CLUSTER EVALUATION

Case study I: Croatia MEI

Sustainable Infrastructure Operations in Advanced Transition Countries

European Bank
for Reconstruction and Development

EvD ID: SS20-158

July 2021

EBRD EVALUATION DEPARTMENT

CROATIA MEI

ANNEXES

SUMMARY

The ABI of MEI in Croatia in the period 2011-2019 amounted to over €75 million, which averages under €9m annually. This represented 12% of SIG ABI in Croatia. There were nine MEI operations approved by the Board of Directors in that period. In terms of sub-sectors, these MEI projects in Croatia were strongly focused on the Water and Wastewater sector, where five of the nine projects were implemented. This sub-sector also represented over 75% of investment volume of MEI projects.

MEI projects had invariably justified rationale for relevance to local needs, both as related to clients' investment needs as well as sector reform needs. The water and wastewater sector has had significant investment needs to be able to achieve EU standards in water supply and wastewater treatment and to comply with EU regulations. All the projects in the evaluation portfolio made a credible case for the relevance of the projects both in terms of capital investments as well as the 'soft' components of clients' operational improvements and sector-level reform.

Projects approved over the evaluation period consistently addressed transition challenges identified for the Croatian MEI sector. For the water sector these meant largely targeting the improvements in the operational and financial management of utility companies, tariff reform and establishing contractual relationships between utility companies and municipalities. At sector level the main reform efforts were toward regional consolidation.

The financial additionality of the Bank's presence in the MEI sector has been diminishing over the evaluation period and is currently low due to sufficient local availability of finance for EU grants co-financing. Most of EBRD additionality stems from non-financial additionality, especially in the form of donor-funded technical cooperation. Transition related conditionalities have however not been enforced where not implemented, demonstrating the uneasy trade-off between financial and non-financial additionality.

For most projects in the evaluation portfolio, their TI expectations were fully linked to the 'soft' components of implementation, either at client or sector level. However, this linking of individual projects to 'systemic'/ sector outcomes sometimes led to attaching expectations to projects on which they were not equipped to deliver. Reporting on the sector/ country level progress of transition has been systematically flawed. The shift to TQ Green transition rationale and related indicators can alleviate some of these issues by focusing on physical implementation rather than systemic/ reform change. However, for this shift to be credible in terms of the Bank's contribution to transition, a monitoring and results verification and reporting system for the delivery needs to be put in place.

Activity and realised investment in the MEI sector largely underperformed expectations. The reason for this underperformance can be seen in the combination of strategic orientation and local context. Where implemented, physical outputs and TCs have mostly been delivered, albeit sometimes with considerable delays.

The sustained strategic priority of the Bank in the sector – to increase the absorption capacity for EU funds – was not achieved. Environmental outcomes are likely but for most of the period these were not part of results/ transition monitoring and reporting. Client-level expectations in institutional strengthening and formalisation of contractual arrangements were often met, with the exception of tariff equalisation which was universally not achieved. Impacts in terms of sector reform have not been achieved.

Abbreviations

ABI	Annual Bank Investment
ATC	Advanced Transition Country
C2CF	Cohesion Funds Co-Financing Water & Wastewater Framework
CEB	Central Europe and Baltics
CRR	Capital Resource Review
CSDR	Country Strategy Delivery Review
CSU	Country Strategy Update
CWA	Croatian Water Agency
EPG	Economics, Policy & Governance (EBRD)
ESIF	European Structural and Investment Funds
EU	European Union
EvD	Evaluation Department (EBRD)
FOPIP	Financial and Operational Performance Improvement Programme
GET	Green Economy Transition Approach
GHG	Greenhouse Gas
HBOR	Croatian Bank for Reconstruction and Development
HRK	Croatian Kuna (currency)
MEI	Municipal & Environmental Infrastructure
NCBI	Net Cumulative Bank Investment
OECD	Organisation for Economic Co-operation and Development
PSC	Public Service Contract
ROC	Regional Operating Company
SCF	Strategic and Capital Framework
SEI	Sustainable Energy Initiative
SIG	Sustainable Infrastructure Group
SIP	Strategy Implementation Plan
SOE	State-owned Enterprise
SRI	Sustainable Resource Initiative
SUMP	Sustainable Urban Mobility Plan
TC	Technical Cooperation
TI	Transition Impact
TIMS	Transition Impact Monitoring System
TQ	Transition Quality

1 Portfolio overview

NB: All data in this section originates from DW_Banking_Operational dataset as available on the EBRD Tableau server in June 2020. Analysis by EvD.

In line with the approach to the evaluation outlined in the Approach Paper, this evaluation's time scope comprised the past two strategic periods, the Capital Resource Review (CCR4, 2011-2015) and the first Strategic and Capital Framework (SCF, 2016-2020) until the end of 2019.

1.1 ABI

The **ABI (excl. restructuring) of SIG in Croatia in the period 2011-2019 amounted to over €630 million**, out of total ABI in Croatia over that period of €1.6bn (39%). Within three SIG subsectors, the ABI of MEI represented the lowest share overall. The **ABI of MEI amounted to over €75 million**, which averages under €9m annually. This represented 12% of SIG ABI in Croatia, with Transport assuming the largest share at 68% and Energy comprising 20% of SIG ABI over the period.

Figure 1: ABI (excl. restructuring) Croatia 2011-2019, share of sectors

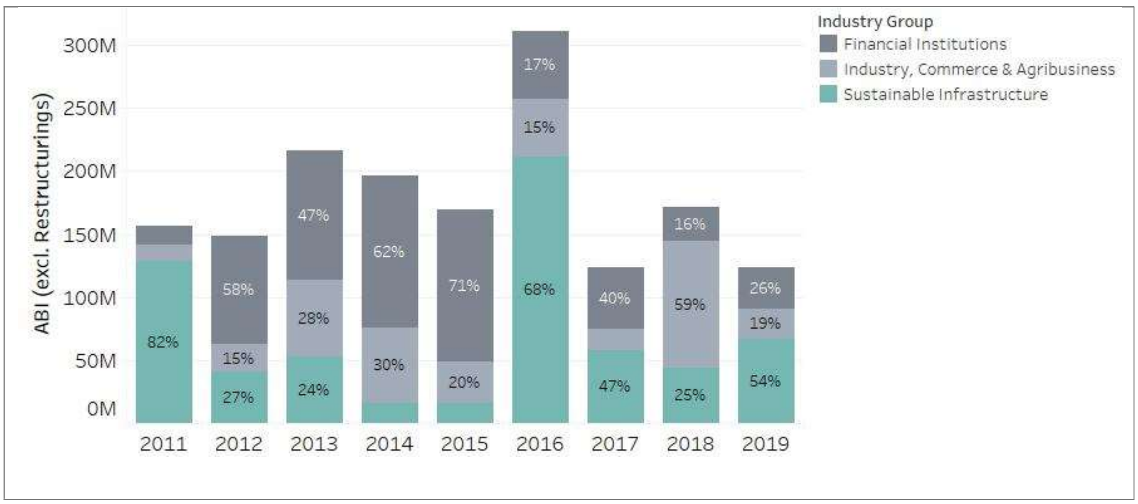
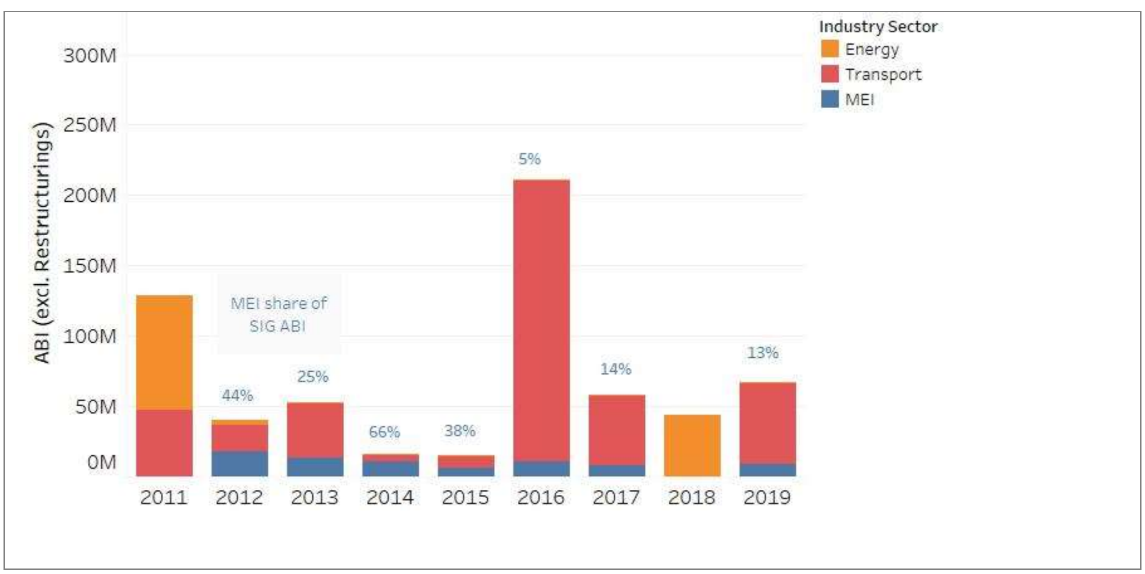


Figure 2: Sustainable Infrastructure ABI (excl. restructuring) Croatia 2011-2019, by sub-sectors



