

Standard Summary Project Fiche – IPA centralised programmes

1. Basic information

- 1.1 CRIS Number:** 2008/020-300
1.2 Title: Infrastructure Projects Facility, Technical Assistance
- 1.3 ELARG Statistical code:** 02.40
1.4 Location: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia as well as Kosovo¹.
 Turkey.

Implementing arrangements:

- 1.5 Contracting Authority (EC):** European Community Represented by the European Commission for and on behalf of the Beneficiaries .
- 1.6 Implementing Agency:** N/A
- 1.7 Beneficiaries:** Western Balkans: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia as well as Kosovo.
 Turkey

Financing:

- 1.8 Overall cost (VAT excluded)²:** €16,200,000
1.9 EU contribution: €16,200,000
1.10 Final date for contracting: 30 November 2009
1.11 Final date for execution of contracts: 31 December 2013
1.12 Final date for disbursements: 31 December 2014

2. Overall Objective and Project Purpose

2.1 Overall Objective:

The overall objective is to contribute to the socio-economic development of the Western Balkan through improved infrastructures in transport, environment, and energy and in the social field.

2.2 Project purpose:

The project purpose is to support through technical assistance both the preparation and the implementation of investment projects that may be financed by grants and/or loans provided by the Beneficiaries, IPA resources, the IFIs and/or other sponsors/donors.

¹ under UNSCR 1244/99.

² The total cost of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated

2.3 Link with AP/NPAA / EP/ SAA

All key documents on the Enlargement Strategy and the European perspective of candidates and potential candidates underline the importance of infrastructures remediation and upgrading as critical factor for sustained socio-economic development in the region and for its progress towards the European Perspective. In this respect, the centrality of sound collaboration with IFIs engaged in promoting infrastructure investments is also emphasised.

The **Thessaloniki Declaration of June 2003** stresses the importance of developing modern networks and infrastructures in energy, transport and telecommunications in the region. The **Communication from the Commission of 27th January 2006 on the Western Balkans**³ identified further progress in regional co-operation in the field of infrastructures as crucial for the regional progress towards sustained stability and prosperity. The Communication also recognised that combating unemployment, social exclusion and discrimination will be crucial for ensuring a more equitable and sustainable growth, whose benefits can be extended to vulnerable groups and communities.

In the **Austrian presidency conclusions of June 2006**, the European Council re-confirmed the European perspective of the Western Balkans as set out in the SAP, the Thessaloniki Agenda and the Salzburg declaration of March 2006. It also welcomed the Commission's intention to extend and intensify cooperation with the European Investment Bank (EIB) and the other International Financial Institutions (IFIs) in the Western Balkans.

Last but not least, the most recent **Communication "Enlargement Strategy and Main Challenges 2007 – 2008" of November 2007** and the **Communication on the Western Balkans of March 2008**, reiterate the importance of cooperation with IFIs in the Western Balkan region in the field of infrastructures and socio-economic development actions.

2.4 Link with MIPD

The Multi-beneficiary MIPD 2007-2009 and the MIPD 2008-2010 clearly recognise that financing a wide range of infrastructure investment needs is a pre-requisite for sustainable socio-economic development and stability in the region. The latter document foresees the continued support to help preparing and implementing high quality investment projects in the transport, energy, environment and social sectors. These documents also underline the importance of cooperating and coordinating closely with IFIs providing loan financing for the implementation of such investments. The MIPD makes also a clear reference to the importance of a constructive cooperation with IFIs for the attainment of a balanced and equitable socio-economic development in the IPA region.

2.5 Link with National Development Plans

Adequate infrastructure networks and services in the transport, energy, environment and social sectors are crucial for ensuring sustained socio-economic development and stability in the region. Insufficient financial resources and lack of experience of Beneficiaries in preparing projects suitable for consideration by International Financial Institutions and other donors for financing are among the key factors hindering improvements in infrastructure. All beneficiaries consider that adequate investments in infrastructure are essential for ensuring that many indispensable services such as water and sanitation, heating, energy provision,

³ Communication from the Commission "The Western Balkans on the road to the EU: consolidating stability and raising prosperity" COM(2006) 27 final, 17 January 2006

transport, health and education come into existence in order to improve the living conditions of people. The situation differs from beneficiary to beneficiary. Under IPA component III and IV, candidates have developed operational programmes for transport and environment and human resources development. Potential candidates are making efforts to gear their national development plans towards upgrading and extending infrastructures in various sectors. However, the vast needs and the lack of sufficient administrative and technical resources make this process a difficult challenge.

Albania

In the last couple of years, the government focused its public investment in the energy sector, infrastructure and transport, in particular on highway construction. Despite that, inadequate infrastructure and unreliable energy supply continued to hinder economic development and investment.

In the **transport** sector, the road network is in poor condition and needs still substantial rehabilitation and extension, notably highway links with the neighbours. Preparation for construction of the Durrës-Kukës-Morinë road and completion of the north-south and East-West national roads gained momentum. About 76% of the budget appropriations of the Ministry of Public Works, Transport and telecommunications in 2007 were allocated to the national road network. Only 10% of this amount was secured for maintenance, not enough to cover basic maintenance needs.

Albania is an active player in the context of South East Europe Transport Observatory (SEETO) for the development of the Core Regional Transport Network. Continued cooperation in the framework of SEETO is required in order to improve the definition and implementation of regional priorities and the coordination of investments. In particular, Albania needs to ensure reliable project information and complete transmission of traffic and transport data on the core regional transport network to SEETO.

The **energy** sector remains vulnerable and represents one of the major risks to macroeconomic stability. Investments are needed to ensure security of electricity supply. Domestic generation is only partly meets local needs. Insufficient interconnection capacity often results in power cuts, with negative effects on private sector productivity and investment capacity.

In the field of **environment**, the major challenges are in the area of waste management where important investments are necessary to improve the disposal and treatment system of waste, including hazardous waste. An accurate inventory of all hot spots is necessary before any additional intervention in this area. The situation of solid waste disposal at municipal level is also quite critical, as there is no clear strategy in this respect.

