

## Standard Summary Project Fiche – IPA centralised programmes

### 1. Basic information

- 1.1 CRIS Number: 2008/020-300
- 1.2 Title: Municipal Window of the IPF (IPF-MW)
- 1.3 ELARG Statistical code: 02.27
- 1.4 Location: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia Montenegro, Serbia as well as Kosovo<sup>1</sup>.  
Turkey.

#### Implementing arrangements:

- 1.5 Contracting Authority (EC): European Commission
- 1.6 Implementing Agency: EIB, EBRD, and CEB/KfW under joint management with the EC
- 1.7 Beneficiaries: Western Balkans: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia Montenegro, Serbia as well as Kosovo.  
Turkey.  
The main beneficiaries are municipalities including public and private companies running public utilities

#### Financing:

- 1.8 Overall cost (VAT excluded): at least EUR 120 million
- 1.9 EU contribution: EUR 24 million
- 1.10 Final date for contracting<sup>2</sup>: 30 November 2009
- 1.11 Final date for execution of contracts<sup>3</sup>: 31 December 2015
- 1.12 Final date for disbursement<sup>4</sup>: 31 December 2016

### 2. Overall Objective and Project Purpose

#### 2.1 Overall Objective:

The overall objective of the project is the financing of a wide range of infrastructure in co-operation with International Financial Institutions (IFIs) to contribute to the creation of the conditions for sustainable development in the beneficiaries.

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<sup>1</sup> under UNSCR 1244/99.

<sup>2</sup> Date for contracting is the date of signature of the Contribution Agreements related to individual Municipal Projects (as defined in §3.5) established in accordance with the template dedicated to International Organisations.

<sup>3</sup> Date for execution of contracts is the date by which the Municipal Project is fully implemented, loans and grants disbursed.

<sup>4</sup> Date on which the EC releases the last payment to the IFIs

## **2.2 Project purpose:**

The project purpose is to support financially the infrastructure investments of municipalities in the field of environment, transport, energy and social sector by providing a grant co-financing mechanism with loans extended by International Financial Institutions to increase the affordability of such investments for municipalities.

Adequate investments in municipal infrastructure are essential to ensure that many services such as water and sanitation and waste management come into existence in order to improve the living conditions of people and to comply with the EU acquis in the environmental field.

## **2.3 Link with AP/NPAA / EP/ SAA**

The Accession Partnerships and European Partnerships have set the financing of waste and water investments as short or medium-term priorities. These investments are principally carried out by municipalities.

In addition, all key documents on the Enlargement Strategy and the European Perspective of candidates and potential candidates underline the importance of infrastructure remediation and upgrading as critical factor for sustained socio-economic development in the region and for its progress towards the European Perspective.

## **2.4 Link with MIPD**

Addressing the economic criteria is one of the priority axes of the MIPD 2008-2010. To address such criteria, it is foreseen to co-operate with International Financial Institutions particularly in the financing of a wide range of infrastructure investments, which are a prerequisite for sustainable socio-economic development and stability in the region.

## **2.5 Link with National Development Plans**

An overall description is provided in the project fiche "IPF- Support to Infrastructure Investments".

## **2.6 Link with national/ sectoral investment plans (where applicable)**

An overall description is provided in the project fiche "IPF- Support to Infrastructure Investments".

This project will more specifically target municipal investments in the environmental field. Most of the beneficiaries are on the way of developing environmental financing and investment strategies as well as environmental sector specific plans and strategies. These plans and strategies identify a number of national priority investment projects to be implemented. .

In addition, there are regional initiatives implemented in close co-operation with the IFIS and which identify priority environmental projects:

- The Priority Environmental Investment programme for Southeast Europe under the Regional Environmental Reconstruction Programme for South-East Europe (REReP), which enables effective co-ordination of international assistance and initiatives on environmental issues in order to complement the Stabilisation and Association Process. It maintains a pipeline of projects in the field of water management, waste management and air quality;
- The Danube and Black Sea (DABLAS) task force, which brings together many stakeholders such as the waterside countries, the IFIs, the European Commission and other bilateral donors to facilitate communication and co-ordination and result in a more focused approach to the protection of water and project futuring. The task force maintains a

pipeline of priority investment projects in the water fields in the Danube and Black Sea water basins.

