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Quicksan

Opportunities for the Dutch Water Sector in the Balkans

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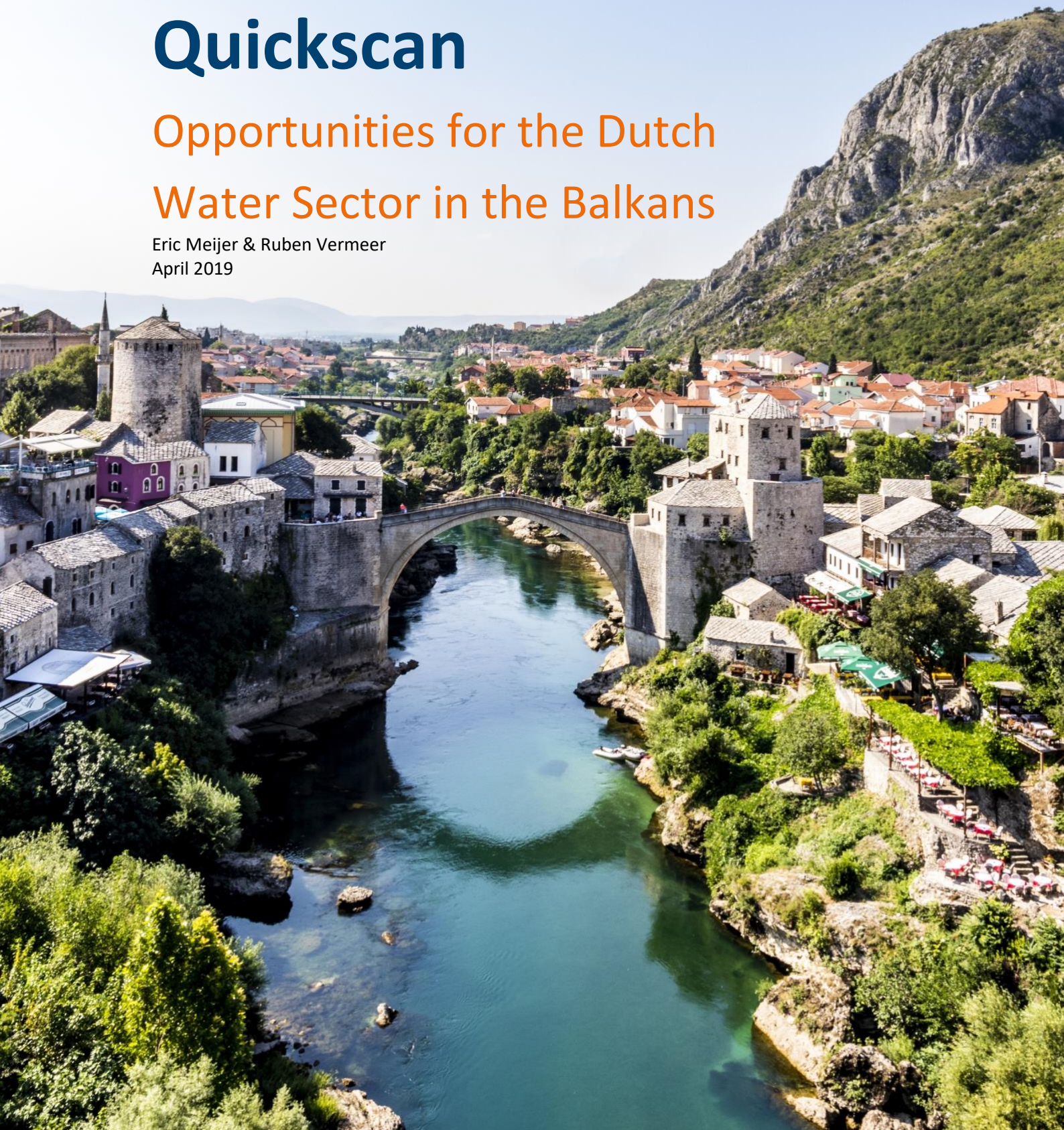


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1) Introduction

The European market is both sizable and close at hand. Therefore, it is an important market for the Dutch Water Sector. Within Europe the Balkan region is a specifically interesting region. It is an upcoming market that receives special attention and involvement from the European Union (EU) and several International Financial Institutions (IFI's). The EU-accession process of the Balkan countries (except Croatia and Slovenia who are already in the EU) creates developments which can generate opportunities for the Dutch Water Sector. Furthermore, both the Balkan countries and the Dutch Water Sector have shown interest in bilateral water cooperation.

The region is facing numerous water challenges, such as severe floods and deficient wastewater treatment. The number of requests received by the Netherlands Water Partnership (NWP) in the recent years shows the interest in Dutch expertise in the region. In recent years, several Disaster Risk Reduction (DRR) and Dutch Surge Support (DSS) missions took place in the Balkan countries. However, the challenges are vast and complex and call for a specific approach aimed at creating partnerships that contribute to solutions.

This explains the selection of the Balkan region for the 'Focus approach for urban deltas' in the Partners for Water programme. Partners for Water is an inter-ministerial programme of the Dutch government to support international water cooperation. The Netherlands Enterprise Agency (RVO) and the Netherlands Water Partnership (NWP) jointly execute this programme in the period of 2016-2021. The programme aims to enlarge water security, water availability and the added value of the Dutch Water Sector. The focus approach for the Balkan is a limited programme which is mainly lead or demand driven. The aim of this approach is to contribute to solutions for the water challenges in the Balkan region by building relationships in the region, identifying leads and opportunities for international (water) cooperation, facilitating concrete matchmaking, and mapping and connecting financial flows in the region to the relevant parties involved. The Dutch Water Sector is actively involved in this programme.

As part of this programme, NWP drafted a Quickscan in 2016-2017 to map the opportunities for the Dutch Water Sector in the Balkan region. This scan is based on desk study, conversations with- and input from the different Dutch Embassies, a sector scan, interviews with various stakeholders in the region, and results from a fact-finding mission. The report includes country profiles, developments, information on available funds and IFI's and relevant background information. In this updated version of the Quickscan in 2019, the document is revised with new information and extended with an in-depth analysis of funds and projects in the region.

The countries considered to be Balkan countries in this report are: Albania, Bosnia and Herzegovina, Croatia, Kosovo, North Macedonia, Montenegro, Serbia, Slovenia.

1.1 The Netherlands Water Partnership

The Netherlands Water Partnership is the gateway in the Netherlands to the Dutch Water Sector. NGOs, Knowledge Institutes and Government have joined forces in this public-private partnership. From water purification to spatial planning, from governance to land reclamation, from small scale solutions to mega structures, the partnership has the expertise. The members of the partnership work together to offer sustainable, multifunctional water solutions for people, planet and profit worldwide. The partnership, consisting of 200 members, acts as a center of information on water expertise, policy developments and market opportunities. But NWP is more than an information source; the organization also initiates, coordinates and executes projects for its members and organizes trade missions, exhibitions and conferences.

2) Facts & Figures

The Balkan countries have varying circumstances regarding water challenges, policy, and accession to the European Union. The factors examined in this report are the:

- Demand and/or urgency per country based on especially policy and EU accession
- Financial flows
- Structure and organization of the water sector

A comprehensive overview of the outcomes will be included in the next part of this report. Moreover, specific facts and figures regarding each of the Balkan countries will be provided in 'country profiles'. The demand and urgency in the Balkan region can be both situation- and policy-driven. Situation-driven demands are for example water challenges. These challenges include flooding, water pollution, heavy rainfall and water shortages. Additionally, most rivers in the Balkans are transboundary, which adds an extra dimension to these issues. In the country profile section of this report, the specific water challenges per country are described.

Policy-driven demands originate from the priorities of the countries' national (water) policy. This includes the process of accession of the Balkan countries to the EU. Slovenia and Croatia are members of the EU; hence they have to comply to EU legislation such as the EU Water Framework Directive, the Floods Risks Directive, the Urban Waste Water Directive. The other Balkan countries are either in the accession process or are a potential candidate state. Therefore, these states are in the process of changing their national legislation and implementing the EU standards (acquis). This development is essential in order to determine the urgency and nature of the required water expertise per country.

