

**ALBANIA WATER RESOURCES AND IRRIGATION PROJECT
PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB5649

Project Name	Water Resources and Irrigation Project
Region	EUROPE AND CENTRAL ASIA
Sector	Flood protection (50%); Irrigation and drainage (50%)
Project ID	P121186
Borrower(s)	GOVERNMENT OF ALBANIA
Implementing Agency	Ministry of Agriculture, Food and Consumer Protection (MAFCP) Ministry of Environment, Forestry and Water Administration (MEFWA)
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. KEY DEVELOPMENT ISSUES AND RATIONALE FOR BANK INVOLVEMENT

Albania has undergone rapid economic development and has recently joined the middle income group countries. The Government of Albania recognizes that strong governance and institutions are a requirement for continued long-term sustainable growth and poverty reduction, as spelled out in the 2007 National Strategy for Development and Integration (NSDI). The Government of Albania believes that these objectives are best pursued through EU accession and has recently applied for EU candidate status, but recognizes that fulfillment of conditions and requirements to achieve candidate status present the biggest challenge in the medium term. This is particularly true for the EU Water Framework Directive (WFD), as Albania's water sector is facing a number of serious challenges.

Flooding and droughts are recurrent events in Albania, and climate change is expected to amplify this. Albania is among the countries that are most exposed to climate change and water resources will be particularly impacted. Irrigation and drainage are of vital importance to agricultural growth, which is key to rural poverty reduction. However, much of the irrigation and drainage infrastructure in Albania is degraded due to years of neglect. Conflicts over water have erupted that are in part related to Albania's recent rapid economic growth, increase in population and urbanization. But the conflicts have also magnified serious weaknesses in the management of Albania's water resources, and this constitutes Albania's most important challenge in meeting the EU's WFD.

Water resources management in Albania is extremely fragmented, and the country lacks a cross-sectoral institutional framework with broad stakeholder ownership for Integrated Water Resources Management (IWRM). Investment decisions (e.g., for reservoirs) are made on the basis of single sector considerations, leading at best to suboptimal investments and lost opportunities for capturing multi-purpose benefits, and at worst to a waste of limited public resources. Collection of hydrological data is severely constrained, there is a lack of hydrological forecasting capacity and an absence of hydrological modeling tools and decision support systems. Overall enforcement of the 1996 Water Law has been limited, as

evidenced by the lack of implementation of water abstraction rights, the absence of a cadastre of Albania's water resources and the continued financial constraints that the sector is facing.

As a result of these weaknesses, growing demand for limited water resources causes conflicts over water use and water quality, which poses considerable social risks, especially to those who don't have access to decision making processes – often the poorer segments of the population. To avoid these localized conflicts from turning into a water crisis, in view of satisfying the requirements associated with water for EU accession, and in order to achieve the country's long-term objectives of poverty reduction, food security and sustainable growth, Albania will need to significantly strengthen its current policy, institutional and strategic framework for water resources management. The country will also need to upgrade its irrigation and drainage infrastructure to facilitate a more efficient use of water.

Rationale for Bank involvement: The proposed project responds to requests from the Ministry for Agriculture, Food Security and Consumer Protection (MAFCP) and Department of Strategy of Donor Coordination (DSDC), and integrates strategic support for IWRM, to be implemented by the Ministry of the Environment, Forestry and Water Administration (MEFWA), and institutional support and investments in the rehabilitation of reservoirs and associated irrigation and drainage infrastructure, to be implemented by MAFCP.

Drawing on the Bank's multi-sector and multi-donor convening power, the justification for Bank support is particularly strong. The Bank is involved in all water related sectors in Albania, including irrigation, water supply, energy, environment and tourism. A more rational arrangement for IWRM implies often painful reforms and review of mandates, and the risk for disengagement of some stakeholders in this process is significant. The Bank can draw on lessons learned from experience and can bring in international best practice. The proposed project is consistent with the CPS that is at present under preparation, and aims to support Pillar III in promoting sustainable growth.

2. PROPOSED OBJECTIVE

The PDO of the proposed project is to increase the area under improved irrigation and drainage, to improve the safety of dams and to establish the institutional basis for improved integrated water resource management in two priority river basins. PDO indicators include the acreage under improved irrigation and drainage, the number of reservoirs in compliance with dam safety regulations, and an agreed IWRM strategy.

The project aims to capture synergies and evident opportunities for win-wins between water resources management and irrigation, by far the largest – and most inefficient – user of water. Promoting water use efficiency in irrigation schemes will increase farmers' incomes and strengthen water resources management. Addressing dam safety issues will enhance their functionality for flood management, while at the same time improving the quality of irrigation service delivery. Improving farmers' incomes will enhance the resource base for IWRM, which will, in turn, require relevance of rational water resources management to a large segment of the population to ensure involvement and ownership. Support for the preparation of agreed river basin management and development plans will tie the preparation of an IWRM Strategy *at the national level* to structural and non-structural improvements in the quality of water services delivery *at the local level* that are of immediate relevance to large numbers of water users. It will also illustrate the critical importance of basin-level mechanisms for cross-sectoral consultation and decision making.

