## Project Information Document (PID)
### Appraisal Stage

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Sava Waterway Rehabilitation Project (P108000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>EUROPE AND CENTRAL ASIA</td>
</tr>
<tr>
<td>Country</td>
<td>Bosnia and Herzegovina</td>
</tr>
<tr>
<td>Sector(s)</td>
<td>Ports, waterways and shipping (100%)</td>
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<tr>
<td>Theme(s)</td>
<td>Infrastructure services for private sector development (67%), Regional integration (33%)</td>
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<tr>
<td>Lending Instrument</td>
<td>Specific Investment Loan</td>
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<td>Project ID</td>
<td>P108000</td>
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<td>Borrower(s)</td>
<td>Ministry of Communication and Transport</td>
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<tr>
<td>Implementing Agency</td>
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<tr>
<td>Environmental Category</td>
<td>A-Full Assessment</td>
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<td>Date PID Prepared/Updated</td>
<td>19-Oct-2013</td>
</tr>
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<td>Date PID Approved/Released</td>
<td>21-Oct-2013</td>
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<td>Estimated Date of Appraisal Completion</td>
<td>05-Nov-2013</td>
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<td>Estimated Date of Board Approval</td>
<td>17-Dec-2013</td>
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## I. Project Context
### Country Context

1. The Dayton Peace Agreement, signed in 1995, established a complex governance structure whereby most decision-making powers rest with the two constituent Entities: Republika Srpska (RS) and the Federation of Bosnia and Herzegovina (FBH), and a self-governing Brčko District (BD). The FBH is further decentralized into ten cantons, each with substantial degree of autonomy and decision-making power. Consequently, a decision making processes can be fairly complex in BiH given that the country has a total of 42 cabinet ministers at the State and Entity levels, not including the Chairman of the Council of Ministers (the State level cabinet), entity level prime minister, cantonal ministers, or Brčko District senior officials.

2. Following the Dayton Peace Agreement, economic growth almost quadrupled in Bosnia and Herzegovina (BiH) between 1998 and 2008 contributing to significant reductions in poverty. Living standards may have deteriorated however since 2009. BiH’s strong macroeconomic performance before the global recession allowed for significant reductions in poverty. In 2007, the absolute and moderate poverty rates were 1 and 11 percent respectively compared to a 4.5 and 19.9 percent average in the Europe and Central Asia (ECA) Region. However, a 2010 perceptions-based survey revealed that in the bottom consumption quintile more than 70 percent of households report...
to have been economically adversely affected a great deal or a fair amount since 2006. Falling living standards in addition to stagnant GDP per capita growth in the 2009-2012 period suggest that little progress was made in the fight against poverty during that period.

3. After two years of fragile recovery from the global recession, BiH experienced a mild recession in 2012. Deteriorating external conditions, particularly the protracted Eurozone crisis, continue to take a toll on the economy. Following a significant contraction in real GDP (2.9 percent) in 2009, the economy grew by about 1 percent annually in 2010 and 2011, but gains were somewhat offset by a 0.7 percent decline in GDP in 2012 and a rise in unemployment. The economic outlook for BiH remains subdued with 0.5 percent growth predicted in 2013, projected to gradually increase to 2.5 percent in 2014 and 3 percent per annum for the 2015-17 period.

Sectoral and institutional Context

4. Before 1990, the Sava River, the main tributary of the Danube River, fulfilled an important role in the regional transport network. Navigation was formally possible from the confluence with the Danube at Belgrade all the way up to Rugvica in Croatia for a total length of 683 river kilometers (rkm). The total amount of freight carried on the Sava River in 1990 was 5.2 million tons, primarily bulk freight. The Sava River is now categorized as an international waterway, forming the border between BiH and Serbia for 33 rkm and between BiH and Croatia for 305 rkm. Serbia and Croatia also have sole responsibility for about 178 rkm and 79 rkm (as far as Sisak) respectively.

