



This project is funded  
by the European Union

# REGIONAL STRATEGY FOR SUSTAINABLE HYDROPOWER IN THE WESTERN BALKANS

On Gap Analysis of the Legal-Regulatory and Institutional-Organisational  
Framework Relevant for Hydropower Development  
(Presentation of Background Report No. 2 – „IOLR Report“)

Božidar Radović

Marko Krejči

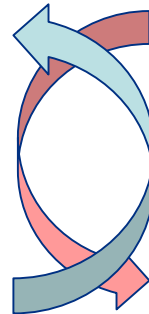
1st Workshop, Podgorica, 30-31 March 2017

## Background for IOLR report

- IOLR framework identified as one of the key areas for future HPP development
- Little HPP development in past 25 years and IOLR framework largely changed
  - Existing IOLR frameworks largely untested
- As many projects require FDI, it is particularly important to provide transparent and investor friendly surrounding based on known international best practices

### Expectations from investors

- Stable and predictable terms and conditions
- Not overly complicated nor expensive procedure
  - Timing of cost intensive steps to be aligned with the remaining development risks
- Avoiding of work duplication
- Clear jurisdictions of institutions

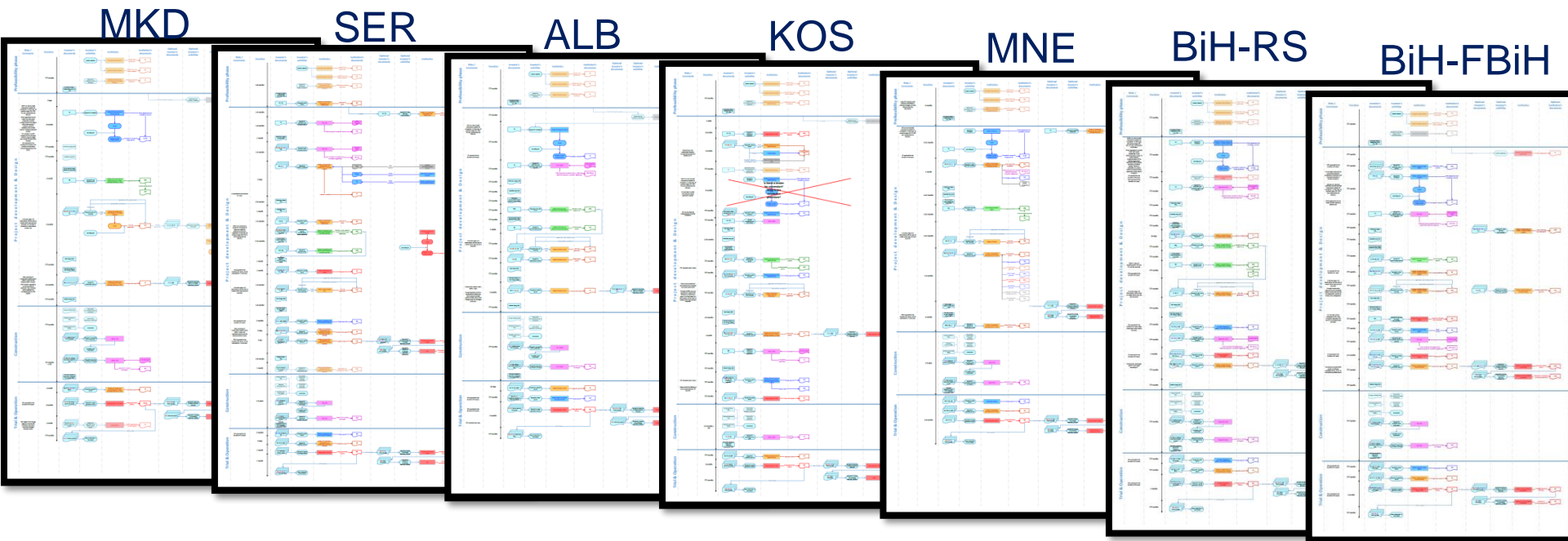


### Expectations from the state

- Balance of environmental & social protection and economic development
- Optimum exploitation of hydro resources
- Attracting investments
- Discouraging “speculative” investors