### 3 Description of project

#### 3.1 Background and justification:

The Enlargement Strategy and main challenges 2007-2008<sup>5</sup> has stressed that maximum leverage of grant support to infrastructure investment will be sought through intensified co-operation with the EIB, the EBRD and other IFIs.

Discussions have started with the IFIs and all stakeholders since November 2006 with a view to finding the best way to address the infrastructure needs of beneficiaries, and to meet the EU requirements in the prospect of EU Accession. From preliminary talks, it was agreed that municipalities will deserve special actions in this field.

On 10 November 2006, in the course of an **IFI day meeting** organised to define future co-operation between the Commission and the IFIs under the new IPA instrument, the main priorities identified by the IFIs were the needs for infrastructure and support to market economy.

These priorities were endorsed on the occasion of the Multi-Beneficiary IPA programme Co-ordination meeting of **14 November 2006** attended by the National authorities and the EC Delegations. It was decided to set up a special area of intervention for IFI co-operation with the view to gathering actions conducted under Infrastructure and Market Economy.

The first meeting of the IFI advisory group<sup>6</sup>, held on **15 March 2007**, decided to structure the IFI co-operation along three strands, the third being dedicated to Infrastructure. In 2007, emphasis was put on the launching of the new Infrastructure Project Facility providing an initial EUR 16 million for technical assistance supporting and facilitating infrastructure investments in the areas of environment, energy, transport and the social sector.

On **5 March 2008**, on the occasion of the Steering Committee<sup>7</sup> of the IFI Facilities, it was decided to launch a complementary window to the IPF, the Municipal Window combining grants for capacity building and co-financing with loans to remedy the very low income of the beneficiaries which hinder financing of infrastructure projects.

The project will be implemented under joint-management with the EIB, the EBRD and CEB/KfW, -the partner IFIs-, to maximise the leverage effect of grants and loans and to benefit from their expertise in international finance and skill in implementing the European Community objectives in relation to Enlargement.

In particular, these three partner IFIs have agreed on the "European Principles for Environment" (EPE) consisting of the guiding environment principles enshrined in the EC treaty and the project-specific practices and standards incorporated in EU secondary legislation on the environment. They are committed, subject to their respective environmental policies, to applying EU principles, practices and standards to all projects financed. The structure of the overall project has been jointly elaborated owing to their comprehensive

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<sup>5</sup> COM(2007) 663 of 6.11.2007.

<sup>6</sup> The IFI advisory group is a structure set up in March 2007 to support and improve the overall co-operation between IFIs and the Commission in the candidates and potential candidates, including co-operation under the Instrument for Pre-Accession Assistance.

<sup>7</sup> The Steering Committee of the IFI Facilities is a structure set up to manage the Facility programmes SMEFF, MFF, MIF and EEFF combining EU grants with credit lines from the EIB, the EBRD and CEB in association with KfW. The members of the Steering Committee are the Commission and representatives of the IFIs participating in the Facilities.

experience in the financing of infrastructure projects and their true commitment to Community policy objectives as recalled in the "*Memorandum of Understanding between the European Commission, in liaison with the European Investment Bank, the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development, the International Financial Corporation, the Nordic Investment Bank, the Nordic Environment Finance Corporation, the Council of Europe Development Bank and the Black Sea Trade and Development Bank on co-operation in (i) economic development of the new EU member states of Central and Eastern Europe, Cyprus, Malta, and (ii) accession preparation in the EU candidate and potential candidate countries*" signed in June 2006.

