds the country's largest development potential because most of the mining, agricultural, and industrial activities are located here, including the Dures–Pristina–Belgrade industrial belt. This region has the highest population of the country and is regarded as the commercial and administrative center of Kosovo. The country's two thermal plants, Kosovo A and Kosovo B, the main energy production centers for all of Kosovo are also located in this area (also additional thermal generation capacity is planned to be established in the region).

The Ibër-Lepenc (IL) Canal System. The Ibër Canal together with the Gazivoda dam, the Predvorica compensation reservoir, and a pressurized irrigation system serving 20,000 ha was built in 1970–1980 under a World Bank-financed operation (YU-777). The project was designed as a multipurpose system providing irrigation, municipal and industrial (M&I) water, and cooling water for coal power plants near Pristina.

Uses of the canal. This region of Central Kosovo depends almost entirely on the IL Canal to meet its water needs. The canal is a multipurpose water conveyance system, supplying water for energy production, mining, industrial, agricultural, and household uses. There are limited (in some cases none) secondary sources of water for the canal users so that an interruption of service would have a significant impact on the overall economy of Kosovo. It is the single source of drinking water supply to the populations of central Kosovo. The cooling water for the thermal power plants, Kosovo A and Kosovo B, is drawn from the canal (Kosovo A is only partially dependent on the canal, mostly during summer months). Irrigation in central Kosovo is also dependent upon the water supplied by the canal, although currently only about 2,000 ha out of the originally planned (equipped) 20,000 ha (15,000 ha) are being irrigated primarily due to low demand by farmers for the following reasons: (a) The excessive fragmentation of small farms in five to seven plots; (b) crop structure—mainly cereals that can be cultivated without irrigation; (c) labor shortage due to out-migration; (d) design of the pressurized distribution system imposing a rotational use of water and a coordinated organization of irrigation to avoid loss of pressure; (e) the inappropriateness of the portable sprinkler equipment for small farms divided in several plots; and (f) limited markets

primarily due to competition from imported agricultural products.

Current status of the canal. Built in the 1970s, the canal infrastructure has been deteriorating over the years. After 40 years of service, the concrete lining has been degrading, resulting in serious seepage losses. During the last five years, the Ibër-Lepenc Canal Corporation (ILC), in charge of operating and maintaining the canal, has carried out repair works on the most seriously damaged sections by replacing the existing concrete and later by placing 12 cm reinforced concrete over the existing one. The works were executed at a slow pace by local contractors because it is not possible to close the canal for even one day. To be able to repair the lining, the canal cross-section is divided into two sections by installing a stop-log wall in the middle of the canal. Physical damage and pollution, as a result of landslides/mudslides, unstable soils, runoff from the surrounding farms and streets, garbage, and other debris, have affected the transit capacity of the canal now estimated at about 12 m³/s as well as the quality of water. During rainy periods, sediment-loaded water discharges into the canal because of the absence of a collector ditch on the right bank of the canal and the deterioration of the drainage structures to cross the canal. The inefficiency of the water delivery has been compounded by the limited optimization of water resource management (balance between hydropower and water release). There are also some operational losses (demand-supply mismatch) primarily due to limited regulation and automation along the canal.

Water demand. With a declining delivery capacity along its run on the one hand and a growing demand for water on the other, water security for central Kosovo is cause for concern. The region generally suffers from water scarcity during the summer months. This has resulted in regular episodes of water rationing that threatens future development opportunities. As the region's population expands and the government moves forward with its agenda of socioeconomic development, demand for water from the Ibër Canal is expected to intensify in the coming years to meet growing industrial, agricultural, and household needs.

Government commitment to improving water resources availability. Recognizing the critical role of the IL Canal to the overall economy of Kosovo, the government of Kosovo has requested the Bank's support to improve the functioning of the canal. Government commitment to improving water resource availability and quality is evidenced by the establishment of the Water Task Force under the aegis of the office of the prime minister. In its policy statement on water resources development and protection, it is explicitly stated that the government will support, through the Ministry of Environment and Spatial Planning (MESP), directly or through donor input, a needs assessment for developing new water resources and will nominate such areas of 'national interest'. It has already nominated five dams as areas of national interest, and from among the five, the Gazivoda dam has been designated as the foremost, with the Gazivoda reservoir declared 'the most important reservoir'. The government has attached priority to water management as lack of water security is proving to be a hurdle for both public and private investments. The policy paper states that the "Government aims to attain water security in order to achieve sustainable development, growth, and poverty reduction, and commits itself to the development of appropriate water institutions and proper infrastructure management that will support growth."