## Objective of IOLR report to assess the current status and provide guidelines for improvement

- IOLR framework relevant for HPP development was investigated in WB6
- Comparative analysis was conducted
- Conclusions & recommendations presented
- Maturity of the project possible to assess only after understanding of entire required project development procedure

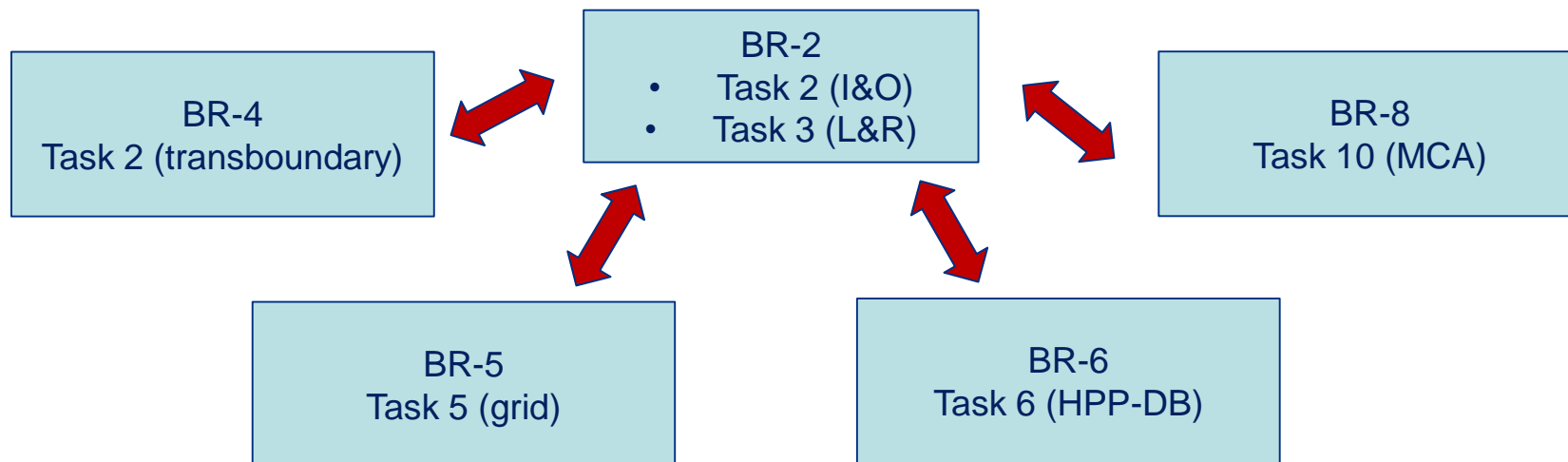


# Table of Contents (ToC) and links to other tasks

## ToC:

- Introductory sections (background, objectives, links with other tasks...)
- Methodology
- Description & analysis of national IOLR frameworks (7 jurisdictions)
- Comparison & benchmarking of IOLR frameworks
- Proposals for action

