

Implementation of the new paradigm for sustainable development of the flooded areas in the search for a final solution for the status of the hydrosystem "Ibar-Lepenac"

May 2015

Dragisa Mijacic¹



Introduction

Immediately after the signing of the Brussels Agreement (April 2013), representatives of the governments and negotiating teams from Serbia and Kosovo made it clear that the agreement about the Ibar-Lepenac Hydrosystem would not be reached easily. An active discussion about this strategically important resource continues, which can be concluded from statements of both negotiating teams. "Gazivode Reservoir is a natural resource and the state property of Kosovo, and we will not discuss that topic with anybody, in any circumstances" recently said Edita Tahiri, the Chief Negotiator of the Kosovo Government.² "I will not give Gazivode", Serbian Prime Minister responds vigorously.³ These and many other statements clearly show that the negotiations are difficult and there are no indications that the optimal solution will be found soon.

The arguments given by the representative of Serbia refer to the fact that the biggest part of the infrastructure of Ibar-Lepenac Hydrosystem is located in the territory of Zubin Potok municipality, where Serbs are the majority of population, and where a large reservoir and the earthen dam

"Gazivode", and a hydropower plant are located, as well as a small reservoir with a dam "Pridvorica", which is a starting point of the irrigation canal that extends to Pristina and Obilic. A significant part of the Gazivode reservoir is also located in the territory of Tutin and Novi Pazar municipalities. Besides, the construction of the Ibar-Lepenac Hydrosystem is financed from the World Bank loan that has been repaid for years from the budget of the Government of Serbia. Therefore, the Government in Belgrade believes to have the legitimacy to impose the discussions about the destiny of this company, by trying to transfer its management to the Association/Community of Serb-majority Municipalities in Kosovo that has yet to be established in the negotiation process carried out in Brussels under the auspices of the European Union.

On the other hand, the representatives of the Kosovo Government do not want to negotiate the future of the Ibar-Lepenac Hydrosystem because it is a part of Kosovo's property, and as they claim, negotiations about Kosovo's property are out of the question. In that sense, the Government of Kosovo refers to the United Nations Security Council Resolution 1244 from 1999 which established UNMIK, and to the UNMIK Regulation 1999/1 which states that UNMIK shall administer the property of the Federal Republic of Yugoslavia and the Republic of Serbia in the territory of Kosovo, to the UNMIK Regulation 2002/12 which establishes the Kosovo Trust Agency, that takes over the ownership of the publically-owned and socially-owned enterprises in Kosovo. After Kosovo's declaration of independence, the Kosovo Trust Agency transfers to the legal system of Kosovo.

With an assumption that the discussions about the future of the Ibar-Lepenac Hydrosystem are still carried out in some form, this document tries to contribute to the discussion and propose solutions that could be acceptable to both sides in the negotiations.

1 Institute for Territorial Economic Development – InTER was established in 2006 as a non-profit, independent, non-governmental think tank, with the mission of promoting and advancing sustainable socio-economic territorial development in the Western Balkans. InTER is registered with the Business Registers Agency of the Republic of Serbia and the Ministry of Public Services of the Government of Kosovo. This twofold registration gives InTER the requisite legal status to provide its services in all Western Balkan countries. More information about InTER is available at www.regional-nirazvoj.org.

Dragisa Mijacic is the Director of the Institute for Territorial Economic Development - InTER. Comments and suggestions can be sent to dmijacic@regional-nirazvoj.org.

2 Blic (22 April 2015): <http://bit.ly/1DKHN9S>

3 Politika (7 May 2015): <http://bit.ly/1EygfvQ>

Ibar-Lepenac Hydrosystem

Ibar-Lepenac Hydrosystem is a complex system of dams, hydroelectric power plants and water-bearing channels that consisted of two parts, the northern part, relying on the basin and potentials of the Ibar River and the southern part, relying on the resources of the river Lepenac. The northern part of the hydrosystem involved the construction of a dam and the hydroelectric power plant "Gazivode", the construction of the small dam "Pridvorica" and the system of pumping stations, and overground and underground water-bearing channels. Construction of the northern part of the hydrosystem "Ibar-Lepenac" began in 1972 when Dzemal Bijedic, Prime Minister of SFRY, laid the foundation stone for the construction of an earthen dam near the village of Gazivode, and the dam, reservoir and hydroelectric power plants were later named after that village. Gazivode Dam was completed in 1977, and the hydroelectric power plant in 1983, while the complete construction of the northern part of the hydro system was completed in 1986. The project was funded from the World Bank's loan, and construction works were carried out by "Hidrotehnika" from Belgrade.