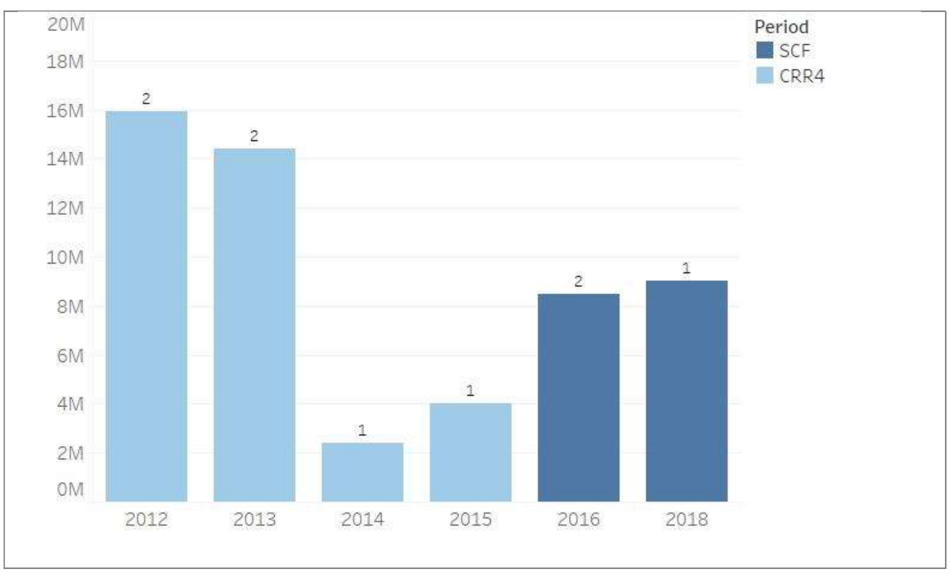
1.2 Investment

There were **eight stand-alone MEI projects and one sub-operation** approved by the Board of Directors in the period 2011-2019. The sub-operation was the only project materialising under a larger framework which was also approved (and closed) within this period. There were six projects approved in the first strategic period (2011-15) and further three under SCF by the end of 2019.

Table 1: MEI projects in Croatia, 2011-2019 (by approval year)

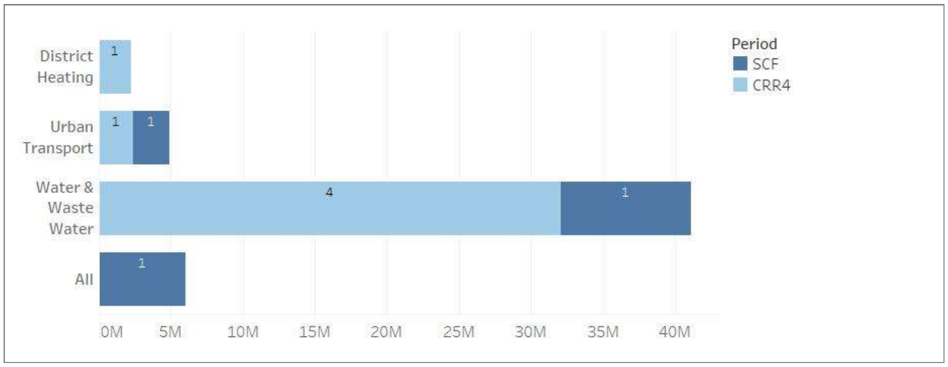
	Year approved	Operation Name	Op Id	Type	Portfolio class	Instrument Type	Sov Risk	NCBI (€)	
CRR4	2012	North Western Regional Waste Water Project	39990	SA	STATE	Debt	Non-Sovereign	5,950,000	
	2012	Sibenik Wastewater Investment Programme	42125	SA	STATE	Debt	Non-Sovereign	10,000,000	
	2013	Rijeka Water and Wastewater Investment Project	44336	SA	STATE	Debt	Non-Sovereign	12,155,833	
	2013	Rijeka District Heating	45213	SA	STATE	Debt	Non-Sovereign	2,275,893	
	2014	Sisak Urban Transport	46218	SA	STATE	Debt	Non-Sovereign	2,406,762	
	2014	*Croatia Cohesion Funds Co-Financing Water & WW*	*45769*	*FW*					
	2015	C2CF Porec water and wastewater sub-project	45770	SO	STATE	Debt	Non-Sovereign	4,000,000	
	TOTAL CRR4								36,788,489
SCF	2016	Pula Bus Renewal project	48246	SA	STATE	Debt	Non-Sovereign	2,500,000	
	2016	Zagreb Holding Bond Issuance (f. Project Sava)	48519	SA	STATE	Debt	Non-Sovereign	5,997,290	
	2018	Zagreb County Water Project	48933	SA	STATE	Debt	Non-Sovereign	9,000,000	
	TOTAL SCF								17,497,430
TOTAL									**54,285,778**

Figure 3: NCBI MEI in Croatia in €, 2011-2019 (by approval year), number of operations



In terms of sub-sectors, **MEI projects in Croatia were strongly focused on the Water and Wastewater sector**, where five of the nine projects were implemented. This sub-sector also represented over 75% of investment volume of all projects.

Figure 4: NCBI MEI in Croatia, by sub-sector in €, 2011-2019 (by approval year), number of operations



Note: Category 'All' was allocated to 48519 Zagreb Holding Bond Issuance

The projects in the portfolio are characterised by **relatively high incidence and volumes of cancellations**. Aside from a large scale-back on a bond purchase (48519), the investment volumes were decreased by about half in two projects (46218, 48246) and by three quarters on another one (45213), compared to Board approved volumes. Moreover, one project (44336) was prepaid and refinanced locally. In addition, the framework Croatia Cohesion Funds Co-Financing Water & Waste Water (45769), which was approved for projects with cumulative volume up to €200m, was closed after the implementation of just one subproject of €4m.[1]

Table 2: MEI projects cancelled facilities

OpID	Name	Active/ Completed facilities	Cancelled facilities	% Cancelled
39990	North Western Regional Waste Water Project	5,950,000	2,050,000	26%
42125	Sibenik Wastewater Investment Programme	10,000,000	0	0%
44336	Rijeka Water and Wastewater Investment Project	12,155,833	844,167	6%
45213	Rijeka District Heating	2,275,893	7,724,107	77%
45770	C2CF Porec water and wastewater sub-project	4,000,000	0	0%
46218	Sisak Urban Transport	2,406,762	2,093,238	45%
48246	Pula Bus Renewal project	2,500,000	2,500,000	48%
48519	Zagreb Holding Bond Issuance (f. Project Sava)	5,997,290	54,004,888	90%
48933	Zagreb County Water Project	9,000,000	0	0%

1.3 Technical cooperation

All the projects were implemented in the **State portfolio**, with no sovereign guarantee. As is common for this type of projects, loans were often accompanied by **Technical Cooperation (TC) packages**, which frequently represented substantial volumes compared to the volume of the loan itself. TCs were provided both pre-signing (feasibility studies, environmental assessments, due diligence) and post-signing (Financial and Operational Performance Improvement Programmes, implementation support and other).

[1] The investment volume on this project was subsequently increased in 2020 by another €6m with additional Board approval, after the framework closure (BDS14-083 (Addendum 3))

The following table outlines the size of TC compared to the size (NCBI) of the projects. This is compiled based on actual disbursements for TC contracts, and on future expectations in the latest projects (48246, 48933) where disbursements have not yet been made on some components. For internally financed TC where exact disbursement figures are not available, these were based on budgets presented in project documents. Details of the individual TC projects are presented in Annex 4; their implementation and results are discussed together with the relevant operations in Annex 2.

Table 3: Share of TC on investment

OpID	Name	NCBI (€)	Sum of TC disbursement (€)	TC as % of NCBI
39990	North Western Regional Waste Water Project	5,950,000	427,711	7%
42125	Sibenik Wastewater Investment Programme	10,000,000	733,235	7%
44336	Rijeka Water and Wastewater Investment Project	12,155,833	196,044	2%
45213	Rijeka District Heating	2,275,893	321,814	14%
45770	C2CF Porec water and wastewater sub-project	4,000,000	372,000	9%
46218	Sisak Urban Transport	2,406,762	407,000	17%
48246	Pula Bus Renewal project	2,500,000	400,700*	16%
48519	Zagreb Holding Bond Issuance (f. Project Sava)	5,997,290	0	0%
48933	Zagreb County Water Project	9,000,000	250,000*	3%

**) includes expected future disbursements*

2 Context

2.1 Economic overview

The Croatian economy was severely affected by the global financial crisis due to its strong trade and tourism links with Eurozone economies, exacerbated by delayed structural reforms. The Croatian economy declined by a cumulative 12.6% between 2009 and 2014, the second largest contraction in the EU after Greece. The recession also took its toll on the labour market with unemployment reaching about 17% in 2014. Slow progress on structural reforms amplified concerns over the sustainability of Croatia's public debt. The weakening fiscal position also resulted in the downgrade of Croatia's sovereign debt rating to below investment grade by all three main credit agencies. In January 2014 Croatia entered the EU's excessive deficit procedure. As part of this process, the authorities committed to a gradual fiscal consolidation including further austerity measures in line with EU requirements. The economy returned to growth in 2015 after six years of recession.

Both public and private investment experienced a sharp decline during the crisis from around 28% of GDP in 2008 to below 20% in 2012, while public investment dropped from around 6% of GDP in 2002-2008 to around 3 % in 2015-2018. Private investment started to recover in 2015, but bottlenecks persisted mostly due to of administrative barriers to business activity, complex and often changing regulation, and weaknesses in public administration. EU's structural and investment funds are set to contribute substantially to public investment but this remains dependent on the country's absorption capacity.