3) Water Policy & EU Legislation

3.1 Water Policy

Most Balkan countries have a policy, strategy or program related to water. In Slovenia the water policy is included in the [Spatial Development Strategy](#). Croatia has a [water management strategy](#). In May 2017 Bosnia Herzegovina (BiH) adopted the Environmental Approximation Strategy of BiH (EAS BiH), supplemented by environmental approximation programmes for FBiH, RS and Brcko District for eight sub sectors including water management. This document opens IPA II funds for BiH. Additionally BiH has adopted an action plan focused on both river management and flood protection. The different entities in BiH have their own policy on water: The Federation of Bosnia and Herzegovina has the [Water Management Strategy 2010-2022](#) and Republika Srpska (RS) has the Integral Water Management Strategy. In the strategies of the two entities there are sections on water supply, however details are lacking.

Serbia adopted a *Strategy on the Management of Water Resources in the Republic of Serbia 2034*. Kosovo adopted a Water Strategy for the period of 2015-2034, which still needs to be adopted. Albania approved the National Strategy for Development and Irrigation 2015-2020, in which water has been selected as one of six priorities. In addition, Albania has a separate strategy for [Water Supply and Sewerage 2011-2017](#). Montenegro included a water section in its '[National strategy for sustainable development of Montenegro](#)'. At the moment North Macedonia is working on a new water strategy, the last one dates from [2010](#) and was revised in 2012, but is still considered as insufficient by the local stakeholders.

It can be concluded that water is on the agenda of the Balkan countries. However, this does not necessarily mean that governments are actually committed to reaching the goals of their strategies. Therefore, it is vital to observe the available budgets in the region, and the countries' ambition to become a member the EU. The available funds will be discussed in the next section.

3.2 EU Legislation

With regard to EU legislation there is a division between EU members Slovenia and Croatia, and the other Balkan countries. Slovenia and Croatia are expected to have adopted all environmental acquis into their national legislation and policy. The other non-EU Balkan countries are still in the process of complying to the environmental acquis in order to be eligible for EU-membership.

As for the Flood Directive and Water Framework Directive, both Croatia and Slovenia are still in the implementation phase lasting till 2027, and therefore at the same stage as the non-EU Balkan countries. The Urban Waste Water Directive is slightly different in the sense that the deadline for implementation for Slovenia has passed (2015), the deadline for Croatia is 31 December 2023.

At this moment (2016) Member States need to adopt a second river basin management plan (RBMP) and the first flood risk management plan (FRMP). Expertise is required to draft these plans, which provides potential opportunities for the Dutch Water Sector (DWS). Moreover, these drafted plans could in the future result in opportunities for the DWS. Below a comprehensive overview of the water policy and EU legislation per country will be provided.

3.2.1. Albania

Albania is dealing with great reforms due to their pending EU-membership candidacy. Currently all water-related ministries are in the process of drafting new legislation and reshaping institutional arrangements. This process is coordinated by the Technical Secretariat of the National Water Council (TSNWC). The National Water Council is composed by the ministers that deal with water issues. The Integrated Policy Management Group (IPMG) established four thematic groups: water for people, water for food, water for industry and water for environment. Based on these themes the TSNWC is preparing a National Sector Program (NSP) which will address all water issues.

It must be noted that the capacity to lead this process and improve the quality of legislation is limited. The legislation quality and know-how on flood management is lagging far behind the EU Flood Directive. A major issue in Albania is the lack of harmonized legislation. The implementation process of the Floods Directive is not expected to be concluded before 2023. The Preliminary Flood Risk Assessment (PFRA) is not developed in Albania, but there are some activities and projects ongoing which are relevant for the PFRA. Flood Prone areas of the Buna and Drini river have been mapped. Flood hazard and flood risk mapping is at an early stage. The Mati River Basin Management Plan is in place and plans for Drini, Buna, Seman, Shkumbini and Vjosa have started and are in an early stage. The draft decision “on the content, development and implementation of National Water Strategies, of River Basin District Management Plans and of Flood Risk Management Plans” is currently approved by the National Water Council. However, it still needs to be approved by the Council of Ministers. This draft by-law sets out the contents and the procedures for the development and implementation of the National Water Strategies, River Basin Management Plans and Flood Risk Management Plans. Note that the estimated costs for the implementation of the Floods Directive for Albania (13.2M EUR) are the highest in the region.

3.2.2. Bosnia Herzegovina

Bosnia Herzegovina's legislation and policy are currently advancing due to the devastating environmental issues in the recent years. The Environmental Approximation Strategy of BiH (EAS BiH) was adopted in May 2017 and represents main reference document for reforms in the environment sector including water sub sector. It requires the legal harmonization, implementation and enforcement of the number of measures in the sector. Its implementation requires significant capital investments in the environmental infrastructure¹.

The Action Plan for Flood Protection and Water Management for BiH 2014-2017, was adopted by the Council of Ministers of BiH in January 2014, as well as by both entities (the Republika Srpska and the Federation of Bosnia and Herzegovina) and the Brčko District governments. The Action Plan is demonstrating a harmonized and coordinated approach to the issues of the Flood Protection and Water Management throughout the country. In the National Action Plan for Flood Protection and River Management in BiH 2014-2017 the goal to harmonize the flood protection system with the EU legislation is explicitly included. The RBMP's are in the adoption phase, the Preliminary Flood Risk Assessments are finalized, and the Flood Hazard and Flood Risk Maps are under development. The Flood Risk Management Plans still need to be developed, this is expected to start in 2018.

The two water laws in BiH are according to the Water Framework Directive. The Urban Waste Water Directive is not trans positioned yet, estimated costs (not allocated budgets) are 3 to 3.5 billion EUR. Bosnia Herzegovina has completed the Preliminary Flood Risk assessment, and therefore it is expected

¹According to the EAS, the total cost of approximation in the sector Environment and Climate Action was estimated at approximately EUR 7 Billion distributed as follows: 55% for the approximation in the sub-sector of Water Management, 29% for the sub-sector of Air Quality and Climate Change, and 14% for the sub-sector of Waste Management.

that the implementation process of the Floods Directive will be completed by 2018-2020. The estimated costs for the implementation are € 12.4 million EUR.

3.2.3. Croatia and Slovenia

Croatia [adopted the second RBMP for the period of 2016-2021](#) on the 6th of July 2016 as a part of the RBMP the FRMP was included and adopted. Slovenia did [adopt the second RBMP's on the 27th of October 2016](#). In addition, regarding the Danube river basin the ICPDR (international commission for the protection of the Danube River) adopted the Danube River Basin Management Plan - Update 2015 (DRBM Plan) and the 1st Danube Flood Risk Management Plan (DFRM Plan). The Danube basin in one of the two basins in Slovenia under the Water Framework Directive. A [Flood Risk Management Plan](#) is in place.ⁱ

3.2.4. Kosovo

The water law in Kosovo has not (yet) fully transposed the EU Water Framework Directive. Furthermore, no RBMP's are in place yet. The implementation of the Flood Risk Directive is slowly progressing. The implementation process of the Floods Directive is not expected to be concluded before 2023. There are not Flood Management Plans in place yet. The estimated costs for the implementation of the Floods Directive are € 7.1 millionⁱⁱ, based on figures of a 2015 report.

3.2.5. Serbia

As mentioned before, Serbia, as a non-EU state, has to implement all environmental legislation in order to access the European Union. Basic principles need to find their way in Serbia, such as the principle of integrated river basin management. Serbia is facing many challenges in this regard, such as: adoption of quantity and quality standards, implementation of the principles “consumer pays” and “polluter pays”, spatial and temporal distribution of available water resources. Serbia does receive IPA II funding from the European Union in which the topic of implementing legislation is included. In the next part the opportunities resulting from this will be discussed. Serbia has completed the Preliminary Flood Risk assessment; a draft version of the Flood Risk Management Plan will be public in 2017. After that a second flood prone research has to be executed, after which a second Flood Risk Management Plan will be published. Serbia is planning to have this second FRMP officially published in 2021. The estimated costs for the implementation is €12 million EUR.ⁱⁱⁱ(numbers are based on a report from September 2015)

3.2.6. North Macedonia

The Republic of North Macedonia has adopted around 70-80% of the EU legislation. However, there are still parts to transpose. The water law of 2008 is transposed according to the Water Framework Directive. The transposition of the Floods Directive still needs to start. This implementation process of the Directive is not expected to be concluded before 2023. Note that the estimated costs for the implementation of the Floods Directive is € 11.8 million.^{iv} (numbers are based on a report from September 2015) There have been some tendering procedures in the past for the River Basin Management Plan and preliminary Flood Risk Assessment of the Strumica River Basin. This resulted in RBMP's for period of 2011 to 2017, implementation are in form of Sub RBMP's Prespa Lake watershed-Sub River Management Plan for Crni Drim River Basin District and Bregalnica River Basin Management Plan and Sub River Management plan for Vardar River Basin District.