Construction of the southern part of the hydrosystem "Ibar-Lepenac", which was linked to the water resources of the river Lepenac in southern Kosovo has never started, and we can say that this system was never finished in a way it was originally designed.

There is no doubt that the hydrosystem "Ibar - Lepenac" represents a strategic economic resource in Kosovo. Gazivode reservoir is a 24km long reservoir with 380 million m³ of water, with a smaller portion (about one third) located in the municipalities of Tutin and Novi Pazar, and the majority in the municipality of Zubin Potok. The Dam "Gazivode" is one of the largest earthen dams in Europe with a length of 460m and a height of 107m. Below the dam there is a hydropower plant with two turbines of 17.5kW each (total installed power of 35kW) and a compensating reservoir "Pridvorica" with 480,000m³ of water, where the water-bearing channel system begins.

The channel infrastructure consists of open and closed water bearing channels of capacity 22.2m³/s, as well as several pumping stations. A water-bearing channel of the total length of 146.6km is used for water supply of drinking water to regional and local water supply systems, irrigation of agricultural land and for water supply of large energy systems and industrial plants. In addition to the primary line, the channel is divided into three major branches, one of which leads to Trepca, the other to Pristina and Caglavica, where water is pumped into the lake Badovac, and the third to Feronikl and Drenas/Glogovac. The main line runs to the thermal power plant "Kosovo B" in Obilic.

Hydrosystem "Ibar-Lepenac" supplies drinking water to about 15% of the territory of Kosovo, to the inhabitants of Mitrovica, Zvecan, Skenderaj/Srbica, Vushtri/Vucitrn,

Drenas/Glogovac and Pristina with the surroundings (Kosovo Polje, Gracanica, Lipljan, Kastriot/Obilic). The construction is currently under way of a water supply system for the municipalities of Zubin Potok, Mitrovica North and Zvecan which also relies on water from the hydrosystem "Ibar-Lepenac". Hydrosystem "Ibar-Lepenac" also supplies water for strategically important industrial facilities in Kosovo, primarily for thermal power plant "Kosovo B"⁴ and "Kosovo A", as well as Feronikl from Drenas/Glogovac and Trepca from Mitrovica. In addition, the hydro system "Ibar-Lepenac" provides irrigation for about 1,860 hectares of agricultural land in Kosovo.⁵ Water from the hydrosystem "Ibar-Lepenac" is also counted on for cooling of the turbines of the thermal power plant "New Kosovo" of 600MW, the construction of which is planned in the coming years.

Management of the hydrosystem "Ibar-Lepenac"

Management of the hydrosystem reflects the dual reality in northern Kosovo. On the one hand, the hydrosystem is managed by the Public Company "Ibar-Lepenac" based in Pristina. "Ibar-Lepenac" was founded in 1986 as a socially-owned company for the purpose of operation and maintenance of infrastructure and equipment of a multifunction system. With the arrival of UNMIK and the establishment of the Kosovo Trust Agency, Hydrosystem "Ibar-Lepenac" becomes a public company. In early 2008, the hydrosystem became the Waterpower Company "Ibar-Lepenac", a joint stock company completely owned by the Government of Kosovo.⁶ Waterpower Company "Ibar-Lepenac" has 196 employees⁷ and supplies drinking water to several regional water supply systems in Kosovo, water for irrigation of agricultural land and for industrial plants (Trepca, Kosovo B, Kosovo A and Feronikl) and generates electricity.⁸

On the other hand, facilities of the hydrosystem "Ibar-Lepenac" in northern Kosovo are managed by the Public Company for Water Supply and Production and Distribution of Electricity "Ibar", based in Zubin Potok. The public company was established by the Government of the Republic of Serbia on 15 March 2002, but it was never officially recognized by the competent bodies of the UNMIK administration, and therefore is considered illegitimate by the Kosovo institutions.