In 2011 Croatia successfully completed EU accession talks and became a member of the EU in 2013. Croatia had successfully transposed the EU acquis, harmonized the norms and legislation and reoriented its institutional mechanisms to EU structures, albeit with remaining challenges. Croatia joined the Exchange Rate Mechanism II (ERM II) in 2020. Successful participation in ERM II is one of the convergence criteria, and an important milestone towards adopting the euro. Croatia has committed to implementing a number of structural reforms as part of the accession process.

Figure 5: Croatia GDP annual growth (%), 2008-2019

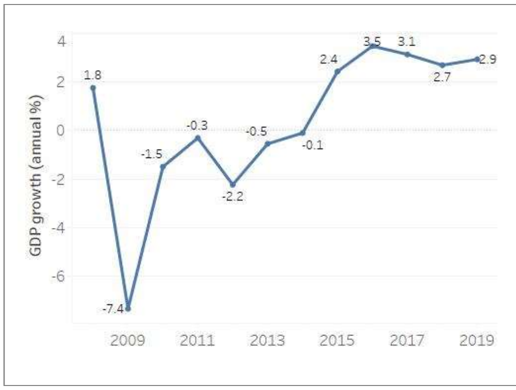
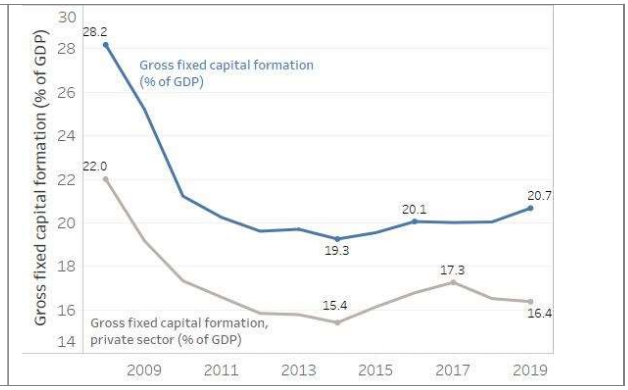


Figure 6: Croatia Investment share of GDP (%), 2008-2019



Source: World Bank Data; https://data.worldbank.org/

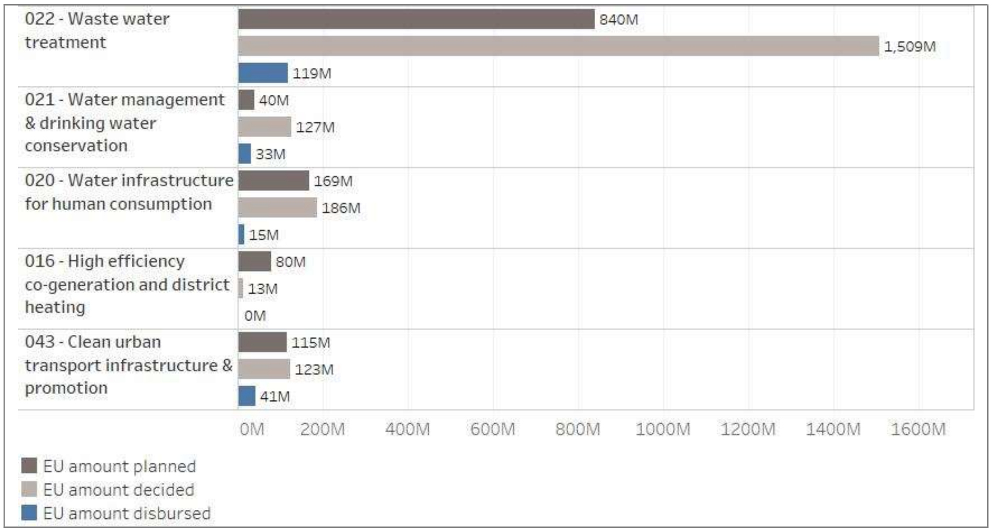
2.2 EU funds

EU accession enabled Croatia to draw from EU Cohesion Policy funds. The financial allocation from the European Structural and Investment Funds (ESIF) for the budget period of 2014-2020 for Croatia is €10.7bn. This has been allocated to four Operational Programmes – Competitiveness and Cohesion (€6.8 bn), Human Resources (€1.6 bn), Rural Development (€2 bn), and Maritime and Fisheries (€ 0.2 billion). The Funds represent a major opportunity for enhancing Croatia's socio-economic development and reform agenda, representing one of the highest intensities in the EU of ESIF allocation per capita.

As a new EU member state, Croatia has had some difficulties with the management and absorption of EU funds caused by initial inexperience with the preparation and procurement of EU co-financed projects. While a number of thematic priorities were contracted to projects beyond allocated budget,[2] the total disbursements of allocated EU funds in 2020 is at about 40% although disbursements were increasing in the last years of the budget period (2014-2020). In thematic areas relevant to EBRD MEI operations, especially the water and wastewater sector, the implementation of projects remains particularly slow. For example, disbursements on wastewater treatment investments are at €119m, which is about 14% of planned EU funding for this priority, and just 8% of decided funding. This is due to the lack of coordination between various state and local authorities in charge of the overall preparation and implementation of the EU grant funded programmes, and also due to cumbersome implementation of procurement rules.

[2] "Over programming" is the practice of awarding support to a volume of projects that exceeds the total planned cost. This is done in order to avoid the risks 1) that some of the decided / selected projects fail to materialise; and/or 2) that irregularities occur over the programme life time which lead to the withdrawal of support to those projects.

Figure 7: EU funds absorption in Croatia for selected thematic priorities, as of June 2020, €



Source: ESIF data, https://cohesiondata.ec.europa.eu/

2.3 Sector overview

The water sector lags considerably behind EU standards. OECD report cites data from 2015 indicating that 90% of Croatia's population had access to safely managed drinking water and 85% had access to piped water supply. However, the drinking water network is ageing (>50 years in most places) and suffers from high leakage rates. Furthermore, there are concerns with drinking water quality; Croatia benefits from a transitional measure to comply with the Drinking Water Directive[i] regarding microbiological and indicator parameters for a number of water supply zones. Substantial improvements are needed to comply with the Urban Wastewater Treatment Directive.[ii] [iii] The implementation of the EU Water Directives was addressed through the Revised Implementation Plan for Water Utility Directives, which was approved by the government in 2010.[iv]

Sewage systems are underdeveloped and the water supply networks face high leakage rates. The most recent EU monitoring indicated only 54.6% of the population is connected to the sewage system and 86% are connected to the public water supply, which has a leakage rate of 44% (almost double the EU average of 23%). Much of the collected wastewater is discharged without appropriate treatment. This can become an issue particularly when infrastructure use peaks during summer months. In effect, the poor state of the sewage systems harms the ecosystems on which Croatia's tourism depends on. As regards drinking water, in addition to high leakage rates, quality requirements are still not met in some areas.[v]

Croatia has committed to implement the EC's water directives by 2023, which will require substantial investments to extend and upgrade existing ageing water supply, sewerage and wastewater treatment infrastructure. According to the EU the estimated total investment gap in the water utility sector is HRK 28 billion (~€3.8bn), almost 7% of Croatia's 2019 GDP. Almost one quarter concerns investments in public water supply, with more than three quarters related to public sewage system and wastewater treatment. A significant share of necessary funding is eligible under the European Structural and Investment Funds.[vi] General sources of funding for the period 2014- 2023 include 65% EU funds, 13% State Budget, 13% Croatian Waters, and 9% public providers of water services. In practice, higher subsidies are transferred to smaller providers due to their larger financial gap or lower cost recovery rate. The distribution of the total amount of national co-financing depends on the development index of local governments. [vii]

The water sector in Croatia is managed at the national level. **Local governments, operating through public utility companies, manage water supply and sanitation services**. Croatian Waters Agency (CWA, Hrvatske Vode), is the national water management agency, which grants and controls water extraction and discharge rights, collects corresponding fees, and reinvests the proceeds into sector investments. Strategic objectives for Croatian Waters are defined by their Water Management Strategy (2008-2038),[viii] commitments under EU Accession treaty negotiations, the water and wastewater infrastructure construction plans (currently set for 2014-2023),[ix] and the River Basin Management Plan. The Ministry of Economy and Sustainable Development, through its Directorate for Water Management, is the body responsible for the implementation of water policies in Croatia, including those related to water supply and sanitation services, as well as for the administrative supervision of the CWA.

Water service costs are currently fully recovered through tariffs, however, this could become a challenge in the future with increasing costs where tariffs could hit affordability constraints. Households connected to water supply and sanitation infrastructure typically pay tariffs in line with the principle of full-cost recovery, although subsidies exist when charges exceed a price cap relative to household income (affordability set at 3% of average household income). Cross-subsidisation occurs from industrial to residential users, with industrial tariffs as much as 50% larger in some instances.[x]

The effective implementation of investments is predicated on implementation of sector reforms, in particular regional consolidation of water utilities. The process of utility consolidation (regionalisation) was initiated by the government already in 2010. The driver of these reforms is the need to absorb EU funds more effectively and the need to cross-subsidise the operation of water networks and wastewater systems in smaller settlements, which might find compliance with the EU standards prohibitively expensive. However, the implementation of the reforms stalled, with only one successful example of Zagreb County area water utilities consolidated in one company now serving 17% of the population. One of the key challenges in the implementation was to addressing the burden of water companies taking over low-performing local systems, with the potential increase in costs also impacting tariffs.