In the **social sectors**, Albania is taking measures to reinforce its education system. A more flexible structure for vocational education and training (VET) is being developed to allow more labour market-oriented courses. An initiative for the development of post-secondary and higher VET has been launched by setting up a vocational academy at the University of Durres to provide technical training, taking into account the needs of the national economy. With regard to the situation of Roma, improved housing, employment and healthcare conditions remain a major issue.

Bosnia and Herzegovina

In Bosnia and Herzegovina the process of upgrading physical capital is progressing moderately, with emphasis on transport and telecommunications infrastructures.

In the **transport** field, Bosnia and Herzegovina has continued to participate in the development of the Core Regional Transport Network and in the South East Europe Transport Observatory (SEETO) and has approved the Second Rolling Five Year Multi-Annual Plan 2007-2011. The implementation of the priority projects, the coordination of the investments and the annual revisions of the MAP require continued cooperation in the framework of SEETO. Preparations for the rehabilitation and development of the Sava River inland waterways are progressing based on a feasibility study completed in May 2007.

In the **energy** sector, there isn't yet a comprehensive energy strategy for the country or on energy efficiency and sustainability measures. Little progress has been achieved in other energy sectors (coal, oil, bio-fuels, and district heating and renewable energy) or on energy efficiency and sustainability measures.

In the **environment** sector, infrastructure investment programmes need to be prepared, including for waste management, including landfills and hazardous waste, and water quality. Limited administrative capacity is a major issue in this field.

In the **social sectors**, the Return Fund is financing the reconstruction of housing in 30 municipalities for the 120,000 people officially registered as refugees and displaced persons willing to return. In education and research, the research infrastructure is obsolete and in need for repair. This is a critical factor for ensuring proper training of a new generation of researchers.

Croatia

Public investment in **transport** is quite strong in Croatia. In 2007, this led to the expansion of the extensive motorway network by some 100 km to over 900 km. However, maintenance of the road network needs improvement. The core main lines of the rail network are sufficiently well maintained to allow a competitive freight transport business. Croatia is also cooperating actively with SEETO for the development of the Core Regional Transport Network. In the **environment** sector, Croatia adopted a national waste management plan. Activities to develop the regional waste management centres to be organised under the waste management strategy are advancing in every county.

In the field of Transport and Environment, an Operational Programme (OP) for implementing the structural component of IPA has been adopted. The transport OP focuses on the railway and inland waterways sub-sectors, with the ultimate goal of achieving acceptable standards and network coverage, improving interoperability and strengthening inter-modal competitiveness. The priorities of the Environment OP are to develop waste management infrastructure for establishing an integrated waste management system in Croatia; and to protect Croatia's water resources through improved water supply and an integrated waste water management system.

The restructuring and liberalisation of the **energy** sector is advancing gradually. Preparations for the privatisation of the large electricity company have made no progress. There has been progress on security of supply. There has been some progress in the areas of energy efficiency

and renewable energy. Administrative capacity on renewable energy and energy efficiency remains to be strengthened.

In the **social** sectors, reconstruction of housing for returnees remains a priority along with the re-connection of public infrastructure in certain return villages. In the context of the IPA component for human resources development, Croatia adopted an Operational Programme which focuses on enhancing access to employment and sustainable inclusion in the labour market, reinforcing social inclusion of people at a disadvantage and enhancing human capital and employability.

The former Yugoslav Republic of Macedonia

The quality of **transport** networks has suffered from two decades of underinvestment. Upgrading of the overall infrastructure system has started for projects related to European transport corridor X. An operational programme (OP) has been prepared for implementing the structural component of IPA. The focus is on upgrading and modernisation of the road and railways along the Pan-European Transport Network (Corridors VIII and X).

The priorities of the OP for **environment** sector are to support the building of infrastructure for wastewater collection and treatment and for waste disposal activities in compliance with the criteria defined by the legislation of the European Union.

In the **social** sectors, in the context of the IPA component for Human Resources Development, an Operational Programme is being prepared. This will focus on addressing a number of structural weaknesses, including low employment and long-term unemployment; rise of unemployment among disadvantage groups in labour market (ethnic communities, women, disabled, young people, older); mismatch between the relevant educational profiles and the labour market needs and demands; early school leaving, unsatisfactory level of adult literacy; low level of funding for active employment policy.

Montenegro

In the field of **transport**, Montenegro has made good progress with the development of the **trans-European transport networks**. It is continuing to participate in development of the core regional transport network and in the south-east Europe transport observatory (SEETO) and has approved the second rolling five-year multi-annual plan, covering 2007-2011 (MAP). Implementation of the priority projects, coordination of investments and the annual revisions of the MAP require continued cooperation in the framework of SEETO.

The draft **energy** Development Strategy presented to public consultation in September 2007 needs to be adopted and to reflect the commitments taken in the framework of the Energy Community Treaty, in line with the recommendations of the European Partnership.

In the field of **environment**, the national strategy on sustainable development was adopted with an action plan for integration of sustainable development into the education system (2007-2009). A strategic environmental assessment was conducted on the capacity development strategy for Montenegro (2007-2010) and the strategy on renewable energy resources (wind, solar and biomass energy). A strategy for integrated management of coastal areas and the national Programme for Eliminating the Use of Ozone Depleting substances were adopted by the Government. In 2005, the Government of Montenegro has adopted the **Strategic Master Plan for Solid Waste Management** on the Republic Level, which envisages the investment of approximately EUR 120 million in the area of waste management

in Montenegro for the construction of seven regional sanitary landfills; **Strategic master plan for sewage and wastewaters for central and northern region of Montenegro**, which envisages EUR 278,7 million for the specific investments in this area and **Strategic Master plan of discharging and purification of wastewaters of Montenegrin Littoral and municipality of Cetinje**, which projected EUR 280.8 million for the realisation of all the activities in the following 25 years. Furthermore, the Government of Montenegro adopted, in the middle of 2007, the list of priority projects in the area of communal infrastructure for 2008, while the activities for preparation of the proposal of priority activities for 2009 are underway.

In the **social** sectors, the government goes ahead with the reform programme to improve vocational and technical education. The aim of the programme is to allocate a biggest share to infrastructure and the provision of computers and textbooks.

Serbia

The National Investment Plan (NIP) of Serbia envisaged investment in **transport** infrastructure, mainly national primary roads, worth 1.8% of GDP. However, due to delays in implementation of the NIP, projects have not advanced as quickly as planned. With regard to trans-European networks of transport, Serbia continues to participate in the development of the Core Regional Transport Network and in the South East Europe Transport Observatory (SEETO) and has approved the Second Rolling Five Year Multi-Annual Plan 2007-2011.