### **3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)**

#### **Project impact:**

The project impact will be threefold:

- Improvement of living conditions of population;
- Efficient allocation of resources via the adoption of tariffs of public utilities based on an economic approach;
- Positive effect on environment especially as regards the quality of water and soils;

#### **Catalytic effect:**

Municipal infrastructure projects in the region tend to be small or medium (EUR 5 million), with some exceptional large projects that are often scheduled in several tranches. The financing and the implementation of the IPF-MW is expected to trigger additional investments. Therefore the overall leverage effect will be greater than this recorded at project level. For instance, the IPF-MW can be used to finance a water treatment plant, the realisation of which can lead to upgrade and expand the distribution network.

#### **Sustainability**

Municipalities or their affiliates should have the capability to manage infrastructure assets. If need be, capacity building of municipalities may be strengthened in financing additional technical assistance from the IPF-MW or from other donor funds.

Sustainability of municipal infrastructure investments will also depend on the successful revision of public utility tariffs.

#### **Cross-border impact**

There will be a direct cross-border impact where the beneficiary is close to a border or along a major waterway. Overall, municipal infrastructure investments developed under the IPF-MW will contribute to the reduction of the water and soil pollution, and consequently will have an overall positive impact in the region.

### **3.3 Results and measurable indicators:**

Social result	<ul style="list-style-type: none"> <li>- health and condition of living of population are improved</li> <li>- Indicators: <ul style="list-style-type: none"> <li>(i) access to public services: increased connection rates;</li> <li>(ii) increased hours of uninterrupted drinking water supply per day</li> </ul> </li> </ul>
Economic result	<ul style="list-style-type: none"> <li>- tariff policy of public services is adequate to ensure</li> </ul>

	<p>financial viability and sustainability of the investment, especially in the water sector</p> <p>- Indicator: increase in revenue collection of utility companies and movement towards full cost recovery;</p>
Environmental result	<p>- EU acquis is implemented in the environmental field even in the absence of national legislative framework</p> <p>- Indicator: reduction of the level of pollution as measured by indicators defined in the relevant EU Directives, particularly the Council Directive 98/83/EC<sup>8</sup></p> <p>(i) amount of coliform bacteria</p> <p>(ii) colony count 22°C</p>

### 3.4 Activities:

The main activity will be the financing of municipal infrastructure projects implemented by the partner IFIs in combining IPA grants with IFI credit lines and preferably grants from the IFI own resources or from other donors.

The IPA grants could be used for the following purpose:

- Investment support to municipal infrastructure projects through joint co-financing with the partner IFIs: IFIs will provide a repayable loan and the Commission a non-repayable grant. Investment support will be only available for Potential Candidates.
- Consultancy Services (CS): depending on the structure of the project and the needs for capacity building of the beneficiaries, IPA grants may be used to finance technical assistance directly contracted by the IFIs. Where Consultancy Services only strengthen the administrative capacity of the municipalities, all beneficiaries are eligible. Where Consultancy Services are linked to a municipal investment, rules governing Investment support apply.

To that end, a Municipal Project agreement will be signed between the IFI and the beneficiary of the infrastructure investment. The Municipal Project agreement will include at least the IFI credit line and the use and disbursement of IPA grants.

### 3.5 Conditionality and sequencing:

#### Conditionality

##### *Eligibility criteria*

- Eligible beneficiaries of the IPF-MW are municipalities, private or public companies delivering municipal services, who are directly responsible for the implementation of the investment.
- Eligible investments relate to all types of municipal infrastructure in the field of environment, transport, energy and social sector. In a first stage, priority will be given to environmental investments especially in the water sector and the solid waste management, where the focus is on the protection of public health and safety. Eligible investments shall be open to co-financing by the IFIs.

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<sup>8</sup> OJ L 330/32 of 5.12.98.

*Financial criteria*

The IPA grants used within a Municipal Project are capped at 20% of the total eligible expenditures<sup>9</sup>.

The credit line extended by the IFIs shall be at least twice the IPA grants earmarked for a given Municipal Project.

The justification for IPA grants shall be assessed through an analysis of operational sustainability and affordability indicators, based on the due diligence performed or overseen by the partner IFI. The Municipal Project shall demonstrate its financial viability over time.