The Bank has supported the government in identifying priority measures, structural and nonstructural, for the water sector broadly to achieve its socioeconomic development objectives linked to availability of adequate and quality water. The study, Water Security for Central Kosovo (2012), assessed the existing structural integrity and construction quality of the bulk water conveyance systems, and in particular of the IL Canal. It concluded that, out of several alternatives,

the set of measures to improve water security in the IL Canal basin proved to be economically, institutionally, and technically the most preferable. The proposed project is being designed in response to the outcomes of this study.

II. Proposed Development Objectives

The development objective of the project is to contribute to restoring the Iber canal original capacity to improve water resources management for the various canal water users in Central Kosovo.

Project Beneficiaries

The proposed project will include beneficiaries across multiple sectors. Direct beneficiaries include the ILC and its clients: (a) regional water companies; (b) thermal power plants; (c) industries in the region; and (d) farmers involved in irrigation within the canal basin.

By improving the reliability and quality of water supplied to the thermal power plants (that generate energy for about 90 percent of the country), water companies, and irrigation farmers, the project will benefit a large swath of rural and urban households, businesses, and industries. It is estimated that overall, the project would benefit approximately 550,000 people residing in the IL Canal basin.

III. Project Description

Component Name

Component 1: Infrastructure Rehabilitation and Modernization

Comments (optional)

This component includes financing works for re-establishing the canal transit capacity, enabling closure of the canal for maintenance, strengthening the canal structural safety against extreme events, and enhancing Gazivoda dam safety. This component will mainly rehabilitate the open-air sections of the canal (e.g. through canal lining, treatment of joints, repair of abutments, cuttings, aqueducts, culverts). In addition, by constructing a new balancing-and-emergency reservoir in Mihaliq area, the project will enable the ILC to: (i) cut the canal flow whenever needed to rehabilitate the canal's closed sections or amid extreme events and (ii) balance water demand and supply over the 2035 horizon.

Component Name

Component 2: Water Resources Protection and Management

Comments (optional)

This component includes financing works for water resources protection and management, to increase the Gazivoda-Ibër system operational efficiency and to protect the canal ambient water quality (against renewed or accidental pollution and other man-made disruptions). The works include selective fencing and covering of certain canal sections. A relatively advanced SCADA will be installed given the importance of the canal, including instrumentation for optimized operational schedule of the Gazivoda reservoir and its downstream balancing reservoir in Pridvorica, integrated with the canal SCADA (to help in balancing the releases for hydropower with the releases for the Ibër canal).

Component Name

Component 3: Project Management

Comments (optional)

This component will cover overall project management as well as coordination among the different ministries/agencies involved in water management as related to the Iber canal. The activities

financed include capacity building of ILC, including establishing a Financial Management System, and hiring competitively-selected consultants for procurement, detailed design and construction supervision, safeguards, dams Panel of Experts, and monitoring and evaluation. [In addition, training of ILC staff on using the introduced SCADA will be financed as part of the SCADA contract under component 2].

IV. Financing (in USD Million)

Total Project Cost:	28.00	Total Bank Financing:	28.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			28.00
Total			28.00

V. Implementation

The main implementing agency will be the Iber Lepenc Corporation (ILC), affiliated with the Ministry of Economic Development that oversees all such state-owned service utilities.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)

VII. Contact point

World Bank

Contact: Ahmed Shawky M. Abdel Ghany

Title: Sr Water Resources Spec.

Tel: 473-1712

Email: ashawky@worldbank.org

Borrower/Client/Recipient

Name: Government of Kosovo

Contact: Dushi

Title: Media Advisor

Tel: 03820034131
Email: Ardita.Dushi@mf-rks.org

Implementing Agencies

Name: Iber-Lebence Company of the Ministry of Economic Development
Contact: Arberor Prekazi
Title: Director
Tel: 381038526070
Email: arberor.prekazi@iber-lepenc.org

VIII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: <http://www.worldbank.org/infoshop>