5. Since 1990, the economic potential of inland waterway transport along the Sava River has been impeded by the existing condition of the infrastructure. BiH’s inland waterway network provides an efficient and sustainable mode of transporting goods and people within and outside the country. The connectivity and market access that the Sava River provides are especially important for BiH which is substantially landlocked. The aftermath of the regional conflict in the 1990s, however, resulted in significant damage to the Sava River and its ports, and many areas of the river banks were heavily mined. In addition, since the end of the conflict, the Sava River has been neglected – with little or no maintenance expenditure or investment – and until recently annual traffic volumes have been modest, amounting to less than 250,000 tons on the entire waterway in 2012. The modest volume is due to limitations in navigability and the associated unreliability in arrival/departure for consignments for much of the year. Most of the Sava River traffic shifted to the Danube River requiring further rail and road transport at higher environmental and financial/economic costs increasing the cost of doing business and hindering regional trade and growth. Traffic on the Sava River was further exacerbated by the financial crisis that affected the sub-region but demand is slowly recovering and cross-border flows of goods are increasing. Cargo shippers from/to points on the Sava River and its hinterland in Bosnia and Herzegovina and Croatia continue to demonstrate their preference for the Sava River due to the associated financial savings by using it whenever navigability is feasible.

6. Although the composition of goods transported on the Sava River varies significantly by year, the majority of the throughput is raw material (anthracite and other minerals) for large steel and cement factories in the Brčko hinterland originating from the Black Sea ports, and crude oil for refineries in Bosanski Brod, and Sisak, Croatia. In addition to these raw materials, a rehabilitated Sava waterway is likely to attract new freight including agricultural products, due to higher certainty in the number of navigable days and less time and cost required for the transport of goods.
The increase in volumes shipped and economies of scale would also enable small and medium enterprises in the region to benefit from the improvements. While at present there is no container traffic on the Sava River, the experiences of the Rhine and Danube Rivers indicate the possibility of such flows in the future. At present, there are some limited container flows from Constanta port on the Danube River in Romania to Belgrade.

7. There are 7-8 small ports on the Sava River in BiH, Croatia and Serbia. Brčko port in BiH is the country’s only international port. Its throughput in 2012 was about 70,000 tons, the highest of all Sava River ports. The collective throughput in 2012 was slightly less than 250,000 down from about 460,000 in 2006. The drop was due to the adverse economic conditions and the further deterioration of navigation conditions in the Sava River. Šamac port in BiH was privatized in 2006 and is owned by Balkan Steel which uses the port primarily for its own shipping needs. Brčko port will undergo improvements as part of the Project, a draft concession law has been prepared, and the port is expected to be concessioned in the near future.

8. Navigation on the Sava River is subject to several international and regional treaties and regulations, particularly the Framework Agreement on the Sava River Basin (FASRB). In addition to certain global treaties such as the Ramsar Convention, UNECE treaties and the EU Acquis Communautaire, there are specific instruments regulating navigation on the Sava River and its tributaries, particularly the FASRB and related protocols. The FASRB was signed by the riparian countries (Republic of Slovenia, Republic of Croatia, BiH and the former Federal Republic of Yugoslavia) in December 2002, after successful completion of negotiations run under the umbrella of the Stability Pact for Southeastern Europe. The agreement entered into force on December 29, 2004. Its objectives are: (i) establishing the international navigation regime on the Sava River and its navigable tributaries; (ii) establishing sustainable water management; and (iii) undertaking measures for prevention or restriction of danger, as well as elimination of the hazardous impacts of floods, ice, draft and accidents involving substances having negative impacts to waters. In realization of the first objective above, the parties committed themselves to special cooperation with the Danube Commission. The International Sava River Basin Commission (ISRBC) was established as part of an initiative to strengthen regional development of the Sava River and to implement the FASRB. The ISRBC secretariat based in Zagreb has been operational since January 2006 and had embarked on several successful navigation initiatives including establishing rules on harmonized river information services.

9. The institutional framework for inland waterway transport in BiH is complex. According to the Dayton Peace Accords, international and inter-entity water infrastructure and traffic are the responsibility of the state Ministry of Communications and Transport (MCT); all intra-entity river traffic, as well as all aspects of waterway management and operations are the responsibility of the respective entity ministries of transport and BD who collectively are responsible for the transport infrastructure within their respective domains. The sector is regulated by the Law on Internal Navigation of the RS and the FBH Law on Internal and Maritime Navigation. No legislation exists at the state level, as the draft Maritime and Inland Waterway Law of 2005 is yet to be adopted. BiH is represented in the ISRBC by MCT, which is the focal point for implementation of the FASRB in BiH. To add to the complexity, the Sava River in BiH is shared with either Croatia or Serbia, so six legal jurisdictions in total need to be taken into account.