The consolidation reform gained new momentum recently. The government's National Reform Programme (NRP) for 2018[xi] included a priority to establish a legal basis for the implementation of the water sector reform. The new Law on Water Services was adopted in 2019, and further in 2020 the regulation on revised water usage fee was adopted to benefit utilities with lower losses. The expected forthcoming regulation on service areas will outline the process of the integration of existing utilities, delineating the future water service areas and reducing them from 190 to about 35-40.[xii] Since the government has not yet passed the Decree, on the basis of which the consolidation would be carried out, the water companies could not proceed with the merger planning process. The implementation is expected to be finalised in 2022; however, current public health crisis as well as other challenges with implementation on the ground may further delay the process. If implemented, the reorganisation is expected to facilitate more efficient implementation of investment projects, and alleviate the operational inefficiencies of smaller utilities. OECD recommendations for Croatia for the financing of the compliance with EU acquis include not only the finalisation of regional consolidation, but also the provision of technical support to service providers, as well as the introduction of national benchmarking to drive performance.[xiii]

Similarly to the water sector, other municipal and environmental infrastructure sub-sectors are subject to reforms and investments aimed to achieve compliance with relevant EU regulations; these include EU Directive on energy efficiency (2012/27/EU) having impact on district heating, and the Regulation (EC) 1370/2007 on public passenger transport services, stipulating among other the mandatory content of public service contracts for transport services. The EBRD investment to these sub-sectors has been relatively marginal in the evaluation period.

3 Strategic overview

NB: detailed overview of relevant strategic context and priorities is presented in Annex 3

The MEI operations in the evaluation portfolio were approved in the context of variously overlapping strategies. The main framework was given by the medium-term institutional strategic plans CRR4 (2011-2015) and SCF (2016-2020; only operations approved by end 2019 are part of the evaluation portfolio). SCF was further developed into three-year annually rolling business plans (SIPs). In the same period, there were three active sector (MEI) strategies; however, the operations relevant to this evaluation were only approved under the MEI strategy 2012-2019. The strategic landscape was further complemented by three Croatia country strategies. The bulk of operations were approved under the Croatia CS 2013-2017. Table 4 presents an overview of the MEI operations in the strategic context. In addition, the operations took place in the context of EBRD Sustainable Energy Initiative (SEI, initially approved in 2006), Sustainable Resource Initiative (SRI, approved 2013) and Green Economy Transition Approach (GET, approved 2015). The Transition concept review, introducing the Transition

Qualities (TQs) as a lens to view countries' transition trajectory notably including TQ Green, was approved in 2016.

Table 4: Overview of MEI Croatia operations strategic context 2011-2019

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	CRR4					SCF			
MEI – Sector	-06/2012	06/2012 – 04/2019							04/2019-
Country Strategy	-06/2013		06/2013 – 06/2017				06/2017-		
Operations		39990 42125	44336 45213	46218	45770	48246 48519		48933	

The CRR4 foresaw gradual decrease in activity in ATCs, projecting decrease of annual business volume from 12% in 2011 to 4% in 2015 reflecting declining additionality post-crisis and the decreasing transition challenges in the EU-7 countries; EU countries were also expected to graduate during the CRR4 period. This projection however did not encompass Croatia, which in 2011 was not yet a member of the EU, and where transition challenges were assessed as still larger overall. Neither the decrease of ABI nor the graduations actually happened for the ATC region over the CRR4 period. With respect to MEI sector specifically, the directions were to provide finance where required to help client addressing funding gaps in cooperation with EU cohesion funds and other IFIs and in support of transition gaps in view of the EU driven evolving regulatory environment.

The SCF introduced more focus on strategic portfolio management. While the overall strategic orientation was to move progressively towards less advanced transition countries, the Bank would maintain the size of its portfolio in ATCs, as opposed to a decline (ahead of expected graduation decisions in the medium term), given the region's contribution to the financial strength of the Bank's portfolio and remaining transition opportunities. With the revision of Transition concept, the ATC region was expected to target Competitive, Green and Resilient transition qualities (with continued emphasis on Well-governed), with an overarching objective to support frontier-level innovation and higher-value-added activities given the advanced economies of the countries in this region. While the lens to view and target transition moved from sectors to TQs, the focus in the ATCs was broadly on the development of capital markets and introducing new innovative ways of financing and products, which may still not be present in the market.

Sector strategies provided some region-specific guidance, especially before the introduction of the new Transition concept (TQs). At the beginning of the evaluation period, the MEI operations policy from 2004 was still in place. This policy expected a gradual decrease of share of MEI business in ATCs, and remaining active with innovative products (guarantees, revenue bonds, securitisation) that expand access to investors and capital. It expected to introduce more commercialisation/ private sector participation and financing structures not relying on local authority guarantees, and focus on increased mobilisation of commercial co-financing. The main transition challenges in the water and waste water subsector were identified in the reform of tariff regimes, compliance with EU directives, and removing cross-subsidies between industrial and domestic consumers. The MEI strategy of 2012 noted that the remaining sector transition challenges in the ATC region were generally small, and in the water sector focused on municipal utility reform and incorporating climate sustainability. It foresaw the Bank's activity in advanced project structures and in co-financing EU grant for capital investments. Policy dialogue would facilitate the development of tariff and regulatory regimes. The current MEI strategy, approved in 2019, is the first one after this introduction of Transition Qualities, which discontinued detailed subsector-based assessment of transition challenges. In strategic priorities for the ATC region, it indicates focus on energy efficiency, Green Cities, electrification of transport, and solid waste as core activities.

Country strategies presented the discussion of transition challenges and provided the most specific information on the Bank's priorities in the MEI sector. Over the three country strategic periods these were consistently focusing on co-financing investments with EU funds to facilitate reforms both at client and sector levels. This meant focus on the investments and reforms to allow Croatia's utilities to comply with relevant EU regulations, particularly in water and wastewater, solid waste, urban transport and district heating. At client level, the priorities included i) improving contractual arrangements between municipalities and utility companies to clarify service levels and expected performance, and to minimise political interference; ii) improving financial and operational management and capacity building; and iii) tariff equalisations between different client groups. At sector level the main Bank priority was to facilitate regional consolidation (regionalisation) of water utilities, complemented by sector wide performance benchmarking.

4 Findings

How relevant were MEI operations in Croatia to the Bank's strategies and local context?

Relevance to client and sector needs and government priorities

MEI projects had invariably justified rationale for relevance to local needs, both as related to clients' investment needs as well as sector reform needs.

The water and wastewater sector, into which most of the Bank's MEI investments were targeted, has had significant investment needs to be able to achieve EU standards in water supply and wastewater treatment and to comply with EU regulations. This was true in the pre-accession period and continued to be relevant after Croatia's EU accession (2013) throughout the transition period agreed with the EU for achieving full compliance. All the projects in the evaluation portfolio made a credible case for the relevance of the projects both in terms of capital investments as well as the 'soft' components of clients' operational improvements and sector-level reform. Support to the government's objective of regional consolidation (regionalisation) of water utilities was a constant in the rationalisation of projects implemented in the sector over the evaluation period.

Prior to Croatia's EU accession, the projects pointed to the large investment needs coupled with limited access to EU grants: "*At this stage, due to the limited Instrument for Pre-Accession (IPA) funding, most of the medium size regional water and wastewater companies cannot benefit from the EU grant funding. However, the municipal companies are phasing their investment upgrade programmes and continue to invest (subject to affordability constraints and operating sustainability) prior to future EU Structural Funds availability*."[xiv] Despite the clear needs there was a slowdown in the investment by the utilities due to expectations of the later availability of EU grants. "*The water and wastewater companies as well as their owners (cities and municipalities) tend not to engage in any significant investments until there is a good prospect of the EU funding being used for those same priorities. This behaviour has caused a negative effect as some of the priority investments have been delayed*."[xv] At the same time the Bank was involved in dialogue with the national authorities in setting a new surcharge on water services for environmental protection, to be collected centrally by the Croatian Water Agency (CWA) and then distributed to water utilities to increase investments in the pre-accession period and eventually to co-finance EU structural funds when these become available. This surcharge was introduced from January 2013.

Likewise the projects were linked to the need of compliance with the relevant EU Directives for the sector, and the fact that achieving this compliance was integrated into the national plans: "*the approximation of EU environmental legislation including the two Directives that have a substantial impact on the water services sector: (a) Drinking Water Directive – 1998/83/EC and (b) Urban Wastewater Treatment Directive – 1991/271/EEC. The Implementation of these Directives for Croatia is addressed through the Revised Implementation Plan for Water Utility Directives, which was approved by the Government of Croatia in November 2010*."[xvi] This was true also for projects in other MEI sub-sectors, whereby for example the Rijeka District Heating project links its rationale to the EU Directive on energy efficiency (2012/27/EU): *"… high-efficiency cogeneration and district heating and cooling has significant potential for saving primary energy, which is largely untapped in the Union*."[xvii] In the pre-accession period, the CWA prepared investment implementation plans in order to meet the EU requirements. The relevance of specific investments to local needs was substantiated by their rooting in these priority investment programmes of the client utility companies, recognising that wastewater treatment was often lagging behind supply coverage of local populations.