Despite the duality in the management of resources of the company "Ibar-Lepenac" and frequent political and security problems in the north of Kosovo, the hydrosystem functioned without any major problems during the

⁴ According to the estimation of the Kosovo Energy Corporation (KEK), if the water from the hydrosystem "Ibar-Lepenac" is stopped, the thermal power plant "Kosovo B" could only operate for not more than six hours.

⁵ Kosovo National Water Strategy 2015-2034, p. 105.

⁶ VWater Management Company "Ibar-Lepenac" operates within the Law on Business Entities (Law no. 02/L-123) and the Law on Public Companies (Law no. 03/L-087).

⁷ including 21 employees from Zubin Potok

⁸ <http://bit.ly/1bOUsC3>

years after 1999. This can be explained by the strategic importance of this system for the energy and economic stability in Kosovo.⁹

Legislation related to the Hydrosystem "Ibar-Lepenac"

Legislation related to the Hydrosystem "Ibar-Lepenac" consists of laws regulating the water and water resources management sector, and the laws regulating the energy system in Kosovo.

The foundation for legislation covering water management in Kosovo is the Law on Waters no. 04/L-147¹⁰ which stipulates four types of revenues generated through the use of water in the Article 27:

1. Consumption of water for drinking, food preparation, irrigation of agricultural land and the use for industrial needs;
2. Electricity generation;
3. Tourism and recreation;
4. Water delivery and releasing, as well as other activities.

The fee for the use of water and water resources is defined in the Administrative Instruction No. 6/2006 which determines the compensation rates for each type of water use.

- Untreated water taken directly: 0.001 EUR/m³;
- Watering of agricultural land with water from reservoirs: 10 EUR/ha;
- Electricity producers for each produced kWh in the hydro power plant: 2.5% from the price sold;

It is important to mention that a public debate of the Ministry of Environment and Spatial Planning of the Government of Kosovo is currently ongoing, regarding the adoption of the Administrative Instruction about Sanitary Protected Areas¹¹ that will, among other issues, limit the use of economic and tourism potentials of the Gazivode reservoir by prohibiting the use of vessels using fuel oil, water sports, swimming, commercial fish farming, livestock watering, application of fertilizers, construction on the banks, etc. Adoption of this decree will certainly limit the development of municipalities where the reservoir is, in this case the municipality of Zubin Potok.¹²

9 Apart from representatives of the government from Pristina and Belgrade who often talk about the importance of this system, strategic importance of the hydrosystem "Ibar-Lepenac" is also emphasized in the secret report of the American Embassy in Kosovo, named "Kosovo's Water System: Interdependence of North and South Makes Sabotage Unlikely". See: <http://bit.ly/1JhkQjn>

10 Official Gazette of the Republic of Kosovo no. 10 from 29 April 2013.

11 Proposal of the Administrative Instruction about Sanitary Protected Areas can be found at <http://bit.ly/1cKNOy5>

12 Provisions of this Administrative Instruction will not affect the banks of the Gazivode Lake that belong to the territory of

The legal framework for management and organization of the energy sector in Kosovo includes the following laws:

- Law No. 03/L-184 on Energy;
- Law No. 03/L-185 on Energy Regulator;
- Law No.03/L-201 on Electricity;
- Law No. 04/L-016 on Energy Efficiency;

Apart from these laws, an important role in this sector also belongs to the Energy Strategy of the Republic of Kosovo 2013-2022.

Funds collected from fees for water use or electricity generation are paid to the budget of Kosovo. Regardless of the fact that the majority of the infrastructure of the hydrosystem "Ibar-Lepenac" is located in the municipality of Zubin Potok, which suffered huge losses from the construction of the water reservoir "Gazivode",¹³ no mechanism has been established so far to compensate for flooded land and ensure a sustainable development of this area.¹⁴ In other words, Kosovo's legislation does not include any compensation for the municipalities that host water accumulations for irrigation and electricity generation.

A new paradigm for the development of the territory with a hydrosystem

During the 1990s, the World Bank recognized the fact that construction and maintenance of the hydrosystem can significantly contribute to poverty reduction in the developing countries. Analyses have shown that the construction of a hydrosystem mostly affects local population which suffers from the consequences of a forced movement of the population and the change of social and economic circumstances, including the loss of income, job, property, social infrastructure, etc. A one-time compensation for flooded land is not sufficient to cover for losses suffered by the local population. For that reason the World Bank introduced a new paradigm that proposes a more righteous benefit sharing from the use of the hydrosystem in order to ensure the sustainability of the development of local communities affected by the construction of such installations.^{15,16} Benefit sharing is also

the City of Novi Pazar and the Municipality of Tutin.

