

Project Fiche No. 10
Infrastructure Project Facility - Technical Assistance Window

1. Basic information

- 1.1 CRIS Number:** 2010/xxx-xxx
1.2 Title: Infrastructure Project Facility - Technical Assistance Window
1.3 ELARG Statistical code: 02.40
1.4 Location/Beneficiaries: Western Balkans: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia as well as Kosovo under UNSCR 1244/99
Turkey

Implementing arrangements:

- 1.5 Contracting Authority (EC):** European Community represented by the Commission of the European Communities on behalf of the Beneficiaries.
1.6 Implementing Agency: Not applicable
1.7 Beneficiary: Municipalities including public and private companies running public utilities

Financing:

- 1.8 Overall cost (VAT excluded)¹:** EUR 10 000 000
1.9 EU contribution: EUR 10 000 000
1.10 Final date for contracting: 30 November 2011
1.11 Final date for execution of contracts: 31 December 2015
1.12 Final date for disbursements: 31 December 2016

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:

To support 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 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/ SAA²

All key documents on the Enlargement Strategy and the European perspective of candidate countries 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 emphasis is placed on the sound collaboration with IFIs engaged in promoting infrastructure investments.

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 Balkans³ 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 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 2009-2011⁴ (Section 2.3.2.2.) foresees promotion of infrastructure investments: Support the development and upgrading of transport, environment, and energy infrastructure and in the social field, so as to contribute to the creation of conditions favourable to sustainable development in the region as well as in the IPA beneficiaries; Support preparation of projects that may be financed by grants and/or loans provided by the IPA beneficiaries, the IFIs, IPA resources, and/or other sponsors/donors.

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 Western Balkans consider that adequate investments in infrastructure are essential for ensuring that many indispensable services such as water and sanitation, heating, energy

² AP = Accession Partnership; NPAA = National Programme for the Adoption of the Acquis (for Candidate Countries), National Action Plan (for Potential Candidates); EP= European Partnership; SAA = Stabilisation and Association Agreement

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

⁴ COM (2009) 4518

provision, transport, health and education come into existence in order to improve the living conditions of people. The situation differs from country to country. Under IPA component III and IV, candidate countries 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 it 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 neighbouring countries. 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. Hydroelectricity supplies 98% of the power generated in Albania. The sector's capacity of 1,668 mw (and the small thermal capacity of 224 mw) was installed about 30 years ago. Albania periodically suffers from severe energy shortages, owing to lack of investment in new generating capacity, rapid increase in demand, droughts, and others.

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 Durrës 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 is not yet a comprehensive energy strategy for the country or on energy efficiency and sustainability measures. Generation, transmission and distribution facilities suffered widespread damage during the war. Several power reconstruction projects, funded by international financial institutions and bilateral donors, have been pivotal in rehabilitating the sector. Investment in new generation facilities has been modest since the end of the war, but investor interest has recently increased, and projects that would result in the installation of more than 5,000 mw of new capacity are currently under way

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 migratory flows related to the war have gradually eased, but surveys show that many young people are interested in emigrating from Bosnia and Herzegovina in search of better opportunities. Higher education in Bosnia and Herzegovina is largely run at entity level and funding remains the responsibility of entity and cantonal governments. The law adopted by the state-level parliament in July 2007, takes only modest steps toward increasing central control by introducing two state-level advisory bodies. The research infrastructure is obsolete and in need for repair and investment.

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. Plans for restructuring and privatisation have fallen far behind schedule, although the market has been liberalised since July 2008, when alternative suppliers were allowed to operate. Preparations for the privatisation of the large electricity company have made only slight progress.. 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 has been 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 have been adopted by the Government.

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 envisages 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**, a National Environmental Strategy has been approved by the former government. 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. Planning, monitoring, inspection and project management capacities remain weak. 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. An investment and financing plan for wastewater treatment in one large river basin is under preparation.

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 has been 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 **social sectors**, the physical condition of school infrastructure is poor, as schools lack appropriate buildings, teaching 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" of the country (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. Special attention must be paid to strengthening administrative capacity as a condition for proper and timely implementation of major infrastructure transport projects. The completion 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.

2.6 Link with national/ sector investment plans

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 the countries of South East Europe and the European Commission signed a Memorandum of Understanding (MoU) for the development of a Core Regional Transport Network. A steering committee has been 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 EU⁵. 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 Commission Communications "An Energy Policy for Europe"⁶ and "Priority interconnection Plan"⁷. 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 Beneficiaries have 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 countries open their 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.

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 affect 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 yield 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 countries of the region themselves – 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 countries of 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 countries adopted the programme priorities and translated them 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 REReP is being transformed into a new Regional Environmental Network for Accession (RENA). The ultimate goal of

⁵ A treaty signed October 25th, 2005 and entered into force on 1 July 2006 after ratification by all signatories (all the Beneficiary countries of CARDS and the European Commission on behalf of the EU) established an Energy Community, for the countries of 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.