There has been little progress in the area of **energy efficiency** and **renewable energy**. The Serbian Energy Efficiency Agency started to implement a number of small-scale projects. However, the legal framework is not yet developed. Preparations in this area are at an early stage.

In the field of **environment**, the government has adopted a National Sustainable Development Strategy in May 2008. . Waste legislation is not yet adopted. Strategic plans on waste management, both at national and at local level, are under development. Generally, institutional capacity – particularly at the local level is a major issue. Following the creation of a separate Ministry for Environmental Protection the administration capacity has been improved. Planning, monitoring, inspection and project management capacities remain weak. Law on waters is drafted but not yet adopted. A challenge is the upgrading of the waste water treatment infrastructure throughout the country. The price of water is low and there is little water metering. The Fund for Environmental Protection is active in the co-financing of projects, especially in the field of waste management, sanitation and air quality monitoring.

As regards **socially vulnerable and/or persons with disabilities**, the government adopted a strategy for the period 2007-2015 for improving the conditions of persons with disabilities; this strategy provides for community housing and other services. Action plans have been drawn up in the context of the 2005-2015 Decade of Roma Inclusion and are in the early stages of implementation. The areas covered are education, health care, employment, housing, social protection, media, culture and anti-discrimination.

Kosovo

Transport infrastructure in Kosovo remains poor, with insufficient road maintenance, rehabilitation and development. Railway infrastructures, rolling stock and overall services are of low quality. Little progress was made on road, railway and high-speed telecommunications infrastructure. The poor transport infrastructure hinders expansion of private-sector activity,

and SMEs suffer from limited access to online services. The lack of transport and internet hampers access by Kosovo businesses to the EU market and limits the benefits from regional trade integration.

Kosovo is progressing on the Trans-European Transport Networks through taking part in the development of the core transport network and in the SEETO. It has approved the second five year multi-annual plan 2007- 2011. A feasibility study and an environmental impact assessment for routes R6, linking Nis to Pristina and Albania, and R7, linking Montenegro to Pristina and Skopje, were finalised in 2007. These routes are compatible with SEETO priorities and they appear as priorities in the draft Kosovo Medium-Term Expenditure Framework 2008-2010. The government intends to fund R6 and R7 through donors' support and/or public private partnerships.

In **energy**, electricity supply remains precarious in Kosovo, especially in remote areas. Preparations for the development of the new Kosovo C power plant (Lignite Power Development Project), including the opening of a new lignite mine and the probable rehabilitation of selected units of the existing Kosovo A plant, are continuing. The World Bank and the European Commission support the design of the project through technical assistance.

In the **environment sector**, investment needs are enormous. It has recently been estimated that in the Waste Water sector only the overall investment needed total €750 million. In water treatment €500 million of investment would be needed to tackle existing needs. In the environment sector the Ministry of Environment is encountering problems in determining clear priorities for each specific area.

In the **social sectors**, the physical condition of school infrastructure is poor, as schools lack appropriate buildings, didactic material and equipment. Internally-displaced persons from all communities face housing problems due to insufficient budgetary allocations. The government has made education one of the "4Es" (education, energy, Europe and economy). A Sector Wide Approach is under preparation that will try to improve the link between education, labour markets and the private sector.

Turkey

Infrastructure investments have for many years been hampered by the need for consolidating public finances and the failure to reduce lower-priority spending. As a result, inadequate infrastructure, including in the area of power supply, increasingly affects economic activity.

In the **transport** sector, good progress has been made on the development of the TEN-Transport. However, the final TINA report remains to be approved. Special attention must be paid to strengthening administrative capacity as a condition for proper and timely implementation of major infrastructure transport projects. The finalisation of the Turkey-Greece gas inter-connector is an important step forward in the promotion of the TEN-Energy priorities.

The Strategic Coherence Framework (SCF), which sets out Turkey's strategy for implementing the structural instrument components (III and IV) of IPA, was agreed by the Commission after negotiation with national authorities. In addition, three Operational Programmes on environment, transport and regional competitiveness for component III and one on human resources for component IV have been prepared. Furthermore, in the field of

environment Turkey has adopted a Strategy for EU integration for environment in February 2007, which estimates EUR 60 billion for compliance with the environmental acquis until 2023. Directive specific investment plans have been developed in 2005, however, they are being revised now.

2.6 Link with national/ sectoral investment plans

In addition to the investments identified within the national development plans in each sector (see par. 2.5), several complementary plans are to be considered at regional level.

Transport

The development of transport infrastructure in South East Europe is an important means of improving links within the region and integrating it into the economic mainstream of Europe. To this aim in 2004 South East Europe and the European Commission signed a Memorandum of Understanding for the development of a Core Regional Transport Network. A steering committee was set up to implement the MoU, which is supported by a Secretariat and by the SEETO. SEETO has been fully operational since 2005 and aims to establish information systems and to formulate rolling 5-year Multi-Annual Plans (MAP) and procedures for improving the core Network. The Rolling MAPs indicate the priority investments within the core Network, including information on possible funding sources and interested international financial institutions.

Energy

A Treaty establishing the Energy Community has been signed and ratified by all signatories to ensure implementation by the Community members of the EU energy acquis, in advance of Accession to the EU⁴. Its main aim is to improve the investment climate in the energy sector. The Treaty is also considered to be an important step towards secure energy supply that is vital for the sustainable socio-economic development of the region.

Improving the balance between energy supply and demand is critical to boost and sustain economic development in South Eastern Europe. The importance of this is acknowledged also in the recent Commission Communications "An Energy Policy for Europe"⁵ and "Priority interconnection Plan"⁶. This requires strong commitment by the beneficiaries towards market-oriented reforms in order to: a) improve overall energy conservation and efficiency, b) reduce an excessively high energy intensity of production compared to international standards, c) strengthen national institutional capacities and adapt legislation and regulation to EU norms and practices. Major steps have already been taken over the last couple of years towards achieving these objectives in both the electricity and gas sectors.