3.2.7. Montenegro

Alignment with the EU water legislation in Montenegro is at a very early stage. Monitoring networks are poorly maintained and lack real time data on water quality.^v PFRA need to be developed. For each river basin district Flood Hazard Maps have been partially produced. River basin management plans need to be developed, the plans to substantially expand hydropower capacity should be included in particular.^{vi} The implementation process of the Floods Directive is not expected to be concluded before 2023. The estimated costs for the implementation of the Floods Directive is € 11.8 million.^{vii} (numbers are based on a report from September 2015)

3.3 Conclusion

The main issues in relation to the implementation of different directives in the Balkan are the following:

- Fragmented organizational set-up
- Lack of resources, human capacity, tools and experience
- Weak authoritative bodies lacking the capacity to enforce legislation
- Lack of data collection and management methods which meet the requirements of detailed hazard and risk assessment or emergency management^{viii}
-

All in all, the opportunities for the Dutch Water Sector (DWS) with regard to EU legislation are linked to their EU accession or membership status. Whereas Croatia and Slovenia are already full-fledged members, countries as North Macedonia and Kosovo are just getting started with adopting the EU required plans. Hence, policy and legislation, should definitely be taken into account when identifying the opportunities for the DWS. In the next section the opportunities for the DWS arising from the financial flows will be examined.

4) Financial Flows in the Balkans

The Balkan countries benefit from several financial funds that are issued by development banks and the European Union. There are specific funds for candidate countries, EU member states and funds for specific projects. In this chapter, the most important of these instruments will be introduced as well as an overview of the relevant projects per donor/country. The donors can be split into roughly two categories: development banks and EU funds. The main difference is that the development banks issue mostly loans and the EU gives grants (no repayment).

4.1 Development banks

Three development banks and a financial framework are active in the Balkans. They have several instruments, of which loans are the most common. Loans are issued to central or local governments for a specific (water) project that is in line with the priorities/sectors they serve. The volume of lending differs from country to country.

The banks have a project evaluation process, which means that a project goes through several stages. Only when the status is “signed” the project is final and active, otherwise it is in the pipeline. The time between the initial inception phase and the moment a project is approved and signed varies. Projects signed in 2015 can still be interesting as they are tendering in 2018. The sooner a project is identified as an opportunity the better, as preparations can be made for the upcoming phase where it will be tendered. Tenders are divided in multiple lots, e.g. feasibility study, design of a waste water plant, construction and supervision of construction.

4.1.1. The European Bank for Reconstruction and Development (EBRD)

The EBRD is owned by 65 countries from five continents, among which the European Union and the European Investment Bank. The EBRD helps businesses through financial investments and is financing private sector projects generally from \$5 million to \$250 million, in the form of loans or equity.^{ix} These projects are executed in different countries and different sectors by both public and private organisations. The EBRD claims to support business, but in the water sector mostly (local) governments are funded.

Instruments

The EBRD supports development by several instruments, of which loans are the most known. For the water sector the following are mostly interesting: Project finance (loans, equity investments, guarantees); Trade finance (commercial and political risk reduction and short-term loans for international trade transactions); Loan syndications (co-financing by commercial lenders). In the Balkans mostly loans are issued, the lender is usually a governmental body (central or regional). The execution lies mostly at the local level.

Relevant sectors

The water sector relevant EBRD sector is the Municipal and Environmental Infrastructure (water and wastewater). The Green Cities Framework (GrCF) is a framework dedicated to address environmental challenges at city level. Under GrCF several water projects are financed in the Balkans, for example in Albania and BiH. In the fall of 2018 the successor Green Cities Framework 2 (GrCF2) was launched. The over-arching aim of the GrCF2 is to continue to serve as a sector-wide catalyst for addressing environmental challenges at the city level. This will be achieved through the preparation and subsequent implementation of Green City Action Plans (“GCAP”). The GCAP methodology takes a systematic approach to identifying, benchmarking, prioritising and guiding green city actions by cities.

Countries active

The EBRD was a large investor in the Balkans over the past years and active in all 8 countries with a local office. Activities in the water sector vary from country to country. Ordered per country the active and pipeline water projects are:

Albania

Limited number of water sector projects. The most recent (Feb 2018) water project is the “GrCF: UKT Tirana Water Company” financed through the GrCF (total budget €34 million, EBRD loan €30 million).

Bosnia and Hercegovina

In BiH there are quite some water projects financed by the EBRD. Recently (April 2018) the “GrCF: Sarajevo Water” project was approved under the GrCF (total budget: €30.8 million, EBRD loan: €25 million). In the recent past two water projects were financed. The “Visoko Water Supply” (2016) project, total budget: €6 million, EBRD loan: €4.5 million; and the “Plava Voda Regional Water Supply Project” (2015) total budget: €30 million, EBRD loan: €11 million. The “Gradacac Water Supply Project” budget 9,8 million EBRD 6 million

Croatia

Croatia was not very successful in securing funding through the EBRD for water projects, some were cancelled. The “C2CF - Zagreb County Water Project” (March 2018) is waiting for final approval. The project is funded through the Cohesion Funds Co-Financing Framework (C2CF) a framework financing projects together with the EU Cohesion Fund. Total project budget: €88.4 million, EBRD loan €7 million.

North Macedonia

In recent years there was hardly any funding for water projects, only the Macedonia Municipal Facility (2017), that supports municipalities to improve their infrastructure (possibly water infrastructure).

Kosovo

Kosovo received relatively little EBRD funding. However, 2018 proved to be a successful year with two projects under review: the “Mitrovica wastewater development project” total budget: €37.2 million, EBRD loan: €18 million; and the “Gjilan Wastewater Development Project” total budget: €42 million, EBRD loan: €20.5 million. There is a similar project at the EIB.

Montenegro: Water projects were not found in Montenegro.

Serbia

Serbia has only one recent water project, the approved but not yet signed “Belgrade Water” project. It has a total project budget of €14.5 million is completely financed by an EBRD loan. The city of Belgrade launched the development of a “Green City Action Plan” in October 2018. This plan is a prerequisite for receiving funding from the GrCF2. The development of the plan is donated by the Japanese embassy in Belgrade.

Slovenia: Recent water projects were not found.

[Procurement notices](#) (announcement of tenders) can be found on the EBRD site. EBRD tenders can be found on the EBRD Client e-Procurement Portal.

4.1.2. The European Investment Bank (EIB)

The EIB is the development bank of the European Union and works closely with the other EU institutions to implement EU policy. The EIB provides finance and expertise for sustainable investment projects that contribute to the EU policy objectives. More than 90% of the activities are in Europe. EIB provides as well

finance for EU members (Slovenia and Croatia) as for the enlargement region (Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro, Serbia).

Instruments

Lending: The vast majority of financing is through lending in the shape of loans, but also guarantees, microfinance, equity investment and others.

Blending: combines funding from other sources, particularly from the EU budget. This is blended with loans to form a full financing package.

Advising: lack of finance is often not the only barrier to investment. The EIB helps with administrative and project management capacity to facilitate investment.