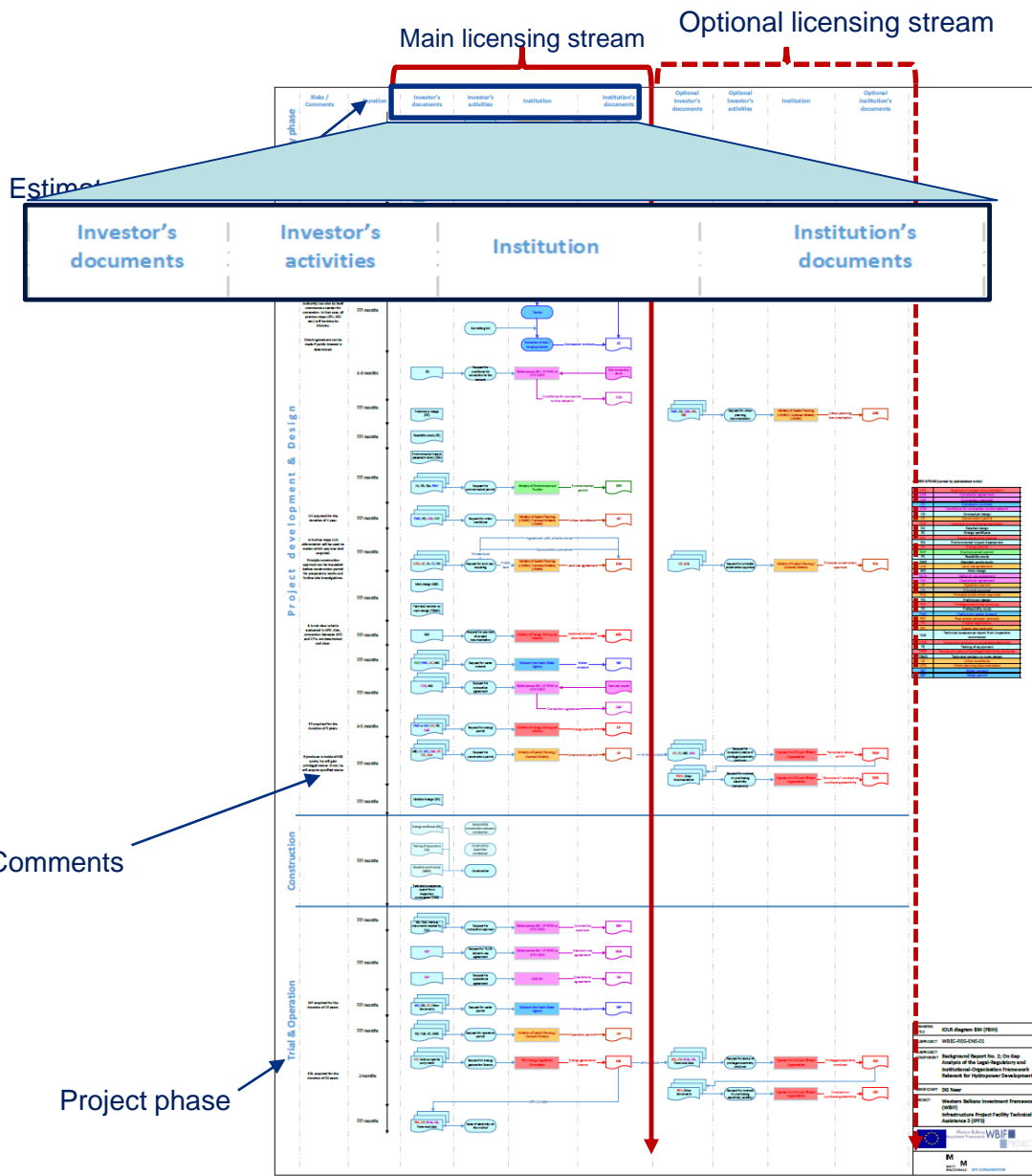
## Links to other tasks



# Methodology

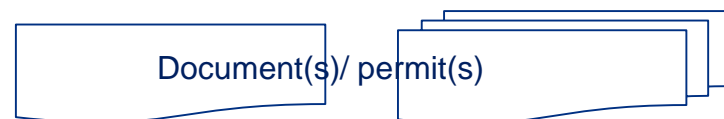
- Defining key development process streams:
  - Construction permitting
  - Concessioning & water rights
  - Environmental permitting
  - Energy permitting
  - Grid connection permitting
- Identification of relevant institutions and their roles & responsibilities
- Identification of required development procedures
- Design & development of unified IOLR diagrams for all WB6 (7 jurisdictions)
- Scrutinizing and comparative analysis of the WB6 IOLR frameworks for:
  - Feasibility
  - Efficiency
  - Transparency
- Verifying the conclusions with the relevant institutions and HPP developers