In addition to focusing on energy infrastructure networks, the region has also started to cooperate in the creation of a regional electricity market. The European Commission has spearheaded work in this field and proposed that the region opens its national electricity markets, based in the rules currently in force and being developed by the European Union and integrated within the EU's Internal Electricity Market.

⁴ A treaty signed October 25th, 2005 and entered into force on 1 July 2006 after ratification by all signatories (all the Beneficiaries of CARDS and the European Commission on behalf of the EU) established an Energy Community, for South-east Europe but with a broader view of the region. The Treaty obligations mean that the European Union, together with seven partners of South East Europe (*) will create the legal framework for an integrated energy market.

⁵ COM(2007) 1 final

⁶ COM(2006) 846 final

Environment

The region as a whole has been suffering from a legacy of poor environmental management, including old and contaminated industrial sites, extensive use of landfill sites and lack of facilities to deal with hazardous materials. Moreover, many industrial facilities can only operate through highly intensive use of low quality fuel, generating large quantities of pollution. These problems are compounded by an underdeveloped water supply system, which affects the quality of potable water, and the lack of waste water treatment plants for both municipal and industrial sewage. A regional approach to trans-boundary water management and other environmental issues yields a number of benefits for the concerned regional and national institutions and for the region as a whole.

Under the Stability pact for South Eastern Europe, the Regional Environment Reconstruction Programme (REReP) was shaped by the region itself – including Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Romania, Serbia, Montenegro and Kosovo. A task force comprising the representatives of the Environment Ministries for the South Eastern Europe (SEE), donors, international organisations, institutions and NGOs, guides its implementation. A secretariat based at the head office of the regional Environmental Centre for Central and Eastern Europe (REC CEE) in Hungary coordinates the programme. The programme priorities were adopted and translated into priority projects. They took the lead in project implementation and reporting to the REReP Task Force. One of the projects is the Priority Environmental Investment Programme (PEIP). In 2009, transformation of the REReP into a new Regional Environmental Network for Accession (RENA) is envisaged. The ultimate goal of RENA will be enhanced regional environmental cooperation between South Eastern Europe and the EU, with a primary focus on activities related to the EU accession process.

Social sectors

In a region where over a quarter of the population of certain beneficiaries still lives in poverty, the problems of access to health, education and housing accentuate the feeling of insecurity and the absence of any prospects for these people. The weak performance of labour markets has contributed to drastic impoverishment and sharpened social inequalities. The gains recorded in the economy have not always been instrumental in recovering what was lost during the painful transition. Moreover, the pressure to reduce public expenditure due to fiscal limitations and the incipient privatisation process has constrained the ability of the Western Balkans to sustain their social expenditure programmes.

In most beneficiaries, the **education** sector suffers from lack of investments. The proportion of public resources devoted to education remains extremely low compared to international and European levels. A South-East Europe Educational Cooperation Network (SEE ECN) has been established as an information network for the region in 2000 in the framework of the Enhanced Graz process with support from Austria and the Swiss Agency for Development and Cooperation. It is coordinated from a regional hub based in Ljubljana and has nine country nodes in the all beneficiaries of the region.

With regard to **labour markets**, unemployment and the existence of large informal employment are a major social problem in the Western Balkans. This calls for a shift from passive policies to active labour market policies. Most beneficiaries in the region are moving towards a comprehensive approach to employment, through the adoption of national employment strategies and action plans.

The level and quality of **health** service provision has dramatically declined, especially in Bosnia-Herzegovina, Serbia, Montenegro, Kosovo and to some extent in Macedonia. Like in education, beneficiaries devote a too low share of their national wealth to healthcare. The situation of hospitals is particularly challenging in many beneficiaries, due to the badly needed reforms and restructuring along with the necessary modernisation of the sector. The Council of Europe and the WHO assisted the Western Balkans in organising the South-Eastern Europe Health Network. The Network is a vehicle to achieve the goals of the Dubrovnik Pledge signed by SEE Ministers of health in 2001. The seventh meeting of the SEE Health Network held in Tirana on 16-18 November 2003 commended the achievements of the network but noted that the network is not self-sustaining. The meeting discussed a strategy for 2004-5 but noted that further donor support was needed to maintain the activity of the network.

A significant proportion of the **housing** stock in the region still lacks piped water and sewer. The still numerous multifamily housing in urban centres, suffers from chronic underinvestment and inadequate maintenance. The production of new housing mainly targets the high end of the markets, while illegal housing is increasing leading to the formation of informal settlements with below standard infrastructure and services. Moreover, there is still a high number of refugees and IDPs, particularly elderly and vulnerable people that continue to reside in collective centres

3. Description of project

3.1 Background and justification:

In response to the Council's invitation, the Commission's priority in the last couple of years has been to improve cooperation with IFIs in this region. To this aim, in the context of the multi-beneficiary programmes, cooperation between the Commission and IFIs is structured along the following three strands:

- SME financing through (i) the European Fund for Southeast Europe (EFSE) which aims at strengthening the lending capacity of financial institutions in order to enable SMEs and micro enterprises to access long term financing.
- Energy efficiency finance facility (EEFF), which aims to stimulate energy efficiency investments in the industrial and housing sector
- Infrastructures Projects Facility (IPF), which provides Technical Assistance, mainly to support project development (pre-investment, feasibility) but also implementation. This facility is multi-annual, in line with the IPA programming cycle and implies a long-term engagement from the Commission, EIB, EBRD and the CEB to commit adequate grants and loan resources to facilitate the investment required in the region. Technical Assistance is available for transport and energy infrastructure projects, environmental schemes and for investments which improve energy efficiency and/or use renewable energy. It also covers projects in the social sector such as health, education and urban development.