Relevant sectors

The EIB has four priority areas, of which “Climate and environment” is relevant to the water sector. It includes climate change mitigation, depollution, flood control, disaster risk management, water supply and waste water treatment. Projects are categorized by sector. The sector “Water and wastewater management” is of particular interest, it includes support to:

- increase secure access to water resources;
- protect against destructive water-related events;
- ensure reliable provision of sustainable and affordable water and wastewater-related services both in quantity and quality to all stakeholders;
- promote the increase in energy efficiency measures and recovery mechanisms (a combination of wastewater and the generation energy)

In 2017 the EIB provided for a total €3.2 billion in water projects worldwide. The EIB has a project evaluation cycle, where a project goes through several stages and has a corresponding status, the most important are: Under appraisal; Approved; Signed. Only signed projects will receive funding.

Countries active:

Albania

Water projects were hardly financed by the EIB in recent years. However, in 2018 the “LANA RIVER FRONT - URBAN REDEVELOPMENT” project was approved. Total budget: €24 million, EIB financing: €10 million.

Bosnia and Hercegovina

No recent signed contracts were found. The pipeline of to be financed water projects contains the following. The “WATER AND SANITATION RS II” project is under appraisal (Sept 2018). Total budget: €60 million, EIB financing: €30 million. The “FLOOD PROTECTION MEASURES RS” is approved (Jul 2018). Total budget: €41 million, EIB financing: €19 million.

Croatia

No past EIB funding of water projects. The pipeline contains two projects. The “ISLAND OF KRK WATER (SPL 20140375)” project is cofounded with several EU funds. Status: approved (April 2018). Total budget: €69 million, EIB financing: €6 million. The “VARAZDIN WATER (SPL 20140375)” is approved (April 2018), and co-funded with several EU funds. Total budget: €92 million, EIB financing: €10 million.

Kosovo

The EIB has no active or past water projects in Kosovo. In the pipeline is the “WWTP GJILAN” project that is currently under appraisal (June 2018). Total budget: €23 million, EIB financing: €11 million. There is a similar project at the EBRD.

North Macedonia: The only water project was financed in 2010, no upcoming projects found.

Montenegro

In Montenegro runs the “MONTENEGRO WATER AND SANITATION” of in total 62.2 million. It runs since 2006, the last signed tranches were €10 million and €25 million in 2015 and 2016 respectively. No upcoming projects were found.

Serbia

The “SERBIAN INLAND WATERWAY INFRASTRUCTURE” project is the most recent (Oct 2018) EIB funded water project. Total budget €204 million, EIB financing: €100 million. Upcoming is the “BELGRADE PALILULA SEWERAGE SYSTEM” project that is currently under appraisal. Total budget €38 million, EIB financing: €25 million. The “MUNICIPAL INFRASTRUCTURE RESILIENCE FRAMEWORK” is also under appraisal (Aug 2018) and has a broad intended scope on the construction of water supply and sewage systems in municipalities impacted by migrants or severe floods crises. Total budget €80 million, EIB financing: €50 million.

Slovenia: No past EIB funding of water projects, nor projects in the pipeline.

4.1.3. World Bank (WB)

The World Bank is present in all Balkan Region countries except for Slovenia. However, the bank is most active in Albania, Kosovo and Serbia.

Instruments

The WB offers mostly loans. In contrast to the EBRD and the EIB, the WB finances most of the time the full project budget. This makes it unnecessary for the recipient to find co-funding for a project. In theory this should make the development of a project easier.

Relevant sectors

The activities of the WB are categorized by themes. Water sector relevant themes are: Urban and Rural Development (e.g. Urban Water and Sanitation, Flood and Drought Risk Management); Environment and Natural Resource Management (e.g. Water Pollution, Watershed Management, Water Resource Management)

Countries:

Albania

Several water projects were funded by the WB in the past. Currently active is the “Water Resources and Irrigation Project” (budget: \$45 million, WB financing: \$40 million, closing May 2020). The previous project is continued in the “Albania Water Resources and Irrigation Project Additional Financing” project (Feb 2018, budget \$26,75 million). Both projects are focused on river basin management and flood protection.

Bosnia and Hercegovina

After the flooding in BiH of 2014 the WB made substantial funding available. Only the “DRINA FLOOD PROTECTION PROJECT” is still active, but closes December 2019.

Croatia: No recent or active water projects.

North Macedonia: No recent or active water projects.

Kosovo

One project is running in Kosovo: “Kosovo Water Security and Canal Protection Project” it has budget of \$24,53 million of and runs until April 2022.

Montenegro

The “[Industrial Waste Management and Cleanup Project](#)” might be interesting for the water sector. However it runs until June 2019.

Serbia

The “[Disaster Risk Management DPL-CAT DDO](#)” project supports the capacity of Serbia in dealing with natural hazards. Started May 2017 ends in 2020 total budget: \$70 million. The “[Floods Emergency Recovery Project](#)” started in Oct 2014 and runs until Oct 2019, total budget \$300 million.

4.1.4. Western Balkans Investment Framework (WBIF)

The [WBIF](#) supports socio-economic development and EU accession across the Western Balkans through the provision of finance and technical assistance for strategic investments, particularly in infrastructure, energy efficiency, and private sector development. It is a joint initiative of the EU, International Financial institutions, bilateral donors, and the governments of the Western Balkans (EU members Croatia and Slovenia are not eligible). The WBIF focuses on key sectors of the Western Balkan economies: energy, environment, social, transport, private sector development and digital infrastructure.

The Framework awards, based on competitive procedures, grants for infrastructure project preparation activities as well as for investments. Calls for proposals are launched by the WBIF Steering Committee. Generally, there are two calls for technical assistance and only one call for investment grants per year. Normally only countries or regions in the Western Balkans can apply.

The WBIF impacts through a coordinated effort invested in the preparation and selection of priority projects for financing by blending 1) grants from the European Commission's Instrument for Pre-Accession (IPA) and 20 Bilateral Donors; with 2) loans from the participating financial institutions; and 3) national finance.

Regular donors in the WBIF projects are the EBRD and EIB, there is overlap in the project list of these three development banks. The German KfW bank is a major lender to the projects, WBIF itself finances a minor part of the projects with grants. WBIF “funded” 190 projects. For the water sector 40 projects are interesting: 8 completed; 15 active (total budget: €851 million); 17 pipeline (expected total budget: € 868 million). Review the attachment: “Water sector Balkan projects development banks” for an overview of WBIF co-funded projects. Be aware that major parts of the funding come from other development banks as well as some IPA 2007-2013 grants. Some overlap between budgets can be expected.

4.2 Summary development banks

The attachment: “Water sector Balkan projects development banks” gives an overview of all the water projects funded by development banks. It lists active projects (27, budget: €1.511 million) and pipeline projects (29, budget: €1.363 million) . In total 56 projects were found, with combined budget of €2.874 million. Finally there are three multi country projects with a budget of €24 million. Countries that receive the most funding are:

- 1) Serbia: €1.104 million;
- 2) Bosnia and Hercegovina: €618 million;
- 3) Albania: €326 million.

Thematically seen water technology receives most funding (€1.920 million, 39 projects) delta technology has less projects and budget (€955 million, 17 projects).

4.3 European Union funds

4.3.1. European Structural and Investment Funds (ESIF)

The European Structural and Investment Funds (ESIF) are a conglomerate of several EU funds. Among those funds the Cohesion Fund (CF) and the European Regional Development Fund (ERDF) are relevant to the water sector especially the CF is funding water projects. As the ESIF are aimed at EU member states, only Croatia and Slovenia are eligible in the Balkan.

4.3.2. Cohesion Fund (CF)

The [Cohesion Fund](#) is an EU fund, aimed at Member States whose Gross National Income (GNI) per inhabitant is less than 90% of the EU average. It aims to reduce economic and social disparities and to promote sustainable development.

The Cohesion Fund allocates a total of € 63.4 billion to activities under the following categories:

- trans-European transport networks, notably priority projects of European interest as identified by the EU. The Cohesion Fund will support infrastructure projects under the Connecting Europe Facility;
- environment: here, the Cohesion Fund can also support projects related to energy or transport, as long as they clearly benefit the environment in terms of energy efficiency, use of renewable energy, developing rail transport, supporting intermodality, strengthening public transport, etc.

Regarding the transport networks, the [Rhine-Danube Corridor](#), with the Main and Danube waterway as its backbone, is interesting to the DWS for the Balkan countries. However, generally the category environment is most interesting to the water sector.