In case of project size greater than EUR 10 million, the Municipal Project (MP) shall also comply with the minimum requirements set by the Cost Benefit Analysis<sup>10</sup> of Major Projects used in the context of the EU Regional Policy and based on the funding-gap method.

*Structure of the Municipal Project proposal submitted by the IFIs through the IPF contact point from the national authorities to the IPF Secretariat in case of direct lending*

- The MP proposal shall include a feasibility study financed either from the IPF-TA or by another source (other donor funds). This feasibility study should demonstrate the financial viability of the project and the sustainability of the investment. The MP proposal should also detail:
  - the financing plan
  - the implementation and disbursement schedule until completion of the project.
- The Municipal Project proposal shall include an assessment of the capacity of the beneficiary(ies) to manage the project in the implementation and operational phases. To that end, should be detailed:
  - Technical Assistance provided in the past and the source of funding;
  - Technical Assistance to be financed either from the IPF-MW or other sources.
- The municipal project may cover one municipality or several municipalities.

**Overall financing structure of a Municipal Project**

Municipal Project					
Mandatory components		Optional components			
IPA grants for - co-financing and/or - TA at project level	IFI credit line	Grants for investment from the IFI, other donors or IPA national programmes	TA financed from the IFI or other sources	Loans financed by other actors	National own resources

<sup>9</sup> Article 34 (3) in conjunction with Article 66 and Article 67 of Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance OJ L 170/1 of 29.06.2007.

<sup>10</sup> Working document n°4: guidance on the methodology for carrying out Cost-Benefit Analysis (DG REGIO website).

## Sequencing

### *Before the Commission Decision*

1.	Features of the MW developed by the Commission together with the partner IFIs and the beneficiaries
2.	Definition of the template of the Municipal Project proposal
3.	List of potential municipal investments ready for implementation. These Municipal Projects are prepared by the IFIs and shall fit with the beneficiary priorities. Two to three Municipal Projects per IFIs are expected

### *After the adoption of the Commission Decision*

1.	A priority list of Municipal Projects proposed by the beneficiaries and IFIs sent to ELARG task manager by the NIPAC - IPF contact point
2.	Distribution of Municipal Projects to the Secretariat Members for reviewing (Municipal Projects shall include feasibility study, financial viability study)
3.	Recommendations made by the IPF Steering Committee
4.	Following SC recommendations, ELARG decides which Municipal Projects to finance and signs the Contribution Agreements with the IFIs. One Contribution Agreement per IFI comprising the approved Municipal Projects to be implemented
5.	Release of the first tranches of IPA Community Contribution to the IPF-MW special account held with the IFIs
6.	Implementation of the project by the partner IFIs: <ul style="list-style-type: none"> <li>- Signature of the Municipal Project agreements (including the loan contract and the grant element) with the promoters of the municipal infrastructure investments. The loan contract could also be signed with an intermediary (financial intermediary or public institution), when it is justified for guarantee or credit-worthiness reasons, provided that beneficiary municipalities are identified from the outset;</li> <li>- Release of the EU contribution in proportion to the IFI loan disbursement;</li> <li>- Completion check performed by the partner IFIs.</li> </ul>
7.	After completion, release of the final payment to the IFIs ' accounts

### 3.6 Linked activities

The IPF-MW is linked to Technical Assistance provided through IPF (IPF-TA) since it is developed under the same umbrella. Infrastructure projects for which preparation and feasibility studies would have been financed from the IPF-TA may benefit from the IPF-MW.

Municipal Projects financed the IPF-MW will be selected by the decisional structures of the IPF comprising the Secretariat and the Steering Committee of the IPF with IFI participation.

### 3.7 Lessons learned

In Phare countries, two programmes (the Cross Border Facility and the Municipal Finance Facility) supporting municipal lending were launched by the Commission. Since the main objective was to develop the municipal lending market in extending banking loans to small

and medium-sized municipalities, municipal infrastructure projects were implemented through financial intermediaries.