⁶ COM(2007) 1 final

⁷ COM(2006) 846 final

RENA will be enhanced regional environmental cooperation between the SEE countries and the EU, with a primary focus on activities related to the EU accession process.

Social

In a region where over a quarter of the population of some countries 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 of the region, 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.

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 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 the former Yugoslav Republic of Macedonia. Like in education, Beneficiaries devote a relatively low share of their national wealth to healthcare. The situation of hospitals is particularly challenging in many countries, due to the much 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.

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 IFIs. A technical assistance contract was signed in May 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 was 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. Therefore EUR 16 000 000 more were allocated to the IPF TA from the IPA 2009 programme to extend the services to the beneficiaries and currently a consultant is being selected through an ongoing tender procedure.

The interest in continuing this cooperation has been expressed by both beneficiaries and IFIs. Meanwhile, the Commission together with partner IFIs are finalising the establishment 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 Infrastructure Facility was the first step towards this much broader Western Balkan Investment Framework. While WBIF discussions continue at the relevant policy level, the IPF is perceived as a central element of the entire mechanisms.

In this context, a special window for municipality investments was established through the IPA 2008 programme. The Municipal Facility focuses specifically on providing grant support for municipal investments in the field of water, sanitation and waste management in cooperation with the IFIs partners of the IPF. The management and implementation of the Municipal Facility is coordinated closely with the IPF.

The proposed project (extension of the IPF TA window) aims for a continuation of 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 or other donors.

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

The **project impact** stems from the fact the IPF helps to enhance the cooperation with IFIs, to reach economies of scale in mobilising the necessary technical expertise and to prepare and support infrastructure investment projects. It also facilitates networking and the exchange of know-how among Beneficiaries, and leverages loans from International Financial Institutions that complement national IPA grants. It therefore leads to an increased number of transport, environment, energy and social infrastructure projects with high investment potential.

The Facility has a significant **catalytic effect** as it encourages extensive synergies between grants and loan financing of infrastructure investments and raises the capacity of the beneficiary institutions to prepare and implement infrastructure investment projects. Practical synergies between projects receiving the technical assistance of the IPF and the grant support of the Municipal Facility (see separate project fiche) increase the coherence and complementarity between the two instruments.

The **sustainability** of the initiatives has to be examined at several levels. First, beneficiary ownership and participation in the process is essential to ensure political and policy sustainability of the investments to be supported through the project. Ownership translates in terms of alignment of supported investments with national and sector 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.

Second, financial sustainability is 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.

Third, as to the cross-border impact, many projects in the transport, energy and environment sectors 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 investment pipelines.

3.3 Results and measurable indicators:

The Infrastructure Project Facility Technical assistance Window focuses on the achievement of the following 3 results:

Result 1: Increased number and improved rate and quality of delivery of investment proposals for infrastructural remediation and improvement projects in the context of National and Regional Investment Plans.

Indicator for Result 1: Number 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 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 beneficiary authorities

Indicator for Result 2: Number of projects delivered by the IPF TA financed by IFIs and resulting level of signed loans (for individual investment project and at aggregate level)

Result 3: Exchange of skills and knowledge among the international experts and the beneficiary institutions, including local authorities and municipalities.

Indicator for Result 3: Number of staff from the beneficiary institutions responsible for investment proposal preparation and implementation passed through IPF training and capacity building events and involved project preparation and planning process supported by the IPF Consultants.

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: 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, A1.2, A1.3 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).

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 sector mechanisms of investments identification and prioritisation.

The project is proposed to extend the Technical Assistance provided to the beneficiaries under the ongoing IPF TA window and to respond to the region's needs for infrastructure development and the requested of the stakeholders for continued support and rapid delivery of projects ready for implementation.

The sequencing of the IPF activities has been designed on the basis of the following key principles: a) leadership of the beneficiaries in identifying and proposing projects for support by the IPF; b) early involvement of the partner IFIs and close cooperation with all stakeholders

throughout the project cycle; c) clear identification of the financing perspective for the proposed investment project; d) cooperation among the Commission, the IFIs and the beneficiaries and exchange of sector and methodological expertise; e) link with regional sector strategies.

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, 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 trigger complementarity 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 lead position for the assessing the investment needs, identifying viable solutions and overseeing implementation. 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 sources: 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 investment 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 the national programmes.
- **Alignment with national, sectoral and regional strategies and mechanisms** for identification of priority investments for the socio-economic development of the region.