The decision to create the IPF was taken in December 2007. The Commission, the EIB, the EBRD and the CEB agreed on a concept paper on the setting up of the IPF. The implementation of IPF is supported by a Steering Committee and a technical Secretariat, both chaired by the Commission. The IPF Secretariat has already been set up and is operating with

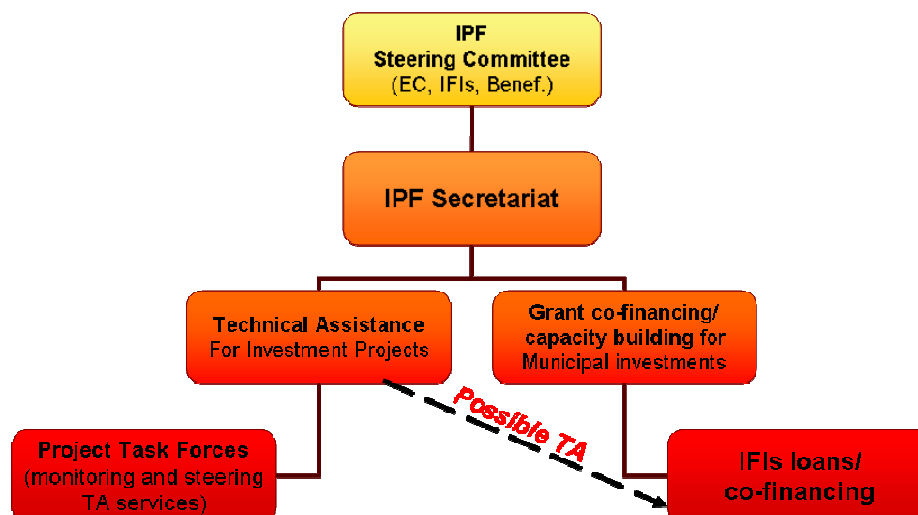
input and participation from the relevant Commission services and the partner IFIs. A technical assistance contract will be signed in June 2008, to provide expert services to beneficiaries for the preparation of investment proposals to be financed by IFIs. An initial amount of €16 million from the CARDS 2005 and 2006 programmes has been allocated to the Facility with a view to replenishing it from IPA Multi-beneficiary funds. During the first months of implementation of the IPF it emerged clearly that the needs are by far overweighing the initially allocated resources.

The interest in pursuing this cooperation has been expressed by both beneficiaries and IFIs. Meanwhile, the Commission together with partner IFIs started discussing the creation of a broader infrastructure initiative for the Western Balkan, endowing it with grant resources complementary to the IPF and linking it better with lending instruments put at the disposal of beneficiaries by IFIs. The creation of this Infrastructure Facility should be the first step towards a broader Western Balkan Investment Framework. While this is being discussed at the relevant policy level, the IPF is confirmed as a central element of the entire mechanism and the pre-identified projects during the first few months of implementation would already absorb all available resources.

In this context, a special window for municipality investments will be supported through the IPA 2008 programme (see separate project fiche). In a first phase, the Municipal Window will focus specifically on providing grant support for municipal investments in the field of water, sanitation and waste management in cooperation with the IFIs which are also partner of the IPF. The management and implementation of the Municipal Window will be closely coordinated with the IPF.

Figure 1 below shows the IPF management and implementation structure, composed of a Steering Committee, a Secretariat and ad hoc task forces to monitor implementation. The strong complementarity between the Technical Assistance Component and the Municipal Window is a distinct feature of the IPF mechanism.

Figure 1 – Management Structure of the IPF



The proposed project will therefore aim at continuing the work launched with the IPF in order ensure sustained support to beneficiary institutions at national, regional and municipal level to

prepare and implement infrastructure investment projects financed by International Financial Institutions and or other donors.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

The **project impact** will stem from the fact the IPF will help enhancing cooperation with IFIs, reach economies of scale in mobilising the necessary technical expertise to prepare and support infrastructure investment projects. It will also facilitate networking and exchange of know-how among Beneficiaries, and leverage loans and grant co-financing from International Financial Institutions that complement national IPA grants. It will therefore lead to an increased number of transport, environment, energy and social infrastructure projects with high investment potential.

The project will also have a significant **catalytic effect** insofar it will encourage increased synergies between grants and loan financing of infrastructure investments and allow improving capacities of beneficiary institutions to prepare and implement infrastructure investment projects. Possibilities for synergies between projects receiving the technical assistance of the IPF and the grant support of the Municipal Window (see separate project fiche) would increase the coherence and complementarity between the two instruments.

With regard to **sustainability**, this has to be distinguished at several levels. Firstly, beneficiary ownership and participation in the process will be essential to ensure political and policy sustainability of the investments to be supported through the project. Ownership can translate in terms of alignment of supported investments with national and sectoral strategies, possible co-financing from national funds and building technical and managerial capacities within the competent authorities for the supervision and implementation of the investments. Secondly, financial sustainability will be guaranteed through early involvement of IFIs and by carrying out in the preparatory phase of the project all the affordability analysis - particularly when tariffs for public utilities need to be revised. The IPF will be endowed with resources that will allow tackling all these issues.

Finally, as to the **cross-border impact**, most projects in the transport, energy and, to some extent, environment sector will naturally have a trans-boundary regional impact. It is to be noted that projects in the transport and energy sector will be prioritised if they feature in the SEETO and Energy Community priority investment pipelines.

3.3 Results and measurable indicators:

This project will focus on the achievement of the following 3 results:

Result 1: Improved number, speed and quality of investment proposals for infrastructural remediation and improvement projects in the context of National and Regional Investment Plans.

Indicator for Result 1: N. and quality of investment proposals approved for support under this project; percentage of national budgets allocated to investments receiving support from the IPF; volume and percentage (on total investment value) of loans/grants activated through IPF; average time lapse between identification (approval for support by this project) and end of project preparation (completion of all relevant documentation for project preparation), including those fitting within National Investment Plans;

Result 2: Enhanced financial cooperation between the Commission, IFIs and Beneficiaries' authorities

Indicator for Result 2: Number of projects financed by IFIs and related level of financing (for individual investment project and at aggregate level)

Result 3: Improved technical skills of local human resources within Beneficiaries' institutions, including local authorities and municipalities.

Indicator for Result 3: Number of competent staff within authorities responsible for investment proposal preparation and implementation

Specific targets in terms of absolute and relative increases for all indicators will be defined at the start of the project implementation based on a baseline survey to be conducted in the framework of the forthcoming technical assistance contract for the IPF under the CARDS programme. With the available budget under this project, it is expected that between 10 and 15 projects will be supported generating over €800 million of follow up investments.