The EU grants have benefited

- the financial intermediaries to set up municipal lending departments and develop their expertise in this field,
- municipalities through:
  - Technical Assistance to help them prepare bankable projects;
  - Direct investment support to decrease the total cost of investment borne by the municipal borrower.

**Under the Cross Border Facility<sup>11</sup>** implemented with the EIB under the 2002 and 2003 budgetary year, EUR 40 million of EU grants were allocated in 24 projects with Financial Intermediaries in combination with EIB credit lines amounting to EUR 200 million.

The number of infrastructure projects financed was 225 for a total cost of EUR 287 million, that is to say a sub-project cost of EUR 1.2 million on average. As of today, 161 sub-projects are completed.

Jobs created in connection to these municipal investments were 1,474.

**Under the Municipal Finance Facility (MFF)**, the 3 partner IFIs, namely the EIB, the EBRD, and CEB/KfW were involved in the 2002, 2003, 2005 and 2006 programmes.

The EIB has been the leader under the MFF programme. 28 projects with participating banks were approved for a total amount of EU grants of EUR 31.25 million in combination with EIB credit lines totalling EUR 250 million. The number of municipal infrastructure projects financed was 306 for a total cost of EUR 331 million, that is to say a sub-project cost of EUR 1.08 million on average.

CEB/KfW concluded 13 projects with financial intermediaries for a total amount of EU grants of EUR 18 million in combination with CEB/KfW loans totalling EUR 185 million. 154 infrastructure projects were financed in mobilising EUR 84 million of CEB/KfW financing.

The EBRD only succeeded in extending 6 projects with financial intermediaries totalling EUR 10.5 million of EU grants in combination with EUR 50 million of EBRD loans and EUR 8 million of risk-sharing agreement. 25 municipal projects were financed for a total amount of EUR 24.3 million.

The ongoing MFF programme has been very challenging to implement due to the weak attractiveness of municipal lending for financial intermediaries. Municipal lending is a very specific business where interest margins are very low owing to the low credit risk profile of municipalities, which cannot go bankrupt in most Phare countries. The weight of the past is strong and newcomers in the municipal lending cannot compete on a level playing field with the historical operators, which are often the account managers of municipalities and affiliates. Considering this experience, the IPF-MW will privilege direct lending to municipalities to have an effective and rapid impact in the field of infrastructure investment. This option will allow financing of large environmental investment needs for the bigger cities.

Both the Cross Border programme and the MFF targeted the small and medium-sized municipalities with relatively small investment projects (below EUR 5 million). Needs of larger municipalities were already addressed and the best means to reach small investments projects was through financial intermediaries. The context is different in the IPA region and the direct lending option will be supported under the IPF-MW. However, in case of Municipal

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<sup>11</sup> All data at end-2007



Projects including several identified municipalities, as it could be the case in construction of water and sewage networks, lending through financial intermediaries will not be excluded, especially for credit worthiness reasons.

**4. Indicative Budget (amounts in EUR)**

			<b>SOURCES OF FUNDING</b>									
			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 loans EUR (z)	EUR (d)	% (2)
Activity 1 (3)												
contract 1.1	X	X	40,000,000	8,000,000	20	32,000,000	80			32,000,000		–
contract 1.2	X	X	40,000,000	8,000,000	20	32,000,000	80			32,000,000		–
contract 1.3	X	X	40,000,000	8,000,000	20	32,000,000	80			32,000,000		–
<b>TOTAL IB</b>			4,000,000	4,000,000	100							–
<b>TOTAL INV</b>			116,000,000	20,000,000	17,2	96,000,000	82,8			96,000,000		–
<b>TOTAL PROJECT</b>			<b>120,000,000</b>	<b>24,000,000</b>	<b>20</b>	<b>96,000,000</b>	<b>80</b>			<b>96,000,000</b>		

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))
- (3) IB and INV are mixed in the Activity 1 because this programme is implemented under joint management. The amount contracted with the IFIs will include a share for Institution Building that will be contracted directly by the IFIs with the Consultants and this share is not yet precisely known.