# IOLR diagram design

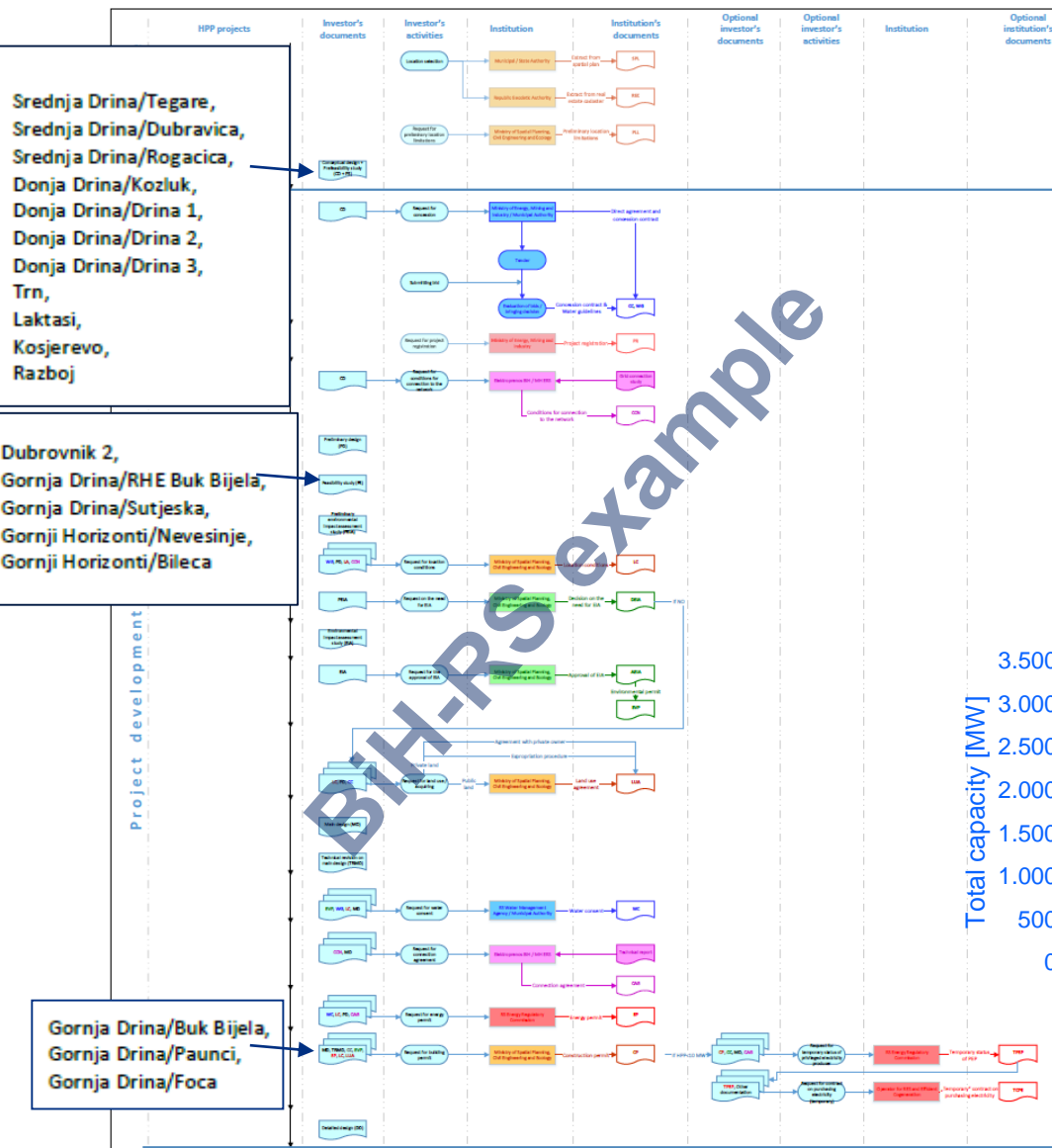


Color & shape coding for easier understanding

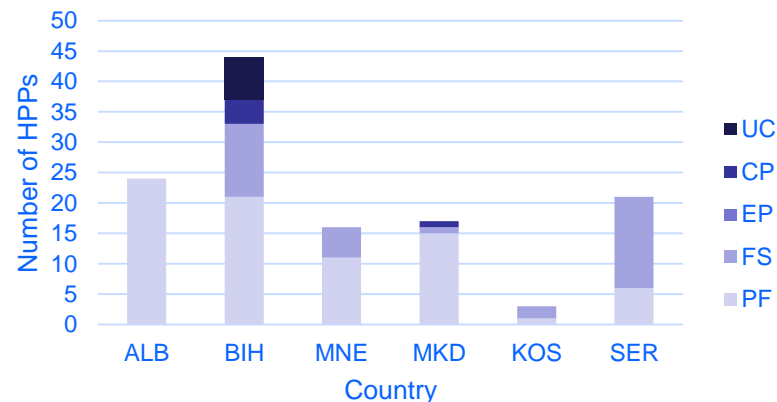
Construction	Yellow background, red letters
Grid	Purple background, dark purple letters
Energy	Red background, dark red letters
Environment	Green background, dark green letters
Concessioning & Resources	Blue background, dark blue letters
General	Grey background, grey letters
HPP Developer	Light blue background, black letters