13 Only in the municipality of Zubin Potok, the construction of the Gazivode reservoir flooded 13 villages and around 3,500 people were displaced, of which some permanently moved away from the municipality.

14 For example, total investments of the Ministry of Economy (and Finance) of the Government of Kosovo to the municipality of Zubin Potok for the period 2006-2011 were 14,820€ or 2€ per capita. Sources: Kosovo National Water Strategy 2015-2034, p. 132.

15 Chaogang Wang, A Guide for Local Benefit Sharing in Hydropower Projects, Social Development Working Papers No. 128/June 2012, World Bank, available at <http://bit.ly/1dE9Fay>

16 Leif Lillehammer, Orlando San Martin and Scivcharn Dhillion, Benefit Sharing and Hydropower: Enhancing De-

recognized by the World Commission of Dams¹⁷ which, in the report from November 2000, defines a more righteous benefit sharing as one of the seven priorities for the improvement of hydrosystem management.¹⁸

Benefit sharing reflects in different financial and non-financial instruments that are based on the agreement between all the key actors: hydrosystem management companies, government representatives from different levels and representatives of the local community (including non-governmental organisations).

Financial instruments include the allocation of a part of the profit generated through the use of the hydrosystem for the needs of local community development and they include the mechanisms for direct transfer into the budget of local self-governments or regional governments, the possibility for prioritisation in the electricity or water supply, more favourable prices for electricity or water from the hydrosystem, financing of environmental projects and ecological associations, establishment of the fund for community development or a distribution of shares of the company managing the hydrosystem. On the other hand, non-financial instruments include cooperation with the local community during the preparation of project documents or during the management of the hydrosystem in order to ensure a maximum benefit for the local population. Non-financial instruments also include benefits from the secondary infrastructure built for the needs of the hydrosystem (roads, accommodation facilities for workers, sports infrastructure, etc.), as well as employment opportunities for the local populations.

The role of the central government is also very important in the recognition of the need to treat the territory where large hydrosystems are built in a special way in order to ensure their sustainable socio-economic development and reduce negative externalities. For that purpose, central government passes laws, by-laws and policies that encourage the development of these territories.

velopment Benefits of Hydropower Investments Through an Operational Framework, Final Synthesis Report, A Sweco Report for the World Bank, September 2011.

17 The World Commission on Dams was established in May 1998, by the World Bank and the World Conservation Union (IUCN), in response to international and local controversies around the construction of large dams. The mandate of this organization is to review the development influence of the construction of large dams, as well as alternatives for water resources and energy development; and to develop internationally acceptable criteria, guidelines and standards for planning, designing, construction, impact assessment, monitoring and prohibition of the use of dams. More about the World Commission on Dams can be found at: <http://bit.ly/1ClpTXI>

18 Dams and Development: A New Framework for Decision-Making, the World Commission of Dams, November 2000, <http://bit.ly/1zZPu0E>

There are numerous examples where the new paradigm of a more righteous benefit sharing is applied, where socio-economic development of the territory with hydrosystems is encouraged, and some of them are presented here.

Norway

The principle of benefit sharing in hydrosystem construction and management in Norway is regulated by different laws, of which the most important are: Industrial Concession Act No. 16 (1917), Watercourse Regulation Act (1917), Energy Act (1991) and Water Resources Act (2000).

Due to a specific geography, there is not much displacement when hydropower plants are built in Norway. However, municipalities where hydropower systems are located have significant benefits from these facilities, in the following way:

- Taxes and fees paid to regional and local authorities by hydropower companies. They include a resource use tax, a tax on profit of the hydropower company and fees for licenses. The resource use tax is calculated based on the average power generation from the plant;
 - Tax on profit: 28%, of which 20.75% goes to the central budget, 2.5% to regional government and 4.75% to the municipalities;
 - Property tax: 0.7% of the market value of the hydrosystem;
 - Resource tax: 0.013 NOK (0.0015 EUR) per kWh at the power plant, of which 0.011 NOK (0.0013 EUR) goes to the municipalities, and 0.002 NOK (0.0002 EUR) to the regional government;
 - Fees: hydrosystems pay up to 10% of electricity generated on their territory to local authorities.
- Equity sharing: Municipalities have an equity share in the hydropower system and receive benefits in the form of dividends;
- Preferential electricity rates: Municipalities hosting hydrosystems have a more favourable rate for the electricity produced in their territory;
- Local development fund: Hydropower companies pay a non-recurrent amount to a local area business development fund managed by the municipalities hosting the systems.