With particular regard to the **social sector**, 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 EURO)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activities 1,2,3	x		10 000 000	10 000 000	100							
TOTAL IB			10 000 000	10 000 000	100							
TOTAL INV												
TOTAL PROJECT			10 000 000	10 000 000	100							

Amounts net of VAT

- (1) In the Activity row use "X" to identify whether IB or INV
(2) Expressed in % of the **Total** Expenditure (column (a))

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

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1	Q1 2011	Q4 2011	Q4 2015

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 be required for many of the selected projects. Utmost attention will be paid to aspects related to equal opportunities and vulnerable categories access to public services. Women, minorities, long-term unemployed and aged people, as well as (unemployed) youth and other categories at risk of social exclusion will be considered during the implementation of the activities.

6.1 Equal Opportunity

The European Commission is fully committed to a policy of equal opportunity. In all activities of the Infrastructure Project Facility, in particularly in training that is provided throughout the implementation of the projects, steps are taken to ensure the equal participation of men and women. In addition to the social impact assessment carried out for all projects, the access to services of women and other vulnerable groups is incorporated and provided through the developed infrastructure investments projects.

6.2 Environment

Environment is one of the target sectors of the Infrastructure Project Facility. The Facility supports 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 ground and surface water 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 technical assistance is provided throughout the implementation for the preparation of systematic environmental impact assessments for investment projects in the transport, energy and social sectors.

6.3 Minorities

During the execution of all project activities the rights of minorities are taken into account. This aspect of the project development is invariably included in all social impact assessment carried out on investment projects supported by this Infrastructure Project Facility.

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 Project Facility Technical Assistance Window	CRIS No. 2010/xxx-xxx
	Contracting period expires: 30 November 2010	Disbursement period expires 31 December 2014
	Total budget : EUR 10 000 000	IPA budget: EUR 10 000 000

Overall Objective	Objective Verifiable Indicators	Sources of Verification	
To contribute to the socio-economic development of the Western Balkans 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
To support preparation and	Sustainable mechanism for	N. of identified projects actually	<ul style="list-style-type: none"> Political priorities for

<p>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>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>financed and implemented financing from IFIs, national budgets and other sources</p>	<p>investment infrastructures are confirmed in relation to public investment plans;</p> <ul style="list-style-type: none"> • 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: Increased number and improved rate and quality of delivery of investment proposals for infrastructural remediation and improvement projects in the context of National and Regional Investment Plans.</p> <p>Result 2: Enhanced financial cooperation between the Commission, IFIs and beneficiary authorities</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 documentation for project preparation), including those fitting within National 	<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 agreements between beneficiaries and IFIs 	<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 smooth bureaucratic procedures and absence of major red tape constraints.

<p>Result 3: Exchange of skills and knowledge among the international experts and the beneficiary institutions, including local authorities and municipalities.</p>	<p>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 	<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 	<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: Ad hoc assessment of individual investment projects as needed <p>Activities for achieving Result 2:</p> <ul style="list-style-type: none"> • A2.1: Upstream and downstream cooperation with IFIs and regular exchange of information, advice and opinions between 	<p>Means of implementation</p> <ul style="list-style-type: none"> • Technical assistance contract for all activities encompassing multiplicity of services geared towards projects preparation support, capacity analysis and needs assessments, training (for activities A1, A2, A3) <p>Means of verification</p> <ul style="list-style-type: none"> • Reports related to contracts execution • Mapping and needs assessment studies; stakeholders analysis matrixes, etc. • Reports of stakeholders meetings and discussions • Projects documentation and forms • Studies and assessment of 	<ul style="list-style-type: none"> • EUR 10 000 000 	<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

<p>Commission and IFIs on status of priority projects</p> <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 	<p>proposed projects, including (pre)-feasibility studies, technical designs, specific assessments, monitoring reports etc.</p> <ul style="list-style-type: none"> • N. of trainees, n. of training activities; trainees and beneficiary satisfaction Plan for training and for on-the-job skills 		
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ANNEX II: Amounts (in EUR) Contracted and disbursed by quarter for the project

Contracted	Q4 2011	Q2 2012	Q4 2012	Q2 2013	Q4 2013	Q2 2014	Q4 2014	Q2 2015	Q4 2015	Q2 2016
Activities 1,2,3	10 000 000									
Total	10 000 000									
Disbursed										
Activities 1,2,3	2 000 000		1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000
Total	2 000 000		3 000 000	4 000 000	5 000 000	6 000 000	7 000 000	8 000 000	9 000 000	10 000 000

ANNEX III: Description of Institutional Framework

Infrastructure investments in the transport, energy, environment and social sectors are a priority for all 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 2008 Progress Report
- Bosnia and Herzegovina 2008 Progress Report
- Croatia 2008 Progress Report
- The former Yugoslav Republic of Macedonia 2008 Progress Report
- Montenegro 2008 Progress Report
- Serbia 2008 Progress Report
- Kosovo under UNSCR 1244 2008 Progress Report
- Turkey 2008 Progress Report

ANNEX V: Details per funded contract

A service contract will be awarded following a restricted call for tender to be launched in Q1 2011.