After the EU accession, Croatia entered a transitional period to address the investment and reform needs, largely with the contribution of EU investment funds grant financing. As the Cohesion Funds Co-Financing Water & Wastewater Framework (C2CF, Board approved in 2014) outlined: "*To meet the required deadlines for urban water and wastewater compliance, the Croatian government, through CWA, has prepared an investment strategy. The estimated total investment cost to meet full compliance by 2022 is around € 3.1 billion (excluding VAT). The EU has agreed to support investments in water and wastewater through EU Cohesion Funds of up to € 2.5 billion by 2022. The overall investment plan is divided into two phases: (i) 2014-2018 focusing on 59 projects (larger cities and service areas) with total estimated investment cost of € 1.7 billion; and (ii) 2018-2022 for the remaining € 1.4 billion to achieve full compliance*."[xviii]

In addition to addressing existing investment needs, all projects had links to the clients' needs of operational and financial management improvements and to their needs in terms of governance. Majority of projects were supported by substantial technical assistance packages. This commonly included donor-funded Financial and Operational Performance Improvement Programmes (FOPIP), and support for the development, signing and implementation of Public Service Contracts (PSC) to formalise the relations between utilities and municipalities.

Support to the government's objective of regional consolidation (regionalisation) of water utilities was a constant in the rationalisation of projects implemented in the sector over the evaluation period. The process of consolidating smaller water utilities into larger regional companies and thus significantly reducing their numbers was established as a government priority already in 2010 (see more detail in section 2.3). The consolidation has been seen as necessary for efficient absorption of EU funds and the implementation of large investments needed for achieving EU compliance. Reference to regionalisation was already in the rationale of the first project in the evaluation portfolio: "*The Croatian water strategy has identified regionalisation as a main objective and challenge in this sector for the next 5-10 years.*"[xix] Indeed, two years later in 2014 the €200m framework for the Croatian water and wastewater sector was approved; its rationale fully built on the expected regional consolidation and working with the newly established Regional Operating Companies (ROCs) to support their reorganisation and sector-wide performance benchmarking: "*The Framework will further assist CWA and the participating ROCs in **a** major re-organisational initiative of the water and wastewater sector, namely the consolidation (mergers) of water and wastewater operations in each ROC's service area in line with the new national regulations. CWA has recognised the major inefficiencies of over-decentralised water and wastewater operations […] Under C2CF the Bank will assist the ROCs post-merger to organise and operate the new wider service areas in the most efficient and financially viable way.*"[xx]; this was also supported by a comprehensive technical assistance package at the framework level.

Relevance to the EBRD transition mandate and applicable strategies

Projects approved over the evaluation period consistently addressed transition challenges identified for the Croatian MEI sector. For the water sector these meant largely targeting the improvements in the operational and financial management of utility companies, tariff reform and establishing contractual relationships between utility companies and municipalities. At sector level the main reform efforts were toward regional consolidation. Transition challenge in limited competition and private sector participation in the MEI sector was however largely not tackled.

Projects were also in line with applicable country strategies, focusing on the necessary reforms at client and sector level to facilitate better absorption of available EU grant funding for large scale investments. The vast availability of EU grants in the sector also precluded EBRD playing significant role in mobilising private finance for investment.

Transition gaps in the MEI sector were outlined in the Croatia country strategies; these identified gaps were fairly stable over the evaluation period. As a relatively advanced country, the transition challenges in both the water and urban transport sector were assessed as Small for Market institutions, and Medium for Market structure, already at the beginning of the evaluation period; the same assessment was retained in the current Croatia country strategy of 2017. Table 5 summarises the key transition challenges in the sector (more detail in Annex 3).

Table 5: Summary of transition challenges MEI Croatia over the evaluation period

Water & Wastewater	Urban transport
• Larger **operators** have a solid financial and operational performance with adequate metering and bill collection, while some of the **smaller ones need to improve operational efficiency and collection rates;** • **Competition and private sector participation are limited;** • **Tariffs allow for cost recovery**, but there is a **lack of transparency in the tariff formula; existing cross-subsidies among client groups;** • Non-**transparent allocation of investment grants** channelled through Croatian Water; • Some operators **lack contractual arrangements** with their municipalities, regulating level of service and tariff mechanism.	• Larger operators have a solid financial and operational performance, while some of the **smaller ones need to improve operational efficiency and collection rates;** • **Competition and private sector involvement is limited** in the sector; • Formal **contractual arrangements** between municipalities and transport companies **are common.**

The projects were relevant to the identified transition challenges and their transition rationale directly responded to them. Most projects in the water and waste water sector over the evaluation period shared a common transition rationale centred around improving operational and financial management, formalising contractual arrangements, and tariff equalisation. In addition, facilitating sector-level reform (regional consolidation) was a strong component of water sector projects. Despite lack of competition and private sector participation being identified as a transition gap in MEI subsectors, this was only sought to be addressed in one urban transport project. This was also a 'selective' (i.e. depending on sub-operation) source of transition for the large water sector framework; this however only ended up with one sub-operation being implemented, which did not address private sector participation. Table 6 summarises the sources of transition impact for the projects in the evaluation portfolio; note that this does not include 48519 Zagreb Holding Bond Issuance, the transition rationale of which stemmed from the demonstration effects of new ways of municipal financing and local capital market development. Outside of environmental benefits, which are directly tied to physical implementation, transition expectations of MEI projects relied fully on the implementation of 'soft' components – donor-funded technical cooperation assignments and in some cases policy dialogue.

Table 6: Projects' transition sources overview

	Institutional Strengthening, Commercialisation (FOPIP, PIU, performance)	Contractual arrangements (PSC)	Tariff equalisation	Setting standards (IFRS, procurement, ISO or similar)	Regiona-lisation	Private sector participation	Environ-mental outcomes
39990 W	✓	✓	✓	✓			
42125 W	✓	✓	✓	✓			
44336 W		✓	✓	✓	✓		
45213 DH	✓	✓	✓	✓			✓
46218 UT	✓	✓				✓	
45769 W-FWK	✓ (both client and sector level)	✓	✓	✓	✓	✓ ('selective')	
45770 W-SO	✓	✓	✓	✓	✓		

48246 UT	✓	✓					✓
48933 W	✓	✓	✓		✓		✓

W = Water, DH = District heating, UT = Urban transport, FWK = framework, SO = sub-operation

Projects were in line with relevant country strategy priorities. Croatia country strategies outlined strategic priorities and operational response largely in line with identified transition gaps in MEI. All three relevant country strategies emphasised the leveraging of the benefits of EU accession in advancing transition. This was not only a matter of blending EBRD finance with available EU grant funding for the sector to co-finance capital investments but also to support the 'absorption capacity' of EU funding. The ability of municipalities and operators to be able to implement large scale projects depended also on their capacities to manage the process and on a larger sector reform creating larger entities to mitigate the effects of overly fragmented sector (regional consolidation). At client level, the priorities included i) improving contractual arrangements between municipalities and utility companies to clarify service levels and expected performance, and to minimise political interference; ii) improving financial and operational management and capacity building; and iii) tariff equalisations between different client groups to strengthen tariff transparency. At sector level the main Bank priority was to regionalisation of water utilities, complemented by sector wide performance benchmarking.

Projects made references to sector strategy documents; although these were often relatively loose and referred to the sector's general broad directions rather than ATC specifics. For example, three projects referred to the 2012 MEI strategy's statement that "*the Bank will support projects focused on regulatory and tariff reforms, restructuring, and market-driven investments that deliver effective, affordable, customer-oriented services as well as place environmental, social and low-carbon imperatives at the core of operations*"[xxi] – which is the Strategy's overall 'vision' for the sector in all countries of operations. Nevertheless, none of the projects in the evaluation portfolio could be said to fall out of the sector strategic directions; this would be nearly impossible to achieve given the breadth of the scope of the strategy, and indeed the strategy does make reference to regionalisation where appropriate as a part of decentralisation of utilities, also to delineation of clear responsibilities for both company management and local authority supervision. There was a specific direction in the 2012 strategy for the water and wastewater in the CEB region – *"projects will focus on mobilising commercial financing, complementing and facilitating the ability of operators and municipalities to make efficient use of the different EU grant mechanisms. Through its policy dialogue, the Bank will continue to support the further development of tariff and regulatory regimes*."[xxii] Mobilisation of commercial finance for municipal investment has not really been pursued at all, and only one project can actually make claim to it – 48519 Zagreb Holding Bond Issuance participation. This project was also linked to the objectives of the Bank's Local Currency and Capital Markets Development Initiative. Nevertheless, the targeting of tariff and regulatory regimes through policy dialogue and technical cooperation was indeed part of all of the water sector projects.

Projects implemented under the 2012 MEI strategy also presented objectives (targets) for strategic physical indicators but the data for these were neither collected nor reported, at project or aggregate level. The 2012 MEI strategy established a set of 'physical' indicators[3] to be monitored under each project. These indicators indeed made an appearance in the relevant project documents; yet they were not connected to any monitoring system and there was no reporting on them in project monitoring documents. Likewise, the aggregate achievements on these indicators were not presented in the following MEI strategy (2019) in its overview of previous strategy implementation. Therefore the inclusion of these physical indicators in the 2012 MEI strategy and the projects' link to them appear to be largely perfunctory.

All projects from 2013 onward were reported as contributing commitments for Green Economy Transition (GET) approach yet mostly not as part their transition rationale. This was a total of seven projects and excludes only the bond issuance participation. While financial contributions to GET (at commitment level) and GET physical indicators (at ex-ante, design projection levels) were reported for these projects in the GET database, they largely did not form a part of the projects' transition

[3] *On a project-by-project basis, the Bank will seek to report on two physical indicators, which may include: i) the number of people impacted by a project; ii) the anticipated CO2 reductions; and/or iii) a sectoral indicator such as water loss targets, public transport ridership or the number of district heating customers who are metered.* (BDS12-126 (Final); p.49)

rationale. This meant that the achievement of the physical indicators was not part of the TI monitoring, except in the case of two projects (45213, 48933).