Montenegro

Montenegro also has a stimulating legislation which enables the development of municipalities that host hydro accumulation systems. This field is regulated by the Law on Financing of Water Management¹⁹ which stipulates the payment of fees for the use of water for electricity genera-

¹⁹ "Official Gazette of Montenegro CG" no.65/08

tion, other operation purposes, irrigation, communal needs, etc. This law defines a sharing of funds collected from fees between the central government and municipalities that host the resources based on water use, with the 70:30 ratio.

The fee is paid per quantity of generated electricity (kWh) at the plant, and for the use of water power for other operation purposes according to the power of facilities. In case of interstate water stream, the fee is paid according to the quantity of generated electricity from water that directly fills hydro accumulation with water from the territory of Montenegro, if not otherwise defined by an international agreement. The fee is also paid for the use of water in extremely favourable natural conditions, by using hydro accumulations, and calculated according to the volume (m³) of hydro accumulation or its part, defined in the technical documents.

The fee for water use is defined in a special decision of the Government of Montenegro.²⁰ Here we present the fees for water use that are relevant for the needs of this document:

- Fee for drinking and communal needs 0.015 EUR/m³ of delivered water;
- Fee for operational and technological needs 0.02 EUR/m³ of used water;
- Irrigation fee 0.004 EUR/m³ of extracted water;
- Fee for drainage or delivery of water for commercial needs 0.03 EUR/m³ of delivered water;
- Fee for electricity generation at the plant 0.0001 EUR/kWh, for the use of water in extremely favourable natural conditions by using hydro accumulations 0.0006 EUR/m³, and for other operational purposes 0.00005 EUR/kW.

Bosnia and Herzegovina

Both entities in Bosnia and Herzegovina have a favourable legislation that stimulates development in the municipalities that host hydro accumulation facilities.

In the Federation of Bosnia and Herzegovina, this is regulated by the Law on Collection and Direction of a Part of Revenues Generated from the Use of Hydro Accumulation Facilities²¹ which defines a fee of 0.01 KM (0.0051EUR) per generated kWh and 0.005KM (0.0025EUR) per consumed m³ of water. The fee is harmonized with the increase or decrease of the electricity rates defined by the Regulatory Commission for Electricity in the Federation Bosnia and Herzegovina.

The fee is paid to the budget of the municipality or town where a hydro accumulation facility is built. If hydro accu-

20 Decision on the Amount and Method of Calculation of Water Fees and Criteria and Methods for the Definition of the Water Pollution Level, "Official Gazette of Montenegro", no. 29/09 from 24 April 2009

21 "Official Gazette of the Federation BiH", no. 44 from 12 September 2002, 18/3, 9/04, 57/06

mulation is built in the territory of two or more municipalities, the funds are distributed proportionally, according to the surface of flooded land and the quantity of collected water from the territories of those municipalities.

Similar legislation also exists in the other entity of Bosnia and Herzegovina, the Republic of Srpska. This field is regulated by the Law on Fees for the Use of Natural Resources for Electricity Generation²² which defines the fee of 0.01KM (0.0051EUR) per generated kWh. The funds paid to the budgets of municipalities that host the hydro accumulation facilities and the Solidarity Fund for the Republic of Srpska's Recovery with a 50:50 ratio.²³ If hydro accumulation facilities are built on the territory of more municipalities, the fees are shared in proportion to the surface of the flooded land.

Legislation in the Republic of Srpska stipulates that municipalities can use funds collected from water use fees for electricity generation only for:

- Construction and rehabilitation of primary infrastructural facilities (water supply, sewerage, heating system, local roads, etc.) serving the purpose of economic development and employment.²⁴
- Construction of new business capacities or expansion of the existing ones, including stimulating loans, as well as other purposes defined by the Programme for the use of funds paid on the basis of fees that municipalities are obligated to adopt in local assemblies and deliver to the Ministry of Finance of the Republic of Srpska.

