

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

Report No.: PIDA54462

Project Name	West Balkans Drina River Basin Management (P145048)
Region	EUROPE AND CENTRAL ASIA
Country	South Eastern Europe and Balkans
Sector(s)	General water, sanitation and flood protection sector (100%)
Theme(s)	Other environment and natural resources management (100%)
Lending Instrument	Investment Project Financing
Project ID	P145048
GEF Focal Area	International waters
Borrower(s)	Bosnia and Herzegovina - Ministry of Foreign Trade and Economic Relations, RS Ministry of Agriculture, Water Management and Forestry, FBiH Ministry of Agriculture, Forestry and Water Management, Montenegro Ministry of Agriculture and Rural Development, Republic of Serbia Ministry of Agriculture and Environment Protection
Implementing Agency	Republic of Serbia Ministry of Agriculture and Environment Protection, Bosnia and Herzegovina - Ministry of Foreign Trade and Economic Relations, FBiH Ministry of Agriculture, Forestry and Water Management, RS Ministry of Agriculture, Water Management and Forestry, Montenegro Ministry of Agriculture and Rural Development
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	29-Jan-2016
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Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

The Drina River Basin (DRB) is central to economic, environmental and social development of the Balkan Peninsula. About one million people reside in its 20,000 km² which span the territory of Bosnia and Herzegovina (BH), Serbia (SRB) and Montenegro (MNE). Strong transboundary cooperation among these three countries is necessary for the sustainable development of the communities living in the basin. The DRB is rich in natural resources, water, biodiversity and

stunning scenery. Eight medium to large hydropower generation plants are located in the DRB, providing power to more than one million people. DRB landscape has considerable scenic value and tourism is growing with local communities actively involved in all three countries. The river water, of generally good quality due to its high flow rate and low pollution, is still rich in fish—both farm-raised and wild. A number of natural parks and protected areas are located throughout the DRB and the landscape is dotted with unique glacial lakes and canyons, including the Tara Canyon, a UNESCO World Heritage site located in MNE.

The cooperation on water resources management is improving among BH, SRB and MNE, albeit slowly. The national and local institutions, including the ministries responsible for water resources, their water directorates, the water agencies and the hydro-meteorological institutes collaborate at the local level and are active participants in the International Commission for the Protection of the Danube River (ICPDR), and the International Sava River Basin Commission (ISRBC). Recent studies have identified short-medium term (4-5 years) actions to improve the basin management by the riparian countries: a Strategic Action Plan (SAP) including measures to achieve “good ecological status” of the river basin; improved data collection and analysis to forecast and prepare for floods and droughts; and, improved stakeholders dialogue and institutional cooperation.

This project will support BH, SRB and MNE improve water resource management in DRB. It is in line with the World Bank strategic documents in the three countries. Specifically, in BH, the Project fits the priorities identified in the CPF 2016-2020, directly responding to Focus Area 3: Building Resilience to Natural Shocks, and to its objectives to prevent the degradation of natural resources and build resilience to floods. The Project is directly linked with expected CPF outcomes: People in flood affected/prone areas benefiting from goods received and infrastructure rehabilitated with projects' support and strengthened capacity in water resources management, including flood management, forecasting and warning, in Drina and Sava River basins. In MNE, the CPS 2011-2015 calls for “Improving Environmental Management and Reducing the Cost of Environmental Problems”. It specifically identifies the occurrence of floods as a significant natural disaster in the country and underscores the need for flood management and protection, especially with more frequent and widespread floods expected under conditions of predicted climatic shifts. The Project is in line with SRB CPF 2016-2020 which seeks to assist the country with meeting its obligations as an EU candidate country. While not a pillar of the CPF, the framework emphasizes “Responding to climate change and disaster risks will be a cross-cutting theme across the two focus areas, given the high risks that natural disasters pose to economic development and the impact of climate change on the poor” which is in line with Project objectives.

Sectoral and institutional Context

Complex transboundary water management issues have meant that the DRB potential for economic and environmental development remains largely unexploited. Although many development opportunities are attractive to national interests and authorities, such as hydropower, the externalities and trade-offs at local and regional scales have not yet been quantified. The lack of confidence, and limited availability of data and analytical tools have kept individual countries from taking initiatives to address key questions about prioritization of investments, and transboundary sharing of benefits and risks. Similarly, the three countries struggle with the operationalization of an Integrated Water Resources Management (IWRM) approach in an environment of severe financial constraints.

