

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

Report No.: 31991

Project Name	WATER QUALITY PROTECTION PROJECT (GEF)
Region	EUROPE AND CENTRAL ASIA
Sector	Sanitation (100%)
Project ID	P085112
GEF Focal Area	International Waterways
Borrower(s)	Not Applicable
Implementing Agency	Federation Ministry of Agriculture, Water Management and Forestry Sarajevo, Bosnia-Herzegovina
Environment Category	<input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	February 16, 2005
Date of Appraisal Authorization	March 28, 2005
Date of Board Approval	June 21, 2005

1. Country and Sector Background

Bosnia and Herzegovina (BiH) is situated in the southern part of Europe, covering an area of 51,129 km². BiH is divided in two Entities: the Federation and Republika Srpska. The Federation consists of 10 cantons covering about 51% of the country's territory, and the Republic of Srpska with 7 regions, about 49%. There are 137 municipalities; 73 in the Federation and 64 in the Republic of Srpska. The municipalities are local, administrative units within the Entities. Infrastructure systems for water supply and sewage are managed by public utility companies under municipal jurisdiction.

The Neretva and Bosna Rivers are the focus of the proposed project. The Neretva River Basin drains into the second largest area in BiH that discharges from BiH into the Adriatic Sea. The other large rivers such as Una, Bosna, Vrbas and Drina are tributaries of the Sava River, which form the northern boundary of BiH with Croatia and are part of the Danube system. The Neretva River originates in BiH and flows through Croatia only for 20 km before entering into the Adriatic Sea. The Neretva River has a strong impact on the water quality of the Bay of Mali Ston and is of great economic importance to Croatia. For BiH, the Neretva River is a source of hydropower, drinking water and irrigation. For Croatia, the Bay of Mali Ston is important for the production of oysters for local consumption and export. The Neretva Delta is a Mediterranean wetland of international importance, as evidenced by its designation as a Ramsar Wetlands site. The Neretva, however, is also a source of pollutants for the Adriatic and Mediterranean.

The Bosna River Basin covers the largest and most developed area of the Federation part of BiH. The Bosna River flow begins in the territory of BiH and is about 260 km long, including the area from Vrelo Bosne (source of the scenic Bosna River) to the inter-entity boundary line at the

mouth of the Sava River. The Bosna River Basin is the most populated region of BiH. The most developed regions in the country, in industrial terms, are found along this river. Wastewater from communities and industrial facilities - the concentrated polluters - discharges directly into the river, most of it without any treatment. The Bosna River is a source of pollutants for the Danube, where it eventually drains.

The project would address the environmental degradation of the Neretva (Mediterranean Basin) and Bosnia Rivers (Black Sea Basin), coordinate regional priorities and develop a Wastewater Improvement Plan (WIP) for BiH. The WIP would clarify the institutional framework for Wastewater Management; formalize the cooperation with institutions in Croatia and Serbia and Montenegro; build a network of public and private institutions needed for effective wastewater treatment; and prepare the groundwork for innovative low-cost wastewater treatment methods. The Government is aware of the need for extensive planning and preparation and for full cooperation from regional countries before developing the WIP.

2. Objectives

The project development objective is to further strengthen the capacity of local utilities and reduce pollution from municipal sources into the Neretva and Bosnia Rivers. The sub-objectives are: (i) develop the Wastewater Improvement Plan; (ii) establish a Joint BiH/Croatian Working group, with coordination from Serbia and Montenegro to implement the plan; (iii) develop and implement high-priority, low-cost water capital investments; and (iv) disseminate information in BiH and the region for replication of project activities at other priority sites in the Balkans. The Bank could further improve ongoing communication between the neighboring countries, which would need to reach agreement on origination of water polluters and monitoring and evaluation of water quality and expand this cooperation to other neighboring countries. The global objective is to reduce municipal pollution and nutrients from municipal and non point pollution sources.

Key indicators:

- Completion of the Wastewater Improvement Plan.
- Regional cooperation and replication in the Balkan region.
- Reduction of municipal-based pollution.

The set of monitoring (physical/technical) and performance indicators (operational and environmental) that will be monitored and reported on a timely basis by means of Project Management Reports (PMRs) have been agreed during project preparation (to be confirmed during appraisal). These include:

- annual reduction of nutrients discharges (P and N kg/year);
- average operation cost of nutrient reduction process (US\$/kg of nutrients);
- annual reduction of BOD discharges (tons/year);
- average operation cost of the BOD reduction (US\$/kg of BOD).