Financial and non-financial additionality

Justifications of financial additionality for projects in the evaluation portfolio were based on the provision of finance directly to utility companies without 'full' city guarantee; non-financial additionality was based on the provision of technical cooperation, conditionalities and sometimes policy dialogue.

The financial additionality of the Bank's presence in the MEI sector has been diminishing over the evaluation period and is currently low due to sufficient local availability of finance for EU grants co-financing for municipal companies. The main argument for financial additionality – not requiring a 'full' city/municipality guarantee – was valid especially for the earlier projects. Most of EBRD additionality however stems from non-financial additionality, especially in the form of donor-funded technical cooperation. Transition related conditionalities have however not been enforced where not implemented, demonstrating the uneasy trade-off between financial and non-financial additionality.

All projects in the evaluation portfolio had a common claim to additionality which did not substantially change throughout the period. This additionality justification comprised of both financial and non-financial elements. The main elements of additionality sources can be summarised as follows:

Financial additionality:

- Provision of **finance directly to utility companies, without 'full guarantee' of the city/ municipality:** While local commercial banks are willing to provide directly to local authorities, there is less appetite to lend to utilities without a financial guarantee from the city.

Non-financial additionality:

- Provision of **substantial technical cooperation:** This was usually to support the institutional capacity building and corporate development of the company, support the preparation and implementation of Public Service Contracts, support for project implementation, and other (see more detail in the results section);
- **Conditionalities**: transition impact related conditions were commonly added to the Loan Agreements; these included for example mandatory tariff increases/ equalisation, signing of Project Support Agreement or implementation of FOPIP.
- **Policy dialogue**: some projects referred to general sector-level discussions between the Bank and the CWA on the introduction of the water surcharge to support investment in the sector in Croatia as part of their additionality.

One exception to this pattern was the bond participation project (Zagreb Holding Bond Issuance) where financial additionality argument rested on the Bank being a 'key investor' in the first local currency bond issue of a municipal holding entity and thus supporting the acceptability of larger public bond issuances by municipalities or municipal owned entities to fund their investments. The non-financial additionality in this project stemmed from the (pre-issue) dialogue with the Arrangers on the structure; and from the (post-issue) facilitation of the repo-eligibility of the bond.

The financial additionality of the Bank's presence in the MEI sector has been diminishing over the evaluation period and is currently low due to sufficient local availability of finance for EU grants co-financing for municipal companies. At the start of the evaluation period there was a stronger case for financial additionality – EU structural funds were not yet available, and Croatia was still recovering from the global financial crisis with reduced liquidity and with local banks' limited experience or appetite for financing utility investment projects without a city guarantee. This situation has changed with ample liquidity and interest from local banks – for example, a project the EBRD had been considering in Rijeka was instead financed by a local bank; and in the process, the existing EBRD project (44336) with the client was also prepaid and remaining €8m (out of €12m loan) was refinanced in 2019 '*at more competitive conditions and in the local currency with fixed interest rate*' per the project's OPA.

The main argument of EBRD additionality – not requiring a 'full' city/municipality guarantee – was valid for the earlier projects. Local authorities are subject to limits on their borrowing, amounting to collective ceiling of 3% of aggregate revenues in annual debt liabilities, and also each individual authority 20% of their annual revenues. Therefore, providing a guarantee on their utility companies' debt, as required by commercial banks, counted into their liabilities and potentially restricted the authority's borrowing for other purposes. EBRD offered lending based on a Municipal Support Agreement (MSA) with the municipality, and /or Project Support Agreement (PSA) between the borrower and the CWA defining the transfer of the funds collected as water surcharge from the CWA for the repayment of the loan. This approach was a somewhat 'untested legal structure'; it did however provide something that was not available on the market. The value of this arrangement for the municipalities decreased in the later years, when borrowing for the purpose of the co-financing of EU funds was exempted from counting in the aforementioned limits to support the Funds' absorption.

Other co-financing for EU funded projects is also available from the Croatian Bank for Reconstruction and Development (HBOR). While the EBRD projects' support their additionality argument based on the 'commercial' nature of EBRD lending (which is not the case for HBOR), this is also arguable. For one, EBRD projects come with their own subsidies in the form of pre- and post- signing TC funds, often representing fairly large volumes relative to the loan size. In addition, the loans are repaid from subsidies received by the utilities from CWA. From credit perspective, the key risk mitigation was the CWA which provided cash subsidies for servicing of 90% of the EBRD loan in the pre-EU funds finance, and the continued centralised debt service contribution by CWA for EU funds. This was also somewhat contrary to the transition mandate of supporting commercialised operations: the EPG commented on the C2CF framework that "*The overall transition impact is constrained by the high grant intensity of up to 98% per cent of investment costs and the centralised debt service contribution by the Croatian Water Authority for repaying EBRD loans under the framework, as this goes against the key principles of promoting financial and operational self-sustainable water utilities*."

With respect to the bond issue participation, the financial additionality in these cases is difficult to assess ex-post – did the presence of EBRD attract other private/institutional investors and therefore can be credited with commercial mobilisation? In this particular case, there was an ample investor interest in the issue and it was oversubscribed, with EBRD scaling back its participation from the equivalent of up to €60m to just under €6m (2.48% of total issue). In 2017 the Holding issued a second tranche, without EBRD participation, amounting to the equivalent of €66m, which was again substantially oversubscribed. Yet, the high demonstration effect that EBRD expected this bond issue to have at the local capital market has not materialised. To date there were no other municipal bond issues following this one; one reason for this may be high liquidity with commercial banks offering competitively priced financing readily available; another reason may also be the relatively lower volumes required for financing which do not make bond issuance cost-effective.

One broader issue related to EBRD's financial additionality in the sector is whether the Bank's choice to pursue opportunities in the market of minor co-financing of large EU-funded investments has come at a cost of pursuing more ambitious objectives in commercialisation and private sector participation in the sector – as one Board Director pointed out when discussing the approval of the large C2CF framework "*the availability of pre-accession and post-accession grants had displaced a number of private sector participation initiatives in central and southern Europe*".[xxiii]

Most of EBRD additionality in the MEI projects therefore stems from non-financial additionality, especially in the form of donor-funded technical cooperation. All projects (except for the bond purchase) were accompanied by technical cooperation. The expected results of technical cooperation also formed a large part or all of the expected transition impact of the projects. Technical cooperation aimed at various aspects of institutional strengthening and corporate governance can set the value of EBRD wide apart from anything that commercial banks may be able to offer. In a context where the actual finance forms only an insignificant part of the overall investment, this can perhaps justify the crowding out of the private finance – although the projects are careful not to make that argument explicitly. While the EU funds provide large amounts of grant finance for capital investments, they do not currently cover technical cooperation to beyond project implementation units, so EBRD's contribution was additional in that respect as well. There may be other, less formalised or captured aspects of non-financial additionality of EBRD – its experience in the sector and having an internal expertise in evaluating this type of projects sets it apart from the commercial counterparts. EBRD also provides advice and support to its clients aside from formal technical assistance consultancies.

The Bank's participation in the bond issue also appears to have a stronger claim to non-financial additionality. In this case, the Bank was involved in the dialogue on the structure of the issue. The initial plan by the Arrangers was to issue up to 7-10 year amortising bonds representing a non-standard bond structure. Following Bank's engagement with the City, the Issuer and Arrangers, the final structure was changed to the standard 7 year bullet corporate issue thus attracting more interest as well as enabling clear repo-eligibility with the Croatian National Bank. Following the issue, the Bank remained in policy dialogue with the Croatian National Bank to promote the repo-eligibility of the issue – this was achieved in 2017, making this bond the first non-sovereign financial instrument acceptable as repo collateral.

Transition related conditionalities have however not been enforced where not implemented, demonstrating the uneasy trade-off between financial and non-financial additionality. While a number of projects contained conditionalities in the form of loan agreement covenants, these were not actually enforced in cases where they were not implemented. This concerned primarily the commitments to enact tariff increases or tariff equalisation on water sector projects, which was commonly not implemented. Transition related covenants are in principle a tool of non-financial additionality but the Bank's ability to enforce them in practice is limited in an environment where refinancing is easy for the client, i.e. in an environment of low financial additionality. Other aspects of the Bank's conditionalites, such as environmental and other reporting standards usually carry less weight in EU countries which are already bound by fairly well developed national regulations. It is also worth noting that all projects that were implemented as co-financing of EU funds had to receive an exception from the Bank's Procurement Policies and Rules, as EU Funds require procurement to be carried out in compliance with national rules.

Mobilisation of private finance

Mobilisation of private finance was not a feature of MEI operations in Croatia. None of the projects in the evaluation portfolio reported any private finance mobilisation under Annual Mobilised Investment (AMI) figures. This was largely due to the priorities being chosen to 'leverage' available financing of EU grants in the sector. The bond participation project came perhaps closest to having a claim to catalysing private finance for municipal investments, yet contribution is difficult to establish and expectations of replication (demonstration effects) have not materialised yet.

What results and transition impacts can be identified from these operations?

Adequacy of design for results and results reporting

For most projects in the evaluation portfolio, their TI expectations were fully linked to the 'soft' components of implementation, either at client or sector level. In this respect, the substantial TC was an essential part of project design to deliver on these expectations. However, this linking of individual projects to 'systemic'/ sector outcomes sometimes led to attaching expectations to projects on which they were not equipped to deliver. Reporting on the sector/ country level progress of transition has been systematically flawed.