4.3.3. European Regional Development Fund

The [ERDF](#) is strengthening economic and social cohesion in the EU by 'correcting imbalances between its regions'. The investments of the ERDF are focused on several areas as 'Innovation and research', 'The digital agenda', 'Support for SMEs' and 'The low-carbon economy'^x. Therefore, the investments are mostly indirectly linked to the water sector.

Croatia

In Croatia the funds from the Cohesion Fund and the ERDF for the period 2014- 2020 are combined in the [Competitiveness and Cohesion OP](#). The following thematic priorities can be relevant for the water sector:

- Climate change and risk prevention
- Environment and resource efficiency
- Transport and energy networks

The Operational Programme (OP) has a combined budget of €8,0 billion (CF: €2,9; ERDF: €5,1). For the water sector the CF is the most interesting fund, it finances water sector relevant themes:

- 1) Environment Protection & Resource Efficiency, total CF budget: €1.940 million;
- 2) Network Infrastructures in Transport and Energy, total CF budget: €1.012 million;

The ERDF also finances parts of the thematic priorities

- 1) Climate Change Adaptation & Risk Prevention, total CF budget: €289 million;
- 2) Environment Protection & Resource Efficiency, total CF budget: €398 million;
- 3) Network Infrastructures in Transport and Energy, total CF budget: €471 million;
- 4) Technical Assistance, total CF budget: €278 million.

Be aware that the funding for the themes above is broader than the water sector alone. Parts of the budgets will be allocated to water projects. All amounts include both the EU contribution and the national (Croatian) contribution.

Funding priorities

A substantial share of the Cohesion Fund allocation is allocated to investments necessary for compliance with EU Directives in the waste and water sectors. Particular support will be dedicated to the prevention and monitoring of the natural risks. Finally budget is reserved for inland waterway development.

Water sector relevant expected impact from the OP:

- 1 million inhabitants served by improved water supply and wastewater treatment
- 100% of the territory covered by regular monitoring and evaluation of climate change impacts

Indicators (situation end 2018)

- Inland waterway: total length of improved or created inland waterway, planned: 247 km;
- Improved water supply: additional population served by improved water supply. Planned: 1.000.000 persons, decided: 178.736 Persons, implemented: 951 Persons;
- Waste water treatment: additional population served by improved wastewater treatment, planned: 1.000.000 population equivalent, decided: 796.537 population equivalent;
- Risk prevention and management: population benefiting from flood protection measures, planned: 10.000 Persons.

Implementation lags behind as can be observed from the above indicators. This is also shown on the financial side: out of the total budget of € 8,0 billion, only € 1,0 billion was spent, € 5,7 billion was decided (pipeline), and the remainder of the funds is undecided on, by September 2018.

Detailed information at project level is hard to come by. The Croatian managing authority is the Ministry of Regional development and EU Funds: <http://www.strukturnifondovi.hr>. This website only provides information in Croatian, making it hard to find useful information at project level. The same holds for the tender website [Efondovi](http://efondovi.hr). It will be essential to have a local partner to become successful in the Croatian market. A partner that can monitor upcoming projects in Croatian.

Slovenia

In Slovenia the funds from the Cohesion Fund and the ERDF for the period 2014- 2020 are combined in the [Operational Programme for the Implementation of the EU Cohesion Policy in the period 2014 – 2020](#).

The following thematic priorities can be relevant to the water sector:

- Climate change and risk prevention
- Environment and resource efficiency
- Transport and energy networks

The OP has a combined budget of €3,8 billion (CF: €1,1; ERDF: €1,8; other funds: €0,9). For the water sector the CF is the most interesting fund, it finances water sector relevant themes:

- 1) Climate Change Adaptation & Risk Prevention, total CF budget: €71 million;
- 3) Environment Protection & Resource Efficiency, total CF budget: €330 million;
- 4) Network Infrastructures in Transport and Energy, total CF budget: €262 million;
- 5) Technical Assistance, total CF budget: €104 million.
- 6)

The ERDF also finances parts of the thematic priorities:

- 1) Climate Change Adaptation & Risk Prevention, total CF budget: €38 million;
- 2) Environment Protection & Resource Efficiency, total CF budget: €194 million;
- 3) Network Infrastructures in Transport and Energy, total CF budget: €136 million;
- 4) Technical Assistance, total CF budget: €21 million.

Be aware that the funding for the themes above is broader than the water sector alone. Parts of the budgets will be allocated to water projects. All amounts include both the EU contribution and the national (Slovenian) contribution.

Funding priorities

Supporting climate change adaptation measures to reduce the risk of flooding in areas with significant flood risks. Developing environmental infrastructure in the water sector and ensuring the efficient and sustainable use of natural resources. Increasing the institutional capacities and the efficiency of the public administration and public services.

Water sector relevant expected impact from the OP:

- 38.427 citizens benefiting from the co-financed flood protection measures;
- Additional 120.000 people served by an improved water supply.

Indicators (situation end 2018)

- Improved water supply: additional population served by improved water supply, planned: 200.000 persons, decided: 204.735 persons;
- Waste water treatment: additional population served by improved wastewater treatment, planned: 300.000 population equivalent, decided: 304.843 population equivalent;
- Risk prevention and management: population benefiting from flood protection measures, planned: 22.142 persons, decided: 17.784 persons.

Implementation lags behind as can be observed from the above indicators. This is also shown at the financial side, out of the total budget of €3,8 billion, only €0,7 billion was spent, €2,6 billion was decided (pipeline), and the remainder of the funds is undecided on, by September 2018.

Detailed information of project level is hard to come by. The Slovenian managing authority is the [Republic of Slovenia Government Office for Development and European Cohesion Policy](#) (website in Slovenian and English) The website of [Fina EU točka](#) provides information and has a link where can subscribed to a newsletter with tenders for projects (the newsletter is in Slovenian only). It will be essential to have a local partner to become successful in the Slovenian market.

4.3.4. Instrument for Pre-Accession Assistance (IPA)

The IPA is an instrument for Pre-accession Assistance. It therefore the means by which the EU supports reforms in 'enlargement countries' with financial and technical help. The IPA funds build up capacities in the countries throughout the accession process, resulting in positive developments in the region. For the period of 2007-2013 IPA had a budget of €11.5 billion, for IPA II for the period of 2014-2020 the budget is €11.7 billion.^{xi} The countries within the Balkan Region who receive IPA are: Albania, Bosnia and Herzegovina, North Macedonia, Kosovo, Montenegro, and Serbia.

Country	Total IPA II budget 2014-2020 (€ million)
Albania	649,4
Bosnia and Herzegovina	552,1
North Macedonia	664,2
Kosovo	645,5
Montenegro	270,5
Serbia	1.508,0

To Bosnia and Herzegovina and Serbia combined a budget of €127 million was made available, following the floods in 2014. It is expected that this budget is procured by the end of 2018. This budget was a addition to the budgets in the table above. For each country an "Indicative Strategy Paper" is made, outlining the priorities for the period 2014-2020. The execution of the strategy is done by annual "actions" outlining the specific activities (projects) to be set up in a specific sector. The management of actions is done either by the EU, the government (or another local public institution) or a third party (often development organizations like GIZ). All IPA activities are organised in a set of "priority sectors" per country. Below is a description of the "priority sectors" per country relevant to the water sector, as well as the dedicated budgets.

Albania

Environment & climate action: Alignment with EU law and standards; better treatment of waste and water; controlling air pollution. Budget: €68 million, committed water sector actions: 2016: €4 million; 2018: €24,1 million.

Bosnia and Herzegovina

Environment, climate action and energy: Increased compliance with the EU environmental, climate change and energy acquis; improved implementation of the existing environmental and climate change policies, particularly in the waste, water management, industrial emission areas and air quality as well as emissions reduction and energy efficiency. Budget: €114,2 million, no funding yet committed to water sector actions.

Transport: Integration of Bosnia and Herzegovina road and rail networks, aviation as well as inland navigation, maritime and ports within the region and with the EU, in line with relevant EU acquis and the agreed Connectivity Reform Measures. Budget: €41,7 million, no funding yet committed to water sector projects.