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

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract EIB	n.a	2009 Q1	2015 Q4
Contract EBRD	n.a	2009 Q1	2015 Q4
Contract CEBKfW	n.a	2009 Q1	2015 Q4

The execution period of the Municipal Projects implemented by the IFIs exceeds the average length normally allowed. The length of the execution period is justified due to the number of steps involved in the financing of municipal infrastructure investments until their completion. After the signature of the Contribution Agreements with the IFIs, tenders should be organised and contracts should be signed with the suppliers of works and services and after that, works will start. It is only after the full completion of the investments that the Commission will release the final payments.

## 6. Cross cutting issues (where applicable)

### 6.1 Equal Opportunity

Both men and women will benefit from improved municipal infrastructure.

### 6.2 Environment

Infrastructure investments of municipalities will be mainly focus on the water and waste management sectors, two sectors which are covered by environmental Directives. Implementation of these infrastructure projects will have a direct and positive effect on environment all the more that some of them will target medium and large municipalities to reach a great number of inhabitants.

### 6.3 Minorities

Non applicable.

## ANNEXES

- I- Logical framework matrix in standard format
- II- Amounts contracted and disbursed per quarter for the project
- III- *Description of Institutional Framework: non applicable*
- IV - Reference to laws, regulations and strategic documents
- V - *Details per EU funded contract where applicable: non applicable*

## ANNEX I: Logical framework matrix in standard format

LOG FRAME PLANNING MATRIX FOR Project Fiche	Programme name and number <b>Multi-beneficiary Programme for Support to Cooperation with the International Financial Institutions-IFIs – 2008 (2008/020-300)</b>	
<b>Municipal Window of the IPF (IPF-MW)</b>	Contracting period expires: 30/11/2009	Disbursement period expires: 31/12/2016
	Total budget : EUR 120 million	IPA budget: EUR 24 million

<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
Supporting infrastructure investments to create the conditions for sustainable development in the beneficiaries in the prospect of EU accession	Degree of compliance of public utilities with EU requirements in the environmental field	Progress reports, existence of National Action Plans	
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
Co-operation with IFIS to support financing of infrastructure investments of municipalities mainly in the field of water, sanitation and waste management, through direct lending to municipalities	<ul style="list-style-type: none"> <li>- Number of projects financed and implemented</li> <li>- Number of inhabitants reached by infrastructure projects</li> </ul>	<ul style="list-style-type: none"> <li>- monitoring reports from the IFIs</li> <li>- feedback form the National authorities and the Delegations</li> </ul>	<ul style="list-style-type: none"> <li>- list of potential projects discussed before launching the programme accurate enough</li> <li>- right estimate of achievable infrastructure project;</li> </ul>
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
(R1) Realisation of infrastructure investments leading to: <ul style="list-style-type: none"> <li>- (R2) social result</li> <li>- (R3) economic result</li> <li>- (R4) Environmental result</li> </ul>	<ul style="list-style-type: none"> <li>- (R1) full disbursement of EU grants and IFI loans, completion check of investment, Commissioning certificate</li> <li>- R(2) connection rates to water network</li> <li>- R(3) increase in revenue collection</li> <li>- R(4) amount of coliform bacteria and colony count 22C°</li> </ul>	<ul style="list-style-type: none"> <li>- IFI reports</li> <li>- monitoring visits by the EC</li> </ul>	<ul style="list-style-type: none"> <li>- Feasibility studies accurate enough to avoid gaps between expectations and achievements</li> <li>- capacity of the promoter of the investment to manage the investment</li> <li>- adequate tariff policy</li> </ul>