Hydropower generation is dominating DRB management. The hydropower facilities, including

reservoir operation, were primarily designed to optimize hydropower production and not for concurrent flood mitigation which would require much larger reservoirs.

In recent years (2010, 2013, 2014) flooding has caused devastation along the Drina River and its tributaries. These recent floods were caused by large cloud-bursts with high rainfall intensities causing a flood volume of several billion m³ in a few days. In between, localized droughts (particularly significant in karstic conditions) have affected crops and the environment. These events have a significant impact on the DRB countries. BH, MNE and SRB are upper middle-income countries which all have seen a slow recovery since the dramatic period in the 1990s. The floods of 2014 were a serious blow to SRB and BH. Poor weather also affected the harvest in MNE. The cumulative impact of the 2014 floods is estimated at around 15 percent of GDP (9.3 percent damages and 5.6 percent lost output) in BH, around 4.7 of GDP in SRB (2.7 percent in damages and 2 percent in losses). BH agricultural exports suffered from significant crop destruction. The hardest hit economic sectors were energy, mining, and agriculture but significant damages were also inflicted on transport infrastructure (roads, bridges and railways).

Recent studies indicate that the Balkans are particularly sensitive to future climate and precipitation change in Europe with weather related events to become more frequent and intense. The DRB has been assessed as the part of the Danube River Basin which is most sensitive to climate variability. Modelling done with support from the World Bank suggests that a once in a 100-year flood could cause severe economic and environmental impacts. The resulting public damage and losses could amount to 4percent and 5percent of each country's GDP, respectively. Large shares of the population would also be exposed to a once in a hundred year flood. The cumulative impact of less frequent events could be even more significant.

The proposed GEF-SCCF Project is the results of several years of engagement and dialogue on improving water resource management in the Balkans. The project will complement ongoing activities financed by the Bank, the EU and other international institutions which aim at improving integrated planning and cooperation for water in the region.

Additional information on the Project's components:

The Project will be implemented through following components:

Component 1: Multi-state Cooperation in Transboundary DRB Management

Sub-component 1A: Development of an agreed SAP (which will be signed at ministerial level by each of the three participating countries) mainstreaming transboundary IWRM and climate change adaptation in national planning. The objective of this Sub-Component is to define and assure rational and equitable management of the DRB for sustainable socio-economic development and the protection of water and other natural resources whilst ensuring no detrimental effects on the shared basin. Under this Sub-Component, effective planning tools will be provided to the riparian countries for enhanced decision making in integrated DRB management, in order to identify trade-offs, and to put in place appropriate policies and reforms, applying IWRM principles and developing climate-change adaptation measures.

Sub-component 1B: Institutional development and capacity building. The objective of this Sub-Component is to improve the water resources management capacity in the three riparian countries, to strengthen transboundary mechanisms (institutional, technical, and regulatory), and to provide tools and instruments for effective water resources management. This Sub-Component will support the establishment of institutions at regional and national level for joint DRB management and the enhancement of capacities to address transboundary issues and to develop climate change adaptive management frameworks at bilateral, trilateral and ISRBC level. 1% of the GEF IW project grant will be allocated for GEF IW Learn activities (including production of at least two project results

notes, a project website, and participation in Biannual International Waters Conferences).

Component 2: Pilot investments for Integrated DRB Management including Flood and Drought Management and Climate Change Resilience

Sub-component 2A: Strengthening capacity for climate change resilience. The objective of this sub-Component is to strengthen four hydro-meteorological services (HMSs)/river basin authorities with equipment and contributions to the hydro-meteorological observation system in riparian countries. This sub-Component will improve climate change adaptation by better preparation for threats from floods and droughts while making optimal use of the environmental assets of the DRB. The sub-Component will facilitate reliable and long-term time series of observations essential for climate change analysis and forecasts, determination of minimum environmental flows, compliance monitoring of HPP concessions, etc.

Sub-component 2B: Pilot investments for climate change resilience. The objective of this sub-Component is to support countries pilot project investments that affect the reduction of the impact of climate change issues. The sub-Component will support demonstration-scale investments that can be easily replicated by countries, are of high priority to local rural economies in the basin, and would contribute too environmentally and socially-sound integrated development of the river system.