Kosovo

Environment is not defined as a priority sector under IPA in Kosovo, however there is a budget of €143,8 million for environment, climate action and energy, according to the “Indicative Strategy Paper for Kosovo for the period 2014-2020”. The same document states that one of the results of IPA is: “Water management and municipal wastewater collection (sewage) and waste-water treatment, including physical infrastructure, in the largest agglomerations improved in line with the EU Directives”

North Macedonia

Environment & climate action: Creating a cleaner environment; promoting sustainable growth; shifting to a low-carbon, climate-resilient and resource-efficient economy. Budget: €112,9 million, this includes €66,6 million investments in water and waste management.

Montenegro

Environment & climate action: Helping the country fully align with the EU standards. Budget: €37,5 million no specific commitments found to water projects.

Serbia

Environment & climate action: Alignment with the environment and climate acquis; stronger institutional framework at central and local levels; better treatment of waste and water; improved air quality. Budget: €160 million, 2017 large waste action plan (total budget: €38,7 million, IPA contribution: €28,6 million, this action includes waste water treatment and capacity building.

Transport: Harmonisation with transport acquis; better infrastructure and regional connectivity; increased intermodal transport and better navigation conditions in inland waterways. Budget: €175 million, a large part of the budget was committed to road and rail actions: €64,8 million. No water related actions yet found.

Tendering for IPA funds is done through the [EU tender website](#). December 2018 there were no water projects listed. Tendering through this system is transparent, it does require substantial work to fulfil all the EU requirements.

4.3.5. THE EUROPEAN UNION SOLIDARITY FUND (EUSF)

The [EUSF](#) was set up to respond to major natural disasters and express European solidarity to disaster-stricken regions within Europe. The Fund was created as a reaction to the severe floods in Central Europe in the summer of 2002. Since then, it has been used for 80 disasters covering a range of different catastrophic events including floods, forest fires, earthquakes, storms and drought. 24 different European

countries have been supported so far for an amount of over €5 billion. This is not a structural fund, but an incidental fund that can become active in case of natural disasters. Logically there is no set budget as is the case with other funds. EUSF has proven to be quite relevant to the Balkan region with support to Croatia (2010, 2012, 2014, total EUSF aid: €22,8 million); Serbia (2014, total EUSF aid: €60,2 million) and Slovenia (2007, 2010, 2012, 2014, total EUSF aid: €48,3 million).

4.4 Summary European Union funds

The European Union invests large amounts of money through the ESIF in Croatia and Slovenia. The budgets through which water sector relevant projects are funded amount to €4.4 billion for Croatia and €1.2 billion for Slovenia. These budgets are massive but should be put in perspective. Firstly, not only water projects are funded from these budgets; many sectors are competing for the same money. Secondly, project pipelines are not well defined compared to development banks. Thirdly, to tender and compete for projects will be hard, since documentation is in the local language, requiring a local partner. Finally, ESIF funds are administered by national governments, who lack capacity to allocate funds according to EU regulations, which is reflected by underspending of budgets. To determine if ESIF funds are interesting, the Funding Priorities and the related Indicators are a good measure. The indicators are basically the goals to be reached with help of the CF and ERDF funds.

IPA II funds are lower in volume (total budget: €1,5 billion) but easier to reach for Dutch water sector companies. Tendering is done in an open and transparent way, providing a level playing field for all tendering companies. Important is to follow the Indicative Strategy Papers and the resulting actions from the strategies.

4.5 Overall conclusion

In the scoring matrix (attachment: Funding for the Balkan Water Sector) the 8 Balkan countries are compared on the available funds. The three main columns represent funding from development banks (attachment: Water sector Balkan projects development banks), IPA II funds and ESIF funds. Using these funds weighted available funds are calculated. The development banks have a weight of 70% because they are real projects. The ESIF and IPA II funds have both a weight of 15% because it concerns here general budgets, out of which a portion will be dedicated to water projects. According to the matrix the most interesting countries for the water sector are Croatia and Serbia that score almost equal, followed at a distance by Bosnia and Herzegovina and at a larger distance Albania. All other countries score within roughly the same bandwidth.

No.	Country	Weighted available funds (€ million)
1	Croatia	832,5
2	Serbia	823,1
3	Bosnia and Herzegovina	456,0
4	Albania	238,4
5	Slovenia	173,4
6	Montenegro	163,1
7	Kosovo	150,4
8	North Macedonia	117,7

Thematically water technology receives more funding as delta technology. Capacity building is often an element within a project related to a theme. In a minority of cases a project is mainly on capacity development, often related to bringing national legislation in line with the EU acquis.

4.6 Funding for the Water Sector

Weighted funds in € million

	Development banks	European Structural and Investment Funds	Instrument for Pre-Accession Assistance	Weighted available funds
Weight	70%	15%	15%	100%
Albania	326,0	0,0	68,0	238,4
<i>Water technology</i>	231,0	0,0	0,0	161,7
waste water (decentralized)	10,0			7,0
drinking water	70,0			49,0
drinking water and waste water	151,0			105,7
<i>Delta technology</i>	95,0	0,0	0,0	66,5
river basin management	87,0			60,9
flood risk management	8,0			5,6
Bosnia and Hercegovina	618,0	0,0	155,9	456,0
<i>Water technology</i>	473,0	0,0	114,2	348,2
waste water (decentralized)	137,0			95,9
drinking water	121,0			84,7
drinking water and waste water	215,0			150,5
<i>Delta technology</i>	145,0	0,0	41,7	107,8
river basin management				0,0
flood risk management	145,0			101,5
Croatia	249,0	4.388,0	0,0	832,5
<i>Water technology</i>	249,0	2.477,0	0,0	545,9
waste water (decentralized)	161,0			112,7
drinking water	88,0			61,6
drinking water and waste water				0,0
<i>Delta technology</i>	0,0	1.911,0	0,0	286,7
river basin management				0,0
flood risk management				0,0
Kosovo	184,0	0,0	143,8	150,4
<i>Water technology</i>	133,0	0,0	143,8	114,7
waste water (decentralized)	133,0			93,1
drinking water				0,0
drinking water and waste water				0,0
<i>Delta technology</i>	51,0	0,0	0,0	35,7
river basin management	51,0			35,7
flood risk management				0,0

North Macedonia	144,0	0,0	112,9	117,7
<i>Water technology</i>	<i>144,0</i>	<i>0,0</i>	<i>112,9</i>	<i>117,7</i>
waste water (decentralized)	126,0			88,2
drinking water				0,0
drinking water and waste water	18,0			12,6
<i>Delta technology</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>
river basin management				0,0
flood risk management				0,0
Montenegro	225,0	0,0	37,5	163,1
<i>Water technology</i>	<i>225,0</i>	<i>0,0</i>	<i>37,5</i>	<i>163,1</i>
waste water (decentralized)	85,0			59,5
drinking water				0,0
drinking water and waste water	140,0			98,0
<i>Delta technology</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>
river basin management				0,0
flood risk management				0,0
Serbia	1.104,0	0,0	335,0	823,1
<i>Water technology</i>	<i>465,0</i>	<i>0,0</i>	<i>160,0</i>	<i>349,5</i>
waste water (decentralized)	297,0			207,9
drinking water	19,0			13,3
drinking water and waste water	149,0			104,3
<i>Delta technology</i>	<i>639,0</i>	<i>0,0</i>	<i>175,0</i>	<i>473,6</i>
river basin management	317,0			221,9
flood risk management	322,0			225,4
Slovenia	0,0	1.156,0	0,0	173,4
<i>Water technology</i>	<i>0,0</i>	<i>587,0</i>	<i>0,0</i>	<i>88,1</i>
waste water (decentralized)				0,0
drinking water				0,0
drinking water and waste water				0,0
<i>Delta technology</i>	<i>0,0</i>	<i>569,0</i>	<i>0,0</i>	<i>85,4</i>
river basin management				0,0
flood risk management				0,0

4.7 Projects of development banks in the Balkans

An overview of projects in the Balkans of development banks can be accessed here: '[Balkan projects – development banks](#)'.

