

## The Priority Environmental Investment Programme for SEE (PEIP)

Analytical Report on progress on developing and implementing environmental investment projects in the SEE.

BACKGROUND DOCUMENT NR: 8

Country name: Kosovo UNSCR 1244

*Timescale: progress until November 2008*

### **Introduction**

*The purpose of the analytical report is to present major developments in the countries on creating conditions for implementation of environmental investment projects. It also attempts to track and explain progress on financing these projects. The document is constantly evolving and through it the PEIP team is trying to map drivers and barriers for environmental investments in the SEE countries. It is hoped that eventually it would help countries, IFIs, the EC and other relevant beneficiaries to understand better the underlying factors for accelerating environmental investments in the region. This document accompanies the updates lists of project (background document 9).*

*This version of the report is prepared for the Regional Meeting of the PEIP on 28<sup>th</sup> November 2008*

### **1. Progress on financing priority projects from PEIP list**

The PEIP priority list consist of 13 identified priority projects (2 in air, 8 in water and 3 in waste sectors).

Since June 2008, there are three new projects added to the list:

- Rehabilitation of the bottom of the River Lepenc for reduction of pollution from waste contaminated with asbestos.
- Further support to water and environment sector in Kosovo. The project will include the construction of a waste water treatment plant in Vushtrri and Mitrovica, network improvements in Prishtina and closing of dumpsites and improvements in landfills.
- Expansion of the infrastructure for rural household waste collection

Since November 2007, there has been progress on the project, "Improvement of air quality in Kosova "A" and "B" thermal power plants (KO-5). A final report has been prepared on re-cultivation and rehabilitation of the ash landfill and disposal of Kosovo A

using a hydraulic method". After discussions on the report the involved parties will design the final project.

During 2008, progress has been achieved on the project on development of waste water treatment in Prizren (KO-7) for which the feasibility study was completed. There was also progress on 'Improvement of air quality in Kosovo "A" and "B"' thermal power plants (KO-5) where EUR 2 million were invested in filters. There was a progress on project 'Establishment of the national network for permanent air quality monitoring' (KO-11) for which 30 percent of funds needed are secured from the state budget.

The main driver in the projects that have seen some progress is the availability of financial support. The vision in the MESP is that it is possible to benefit economically from the projects.

Proposed regional waste water treatment plants are included in the draft development strategy of Kosovo for 2007-2013 and it is expected that revisions will be needed for these regional waste water treatment plants. It is planned that the strategy will be adopted in 2008.

The majority of the project on the PEIP list was presented to the Donor Conference on Kosovo that was held in July 2008. None of the projects has been supported by the donor conference in the first phase.

## **2. Legislative framework**

### *2.1 Main adopted legislative in water, waste and air sector*

The legislative framework in Kosovo UNSCR 1244 is in compliance with the EU acquis.

- Law for Waste Management and Disposal (2006)
- Law for Spatial Planning (2004)
- Law for chemicals (2007)
- Law for protection from noise (2007)
- Administrative Directive on regulation and standards for emissions from stationary sources (2007)
- Administrative Instruction on rules and standards of the discharges on air by the stationary sources of pollution;
- Administrative Instruction of waste and oils that are used;
- Administrative Instruction on Administration of end of life vehicles and their Wastes;
- Administrative Instruction for waste from battery and expended accumulator
- Administrative Instruction for construction and Demolition Wastes

Adopted Administrative instructions:

- Waste from construction
- Package and waste package
- Competencies of owner and operator for waste treatment
- Administration of waste landfills
- Administration of PCB and PCT
- Hazardous waste
- Wastes from electrical and electronically equipment
- Waste elimination from medical products
- Administration of medical waste

Administrative instruction in the procedure:

- Conditions for selection of location and construction of waste landfill
- Used and old tires
- Export, import and transition of waste
- License for waste administration
- Movement of the waste from public surfaces
- Mandatory penalties
- Asbestos contaminated waste

## *2.2 Main developments in legislative framework relevant for developing infrastructure projects*

Important developments have been achieved in the legislative framework in the water, waste and air sector, both in a horizontal and a vertical aspect. The new draft law on environmental protection has passed through the parliamentary committee and will soon get approval. The draft law on EIA and IPPC are also undergoing procedures in the parliamentary committee and are in line with relevant directives. However both of these drafts lack practical aspects. The draft law on IPPC covers only large activities according to the first annexes of the directive and does not cover other activities.