3. PRELIMINARY DESCRIPTION

The proposed project will comprise the following components:

1. Systems Rehabilitation
2. Institutional and Productive Support for Irrigation and Drainage
3. Institutional Support for Integrated Water Resources Management
4. Implementation Support

Component 1: Systems Rehabilitation (approximately US\$35m)

This component will be implemented by MAFCP. The objective is to improve irrigation water delivery and address dam safety through rehabilitation of hydraulic infrastructure, including irrigation schemes, drainage facilities and irrigation reservoirs. The component will furthermore introduce modern water saving irrigation technologies, and will also finance development of a pipeline of new investments, including feasibility and detailed design studies, and all related safeguard instruments.

The component will finance the following sub-components:

- A. *Reservoir, Irrigation and Drainage Rehabilitation.* This sub-component will finance the preparation of all feasibility and detailed design studies, and all rehabilitation works of irrigation, drainage and appurtenant dam infrastructure, as well as the supervision of the works. All investments will be located in two priority river basins, and will be undertaken in an integrated way, including tertiary, secondary, primary and dam infrastructure, to maximize the returns on investments. Investments in reservoirs would aim to ensure compliance of the reservoirs with internationally accepted Dam Safety regulations. This would include the preparation of dam safety plans. Based on past implementation capacity, it is estimated that the project will rehabilitate about 50 reservoirs and about 70,000 hectares, but the precise outputs will be determined during preparation.

This sub-component will finance preparation (through a PPF) and implementation of Environmental Management Plans (EMPs), and will also strengthen the framework for dam safety, including capacity strengthening and awareness raising. In close consultation with the Dam Safety Project and the National Dam Safety Committee, the extent and nature of additional support for dam safety at the national level, including revision of national dam safety legislation, will be agreed during project preparation.

- B. *Pipeline Preparation.* This sub-component will finance all studies required to prepare a pipeline of shovel-ready investments in irrigation, drainage and reservoir infrastructure rehabilitation. This would include feasibility studies and detailed design studies, and related safeguard instruments. The number of investments that will be studied will be defined during preparation.

Component 2: Institutional and Productive Support for Irrigation and Drainage (approximately US\$5m)

This component will be implemented by MAFCP. The objective is to improve the performance of organizations that provide irrigation services. This would include institutional reforms and capacity strengthening of WUA/Os and Drainage Boards (DBs). The component would also finance preparation of an irrigation policy and strategy.

The project will finance the following sub-components:

- A. *Institutional Reforms of Irrigation and Drainage Sector.* The sub-component will strengthen capacities of DBs in the delivery of key irrigation and drainage services to WUA/Os. During preparation, the team will discuss and agree on further reforms of the DBs. To that end, MAFCP will prepare a position paper that will describe the way in which the sector is organized, and that will make recommendations to improve the quality of irrigation and drainage service delivery. The sub-component will also help clarify the division of responsibilities between DBs and WUA/Os and will, to that end, prepare a national database of transferable irrigation infrastructure. The sub-component will also finance preparation of a National Irrigation and Drainage policy and strategy. The sub-component will also finance, on a pilot basis, a number of on-farm activities to promote understanding and use of pressurized, efficient irrigation technologies.
- B. *Support for WUA/Os.* Based on the experience of WRMP, the project will scale up the existing experience regarding WUA/Os. An estimated 50 WUA/Os will be trained in a number of areas, including water use efficiency, contract management and outsourcing, and study tours will be organized. In addition, decentralized water users' support staff from MAFCP will be trained in strengthening capacities of WUA/Os. Operation and Maintenance (O&M) responsibility for selected irrigation infrastructure will be transferred to WUA/Os.

Component 3: Institutional Support for Integrated Water Resources Management (approximately US\$7m)

This component will be implemented by MEFWA. Its objective is to improve the performance of institutions responsible for IWRM, including the National Water Council (NWC) and its Technical Secretariat (TS), and selected Basin Water Councils (BWCs) and Basin Water Agencies (BWAs).

The project will finance the following sub-components:

- A. *Support for the preparation of an IWRM Strategy.* This sub-component will support MEFWA in the preparation of a National IWRM strategy. In view of EU candidate status, the strategy will incorporate the EU's WFD, as reflected in the Water Law (currently under revision). The project will ensure the inclusiveness of the preparation process by establishing an appropriate forum for cross-sectoral dialogue and decision making.
- B. *Strengthening the institutional framework for IWRM.* The project will support the institutions responsible for inclusive IWRM, including the NWC, TS, RBCs and RBAs. Specific activities include the drafting of a decree specifying the geographical coverage of river basins, conducting a study on water tariffs, the establishment of a national cadastre of water abstractions, awareness raising and capacity strengthening. A functional analysis of the NWC and RBCs will be conducted and recommendations to improve their performance and effectiveness will be implemented.
- C. *Preparation of River Basin Management Plans.* In two priority river basins, the project will support the preparation of River Basin Management Plans, including the identification of structural and non-structural measures to improve the quality of IWRM. The project will also strengthen the planning capacity and regulatory responsibilities of two RBCs, including the preparation of an inventory of basin water resources and legal and illegal surface and groundwater abstractions, further strengthening of the hydromet network to enhance floods and droughts forecasting, and preparation of basin models and decision support systems.