<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>
<ul style="list-style-type: none"> <li>- assessment of projects</li> <li>- approval of projects</li> <li>- signature of contribution agreements with the partner IFIs</li> </ul>	<ul style="list-style-type: none"> <li>- Elarg human resources</li> <li>- IFI human resources</li> </ul>	<p style="text-align: center;">Internal cost</p>	<ul style="list-style-type: none"> <li>- Contribution agreements signed by end of June 2009;</li> <li>- submission of projects meeting the eligibility criteria and including all components necessary to assess it</li> <li>- Secretariat prepared to assess the project proposals</li> <li>- Decisional structure ready to approve projects submitted under the IPF-MW</li> </ul>

**Pre-conditions**

- Identification by the IFIs of municipal infrastructure investments ready for implementation
- Under the direct lending option: availability of feasibility studies financed either from the TA window of the IPF or by other sources
- Under the direct lending option: the feasibility study should demonstrate the financial viability of the project and its sustainability

**ANNEX II: amounts (in million EUR) contracted and disbursed per quarter for the project**

<b>Contracted</b>	<b>2009 Q1</b>	<b>2016 Q1</b>
Contract 1.1	8	
Contract 1.2	8	
Contract 1.3	8	
<b>Cumulated</b>	<b>24</b>	
<b>Disbursed</b>		
Contract 1.1	5	3
Contract 1.2	5	3
Contract 1.3	5	3
<b>Cumulated</b>	<b>15</b>	<b>24</b>

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

### **1. Reference list of relevant laws and regulations**

#### **- Water protection and management**

- Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy. IN particular the EU promotes sustainable water use;
- COM(2000)477: Communication from the Commission to the Council, European Parliament and Economic and social committee: Pricing and sustainable management of water resources;
- Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption;
- Council Directive 91/271/EEC of 21 May 1991 concerning urban waste water treatment.

#### **- Waste management**

- Directive 2006/12/EC of the European Parliament and of the Council of 5 April 2006 on waste;
- Directive 75/442/EEC on waste;
- Directive 86/278/EEC on sewage sludge;
- Directive 2000/76/EC of the European Parliament and of the Council of 4 December 2000 on the incineration of waste;
- Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste;
- Commission Communication of 21 December 2005 "taking sustainable use of resources forward: a Thematic Strategy on the prevention and recycling of waste" COM(2005)666.

### **2. Reference to AP /NPAA / EP / SAA**

#### **Reference to Accession Partnership**

##### **Croatia**

The key priorities in the environmental field include increasing investments in environmental infrastructure, with particular emphasis on waste water collection and treatment, drinking water supply and waste management.

##### **The former Yugoslav Republic of Macedonia**

In the short term priorities, it is foreseen to increase investments in environmental infrastructure, with particular emphasis on waste water collection and treatment, drinking water supply, tackling air pollution and waste management.

The medium term priorities include the same list of environmental investments.

##### **Turkey**

In the short term priorities, Turkey is expected to adopt a comprehensive strategy for the gradual transposition, implementation and enforcement of the *acquis*, including plans for building up the necessary administrative capacity at national, regional and local level and

required financial resources, with an indication of milestones and timetables; continue transposition, implementation and enforcement of the *acquis*, in particular horizontal and framework legislation, such as the environmental impact assessment, including transboundary aspects, as well as strengthening of administrative capacity, and adopt the National Waste Management Plan.

## **Reference to European Partnerships**

### **Albania**

The short term priorities mention the development and the implementation of the national water and sanitation strategy and the rural strategy for water supply and sewerage.

### **Bosnia and Herzegovina**

The medium term priorities mention the implementation of strategic plans including investment strategies and the increase of investments in environmental infrastructure, with particular emphasis on waste water collection and treatment, drinking water supply and solid waste management.

### **Montenegro:**

In the short and medium term priorities, it is foreseen that Montenegro continues approximating its legislation to EU legislation and standards, notably environmental protection framework legislation; develops the administrative capacity to implement and enforce adopted legislation; develops an overall environment protection strategy (water, waste, air); adopts the land use plan and sectoral strategies (integrated coastal zone management, biodiversity, climate change); and strengthens environmental management administrative capacity.