5) Structure of the Water Sector

5.1 Albania

The National Water Council (NWC) in Albania is an inter-ministerial body with decision-making authority and determines the national policy of water resources. The National Water Council is appointed and financed by the office of the Prime Minister. The NWC is composed by the line ministers that deal with water issues.^{xii} The Technical Secretariat (TSNWC) is the executing body and coordinates the process of drafting new legislation and reshaping institutional arrangements. Today the institutional arrangements are still fragmented. The NWC and TSNWC should provide more coherency at a governmental level. Overview of the tasks and responsibilities of the governmental organization:

- Ministry of Transport and Infrastructure: responsible for development and implementation of strategies and policies for the sector. General Directorate Water Supply and Sewerage only specialized technical institution of water supply and sewerage sector that has authority to coordinate, monitor activities of water operators across the country
- National Water Council: inter-institutional body drafting policies and plans for integrated water resource management
- Ministry of Agriculture and Rural Administration and General Directorate Water Administration: responsible for issuing permits, monitoring environmental legislation enforcement and compliance and controlling water pollution
- Ministry of Finance: responsible for financing capital investments in the sector
- Water Regulatory Authority: issues water intake and wastewater licenses to operators, sets water and sewerage tariffs, prices.
- Institute of Public Health/Ministry of Health: responsible for water quality monitoring^{xiii}

There are 6 River Basin Councils (RBCs) in Albania. Drin-Buna river basin, Mati river basin, Ishëm river basin, Shkumbini river basin, Seman river basin and the Vjosa river basin. These RBCs are responsible for the preparation of Flood Risk Management Plans, however, the councils are not fully operational.^{xiv} In addition, RBCs have a limited responsibilities and capacity.

The Albanian Commission on large dams is responsible for the overview of the eight large hydropower dams, 620 agricultural dams, and about 400 km of flood protection embankments.^{xv}

The Ministry of Agriculture and Rural Administration (MARDWA) is the main responsible authority for administration of irrigation, drainage and flood protection systems. MARDWA used to work through thirteen drainage boards, however due to the reform this was limited to four drainage boards which are obliged to report twice a year on the status of the agricultural dams and embankments.^{xvi} Together with the Ministry of Agriculture the drainage boards used to be fully responsible for the operation and maintenance of large scales irrigation and drainage systems. However, since the reform the municipalities have more responsibilities in this regard. They we be fully responsible for the operation and maintenance of the full irrigation schemes from the water source tot the canals and works. They will also be responsible for the drainage. The drainage boards are financed by the state budget and cover all territory of Albania.

Due to the reform, responsibilities of municipalities have increased. Mayors now have more control over the water utilities and municipalities are responsible for the operation and maintenance of small scale irrigation and drainage systems as well.

Water utilities are organized as joint stock companies owned by the local government. Out of the 57 utilities, 48 apply approved tariffs.^{xvii} Sewerage services are offered by 32 operators, five of whom also

conduct wastewater treatment.^{xviii} The reform has defined different new legal steps for utilities. For example, operators must apply for a license and tariff approval to WRA, the Albanian Regulatory Authority of the Water Supply and Waste Water Disposal and Treatment Sector.

5.2 Bosnia and Herzegovina

The institutional structure in Bosnia and Herzegovina is complex. There is a central government with limited powers at state level and two entities with own governments and a wide degree of autonomy: the Republika Srpska (RS) and the Federation of Bosnia and Herzegovina (FBiH). A special area is the Brčko District (BD), formally belonging to both entities but in practice governed by a local government. The FBiH covers 51% of the country's territory with 2.4 million inhabitants. FBiH's ten cantons have substantial autonomy, encompassing water, spatial planning and civil protection^{xix}. RS covers 49% of BiH's territory and has 1.33 million inhabitants. BD has 87 000 inhabitants.^{xx}

Water management policy and implementation, including flood risk management, is primarily the responsibility of RS and FBiH. Both entities have ministries dealing with water and spatial planning, water agencies, hydro-meteorological institutes and civil protection institutions.^{xxi} At state level the Ministry of Foreign Trade and Economic Relations (MOFTER) is responsible for i.a. environmental protection and the use of natural resources, and as such for cooperation and coordination with international institutions in water management. The country has three water agencies for its two basins. FBiH has the Agency for the River Sava basin and the Agency for the Adriatic Sea basin. Vode Srpska (Serbian Waters) is the RS' agency for waters on its territory, covering its parts of the Sava and Adriatic Sea basins.

Water governance is fragmented in Bosnia Herzegovina. Currently, water supply and sanitation is the responsibility of the municipalities, except in the Sarajevo Canton where the Canton has the responsibility. There are 142 public utility companies. The water sector is dominated by six large water and sanitation services providers in the cities of Sarajevo and Mostar.^{xxii} Many utilities are financially unstable due to the operation and maintenance costs. Therefore, major challenges lie ahead with regard to the transposition of the EU acquis. Stakeholders in BiH advocate that water governance reform is required to empower application of the relevant EU directives.

A regulatory commission is not yet in place. However, there are discussions about the establishment of such a commission. In addition, tariffs are low and not transparent.

Overview of the tasks and responsibilities of the governmental organization:

- MOFTER: competent state-level ministry in charge of policy making, coordinating and harmonizing activities of FBiH and RS in field of i.a. environmental protection
- Environmental Protection Fund: financing activities regarding environmental protection
- Ministry of Agriculture, Water Management and Forestry FBiH & Ministry of Agriculture, Forestry and Water Management in RS: are responsible for water policy
- Ministry of Spatial Development, Civil Engineering and Ecology in RS & Ministry of Environment and Tourism FBiH are responsible for supervising and monitoring activities related to public communal services, including drinking water and wastewater collection and treatment
- Water agencies: grant and control water extraction and discharge rights, collect fees, invest in sector related projects, in charge of flood protection policy.^{xxiii}

5.3 Croatia

The water sector in Croatia is controlled at national level. Croatia has two river basin districts: Danube and Adriatic. Croatian Waters is the national water management agency and is responsible for preparation of both the RBMP and FRMP.

- *The National Water Council*, which is a group of ten members representing sector professionals and policy makers and tasked with proposing water policies. National Water Council members are appointed by the Croatian Parliament for four years.
- *The Ministry of Environment and Energy*, is responsible for Croatian Waters and policies for water services, this was changed recently, before the Ministry of Agriculture
- *Croatian Waters*, the national water management agency, which grants and controls water extraction and discharge rights, collects corresponding fees, and reinvests the proceeds into sector investments. It is also in charge of flood protection policy. The board running this national agency is appointed by the Government of the Republic of Croatia.
- *The Water Services Council*, which was established by the 2010 Water Act and which is responsible for economic and service quality regulation. Members of the council are nominated by the government and appointed by the Parliament to a five-year term. The nine members of the council are experts on water supply and wastewater sewerage, water management, the economy, public finance, or other fields.
- *The National Institute of Public Health*, which monitors the quality of drinking water.^{xxiv}

Croatia has 156 water service providers, of which 140 provide for water and sanitation services and sixteen for only sanitation services. The market is dominated by Zagreb Waterworks which services about 17% of the population. The government decided to merge the municipal utility companies into twenty regional utilities in Croatia.^{xxv}

5.4 Kosovo

- *The Water Council* is an inter-ministerial body, chaired by the Prime Minister. It coordinates the Ministry of Environment, Ministry of Economic Development, Ministry of Finance and Ministry of Local Development.
- *The Ministry of Environment and Spatial Planning* is responsible for management and administration of Kosovar water resources, which includes drafting laws and sublegal acts, development of policies and strategy, issuing and monitoring water rights, protection of water resources, and inspection.
- *The Ministry of Economic Development* is responsible for the administration of Regional Water Companies, through its Policy and Monitoring Unit and the Board of Directors of water companies. Whereas the Policy and Monitoring Unit has ministerial staff, the Board of Directors is composed of experts appointed by the ministry for a three-year period following a competitive process, with applications and interviews. Half of the members, including the chairman, represent the ministry, and the others represent serviced municipalities.
- *The Water and Wastewater Regulatory Office* is responsible for the economic regulation of the water sector. Regulation includes licensing of water companies, tariff setting, setting minimum service standards, and monitoring of customer protection. The director and his or her deputy are appointed by Parliament, whereas the rest of the staff involved in sector regulation are permanent personnel.
- *The Inter-Ministerial Council for Waters* is composed of seven members from four line ministries and is chaired by the prime minister of Kosovo. The council provides feedback- on and recommendations for laws and other sublegal acts relating to water management and their implementation, drafting and approval of the National Water Strategy, and policy development in the field of water.
- *The National Institute for Public Health (NIPH)* is responsible for monitoring drinking water quality. NIPH is part of the University Clinical Center of Kosovo and has contractual arrangements with water companies for monitoring drinking water quality.^{xxvi}

Reforms ensured that there are now nine public regional water companies in Kosovo. The central regulatory body (Water and Wastewater Regulatory Office) issues licenses to the regional water companies. The board of directors of the regional water companies should at least have 50% municipal representatives. The central government owns and administers the regional water companies. Municipalities exert control over the regional water companies; Pristina is the main municipality. The river basin management authorities are not yet established.