Component 4: Implementation Support (approximately US\$3m)

This component will be implemented by MAFCP and MEFWA. Its objective is to manage project resources in accordance with the project's objectives and procedures as outlined in the Project Implementation Manual (PIM).

The project will finance the following sub-components:

- A. *Project Management.* Project implementation will be mainstreamed into the regular functions of the implementing Ministries. Support for project implementation will include: (a) provision of technical assistance, training, office equipment and vehicles, auditing, and incremental operating costs in support of project management; (b) overall project planning, quality oversight and evaluation of project activities; (c) strengthening procurement and financial management capacity at all levels; and (d) preparation and implementation of a communications strategy to accompany the investments and the preparation of the IWRM strategy.
- B. *Establishment of a Monitoring and Evaluation system.* The project will support the establishment of a performance based Management Information System (MIS) and arrange for data collection and reporting on key performance output and impact indicators, through baseline surveys, participatory assessments and mid-term review and final evaluation.

Priority investments under component 1.A will be concentrated in two river basins that will also benefit from institutional and capacity strengthening support under component 2 and 3.C. Investments will be undertaken in an integrated way, including rehabilitation of reservoirs and associated downstream irrigation and drainage infrastructure so as to capture full economic benefits. During the first preparation mission, identification of priority basins and a list of priority investments will be prepared. In view of the availability of advanced studies, this list of investments will contain mostly reservoir rehabilitation works. Investments in additional downstream irrigation and drainage infrastructure and associated dams will be prepared during project preparation and the first year of project implementation, for development during the outer years of the project. The first preparation mission will need to agree on the precise nature of a demand-driven approach to the selection of investments in irrigation infrastructure rehabilitation (as adopted by the predecessor Water Resources Management Project, WRMP), as this could potentially be compromised by the selection of priority investments in dam rehabilitation and the need for integrated investments.

4. SAFEGUARD POLICIES THAT MIGHT APPLY

Environmental Safeguards

Although the specific list of irrigation and drainage systems and associated dams to be rehabilitated in the project is yet to be determined, the project will not undertake works in Category A sub-projects. The team therefore recommends triggering category B (OP/BP 4.01) on Environmental Assessment. During project preparation, an Environmental Framework document (EF) will be prepared with specific directions regarding the analysis required for the subsequent sub-projects that will be prepared during the project.

OP/BP 4.37 on Safety of Dams is triggered, since the project will invest in the rehabilitation of several dams. This will require due diligence to ensure that adequate dam safety measures are in place.

An exception to notification under OP/BP 7.50 (Projects on International Waterways) will be requested as the project will finance rehabilitation only of the existing irrigation and reservoir infrastructure. OP 17.50 on Disclosure is triggered. All safeguard documents required in advance of appraisal should comply with the need for consultation and in-country disclosure, and sent to the InfoShop of the World Bank prior to appraisal.

At this moment there is not sufficient information to determine if OP/BP 4.09 on Pest Management, OP/BP 4.36 on Forests and OP/BP 4.09 on Natural habitats will be triggered. The team will collect more information and suggest relevant action during the preparation mission.

Social Safeguards

Given the nature of civil works required OP 4.12, on *Involuntary Resettlement*, will be triggered. Key project features which may necessitate permanent land acquisition are: temporary or permanent access roads to sub-project sites, to borrow pits / quarries and disposal areas; land needed to source borrow or quarry materials, (although the arrangement of willing buyer-willing seller will be the best option in this case), and land needed for modifications to the layout of the irrigation system. One area of special concern is encroachment over and around primary conveyance canals. This issue may be resolved by re-routing or other engineering options; however the de facto situation of people engaged in commerce or residing in close proximity to canals necessitates remedies which are in accord with OP 4.12.

A *resettlement policy framework* (RPF) will be prepared for the project. The RPF will include specifics of institutional arrangements for Resettlement Action Plan (RAP) implementation, monitoring, and closure. A robust RPF, essentially a RAP without a census of affected people, will serve to expedite efficient implementation. Preparation of sub-project-specific RAPs for dams / irrigation systems identified for rehabilitation in the first year's work program may require some flexibility: where designs are adequately advanced to determine reasonably precise impact footprints, a socio-economic census and initiation of stakeholder consultations will be undertaken. Where ancillary details, such as the location of borrow areas, are not yet available, the criteria of the RPF will be applied. The objective will be to provide a level of detail on land acquisition and resettlement planning which is commensurate with the level of detail available in design by appraisal.

5. TENTATIVE FINANCING

Source:	(\$m.)
Borrower	0
International Bank for Reconstruction and Development	40
Total	40

6. CONTACT POINT

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