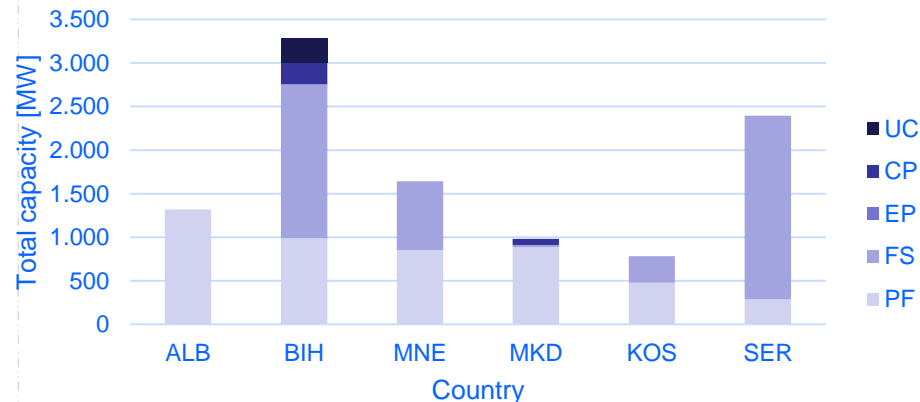
# IOLR and HPP-DB integration



WB6 - Number of HPPs by maturity

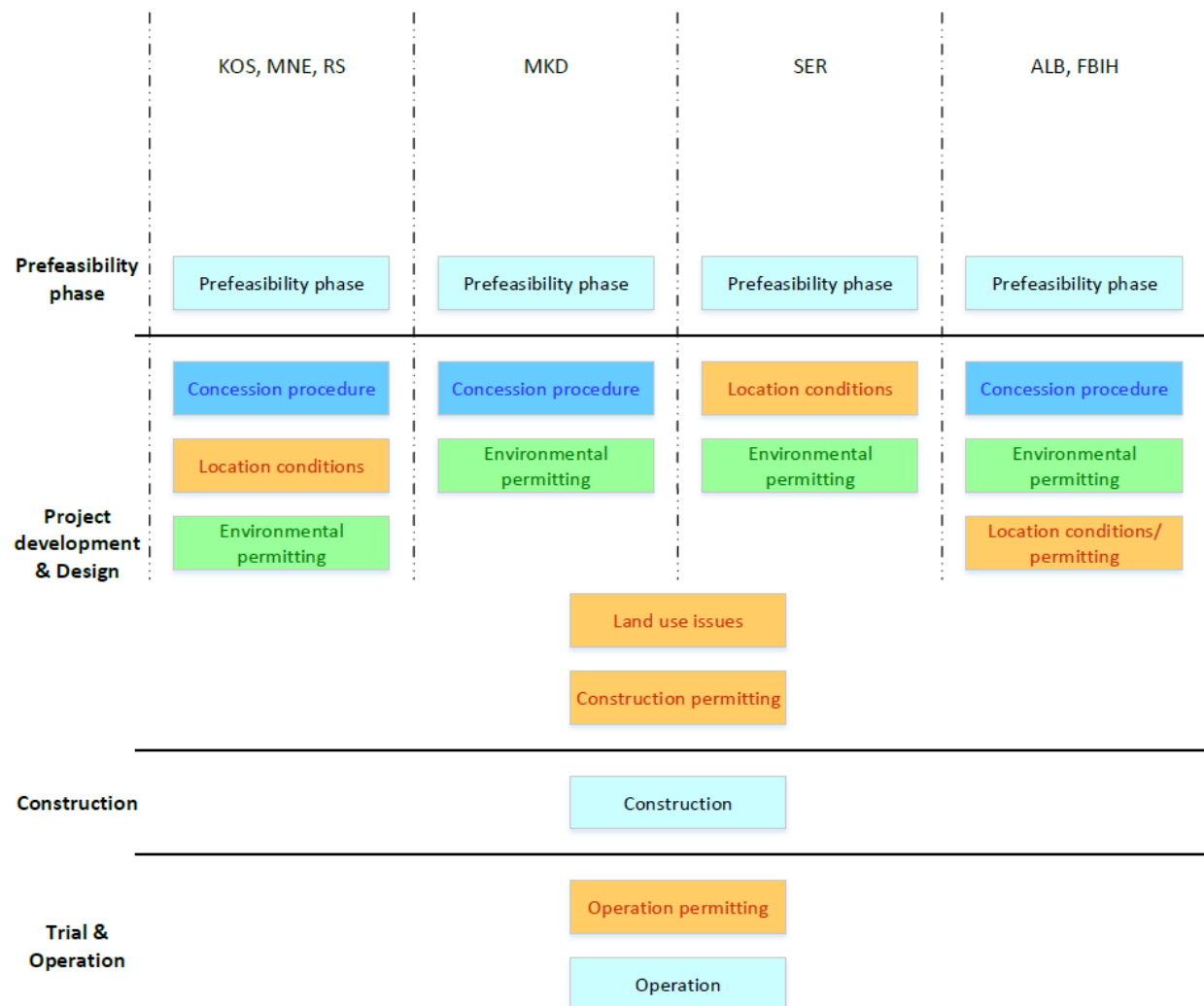


WB6 - Total capacity by maturity



## Comparative analysis of IOLR framework

- Similar IOLR frameworks; all except Albania coming from ex-Yu IOLR system



Water usage rights, spatial planning and grid connection issues are resolved during various stages of development procedure.