Implementation of the new paradigm as a part of sustainable solution for the issue of managing the hydrosystem "Ibar-Lepenac"

Construction of the hydrosystem "Ibar Lepenac" has not contributed to sustainable development of municipalities where the main infrastructural installations of the system are located. Namely, with the construction of the Gazivode reservoir, municipality of Zubin Potok and parts of the municipalities of Tutin and Novi Pazar have lost their demographic and economic base, which contributed to the stagnation of their development. Therefore, the fact that these municipalities are some of the least developed municipalities in the Balkans is not surprising.

The existing legislation in Kosovo and Serbia does not encourage the development of municipalities where artificial lakes are located for electricity generation or irrigation, and revenues generated through the exploitation of these resources go to companies managing the resources

22 "Official Gazette of the Republic of Srpska", No. 52 from 16 June 2014

23 Fund sharing was introduced by the Law from 2014, when the Solidarity Fund was established in order to help the flooded areas. The previous law stipulated that all such funds were collected by municipalities.

24 At least 30% of these total funds collected on the basis of this Law have to be used for infrastructure development.

or the central budget. Having in mind that the destiny of the Hydrosystem "Ibar-Lepenac" is in the focus of negotiations in Brussels between Pristina and Belgrade, this is a unique opportunity to rectify historical injustice inflicted to the municipalities of Zubin Potok, Tutin and Novi Pazar, as well as municipalities in Kosovo where the channel network is located, and to support their sustainable development in the future.

With that goal, the following recommendations that will contribute to sustainable development of flooded territories are proposed.

Recommendation 1: Implementation of the new paradigm of righteous benefit sharing as support to the development of municipalities that suffered losses due to the construction of the Hydrosystem "Ibar-Lepenac"

Bearing in mind that the use of resources of the Hydrosystem "Ibar-Lepenac" only makes profit in Kosovo, it is necessary to adopt laws and bylaws within the Kosovo legal system that would guarantee an equal distribution of a part of profit in accordance with the principles of good practice in the implementation of a new paradigm of development of municipalities that suffered losses due to the construction of this system. This legislation should regulate the transfer of a part of revenues generated by using the resources of this system to local self-governments in the territories where parts of the Hydrosystem "Ibar-Lepenac" are located, generated through the collection of fees for water use for power generation, irrigation, municipal needs and industrial needs. In this respect, the following solutions are proposed:

- Half the revenue from the production of electricity in the Gazivode hydroelectric power plant is to be divided between the municipalities of Zubin Potok, Tutin and Novi Pazar, in proportion to the surface of the submerged lands and in proportion to the amount of collected water from the territories of these municipalities. This fee is calculated based on the amount of electricity generated (in kW) at the power plant and on the amount of water used (m³). The second half of this fee is to be divided between the budget of Kosovo and the budget of the Association/Community of Serb-majority Municipalities in Kosovo in the percentage that would be agreed within the framework of the Brussels negotiations. The amount of compensation had to be aligned with the price of electricity in Kosovo.
- At least two-thirds of revenues from fees for water use from reservoirs for irrigation, communal needs and industrial needs should be split between the municipalities of Zubin Potok, Tutin, Novi Pazar and other municipalities in Kosovo (Mitrovica, Vucitrn, Obilic, Pristina, Glogovac)

where the channel network of the Hydrosystem "Ibar-Lepenac" is located, in proportion to the surface of the submerged lands of these municipalities. This fee is calculated based on the quantity of water delivered (m³) at the threshold of the dam "Pridvorica". A third of the fees should be divided between the budget of Kosovo and the budget of the Association/Community of Serb-majority Municipalities in Kosovo in the percentage that would be agreed within the framework of the Brussels negotiations. The amount of compensation has to be aligned with the rules on collection for water used for irrigation, communal needs, for cooling the turbines of power plants or for the industry.