The shift to TQ Green transition rationale and related indicators can alleviate some of these issues by focusing on physical implementation rather than systemic/ reform change, and thus allow for a renewed MEI transition rationale in more advanced countries. However, for this shift to be credible in terms of the Bank's contribution to transition, a monitoring and results verification and reporting system for the delivery needs to be put in place. Importantly, the use of GET reporting data for the purpose of transition/results reporting is wholly inappropriate and should not be practiced.

For most projects in the evaluation portfolio, their TI expectations were fully linked to the 'soft' components of implementation, either at client or sector level. In this respect, the substantial TC was an essential part of project design to deliver on these expectations. The transition success of the projects did not largely depend on successful physical implementation of the capital investments themselves, which were often considerably delayed or sometimes scaled back. The TI delivery fully stemmed from TC projects, most commonly in the form of FOPIPs, and support for PSC preparation. This integration of TC to the project design and TI monitoring was therefore essential, and in fact often provided the only source of information on the outcomes of the TCs, which are otherwise poorly captured and reported in the TC systems. The reliance on TC or policy dialogue sources for transition was based on the previous transition concept operationalisation, in which transition was considered a 'systemic' change, requiring more than physical indicators to support claims of its achievement.

However, this linking of individual projects to 'systemic'/ sector outcomes sometimes led to attaching expectations to projects on which they were not equipped to deliver. From the perspective of design for results, it makes little sense to attach expectations to projects on which they cannot deliver. For example, in Rijeka water project a Feasibility Study (FS) on regional consolidation was commissioned, whereby the transition impact expectation was placed on the demonstration effect of the consolidation of the utility (client) with others in the region. In reality, here was no consolidation in water services implemented to originally set date (2015), nor until now (2020), while TIMS reports that "*the practical implementation of the regional consolidation does not solely depend on the City of Rijeka but also on the target companies and their municipal owners*"; it was therefore not in the power of the project/ client/ city to deliver on the expectation. There is some evidence that this point is understood and shared by Banking as well – the self-evaluation of the Rijeka project notes: "*the assessment of the transition impact of the Project and the Bank's overall engagement in the reform initiative in the sector should be done for a longer time period and not focus exclusively on the Project and initially set deadlines*" – however, no system for reporting above-project or sector-level achievements exists, despite the fact that in theory 'transition impact' is conceptualised as a systemic change.

This also highlights the insufficiency of the TIMS reporting system, which lacks the tools to deal with medium term reform objectives. The last TIMS report on the Rijeka water project contains an overall assessment: "*the project has achieved its core TI objectives. In particular, the PSC was signed in the Q1 2015. In terms of regionalisation, the consultants prepared the report and presented to the client in June 2015*." This is a profound mischaracterisation of the situation – the TI objectives of the project were tariff equalisation (not signing of the PSC, which was just a prerequisite), and regional consolidation (not a delivery of a report). Neither transition objective was achieved (not by 2015, nor by 2020). The TIMS thus confuses activity/ output level indicators with transition impact/ systemic change. The TIMS concludes that *"Further TI progress with the client will be monitored under the future transaction*"; and "*Tariff covenants are expected to be part of the future transaction with the client*" – this follow-up transaction with the same client however subsequently did not materialise.

Reporting on the sector/ country level progress of transition has been systematically flawed. With transition achievements only being tracked at project level through TIMS, there is a need in the results architecture system to plan, monitor and report on cumulative transition progress. Country strategies could in principle serve that role but they lack specificity and, importantly, there is no results reporting at that level. Annual Country Strategy Updates (CSUs), later replaced by Country Strategy Delivery Reviews (CSDRs), mostly report on new activity of the previous year. Thus, the Board could learn in CSDR 2019 on previous year's activity in the sector:

> "*Regionalisation of water and wastewater sector companies which improves the operational efficiencies of water companies. Operationally, this consolidation will create significant synergies through significant streamlining of the operations and achieving efficiency improvements and operational sustainability of a regional operator, compared to the currently existing smaller and inefficient operators. The regional company will continue to explore further possibilities for regional consolidation in the wider service area which is currently very fragmented and represented by 160 water and wastewater companies*."[xxiv]

This activity summary i) fails to mention any actual Bank activity in the sector, and ii) fails to inform the reader that in that very same year the Bank in fact closed its €200m framework as unsuccessful with close to no implementation, and no achievement on the support to the regionalisation reform. So while the Board was informed of the creation and expectations of the C2CF framework in CSU 2013, CS 2013, CSU 2014, CSU 2015, and CS 2017 – its eventual lack of success is not discussed and reported on anywhere. At the framework approval, one Director specifically requested "*that the cumulative impact and relative effectiveness of individual projects is presented to the Board at some point in the future".*[xxv] It could be argued that discussing the lessons from failed implementation is just as important as discussion of successes, yet there is no evidence of that presentation having taken place.

The indicators of the more recent Country Strategy Results Frameworks (CSRFs) are reported completely devoid of any context or discussion on where they come from or what they mean. In the latest CSDRs (2020) we find the following reporting on the relevant indicators:

	2019	Since 2017
Improvements in financial and operational performance of client public utility	Very Good Progress	Satisfactory progress
Number of people benefitting from better infrastructure services (water and waste water)	110,000	210,000
Water saved (m3/y), supported by the Bank	1,137,000	1,137,000

Source: CSDRs 2020, Croatia, extract

There is no indicator for sector reform or policy dialogue despite the fact that these are outlined in the Country Strategy as priorities for the operational response in the water sector. There is one indicator underpinning the outcome of FOPIP implementations with utilities but it is not clear where the 'very good/ satisfactory progress' stems from; taking into account that the Country Strategy explicitly assumed the C2CF implementation, which expected 10-15 sub-operations, there would have to be close to no progress on that point relative to the CS expectation. However, the RF only aggregates 'bottom-up' from what is actually being implemented rather than relating to CS expectations, which in most cases are not actually articulated.

Annual Transition performance reports do not report on transition achievements (and especially lack of them) systematically or comprehensively but only selectively, and they did not discuss the C2CF framework transition impact.

The shift to TQ Green transition rationale and related indicators can alleviate some of these issues by focusing on physical implementation rather than systemic/ reform change, and thus allow for a renewed MEI transition rationale in more advanced countries. For most of the evaluation period MEI reports reflected the transition expectations as operationalised under the previous transition impact concept. That operationalisation was based on systemic transition changes of market structures and institutions and did not support objectives stemming solely from physical implementation. Therefore environmental outcomes, although expected, were not part of transition impact motoring. With the adoption of new Transition Qualities, including TQ Green, this has changed. TQ Green allows for physical indicators (outcomes stemming from physical implementation, such as GHG reduction or water saved) to be considered as an indication of transition impact, in contrast to 'systemic' impacts that were targeted previously. This shift can be observed in the Porec water project (45770), which had its transition benchmarks revised in its recent renewal where new objectives were added under TQ Green, while some others were removed. Two new projects were approved in 2020 in the sector (outside of the scope of this evaluation) – Split water Purification Project (51317, SO) and Zadar Wastewater Project (50078). Zadar projects features TQ Green objectives only; Split project relies on TQ Green as its primary Quality, while under TQ well-governed it foresees PSC and FOPIP implementation, components that have traditionally been successful in previous projects. Neither project targets or even discusses support to regionalisation in any specific manner (Zadar: "*Company is open to participation in the process of regionalisation and corporate governance improvements at later stages of partnership with the Bank*."). Tariff equalisation also no longer features; Split project has a benchmark for full cost recovery tariffs which is something that already exists and is a requirement by national law.

However, for this shift to be credible in terms of the Bank's contribution to transition, a monitoring and results verification and reporting system for the delivery needs to be put in place. Importantly, the use of GET reporting data for the purpose of transition/results reporting is wholly inappropriate and should not be practiced. In countries where market structures and institutions are already fairly well developed, and/or the EBRD does not possess sufficient clout to bring about policy and regulatory change, embodying transition by (co-)financing the replacement or upgrades of outdated infrastructure is a crowd-pleaser. It is something that – unlike policy or reform progress – can be almost certainly delivered, is undeniably relevant in terms of need, and provides universally appreciated green credentials. As the self-evaluation of the Rijeka water project presciently notes: "*At the time of the Project approval, the Bank didn't have any green TI objective which is currently predominant objective in this type of projects under the TI mechanism introduced by the Bank in 2017 and fully reflects the Bank's "Green Mandate". Therefore, this project is a good example on how a standard water and wastewater MEI project fits well into a newly designed TI pillars.*"

As previously pointed out by the evaluation of Climate Initiatives (2019)[xxvi] and an Internal Audit report (2020)[xxvii] the system of monitoring, verification and reporting of GET-related data is a specific system for a specific purpose, but it is not in any way a results reporting system. Whatever the merits of the GET reporting system both on finance and on physical indicators, the system and the data is not suitable to be used for results reporting or for contribution of transition. Yet, in the absence of other system underpinning the TQ Green transition results, the GET system has been used in that way. Thus, the most recent Croatia Country strategy (2017) confidently proclaims:

> "*Projects signed in Croatia from 2013 to December 2016 resulted in Greenhouse Gas (GHG) estimated emissions reduction of 145 ktCO2 per year, while total energy savings from 2013 to 2016 are estimated at 1,623,059 Gj/y*."[xxviii]

These figures represent ex-ante estimates of GET indicators for all (not only MEI) projects signed in Croatia signed in those years. For MEI these includes seven projects,[4] five of which from the portfolio included in this evaluation. These projects had certainly not 'resulted' in any of the aforementioned outcomes by 2017, and some of them not even by now due to delays. Some have also experienced changes in design or cancellations in the meantime, so their results are lower than what was expected at signing. The Country Strategy however does not provide any context on where these numbers come from, that they are solely ex-ante expectations, and that indeed they had not been achieved yet.