# Comparative analysis of IOLR framework

	ALB	SER	KOS	MNE	MKD	FBIH	RS
Developed planning docs (spatial, energy, water usage); Established locations for large HPPs	-	+	-	-	+	-	+
Concessioning procedure for water resources	+	-	+	+	+	+	+
Tender for concession	+	-	o	o	o	o	o
Included with concession contract	-	-	-	Energy permit	Water permit	-	Water guidelines
Body issuing the concession	Min. of energy and industry	-	Min. env. & spatial planning	Min. economy	Min. env & physical planning	Min. Energy, Mining and Industry	Min. Energy, Mining and Industry
Water acts	Water permit	Water condit. Water approv. Water permit	Water condit. Water approv. Water permit Water order	Water condit. Water approv. Water permit	Water permit	Pr. Wat. Cons. Water consent Water permit	Water guidel. Water consent Water permit
Body issuing water acts	National water committee	Min. Agric. & Env. protection	Min. env. & spatial planning	Directorate for waters	Min. env & physical planning	River basin water mngmt agency	Water mngmt agency
Body issuing environ. permit	Min. environment	Min. Agric. & Env. protection	Min. env. & spatial planning	Environ. Protection agency, Min. tourism & sust. development	Min. env & physical planning	Min. environment & tourism	Min. spatial plan, civil eng & ecology
Location conditions vs location permit	Development permit (land use needs to be solved!!)	Location conditions	Zoning permit (analogue to location conditions)	Urban-technical conditions	-	Urban conditions (Location permit)	Location conditions
Construction permit issuing body	National territory council	Min. Construction, Transportation & Infrastructure	Min. env. & spatial planning	Environ. Protection agency, Min. tourism & sust. development	Min. of Transport and Communications	Min. spatial planning	Min. spatial plan, civil eng & ecology
Grid connection documents							
Energy permit	-	Min. mining & energy	3 step authorisation by Energy regulatory office	Energy regulatory agency (with concession)	(included with concession???)	Ministry of energy	Energy regulatory commission

4 vs 1 water act

## Institutional-Organisational-Legal-Regulatory (I.O.L.R.) framework

- I.O.L.R. framework significantly improved, among others due to the consistent “pressure” from the Energy Community Secretariat on compliance of local legislation with the 3<sup>rd</sup> EU Energy Package
- Main issues and areas for improvement:
  - Regular updating of legislation, strategic documents and action plans
  - Bridging identified gaps in I.O.L.R. framework
  - Improving information and process transparency
  - Harmonisation among legislative/regulatory acts
  - Coordination among institutions at different levels
- International (cross-border) aspect (such as river basin coordination, project development coordination, etc.) **is not** considered in the national I.O.L.R. frameworks

## Institutional-Organisational-Legal-Regulatory (I.O.L.R.) framework

- Highly supportive for major HPPs (large) due to their strategic importance and high level of involvement of state and public institutions
- Significant progress reached in the previous years in all regional countries on improvement of the I.O.L.R. framework for development of small HPPs
- Local administration is lagging in both administrative and operational terms – needs support on training, education,...
- There are cases of unreasonable delays in issuing various consents, permits, agreements – deadlines are either missing or not enforceable
- EVN Makedonija introduced first “one-stop-shop” for permits on connection to the transmission grid in the region

## Selection of overall conclusions

- Harmonization of IOLR framework with the Acquis
- Establishment of bodies to coordinate overall water usage on national level, and to coordinate with neighboring countries
- Improve incentives for local authorities to improve efficiency of the SHPP development
- Invest in capacity building of employees in local authorities to improve efficiency of the SHPP development
- Increase, develop and implement integral planning and permitting for hydropower development projects
- Streamline the permitting process and limit the duration of steps

## Selection of country specific conclusions

### ALB

- Increase tendering for concessioning (instead unsolicited proposals)
- Requirement for increased transparency and government planning role
- Integrate spatial planning in permitting procedure

### BiH

- More transparent concession granting procedures
- Improvement in cooperation and consistency between government levels

### KOS

- Resolution of Zhur issues with Albania, as practically the only large HPP project

### MKD

- More stable IOLR framework needed to enable large HPP project development

### MNE

- More active role of the state in HPP development planning required

### SER

- Consider PPP model for HPP development
- Ensure equal level playground for EPS and other investors

## WBIF-IPF 3 Consortium



[www.wbif.eu](http://www.wbif.eu)