10. Environmental considerations were taken into account in selecting the appropriate design standards for river upgrading: Class Va between Belgrade and Brčko and to Class IV between
Brčko and Sisak. The feasibility study to identify a strategy for the development of the Sava River waterway was completed in August 2008 under the contracting authority of the ISRBC and recommended the rehabilitation of the entire sector from Sisak (rkm 594) to Belgrade (rkm 0) to navigational standard Va. However ISRBC, in consultation with the Competent Authorities of its Member States, decided that only the sector from Brčko (rkm 234) to Belgrade would be rehabilitated to navigational class Va, while the sector from Sisak to Brčko would be rehabilitated to navigational class IV. Class IV typically handles vessels up to 85m long, a draught of up to 2.5m draught and a tonnage capacity of 1000 to 1500 tons; while Class Va accommodates vessels up to 110m long and a draught of up to 2.8m and a capacity of 1500-3000 tons. The selection of the lower standard for the Sisak to Brčko sector was due to the fact that the additional engineering interventions to upgrade the sector to Class Va (from IV) are significant, and would be expected to have more negative environmental impacts that require additional mitigation and management. Moreover, the detailed design will take into account the impact of different climate change scenarios on the sustainability of the proposed river training works. The selected design alternative will also ensure adherence to the principle of improving ecology as defined in the European Union Water Framework Directive (WFD).

11. Recognition of the regional importance of the Sava River and commitment to its rehabilitation is demonstrated by EU support and financing, the establishment of the ISRBC and bilateral agreements between Croatia and Serbia. The broader program for the rehabilitation of the Sava River includes demining activities in BiH and Croatia, river rehabilitation works in BiH, Croatia and Serbia, the development of a river maintenance and management system as well port improvements. ISRBC has played, and continues to play, a critical role in coordinating activities for the rehabilitation of the Sava River in a sustainable manner consistent with the Sava River Basin Management Plan.

II. Proposed Development Objectives
The project development objective is to enhance regional trade by improving the navigability, operational performance and intermodal connectivity of the Sava River between the Una and Drina Rivers for freight transport users in Bosnia and Herzegovina, and the environmental sustainability of freight transport in Bosnia and Herzegovina.

III. Project Description
Component Name
Sava River rehabilitation works, implementation supervision and institutional support
Comments (optional)

Component Name
Targeted investments to improve the operational performance and intermodal connectivity of Brčko Port; implementation supervision, and institutional support
Comments (optional)

IV. Financing (in USD Million)

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V. Implementation

12. The project will be implemented by: (i) a high level Project Coordinating Committee (PCC), (ii) a Project Implementation Unit (PIU) and (iii) Project Implementation Teams (PITs). The PCC will be led by the State and will include representatives from the Entities and the District. The PCC will be responsible for (i) managing trans-boundary issues related to the Project, (ii) liaising with the governments of Croatia and Serbia; and the ISRBC; and (iii) coordination among the Entities and District.

13. There will be one PIU for the whole project which will include representatives of the Ministry of Communications and Transport, the Entities and the Brčko District. The PIU will be in charge of: (i) implementing project components, (ii) managing PITs, and (iii) reporting to the Bank and the PCC. PITs will be used for managing the implementation at the different Project sites and staffed as necessary.

14. Coordination in the preparation of detailed design. The ongoing detailed design for the rehabilitation works in BiH is being carried out by two different sets of consultants. The detailed design for the section from Brčko to the Una River (the border with Croatia (about 305 rkm) is being managed and administered by the Government of Croatia; while the remaining section in BiH (33 rkm) is being managed by the Government of BiH and administered by the World Bank. The following arrangements have been made to ensure strong coordination in the preparation of the detailed designs.

(a) Among the detailed design consultants. The detailed design consultants for both river sections will meet regularly to coordinate their work and avoid potential duplication with ISRBC ensuring coordination and providing oversight.

(b) Among BiH, Croatia, Serbia and the Bank. Quarterly design review meetings will be held at ISRBC. Representatives from the three countries, the Bank and other stakeholders and NGOs such as the International Commission for the Protection of the Danube River (ICPDR) will be invited to these meetings to provide their input in the design.

(c) Within BiH. Representatives of the two Entities and the District will be invited to attend the design review meetings organized by ISRBC.

VI. Safeguard Policies (including public consultation)

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<th>Safeguard Policies Triggered by the Project</th>
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<td>Indigenous Peoples OP/BP 4.10</td>
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Involuntary Resettlement OP/BP 4.12 ❌
Safety of Dams OP/BP 4.37 ❌
Projects on International Waterways OP/BP 7.50 ❌
Projects in Disputed Areas OP/BP 7.60 ❌

Comments (optional)

VII. Contact point

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