Component 3: Project Management and Monitoring & Evaluation

This component supports overall project management, monitoring & evaluation (M&E) and studies. Activities will include: financing of expenditures associated with overall project implementation costs including incremental costs associated with the Project Management Team (PMT) and the Project Implementation Units (PIUs); project supervision and implementation assistance consultants; and implementation of management plans and strategic studies including an Environmental Management Plan, a Social Management Plan, a Gender Action Plan, and strategic studies. It will especially support the Regional PMT which will be responsible for overall project coordination at regional (transboundary) level, and the Project Implementation Teams (PITs) in each of the riparian countries, the latter being responsible for the day-to-day implementation of project activities at national level.

II. Proposed Development Objectives

The objective of the Project is to improve mechanisms and capacity of the three counties to plan and manage the transboundary Drina river basin, incorporating climate change adaptation.

III. Project Description

Component Name

Component 1: Multi-State Cooperation in Transboundary DRB Management

Comments (optional)

Sub-component 1A: Development of an agreed SAP mainstreaming transboundary IWRM and climate change adaptation in national planning:

- preparation of a DRB SAP including in-depth TDA
- preparation of hydraulic and hydrological models for the DRB with multi-purpose reservoir operation optimization
- preparation of a DRB water resources study
- preparation of a DRB floating waste study

Sub-component 1B: Institutional development and capacity building:

- establishment of a DTF
- capacity building and development of inter-ministerial committees at national and regional

level

- Support consultation among the countries on national and local policy and regulatory reforms to facilitate transboundary DRB management, especially on national parks
- Participation in GEF IW:LEARN activities

Component Name

Component 2: Pilot Investments for Integrated DRB Management Including Flood and Drought Management and Climate Change Resilience

Comments (optional)

Sub-component 2A: Strengthening capacity for climate change resilience.

- strengthening of four national Hydro-Meteorological Services (HMSs) through equipment including hydro-meteorological observing system;
- development of protocols for data exchange;
- public awareness campaigns;
- small grants program; and
- support of flood and drought preparedness measures and enhanced early warning system

Sub-component 2B: Pilot investments for climate change resilience.

Component Name

Component 3: Project Management and Monitoring & Evaluation

Comments (optional)

This component supports overall project management, monitoring & evaluation (M&E) and studies.

IV. Financing (in USD Million)

Total Project Cost:	8.74	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
Global Environment Facility (GEF)			4.37
Special Climate Change Fund			4.37
Total			8.74

V. Implementation

The Project will be implemented by the ministries and/or government/entities agencies responsible for water management in the three participating countries. In Bosnia and Herzegovina, the Project Management Team (PMT) in the Ministry of Foreign Trade and Economic Relations (MoFTER) will be responsible for the implementation, including fiduciary aspects (Financial Management and Procurement) of all joint activities among riparian countries. The PMT in MoFTER will also be responsible for implementation in the Federation BH, whereas the Agriculture Project Coordination Unit (APCU) in the Republika Srpska Ministry of Agriculture, Forestry and Water Management will be responsible for implementation of activities in Republika Srpska. In addition to this, Agency for Sava River Basin in Sarajevo and the Public Enterprise "Vode Srpske" from Bijeljina will provide technical support for implementation in Federation BH and Republika Srpska respectively. In Serbia, the main responsibility for the implementation will be with the Ministry of Agriculture and Environmental Protection (MAEP), and the Directorate for Water with its Project Implementation Team. Technical support will be provided by RHMS and PWMC "Srbijavode". In Montenegro, the

Project Implementation Team in the Water Directorate of the Ministry of Agriculture and Rural Development will be responsible for project implementation, while fiduciary responsibilities will be performed by Ministry of Finance's Technical Service Unit (TSU).

For activities under Component 1, the PMT in MoFTER will have a coordinating and implementing role among the riparian countries. Depending on the nature of activities, designated representatives will be involved in the coordination to enable participation of all riparian countries and entities. In addition to the implementation arrangements outlined above, the project activities will be carried out in close coordination and under the overall guidance of the Drina Task Force (DTF). This DTF will have 11 members in total: three from Serbia, three from Montenegro and five from Bosnia and Herzegovina. Although the DTF composition corresponds approximately to the overall agreed Grant division per country at State level (37percent for BH, 32percent for MNE, and 31percent for SRB), one additional member has been added for the BH entities (Federation BH and Republika Srpska). The DTF members will be appointed at the beginning of the Project, within three months of project effectiveness.

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

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