3.4 Activities:

Activities for achieving Result 1:

- A1.1: Developing and preparing a pipeline of investment projects for the four sectors (transport, environment, energy, social) in the context of the relevant national and regional investment strategies and plans
- A1.2: Technical support to detailed preparation and implementation of pipeline projects
- A1.3: Independent ad hoc assessment of individual investment projects as needed

Activities for achieving Result 2:

- A2.1: Upstream and downstream cooperation with IFIs and regular exchange of information, advice and opinions between the Commission, IFIs and beneficiaries on the status of priority projects

Activities for achieving Result 3:

- A3.1: Update of capacity needs assessment of concerned stakeholders
- A3.2: Training and capacity building of beneficiaries

Contracting arrangements: activities A1.1, A 1.2, A2.1, A3.1 and A3.2 will be implemented through a single technical assistance contract encompassing a range of services geared towards projects preparation support, capacity analysis, needs assessments and training (see Contract 1 below). Further technical assistance contracts will be used to ensure independent ad hoc assessment of individual investment projects as needed (Activity 1.3) (see table below):

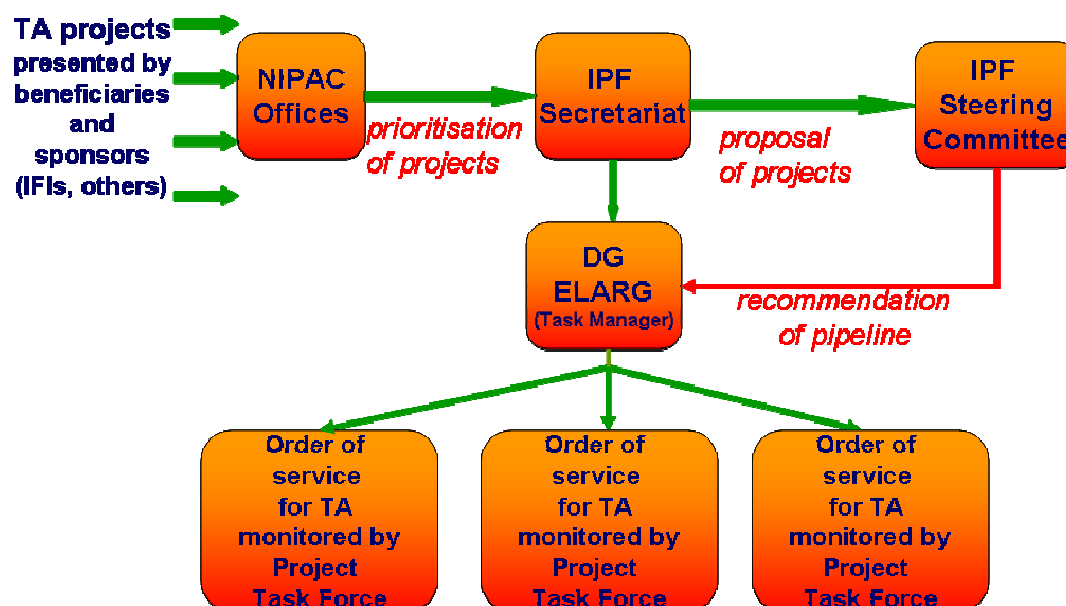
| Contracting Arrangements | |
|--------------------------|----------------------------------|
| Contract | Activities covered |
| Contract 1 | A1.1, A 1.2, A2.1, A3.1 and A3.2 |
| Contract 2 | A1.3 |

3.5 Conditionality and sequencing:

Cooperation and support from the authorities of the beneficiaries is of utmost importance for the successful implementation of this project. The continued engagement and full cooperation of IFIs is another critical success factor as well as the coordination with all relevant regional horizontal and sectoral mechanisms of investments identification and prioritisation.

The implementation mechanisms sequencing of the IPF has been designed on the basis of a few key principles: a) leadership of the beneficiaries in identifying and proposing projects for support by the IPF; b) early involvement of and close cooperation with the partner IFIs throughout the cycle; c) clear identification of the financing perspective for the proposed investment project to support; d) continue collaboration between the Commission, the IFIs and beneficiaries throughout in-house sectoral and methodological expertise; e) link with regional sectoral strategies. Figure 2 illustrates the key steps of the IPF project cycle, from the identification, screening approval and implementation of technical assistance services for the preparation of investment proposals.

Figure 2 – IPF project cycle (technical assistance)



3.6 Linked activities

In the field of infrastructures development, the EC, other donors and International Financial Institutions (IFIs) have been involved in the IPA region for decades. Several beneficiaries receive assistance under national programmes for the implementation of major infrastructure

investments. Several IFIs, as well as bilateral donors are active in the region in all four focal areas (transport, energy, environment and social sectors)

In particular, particular attention should be devoted to the availability of resources from the IPA national programmes. Particularly in potential candidates, support from the national IPA programmes under component I can be highly complementary with support from this project, thus facilitating loan financing of priority investments at national level. Candidate countries (Croatia, the former Yugoslav Republic of Macedonia and Turkey) benefit also from component III (regional development), which finances investments in both Transport and Environment including energy efficiency and renewable energy. Component III also provides technical assistance for the preparation of investment projects is also available for the candidate countries.

3.7 Lessons learned

The implementation of different project preparation facilities under the CARDS programme allowed drawing a number of useful lessons.

- **Ownership of beneficiaries** is essential to ensure the longer term sustainability of supported investments. They should be in a lead position for the assessing the investment needs, identifying viable solutions and overseeing implementation, not least because of their borrower's responsibility. This can be best achieved through active involvement of beneficiaries in all phases of process.
- **Commitment of International Financial Institutions** is another crucial element. To ensure effective leverage of IFIs loan financing, it is important that IFIs are part of the process and that they provide as well advise and technical suggestions to ensure high quality of investment proposals
- **Synergies** between EC grants and IFIs financing resources: The success and impact of cooperation between the Commission and IFIs in the region will depend on our combined ability to help beneficiaries to identify the ideal mix of grants and loan support for the investments needed in the region.
- **Complementarity and coherence with national IPA programmes** is also a critical factor, particularly when support to the same type of activity is provided for in national programmes
- **Alignment with national, sectorial and regional strategies** and mechanisms for identification of priority investments for the socio-economic development of the region
- With particular regard to the **social sectors**, it is of utmost importance to ensure that supported actions within this programme are in line with national strategies and investment plans and complementarity with IPA national programmes