- Local self-governments in Kosovo and Serbia that collect revenues from the water use fees of the reservoir "Gazivode" can use these funds exclusively for the implementation of development programs and projects that are in line with the development strategies of these local self-governments. At least half of the revenues collected in the municipalities of Zubin Potok and Tutin must be used for the development of villages and settlements which have suffered direct losses from the flooding, while in case of Novi Pazar the percentage of direct benefits for villages that suffered losses from the construction of the reservoir "Gazivode" should not be less than 75%.
- It is necessary to establish a Regional Agency for Sustainable Development of the Lake Gazivode which would have jurisdiction throughout the entire territory of the reservoir (in villages and settlements of the municipalities of Zubin Potok, Tutin and Novi Pazar). In that regard, it is necessary to find appropriate legal mechanisms for the establishment and operation of such an agency in the territory of Kosovo and Serbia. The Agency would deal with the promotion and development of tourism, economic and rural development, and it would have executive powers in environmental protection and regulation of fishing on the Lake Gazivode. The regional agency would be financed from the funds allocated to municipalities from fees for water use from the reservoir "Gazivode", from transfer funds from central authorities in Pristina and Belgrade, from EU programs and from donations.

Recommendation 2: Maintaining the energy stability of the municipalities in the north of Kosovo

Gazivode Hydroelectric power plant plays an important role in the maintenance of the energy stability of the municipalities in the north of Kosovo, primarily the municipalities of Zubin Potok, Zvečan and the northern part of Mitrovica. Therefore, it is necessary to keep the mechanisms of delivery of the electricity produced in

the Gazivode hydroelectric power plant to the users from these municipalities in the north of Kosovo. It is necessary to also deliver a part of electricity from this plant to the energy system of Kosovo, in order to maintain its stability.

Recommendation 3: Treating the Gazivode reservoir as an economic, agricultural and tourism resource

Gazivode reservoir is an economic, agricultural and tourism resource that should be utilized in the best possible way in order to facilitate sustainable development of the municipalities of Zubin Potok, Tutin and Novi Pazar. Therefore, it is necessary to adopt legislation in Kosovo and Serbia that stimulates an optimal exploitation of the potential of the lake, taking into account the current practice in environmental protection at water intakes and reservoirs. The solutions proposed in the proposal of the new Administrative Instruction of the Ministry of Environment and Spatial Planning of the Government of Kosovo restrict the development of areas around the lake, which is why a comprehensive public debate should be organised on the advantages and disadvantages of the proposals.

It is important to mention the necessity of solving the problem of disposing and cleaning of municipal waste that ends up in the Gazivode reservoir. In that sense, most problems are created by the city dump of the Municipality of Rozaje in Montenegro which is located on the bank of the Ibar River upstream from the reservoir, which is where most municipal waste comes from. Therefore, resolving the issue of pollution of the Gazivode reservoir should include the local and central authorities in Montenegro because the problem goes beyond the framework of negotiations between Belgrade and Pristina.

Recommendation 4: Negotiations about the final solution for the Public Company "Ibar-Lepenac"

The first step in solving the status of the Public Company "Ibar-Lepenac" should be the change of the ownership share between the central government in Kosovo and local self-governments where the facilities of the company

are, to a 50:50 ratio. Local self-governments would participate in the ownership structure proportionally to the area size covered by the facilities of "Ibar-Lepenac" (water reservoirs, hydroelectric power plant and the channel network with pumping stations). Local self-governments of Tutin and Novi Pazar that operate within the legal system of Serbia should also be involved in the distribution of ownership.