3. Rationale for Bank Involvement

BiH has stressed the importance of addressing the environmental degradation of the pollution of transboundary rivers and has been asking for Bank assistance since 1998. It has repeatedly sought assistance to eliminate identified regionally prioritized hot spots by improving cooperation with its neighbors in managing transboundary water quality. Since the Bank became involved in the water supply and sanitation sector after the war, the Government has been requesting the Bank to start assistance in the main areas of international water pollution and further assist the capacity of local water supply and sanitation utilities.

4. Description

The proposed project would have the following components: Action Plan for reduction of river pollution in BiH; High-priority Investments; Wetland Conservation; Project management; and Replication, Information Sharing and Implementation.

5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	5.19
GLOBAL ENVIRONMENT FACILITY	8.5
GLOBAL ENVIRONMENT - ASSOCIATED IDA FUND	2
BILATERAL AGENCIES (UNIDENTIFIED)	4.18
Total	19.87

6. Implementation

The project would be implemented during FY 2005-2010 under the overall responsibility of the Ministry of Agriculture, Water Management and Forestry. A Project Management Team (PMT) has been established to handle procurement and financial management aspects. The PMT is staffed by qualified personnel of the Ministry of Agriculture, Water Management and Forestry and PCWM. Project Implementing Teams (PITs) would be located in each Utility (Mostar, Zivinice, Trnovo and Odzak). The PITs would consist of a Procurement Officer and Financial Officer.

7. Sustainability

The sustainability of the project would depend on achieving financial viability by gradually decreasing inefficiencies and increasing revenues to cover adequate operating and maintenance expenditures and debt service; and adequate prioritization of infrastructure development by ensuring that all investments are the least cost and adequately maintained.

The GEF project will be consistent with other projects that are being implemented in the water sector in BiH. Similar to other operations involving utilities, the project would assist the utilities

under the project to (i) establish commercially oriented business type practices, and (ii) become financially self-sustaining through the preparation of yearly Business Plans.

8. Lessons Learned from Past Operations in the Country/Sector

The utilities and institutions that benefited from the extensive dialogue and relationship built with the Government began in 1996 are now able to transfer knowledge and assist new Borrowers. The PC for Water Management of Sava Catchment - Sarajevo and Adriatic Sea catchment – Mostar (PCWM) which implemented the first Urgent Works Project has agreed to provide technical assistance to the new Utilities. This cooperation by existing and past Borrowers and institutions will greatly facilitate the start-up phase and foster the transfer of knowledge and information.

9. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/GP 4.01)	[X]	[]
Natural Habitats (OP/BP 4.04)	[X]	[]
Pest Management (OP 4.09)	[]	[X]
Cultural Property (OPN 11.03 , being revised as OP 4.11)	[]	[X]
Involuntary Resettlement (OP/BP 4.12)	[]	[X]
Indigenous Peoples (OD 4.20 , being revised as OP 4.10)	[]	[X]
Forests (OP/BP 4.36)	[]	[X]
Safety of Dams (OP/BP 4.37)	[]	[X]
Projects in Disputed Areas (OP/BP/GP 7.60)*	[]	[X]
Projects on International Waterways (OP/BP/GP 7.50)	[X]	[]

10. List of Factual Technical Documents

Commercial/financial

Business Plans for Utilities in the project (underway)

Social Assessment

Social Assessment: Urban Infrastructure Needs and Priorities, PRISM Research, Sarajevo, April 19, 2004

Safeguards: Environmental Assessment

Bosnia and Herzegovina Water Quality Protection Project: Environmental Assessment. [Final Draft] Bosna-S Oil Services Company, Sarajevo, December 2004.

Bosnia and Herzegovina Water Quality Protection Project: Environmental Assessment, Preliminary Summary. [Final Draft] Bosna-S Oil Services Company, Sarajevo, December 2004.

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

Bosnia and Herzegovina Water Quality Protection Project: Environmental Framework Policy. [Final Draft] Bosna-S Oil Services Company, Sarajevo, December 2004.

Bosnia and Herzegovina Water Quality Protection Project: Environmental Framework Policy, Summary. [Final Draft] Bosna-S Oil Services Company, Sarajevo, December 2004.

Other Technical Documents

Harza Consultants - Technical Study for the Neretva River

PCWM. Findings for Bosna River.

European Union. Bosnia and Herzegovina: Water Sector Strengthening Study

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