4. Indicative Budget (amounts in €)

| Activities | TOTAL COST | SOURCES OF FUNDING | | | | | | | | | | |
|--------------------------------------|-------------------|--------------------|------------|----------|-----|------------------------------|-----|---------|----------|---------|-------|-----|
| | | EU CONTRIBUTION | | | | NATIONAL PUBLIC CONTRIBUTION | | | | PRIVATE | | |
| | | Total | % * | IB | INV | Total | % * | Central | Regional | IFIs | Total | % * |
| Activity 1.1. 1.2.2.1.3.1.3.2 | 15,200,000 | 15,200,000 | 100 | X | | | | | | | | |
| Contract 1 | 15,200,000 | 15,200,000 | | X | | | | | | | | |
| Activity 1.3 | 1,000,000 | 1,000,000 | 100 | X | | | | | | | | |
| Contract 2 | 1,000,000 | 1,000,000 | | X | | | | | | | | |
| TOTAL | 16,200,000 | 16,200,000 | 100 | X | | | | | | | | |

Amounts net of VAT

* expressed in % of the Total Cost

5. Indicative Implementation Schedule (periods broken down per quarter)

| Contracts | Start of Tendering | Signature of contract | Project Completion |
|------------|------------------------|------------------------|------------------------|
| Contract 1 | 4 rd Q 2008 | 2 nd Q 2009 | 2 nd Q 2011 |
| Contract 2 | 1 st Q 2009 | 4 th Q 2009 | 2 nd Q 2011 |

6. Cross cutting issues (where applicable)

A core element of this programme is to address a number of cross-cutting issues ranging from environment, social inclusion and equal opportunities. It is worthwhile mentioning that a social impact assessment will also be required for all projects support during implementation. In this process, utmost attention will be paid to aspects related to equal opportunities and vulnerable categories access to public services at the right level. Women, minorities, long-term unemployed and aged people, as well as (unemployed) youth and other categories at risk of social exclusion will be included in this exercise.

6.1 Equal Opportunity

The European Commission is fully committed to a policy of equal opportunity. In all activities during this project, but particularly in training that may be provided throughout the implementation of the investment projects, steps will be taken to ensure the equal participation of men and women. Also, the social impact assessment to be carried out for all projects, will focus, *inter alia*, on women and other vulnerable groups access to the services that will be more easily available through the infrastructure investments that will be realised in the beneficiaries. It is important to mention that partner IFIs are also particularly sensitive to equal opportunity and gender related issues both in the form of specific focus in some of the investments supported and through mainstreaming and impact assessment approaches in the supported actions.

6.2 Environment

With regard to environment, this is one of the target sectors of the proposed intervention. This will support the preparation and implementation of investment projects contributing to improving environmental performance of the beneficiaries. A few practical examples include waste water treatment plans contributing to the reduction of water and rivers pollution, to water supply systems aiming to achieve water savings and improved quality of drinking water, energy efficiency and savings investments, clear energies etc. In addition to this, the proposed intervention will embed in the technical assistance provided throughout the implementation for the preparation of the projects a systematic environmental impact assessment also for investment projects in the transport, energy and social sectors. Partner IFIs are particularly careful in assessing the environment impact of supported investment and have developed throughout the years, relevant methodological material in the form of guidelines, impact assessment techniques and other.

6.3 Minorities

In all activities during this project steps will be taken to ensure that the rights of minorities are taken into account. This aspect will be taken into account in the social impact assessment that will be carried out on investment projects to be supported by this project.

ANNEXES

- 1- Log frame in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3- Description of Institutional Framework
- 4 - Reference to laws, regulations and strategic documents:
- 5- Details per EU funded contract (*) where applicable:

ANNEX 1: Logical framework matrix in standard format

| | | |
|---|---|---|
| LOGFRAME PLANNING MATRIX FOR Project Fiche: Infrastructure Projects Facility – Technical Assistance | Programme name and number: Multi-beneficiary Programme for Support to Cooperation with the International Financial Institutions- IFIs – 2008 (2008/020-300) | |
| | Contracting period expires: 30 November 2009 | Disbursement period expires 31 December 2014 |
| | Total budget : €16,200,000 | IPA budget: €16,200,000 |

| Overall Objective | Objective Verifiable Indicators | Sources of Verification |
|--|---|--|
| To contribute to the socio-economic development of the beneficiaries through improved infrastructures in transport, environment, and energy and in the social field. | Economic and social impact; N. and type of investments for new and/or upgraded infrastructures (e.g. Km of roads/railways etc; coverage of electrification networks, N. of connections; volume of treated waste waters; N. of schools; N. of hospitals, etc.) improved access to infrastructures and related services (N. of utilities users, e.g. N. of railways travellers, reduced average travelling times; N. of households with access to electricity and water, N. of school pupils, N. of hospital patients etc.); N. of foreign investment and investors implied in the region; Reduced average energy costs/increased energy savings; reduced pollution impact; | Economic and social statistics and indicators; levels of public and private sector investments; statistics on utilities management and services provisions |

| Project purpose | Objective Verifiable Indicators | Sources of Verification | Assumptions |
|--|---|--|---|
| <p>To support through technical assistance both preparation and implementation of investment projects that may be financed by grants and/or loans provided by the beneficiaries, the IFIs, IPA resources, and/or other sponsors/donors.</p> | <p>Sustainable mechanism for investment projects identification, preparation and monitoring in place, with proactive participation by all concerned stakeholders;</p> <p>N. of infrastructure investment proposals approved for support under this project; Amount and percentage of budget allocated to investments prepared;</p> <p>N. of approved projects fitting within National and Regional Investment Plans; Amounts and percentage (over total investment value) of loans activated from IFIs.</p> | <p>N. of identified projects actually financed and implemented financing from IFIs, national budgets and other sources</p> | <ul style="list-style-type: none"> • Political priorities for investment infrastructures are confirmed in relation to public investment plans; • Absence of major budgetary constraints for effective mobilisation of identified investments; • Beneficiaries commitment and ability to ensure maintenance of infrastructures; • Legal framework conducive to investments implementation; • Guarantee systems for public and private investments are in place; • IFIs interest and engagement to cooperate on infrastructure investment development in the region confirmed |
| Results | Objective Verifiable Indicators | Sources of Verification | Assumptions |
| <p>Result 1: Improved number, speed and quality of investment proposals for infrastructural remediation and improvement projects in the context of National and Regional Investment Plans.</p> <p>Result 2: Enhanced financial</p> | <ul style="list-style-type: none"> • (R1) N. and quality of investment proposals approved for support under this project; average time lapse between identification (approval for support by this project) and end of project preparation (completion of all relevant | <ul style="list-style-type: none"> • (R1) Investment projects documentation; progress review reports; evaluation and monitoring missions and quality assurance reports. • (R2) IFI lending reports; loan agreements, other cooperation | <ul style="list-style-type: none"> • (R1) Political priorities for infrastructure investments don't change from identification through preparation and implementation • (R2) Negotiations on loan agreements facilitated by |