5.5 North Macedonia

At national level the Ministry of Environment and Spatial Planning is the line ministry for water in North Macedonia. Nevertheless, the responsibilities for water at ministerial level are fragmented, there is no integration between the ministries. The governmental organization:

- Ministry of Environment and Spatial Planning: overall management of all water resources and policies
- Ministry of Transport and Communication: responsible for service quality, policies, connection to water and sanitation networks, investments and inspection
- Ministry of Economy: in charge of monitoring water metering devices
- National Institute of Public Health: in charge of monitoring the quality of drinking water^{xxvii}

Moreover, North Macedonia has water 'economies' as part of the Ministry of Agriculture, Forestry & Water Economy. There are twelve water economies are responsible for the operation and maintenance of i.a. dams and canals, the supply of water for irrigation, drinking, domestic, industrial and commercial use, and drainage and work on flood prevention. The water economies are autonomous and self-funded public organizations.

There are 80 municipalities in North Macedonia, of which ten in the capital Skopje^{xxviii}. The local governments provide water and sanitation services through 68 municipal utilities.^{xxix} The utility company in Skopje serves 25% of the population in North Macedonia.^{xxx} From January 2017 the Regulatory commission for energy will be also responsible for the water sector. The commission will approve the tariffs and certain sections of the business plans of water utilities.

5.6 Montenegro

The water sector in Montenegro is regulated and controlled at a national level. The Ministry of Agriculture and Rural Development is the responsible ministry. The Water Directorate is the competent authority for 1) enforcing the law, 2) preparing plans and programs to be adopted by the Government and the Ministry of Agriculture and Rural Development, 3) elaborate on water management plans, and 4) establishment and maintenance of the Water Information System (WIS). Flood management during emergencies is under the responsibility of the Ministry of Interior, the Directorate for Emergency Management, the local self-government and the municipalities.^{xxxi} The governmental organization is as follows:

- The *Ministry of Agriculture and Rural Development* is the line ministry responsible and competent for proposing and implementing water policy, and for the adoption of planning documents and normative acts. The Water Directorate has jurisdiction to enforce laws, and to prepare technical bases for regulations, plans, and programs adopted by the government and the Ministry of Agriculture and Rural Development.
- The *Ministry of Sustainable Development and Tourism* is accountable for issues related to the sustainable use of natural resources and integrated management of the sea from pollution. It is in charge of municipal wastewater activities management and coordination of regional water supply systems for which it monitors implementation of the various projects defined in the strategic planning documents.
- The *Institute for Public Health* is responsible for drinking water quality control.
- The *Agency for Environmental Protection* within the Ministry of Spatial Planning and Environmental Protection is responsible for setting sewerage effluent treatment and discharge quality standards, permitting of sewerage treatment facilities, sewerage sludge processing, and monitoring of compliance with established standards.
- The *Ministry of Finance* is responsible for reviewing and regulating annual financial statements from water and sewerage utilities.^{xxxii}

The Municipalities provide water and wastewater services to the population in Montenegro. Montenegro has 23 municipalities and no administrative regions. Local self-governments perform activities as local development and planning and program implementation and provision of local utility services including the

water and wastewater services.^{xxxiii} The water and wastewater services are provided through 22 public utility companies. There is no national regulation agency for the tariffs in Montenegro. The model is self-regulatory.

5.7 Serbia

The institutional system for water is centralized in Serbia, the budgets are managed at national level. Different ministries regulate the water sector in Serbia:

- The *Ministry of Agriculture and Environmental Protection, with the Directorate of Water*: in charge of water resources policy and integrated water management, and for issuing water abstraction licenses and discharge permits.
- The *Ministry of Construction, Transport and Infrastructure*: the parent ministry of water utility companies; it has no specific directorate in charge of water utilities, but does have a department for inspection supervision.
- The *Ministry of Public Administration and Local Self-government* within the Department for Local Self-government, supervises local self-governments, which manage water utility companies.
- The *Ministry of Finance*: responsible for final control of tariff revision, which is proposed by water utility companies and accepted by local self-governments, in accordance with the general price policy.
- The *Ministry of Health and the local Institutes of Public Health*: monitors drinking water quality. Domestic drinking water standards are in compliance with the World Health Organization guidelines and the EU Drinking Water Directive. Quality controls are conducted in compliance with the Regulation on Hygienic Regularity of Quality of Drinking Water.^{xxxiv}

The Directorate for Water of the Ministry of Agriculture and Environmental Protection has to provide flood defense in general and an action plan (strategy, standards, inspection).

Serbia is composed of four regions, one autonomous province and 25 districts. There are 168 municipalities. Municipalities, cities and the city of Belgrade have sole responsibility for establishing and organizing the water and wastewater services.

There are three public water management companies: Waters of Serbia (Srbijavode), Waters of Vojvodina (Vode Vojvodine), and Waters of Belgrade (Beogradvode). These are state-owned companies with responsibility for flood protection, for issuing opinions on legislation on water, and for maintenance of the water information system in their territory. They fall under the umbrella of the Government of Serbia, the Government of Vojvodina, and the City of Belgrade, respectively, and from time to time they participate in maintenance and reconstruction of regional water facilities.^{xxxv} The companies provide flood protection program activities, technical documentation, flood hazard and Risk mapping, flood control management and others.

The Republic Hydro-Meteorological Service provides for improvement of monitoring, forecast and warnings. Local governments are responsible for the water and wastewater services in Serbia, this is provided through 152 public utility companies.^{xxxvi} The utility companies are state owned.

Tariffs are linked to targeted inflation. They are revised yearly and new prices are proposed in utility business plans. The Ministry of Finance imposed a ceiling in 2004 on tariff increases. The tariff setting is thus dominated by political and social considerations.

5.8 Slovenia

The main implementing body is the Slovenian Water Agency which, amongst others, issues licenses and develops River Basin Management Plans.

This agency is in operation since January 2016 and is the new body affiliated to the Ministry of the Environment and Spatial Planning. This Slovenian Water Agency represents a thorough reorganization in the field of implementation of the water management process, following the objective of the provision of efficient and professional planning and management of water. The agency has merged all management tasks in the field of waters with the reassignment of personnel from the Water Management Office of the Slovenian Environment Agency, the Institute for Water of the Republic of Slovenia and the Water and Investments Directorate of the Ministry of the Environment and Spatial Planning. The objective of the establishment of the Agency is to set up a system of integral water management and to use the water potential of Slovenia as a development opportunity taking into account the water capacity in spatial planning and reduce the risk of life, health and property of residents. It is crucial that a system of comprehensive water management must be organized and supported with personnel at the national, regional and local levels. In addition, the agency must also provide conditions for efficient implementation of public services, management of investments and cooperation with experts and stakeholders. The agency develops strategic documents. At a ministerial level the political decisions are made. Furthermore, the agency also holds the responsibility of providing water licenses. Previously the Water Institute had a larger role in scientific projects, in the new capacity as a water agency this role has changed to a role as observer. The agency is involved in several bilateral projects.

The Water Agency is in the process of appointing eight different regions which will deal with the water issues. Slovenia is comprised of 212 communities with certain larger ones such as Ljubljana. Drinking water and waste water treatment plants (and sewage) are usually activities designated to utility companies. In certain situations, however, the communities are responsible for delegating certain services to service providers. These service providers are often serving several different communities.

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