From the legislative aspect waste collection is well covered, although there is a mixture of competencies between the Ministry of Environment and Spatial Planning (MESP) and the Water and Waste Regulatory Office (WWRO) particularly in the local level while the municipality is left outside.

Since January 2006 the following progress can be reported in relation to developing legislative framework for developing and implementing environmental infrastructure projects:

- Framework Law for Environmental Protection approved in the parliamentary committee (2008) awaits approval in the parliament.
- Law on IPPC (in the procedure of approval in the parliament in 2008)

- Law for Environmental Impact Assessment (in the procedure of approval in the parliament in 2008)
- Law for Air Protection (approved by the parliament in 2004 and it is planned to be amend in 2008)
- Law for Water (approved by the parliament in 2004 and it is planned to be amended in 2008)
- Nature Protection Law (approved by the parliament in 2006 and it is planned to be amend in 2008)
- Law about protection from radioactivity (expected to be approved in 2008)
- Law on Strategic Environmental Impact Assessment (the law is in the procedure of approval in the parliament in 2008)
- Administrative Directive on regulation and standards for emissions from mobile sources (draft is in the procedure of approval in the Government).

Other administrative directives from horizontal and vertical legislations are in procedure of development (water, waste, nature, air).

### **3. Strategies and programmes**

The following developments can be identified for developing strategies and programmes relevant for environmental infrastructure projects development:

- The Kosovo Environmental Action Plan 2006-2010 (2006). The Action Plan is a part of the Governmental Programme and aims at gradual improvement of the environmental situation and with that the improvement of public health in general in Kosovo.
- Energy strategy for Kosovo UNSCR 1244 (2006)
- Waste Water Treatment Strategy (2004).
- Sustainable Development Strategy (under development)
- Draft Development Strategy of Kosovo (2007-2013). In the draft strategy three thematic environmental strategies are included: Strategy for Air, Strategy for Biodiversity and Strategy for Waste. Proposed regional waste water treatment plants are included in the Draft Development Strategy and it is expected that revisions will be needed for these regional waste water treatment plants. It is planned that the strategy will be adopted in 2008.
- Kosovo Environmental Strategy and Sustainable Development (2004)
- Strategy on Waste (under development)

The available strategies and/or programmes have all defined national sectoral priorities.

#### *3.2 Main developments in strategies and programmes relevant for environmental infrastructure projects*

- Strategy on Air Quality (in process of drafting);
- Strategy on Waste (in process of drafting);
- Strategy on Biodiversity (in process of drafting).

#### **4. Organisational structures**

The key body coordinating activities in the field of environmental protection at the national level is the Ministry of Environment and Spatial Planning (MESP). Its main responsibilities include: preparing relevant policies and strategies in the water and waste sector, planning of environmental infrastructure development, preparation of norms and standards and issuing of guidelines. In addition, the Kosovo Trust Agency is responsible for managing public utility companies. Control over water quality is undertaken by the Institute of Public Health. The main activities of municipalities are focused on establishing standards in accordance with the Law for Municipal Service Providers and include developing plans at the local level for environmental protection, etc. Municipalities can apply for project financing through the Municipality Assembly to the Government of Kosovo, Ministry of Economy and Finance. An important development is that the Agency for environmental protection started to be operational in April 2007. One of its tasks is to set up the environmental information system.

#### **5. Financing mechanisms**

In Kosovo UNSCR 1244, authorities are investigating the possibility of establishing an environmental fund. The fund would likely be initially managed by the Ministry of Environment and Spatial Planning and transformed into an independent body. The CARDS project assisted in developing an appropriate frame for the structure of the fund. The future for environmental improvements depends on the budget to be allocated for the MESP and from donations. The municipality can submit a project for financing through the municipality assembly to the Ministry of Economy and Finance of the government of Kosovo. Within the Kosovo government priority projects is the Air Quality Monitoring Network in Kosovo. 30 percent of the costs will be covered from Kosovo consolidated budget. Based on the Draft Budget of the Government of Kosovo for 2008 EUR 190.000 is foreseen as first part of investment in this project. For 2009, EUR 500.000 are planned and for 2010 EUR 275.000. In total for three years EUR 965.000 are foreseen.

##### *5.1 IPA funding in Kosovo UNSCR 1244*

Kosovo UNSCR 1244 benefits from the first two components of the Instrument for Pre-accession Assistance (IPA) components: Institution Building and Transition Support and Cross-Border Cooperation. The IPA programme in Kosovo UNSCR is managed by the European Commission Liaison Office.