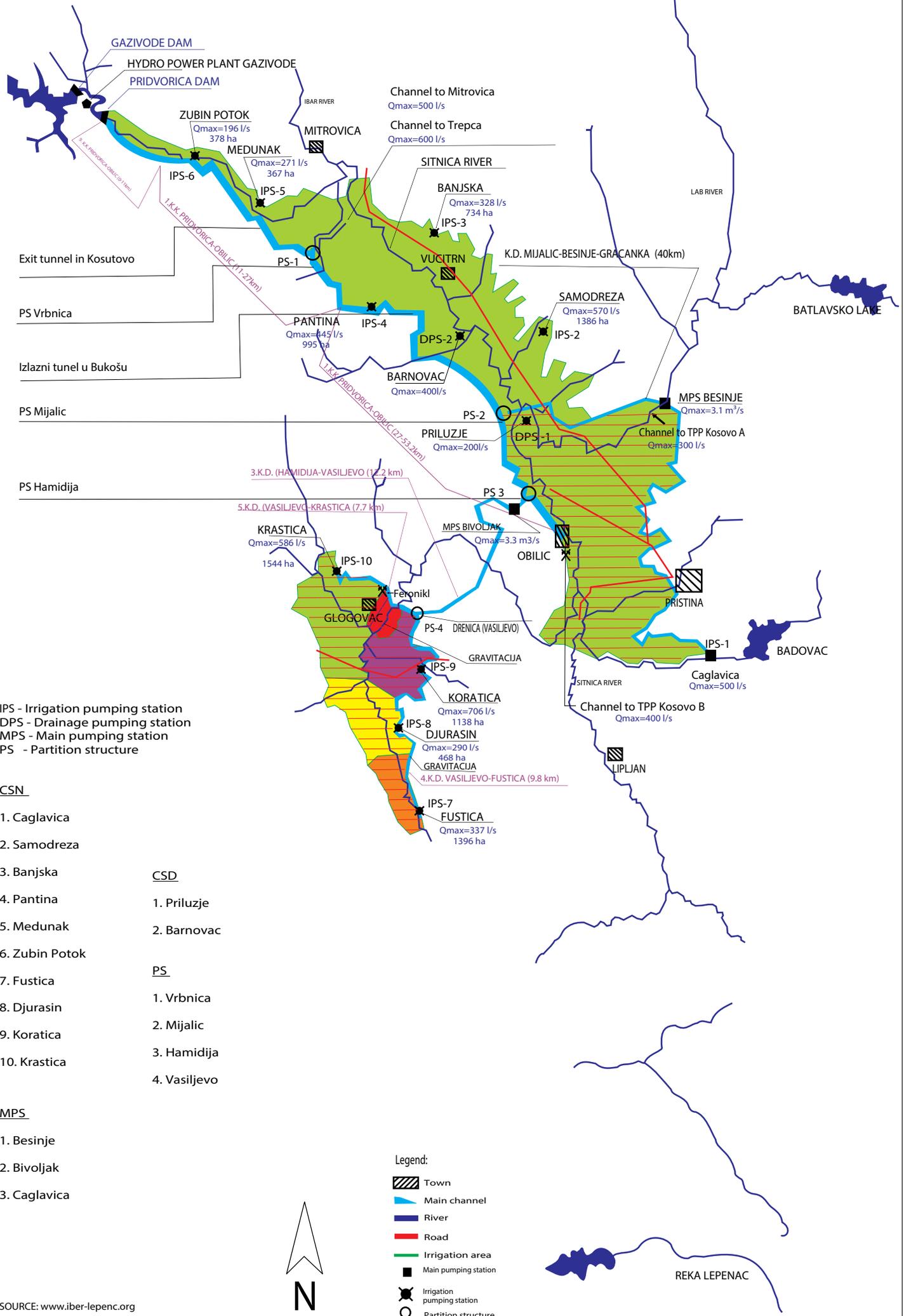
The final solution for the Public Company "Ibar-Lepenac" should be searched for in privatization or recapitalisation. Having in mind the strategic importance of the resources this company has it is important that it even partially remains in public ownership, and a full privatization is not recommended. However, it is necessary to recapitalize the company in order to improve the efficiency in the management of this system and ensure the funds for reconstruction of the infrastructure, primarily the reconstruction of the channel network that is in a rather bad condition.

Ownership disputes between Serbia and Kosovo and a possible compensation from Kosovo to Serbia for the repayment of the World Bank's loan used for the construction of the system "Ibar-Lepenac" should be looked for within the Brussels negotiations.

Recommendation 5: Implementing the new paradigm of benefit sharing in case of other areas where hydro accumulation systems are located

The case of the hydrosystem "Ibar-Lepenac" should not be treated as sui generis and the recommendation to the governments of Kosovo and Serbia is to adopt the necessary legislation that would enable the implementation of the new paradigm in other flooded areas as well, in order to ensure the conditions for their socio-economic development. ■

MAP OF THE HYDROSYSTEM "IBAR-LEPENAC"



IPS - Irrigation pumping station
 DPS - Drainage pumping station
 MPS - Main pumping station
 PS - Partition structure

CSN

1. Caglavica
2. Samodreza
3. Banjska CSD
4. Pantina 1. Priluzje
5. Medunak 2. Barnovac
6. Zubin Potok
7. Fustica PS
8. Djurasin 1. Vrbnica
9. Koratica 2. Mijalic
10. Krastica 3. Hamidija
4. Vasiljevo

MPS

1. Besinje
2. Bivoljak
3. Caglavica