| <p>cooperation between the Commission, IFIs and beneficiary authorities</p> <p>Result 3: Improved technical skills of local human resources within beneficiary institutions, including local authorities and municipalities.</p> | <p>documentation for project preparation), including those fitting within National Investment Plans</p> <ul style="list-style-type: none"> • (R2) N. of projects financed by IFIs and related level of financing • (R3) N. of competent staff within authorities responsible for investment proposal preparation and implementation | <p>agreements between beneficiaries and IFIs</p> <ul style="list-style-type: none"> • (R3) Numbers and qualities of consultants and projects; beneficiaries and IFIs feedback; comparative needs assessment project' start up – mid-term – end of period | <p>smooth bureaucratic procedures and absence of major red tape constraints.</p> <ul style="list-style-type: none"> • (R3) Limited staff turn-over within beneficiary institutions; Coherence with beneficiaries training plans for utilities' managers and operators |
|---|---|--|---|
| Activities | Means | Costs | Assumptions |
| <p>Activities for achieving Result 1:</p> <ul style="list-style-type: none"> • A1.1: Developing and preparing a pipeline of investment projects for the four sectors (transport, environment, energy, social) in the context of relevant national and regional investment strategies and plans • A1.2: Technical support for detailed preparation and implementation of pipeline projects • A.1.3: independent ad hoc assessment of individual investment projects as needed <p>Activities for achieving Result 2:</p> | <p>Means of implementation</p> <ul style="list-style-type: none"> • Technical assistance contract (contract 1) for all activities encompassing multiplicity of services geared towards projects preparation support, capacity analysis and needs assessments, training (for activities A1.1, A1.2, A2.1, A3.1, A3.2) • Technical assistance contract (contract 2) for ad hoc assessments of projects and performances (for activity A1.3) <p>Means of verification</p> <ul style="list-style-type: none"> • Reports related to contracts execution | <ul style="list-style-type: none"> • €16,200,000 • (contract 1: €15,200,000; contract 2: €1,000,000) | <ul style="list-style-type: none"> • In time provision of TA and training services providers • Relevant Commission staff mobilised for project monitoring • IFIs expert inputs, monitoring and follow up • Beneficiaries staff involved in projects |

| | | | |
|---|--|--|--|
| <ul style="list-style-type: none"> • A2.1: Upstream and downstream cooperation with IFIs and regular exchange of information, advise and opinions between Commission and IFIs on status of priority projects <p>Activities for achieving Result 3:</p> <ul style="list-style-type: none"> • A3.1: Update of capacity needs assessment of concerned stakeholders • A3.2: Training and capacity building of beneficiaries | <ul style="list-style-type: none"> • Mapping and needs assessment studies; stakeholders analysis matrixes, etc. • Reports of stakeholders meetings and discussions • Projects documentation and forms • Studies and assessment of proposed projects, including (pre)-feasibility studies, technical designs, specific assessments, monitoring reports etc. • N. of trainees, n. of training activities; trainees and beneficiary satisfaction Plan for training and for on-the-job skills | | |
|---|--|--|--|

ANNEX II: amounts (in €) Contracted and disbursed by quarter for the project

| Contracted | 1st 2009 | 2nd 2009 | 3rd 2009 | 4th 2009 | 1st 2010 | 2nd 2010 | 3rd 2010 | 4th 2010 | 1st 2011 | 2nd 2011 | 3rd 2011 |
|-------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Contract 1 | | 15,200,000 | | | | | | | | | |
| Contract 2 | | | | 1,000,000 | | | | | | | |
| Cumulated | 0 | 15,200,000 | 15,200,000 | 16,200,000 | | | | | | | |
| Disbursed | | | | | | | | | | | |
| Contract 1 | | 3,000,000 | | 1,500,000 | | 5,000,000 | | 4,000,000 | | 1,700,000 | |
| Contract 2 | | | | | 200,000 | | 200,000 | | 400,000 | | 200,000 |
| Cumulated | | 3,000,000 | | 4,500,000 | 4,700,000 | 9,700,000 | 9,900,000 | 13,900,000 | 14,300,000 | 16,000,000 | 16,200,000 |

ANNEX III: Description of Institutional Framework

Infrastructure investments in the transport, energy, environment and social sectors are a priority for all the beneficiaries covered by this project. The project brings added value through maintaining a regional aspect. It also liaise closely with the various regional platforms in each target sector, namely South-East Europe Transport Observatory, the Energy Community Treaty, the Regional Environmental Programme, the DABLAS Task Force etc.

ANNEX IV: Reference to laws, regulations and strategic documents:

- SEETO Website (<http://www.seetoint.org>)
- ECT Website (<http://www.energy-community.org>)
- REC Website (www.rec.org)
- DABLAS Task Force web-site (<http://ec.europa.eu/environment/enlarg/dablas>)
- Multi-Beneficiary Multi-annual Indicative Planning Document (2007/2009 and 2008-2010)
- Europa website (www.europa.eu.int): relevant sub-sites on transport, environment, energy and social sectors

Reports on the beneficiaries from http://ec.europa.eu/enlargement/key_documents/reports_nov_2007_en.htm)

- Albania 2007 Progress Report
- Bosnia and Herzegovina 2007 Progress Report
- Croatia 2007 Progress Report
- The former Yugoslav Republic of Macedonia 2007 Progress Report
- Montenegro 2007 Progress Report
- Serbia 2007 Progress Report
- Kosovo 2007 Progress Report
- Turkey 2007 Progress Report

ANNEX V: Details per funded contract

Technical assistance will be provided through service contracts for a total amount of €16,200,000