The IPA funds for 2008 are mainly directed to capacity building of the MESP and Municipalities. Two projects are ongoing; one implemented by EPTISA on institutional building of municipalities for implementation of the environmental legislation; and the second implemented by GFA for establishment of the river basin authorities. For IPA

2009, funds are foreseen to give support to the MESP on a monitoring network for entire Kosovo.

### *5.2 Priorities of the bilateral donors regarding investments in the environment*

The main areas where donors are concentrating their effort are mitigation of pollution from industrial activities and the establishment of regional sanitary landfills.

## **6. Relevant projects**

### *6.1 Short-term control and long-term planning of water management*

In January 2008, the EAR launched a EUR 2 million project providing institutional support to the MESP and River Basin Authorities. The project is expected to further strengthen the MESP, with a particular focus on its Water Management Department. The project will help in developing and implementing methodologies and procedures for short-term control and long-term planning of water management as well as provide technical support to the River Basin Authorities. The project period is January 2008 to January 2010. Financial support is provided by CARDS 2006.

### *6.2 Support to Municipalities for Improvement of Environmental Laws and Regulation*

In January 2008, the EAR launched a EUR 1 million project providing support to Municipalities for Improvement of Environmental Laws and Regulation. The project is aimed at improving enforcement of environmental laws and regulations in municipalities. This will include training for municipal inspectors and other relevant staff (including those of the Ministry of Environment) in the implementation of environmental and water laws. The project will be implemented from January 2008 to March 2009. Financial support is provided by CARDS 2006.

### *6.3 Restructuring of the water and waste utilities*

The restructuring of the water and waste utilities was constrained by the time required by the Kosovo Trust Agency to complete the necessary legal requirements. Furthermore some municipalities are not supportive of the consolidation of small (often insolvent) municipal utilities into larger regional bodies. The situation post-KTA is still unclear (although the Ahtisaari report provides some guidance) and is likely to cause further problems as local stakeholders attempt to clarify control and ownership issues.

### *6.4 Institutional Support to Water and Waste Regulatory Office*

The aim of the project is to strengthen the capacity of the Water and Waste Regulatory Office (WWRO) to regulate the sector in line with regulations and to develop the interface between the regulator and utilities. The project is ongoing and the project team has supported the WWRO on new tariff determination approach covering: regulatory capita value, capital maintenance, infrastructure renewals charging, current cost

depreciation than. The status of WWRO needs to be confirmed by the Government and regulation of public sector industries is not fully appreciated or understood in Kosovo, yet is essential in the monopoly situation. The project period is September 2006 to May 08. The funding of EUR 0.8 million is provided by CARDS 2005.

### *6.5 Improvement of water supply infrastructure*

Through the donor Conference on Kosovo, held in July 2008, USAID has awarded a project for USD 5 million for improvement of water supply infrastructure in some municipalities. The awarding company for this project is CDF.

## **7. Key challenges for the next 6 months**

The following key challenges have been identified by the PEIP focal point from the ministry:

- The human and financial resources and the administrative capacity of the MESP and related institutions are limited and insufficient to properly address the environmental challenges that Kosovo UNSCR 1244 is facing.
- There is a lack of qualified staff and confusion of competencies between the various institutions in the field of environment. There is a need for closer cooperation and coordinated action between MESP and the Ministries for Energy and Mining and Transport, as well as local authorities.
- It is necessary to gradually start considering the inclusion of environmental aspects in other policies.
- The Agency for Environmental Protection started to operate in April 2007. One of its tasks is to set up the environmental information system. As the estimated needs in the area of environment substantially exceed the MESP budget, support from donors is needed.
- Overall, some progress can be reported in the field of environment. Implementation and enforcement of legislation remain challenging
- Rehabilitation of industrial landfills which are major sources for cross-border pollution.
- Project on expanding the infrastructure on collecting, selecting, treatment and disposal of the waste.
- The challenge to transpose the EU legislation in national environmental legislation remains.
- To find financial support for the establishment of air quality monitoring network.
- Rehabilitation of industrial landfills;
- Project on expanding the infrastructure on collecting, selecting, treatment and disposal of the waste.
- To transpose the EU legislation in national environmental legislation.
- Financial support for air quality monitoring.

**Key main challenges in waste sector for the next 6 months:**

- Responsibilities to be clear in central, local level and WWRO
- Ownership of landfills and wastewater treatment plants
- Limited budget for environment ,
- Eco fund creation
- Lack of mechanism for getting international fund and loans etc.
- Financing system in place
- Payment of the fees for collection increased