### **Serbia**

The short term priorities in the field of environment consist in putting in force the EU *acquis* legislation and starting the implementation of waste management plans. In the medium term, the country will implement the water strategy fully and annual plan for financing the environmental protection policy including for investments.

### **Kosovo**

The short-term priorities are focused on environmental measures connected to public health issues: investments in water and sanitation have direct consequences on public health improvement.

## **3. Reference to MIPD**

See paragraph 2.4 of the main text of the Project Fiche.

## **4. Reference to National Development Plan**

See paragraph 5 below.



## **5. Reference to national/sectoral investment plans**

(sources: progress reports)

### **Candidates**

#### **Croatia**

*Water management:* little progress is reported in this field. The Water Management Strategy has not yet been adopted

*Waste management:* a national waste management plan was adopted and the activities to develop the regional waste management centres to be organised under the waste management plan are advancing in every county. Co-financing of investments is provided by the Environmental Protection and Efficiency Fund.

The conclusion outlines that a comprehensive plan for putting in place the necessary capacity at national, regional and local level, as well as financial resources to implement and enforce the *acquis* needs to be developed.

#### **The former Yugoslav Republic of Macedonia**

*Water management:* progress has been limited.

*Waste management:* legislation implementing the law on waste management has been adopted, however, the national strategy for waste management and the national waste management plan have still to be drafted.

The general conclusion of this chapter is that progress is limited in all fields requiring major investments. It is outlined that financial resources remain inadequate specially at local level.

#### **Turkey**

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. Furthermore, the Operation Programme for Environment lists priority environmental investments to be financed under IPA, Component III.

*Water management:* the overall alignment is low as water framework directive has not been transposed.

*Waste management:* Turkey has no national waste management plan. There is no progress regarding the directives on landfill, waste incineration.

### **Potential Candidates**

#### **Albania**

*Water management:* the Water Supply and Waste Water Sector Strategy targets, fixed in 2003, have not been attained. Water supply and waste water remain problematic, particularly in coastal areas. Water supply and sanitations remain outdated. A comprehensive water management strategy is still needed, including approximation with European legislative standards, determining investment needs, and improving the capacity to manage water and sewerage issues.

*Waste management:* there has been little progress in the area of waste management. There is no clear strategy for the disposal of municipal solid waste. Uncontrolled dumping and burning of waste continue to pose environmental and health risks.

## **Bosnia and Herzegovina**

*Water management:* little progress can be reported. Implementation of the Water Law in the Entities has been delayed until the implementing legislation is in place. Insufficient waste water treatment remains a key environmental challenge.

*Waste management:* no progress has been made on legislative support for recycling and recovery of priority waste products which can no longer be disposed of at landfill.

In conclusion, preparation of the country in the field of environment is at an early stage and the country lacks of experts and has very limited financial resources for the necessary environmental investments. In addition, the country suffers from limited absorption capacity.

## **Montenegro**

*Water management:* a new Law on water was adopted in May 2007 transposing some of the obligations under the Water Framework Directive, but the level of alignment with the European standards remains low.

*Waste management:* the national Waste Management Plan has not yet been adopted and alignment with the EU standards is low.

Further efforts are needed in the environmental field knowing that implementation and enforcement pose a significant challenge.

There is no environmental investment strategy at the moment, however, the Government of Montenegro has adopted in 2005:

- 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;
- 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.

## **Serbia**

*Water management:* a challenge is the upgrading of the waste water treatment infrastructure throughout the country. There is an issue about the sustainability of further investments given the low price of water.

*Waste management:* strategic plans on waste management, both at national and local level are still under development.

In conclusion, the report outlines that institutional capacity is insufficient at local level. Co-operation between the central level and municipalities needs to be enhanced. 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. Financing plans have still to be developed especially for water, solid waste and pollution hot spots.

**Kosovo**

*Water management and Waste management:* Progress has been made in both areas. However, the utilities face problem with revenue collections. Structures are still fragile and the current arrangements for management of the waste sector are in need of improvement.

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