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Environment & Natural Resources
Department
Water Management Division
Operation No.: 2010-0479

PROJECT COMPLETION REPORT

EMERGENCY FLOOD RELIEF AND PREVENTION

Bosnia and Herzegovina

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1. Scope

This investment programme concerned the emergency repair to key flood protection infrastructure along the Sava River flood plains and its tributaries, the Bosna, Drina, Vrbas, Velika Usora, Mala Ukrina and Vrbanja rivers in the Republika Srpska (RS) entity of Bosnia and Herzegovina, following extensive damages at a large number of locations caused by the flood events of both 2009 and 2010. Following the extraordinary flood events in 2014, the project's scope was further expanded to include additional emergency interventions. Such works included the repair and reinstatement of damaged dykes, channels, river beds, and pumping stations and early warning systems.

The implemented measures have been carried out within the framework of the International Sava River Basin Commission, were in line of the general principles of the EU Floods Directive (2007/60/EC) and contributed to alignment with the EU Acquis. The project strengthened the level of flood protection and resilience to the effects of climate change. This project was consistent with Pre-Accession support and support for EU External Policies in the Neighbourhood/Partnership Countries. It was eligible under the Pre-accession Mandates of 2007-2013 and 2014-2020.

The promoter of the project is the Public Institution Vode Srpska (www.voders.org), which is part of the Ministry for Agriculture, Forestry and Water Management (MoAFWM) of the Republika Srpska, Bosnia and Herzegovina.

2. Cost and Schedule

Cost

The summary of the planned and actual investment costs is shown below.

Source	Financing plan at appraisal (EURm)	Actual financing (EURm)
EIB loan	74.0	55.0
EU	2.8	4.0
RS	21.6	
Total	98.4	59.0

At appraisal the project implementation cost was estimated at EUR 98.4 m, of which EUR 65.0 m was intended for emergency and short-term measures and EUR 33.4 m for mid-term measures. The EIB loan was committed to finance up to 100% of the identified emergency and short term measures (excluding interest during construction), which was justified by the magnitude and urgency of the efforts to be deployed in order to restore safety protection levels as soon as practically possible. Mid-term measures were going to be financed by the EIB loan up to 50%, combined with RS's own funds. The EU sources were to primarily cover technical assistance costs.

Prior to signature of the EIB Finance Contract the promoter requested the cancellation of EUR 19 m worth of EIB loan amount, which reduced the size of the EIB loan down to EUR 55.0 m. The rationale behind this decision was that the promoter preferred to allocate the cancelled funds, covering mid-term measures, at a later stage, when the planned technical assistance missions have provided sufficient clarity in terms of priorities for these mid-term investments. The cancelled EIB loan segment, together with the RS's own funds commitment, was the basis of a subsequent EIB operation (2017-0697 - FLOOD PROTECTION MEASURES RS), signed with the promoter in 2019. As a result of the changes, only for emergency and short-term measures remained in the project scope, which were financed by EIB at a level of 100%.

Schedule

At appraisal the implementation of the project was foreseen to take place between 2011 and 2016. During the implementation of the project the end date had to be extended twice and finally the project was completed at the end of 2021. The extension to the project implementation was caused by the following unforeseen events:

- The first extension in 2016 was due to the impact of the extraordinary flood events in 2014, which required the redesign of a significant number of schemes; and

- The second extension in 2019 was due to prolonged inclement weather conditions significantly slowing down implementation of certain schemes.

3. Performance

Market aspects

There is no market or regulatory framework for most services provided by the project, as these are mostly pure public goods that cannot be provided on an individual basis in exchange for a price. Despite the “missing market”, the project can be considered to have met the demand for investments in flood protection infrastructure, in view of the substantial benefits to approximately 650,000 inhabitants and numerous businesses in the project area, especially in the form of avoided flood damage costs and losses. In addition to this market failure the project also alleviated negative externalities contributing to improve environmental protection, natural resource efficiency and climate resilience.

Financial and Economic aspects

In terms of financial profitability, the flood protection services do not generate any revenues as they are by their nature a general public service. All costs are hence covered through the general taxation by the RS government and redistributed to the line ministry (MoAFWM) and then on to the promoter. Hence, from a financial perspective the project is not intended to be profitable.

At appraisal, the project was justified by the wider economic benefits generated by reinstating essential infrastructure and protection levels for the population. Given the predominantly disaster mitigation nature of the project as well the level of uncertainty regarding the actual scope of work no cost-benefit analysis (CBA) was carried out at appraisal for the emergency and short term repairs, however, the project’s economic rate of return (ERR) was qualitatively rated satisfactory.

At project completion, the appraisal stage justifications can be still considered valid as the quantified economic benefits of the completed project schemes consist of avoided damages to physical assets in the project area. In addition, the project provided enhanced river flood protection to the affected population at, who reside in settlements either directly exposed to river flood risk or in indirectly affected ones, and will mitigate disruptions to economic development caused by flood events. Moreover, improved flood protection is a potential catalyst to further stimulate economic development and may enhance the capacity of the region to retain its population base. Therefore, the appraisal stage ERR rating can be still considered valid.

Project results (Output and outcomes)

The main outputs and outcomes of the project are summarised in the table below. Due to the emergency response nature of the operation the promoter did not have estimations for the foreseen values of the indicators at the time of the appraisal. The number of schemes and the exact scope of the project was confirmed by the technical assistance assignments launched after approval of the project.

Indicator	Achievement
Outputs	
Length of dykes constructed (km)	13.42
Length of dykes rehabilitated (km)	77.92
Length of channels constructed (km)	1.70
Length of channels rehabilitated (km)	163.17
Length of riverbed regulated (km)	22.08
Number of pumping stations rehabilitated	12
Outcomes	
Persons facing reduced risk of river or urban flooding	650,000

The project generated almost 1,000 person-years of temporary employment during implementation and created 7 full time positions.

Environmental and social risks and mitigants.

There were no significant environmental or social risks identified during the project preparation and implementation.

4. EIB Involvement

Environmental and social conditions and undertakings

During implementation the promoter was requested to verify the compliance of the schemes with the relevant and applicable rules of national legislation, in particular in the field of environment, and to follow the EIB Environmental and Social Standards.

Bank's involvement

In addition to the usual project monitoring activities and participation in progress meetings, regular site visits were conducted by the Bank's own technical experts. The Bank also arranged for the following Technical Assistance (TA) assignments funded by Western Balkans Investment Facility (WBIF) grants, in order to support the successful preparation and implementation of the project:

- WB5-BIH-ENV17: Flood Risk Management for the RS, implemented between 2011 and 2013;
- WB12-BIH-ENV-04C2: Support to the PMU of the Flood Risk Management Project, implemented between 2014-2016.

The combined value of these TAs were at EUR 4 m.

The TAs provided support to the promoter's PMU in a number of key areas of the project preparation and implementation, such as fact-finding and scoping missions, the prioritization of the investments proposed, geodetic and geotechnical surveys, design and tender document preparation, assistance to the tendering process, capacity building and training activities, financial management assistance.

In terms of developing Flood Hazards and Flood Risk Maps for RS (and the whole BiH) two additional WBIF grant financed TAs were initiated: WB12-BIH-ENV-04C1 in 2015 and WB19-BIH-ENV-01 in 2019. These TAs contributed to the preparation of mid-term measures, which were not part of this operation.

Sources of information for the PCR

The EIB's report was prepared on the basis of the Promoter's Project Completion Report, Bank's own monitoring during implementation of the project and the Bank's ex-post procurement review.

5. ESCS

Not applicable.

6. Promoter's Optional Final Comment

None.