Similarly, in the most recent CSDR for Croatia, the figure of 1,137,000 m3/yr is placed in the reporting on the Country Strategy Results Framework strategic indicator of Total Water saved. This is provided with no further context or explanation. This figure comes from the GET reporting of the Zagreb County water project (48933), which was only signed in 2019. It is important to realise that:

- At the point of reporting this figure as a result in the CSDR, not even the first disbursement on the loan had been made, much less any physical implementation started;
- The figure is an ex-ante expectation, and will not be changed in the GET system even in cases where changes are made to the design of the project, or where the project is partially or fully cancelled;
- The figure represents an expectation for the whole of project investment implementation, not only EBRD contribution; in cases of EBRD co-financing with EU grants that difference is great – in this case the whole project value is €111m, out of which only €9m (or 8%) is EBRD co-financing.

The CSDRs presenting the figure as a 'result' without any context and without informing the reader about the nature of the data as per the above points cannot be seen as other than misleading and irresponsible reporting. It certainly does not contribute to the understanding of transition results achieved and of the Bank's contribution to those achievements. If TQ Green physical indicators are to be reported as results or supporting evidence for transition impacts, a serious system of monitoring, verification and reporting needs to underpin such reporting. This means especially:

- Verifying results as actually achieved and delivered including any changes to design compared to ex-ante expectations;
- Reporting on results only after they have been actually delivered;
- Reporting in the context of the Bank's contribution to those results.

The GET system data do not fulfil any of these requirements and should not be used for results reporting at project or sector/ country level.

This applies likewise to the use of the GET aggregated figures in the annual Transition performance reports, where these newly established expectations from the previous year in terms of physical GET indicators are presented as 'results' in regional overview tables. Given that these represent new projects signed in the previous year, the physical implementation in the majority of these projects would have barely started, let alone be completed to deliver on these expectations. These cannot be considered 'results' in any common understanding of the term, and certainly should not be part of transition performance reporting.

[4] 44336, 45213, 46218, 37187, 38501, 45770, 48246 (some of these projects actually precede the indicated years, and were only extended in this period)

Operational results and transition impact

Inputs & Outputs

Activity and realised investment in the MEI sector largely underperformed expectations. Due to the non-implementation of the large C2CF framework, scale-back on the bond investment, and cancellations in stand-alone projects, only about 17% of Board-approved amount was realised in investment. The reason for this underperformance can be seen in the combination of strategic orientation and local context. Where implemented, physical outputs and TCs have mostly been delivered, albeit sometimes with considerable delays.

Outcomes & Transition Impacts

The sustained strategic priority of the Bank in the sector – to increase the absorption capacity for EU funds – was not achieved. The sector reform stalled and the Bank did not have sufficient clout to enable systemic change where local context was not the prime mover. Environmental outcomes are likely but for most of the period these were not part of results/ transition monitoring and reporting. **In terms of transition impacts, differing results were achieved with respect to expectations at client and sector levels. Client-level expectations in institutional strengthening and formalisation of contractual arrangements were often met, with the exception of tariff equalisation which was universally not achieved. Impacts in terms of sector reform have however not been achieved**.

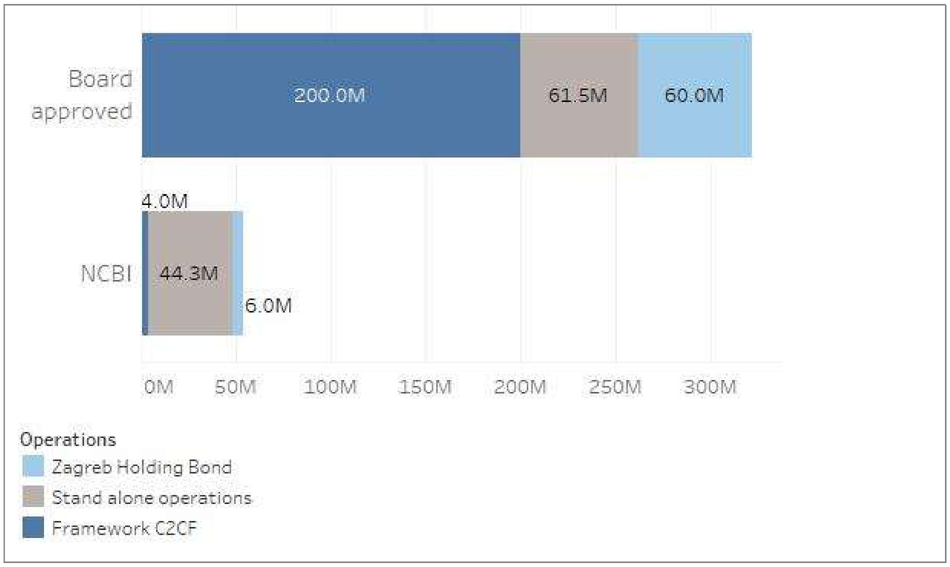
NB: this section presents a summary discussion of results drawing on the detailed overview per project presented in Annex 2

Inputs & Outputs

Activity and realised investment in the MEI sector largely underperformed expectations. EBRD country strategies avoid providing any projections or targets to outline expectations in terms of the Bank's presence, or any specific expression of what success would look like. This way, any implementation under a priority or objective outlined in the strategy can be considered as delivering on the strategic objectives. However, looking only at signed operations and the aggregate ABI or NCBI can conceal the shortfall to expectations where they existed. In the case of MEI in Croatia more insight is provided by the gap between investment volumes brought to the Board for approval, and the actual investment realised (NCBI). As Figure 8 shows, this gap was particularly large over the evaluation period. The largest shortfall comes from the cancellation of the C2CF framework. This was approved in 2014 for up to €200m, and expected 10-15 sub-operations. In reality, only one sub-operation materialised before the framework was cancelled in 2018.[5] The investment in Zagreb Holding bond was scaled back to 10% of its approved amount, due to oversubscription by investors. In addition, many of the stand-alone operations in the sector were also reduced with cancellations both pre and post signing (see overview in Table 2). Overall, from over €320m brought to the Board for approval in the evaluation period, only under €55m (or 17%) can be thought of as realised investment.

[5] 45770 Porec water and wastewater; This project was approved for up to €20m but realised NCBI only €4m. This was further extended after the closure of the fwk in 2020 by additional €6m to a total of €10m investment.

Figure 8: Amount Board approved vs. NCBI (€)



The reason for this underperformance can be seen in the combination of strategic orientation and local context. As a matter of strategy the Bank placed its priority in the sector in 'leveraging of the benefits of EU accession in advancing transition', meaning largely in co-financing EU funds and working to advance client level governance and support sector level reform. However, there was a slowdown in investment immediately pre-accession, in the expectations of future grant financing. EBRD was engaged in policy dialogue with the authorities on the introduction of water use surcharge to be used for sector investment. This was eventually achieved but the progress was slow. After EU accession (2013) the absorption of the available EU funds in the sector was particularly slow (see section 2.2) due to initial inexperience of municipalities and utility companies in implementing large investment projects under EU rules, procurement issues, and stalled sector reform. While the consolidation of smaller utility companies into larger regional ones was in principle a government objective and would have facilitated increased absorption of funds, it did not progress in practice. Therefore, the large framework approved to support the sector level reform did not find sufficient pipeline of projects, and the Bank's policy dialogue lacked the clout to create reform momentum.

Where implemented, physical outputs have mostly been delivered albeit sometimes with considerable delays. In the water and wastewater sector, where most projects were implemented, physical outputs were mostly delivered or are in the process of being so. In North Western waste water project a wastewater treatment plant (5000 PE) and an extension of the sewerage system were constructed, although made fully operational only in 2020 with original expected completion in 2014. Sibenik wastewater project delivered wastewater network extension (25 km) and thanks to savings also additional extension of water supply network (11km). Water project in Rijeka delivered reconstruction of water supply network (13km) and an extension of wastewater network (25km) with about a year delay but with some savings on budget. The project in Porec has been significantly delayed, and despite having been first approved in 2014 it is still under implementation, with expected completion in 2021. Finally, Zagreb county water project was only approved in 2018 with first disbursement in August 2020, so implementation has not yet commenced. In district heating only one project was implemented (Rijeka) in which expected outputs were largely not delivered due to the cancellation of significant share of the planned investment (the EBRD financing was about 77% cancelled). In urban transport, delivery was likewise somewhat mixed, with Sisak investment cancelled about half (delivering 13 buses, compared to 17 expected, and some scaling back on other investments), while all planned buses (20) were delivered in Pula albeit with considerable delay (project approved in 2016, delivery in 2020). It is worth noting that not all cancellation of financing on EBRD side necessarily meant scaling back on the delivery of outputs (overall project implementation), just a decrease in EBRD share of the financing – this was the case in Porec water project and Pula buses.

Technical cooperation projects at client level have mostly been delivered as expected; sector-level TCs associated with the framework have largely not been implemented. All projects with the exception of the bond issue have been associated with technical cooperation projects. At client level this comprised of pre-signing due diligence/ feasibility type studies, mostly financed from the Bank's own budget, and of post-signing donor/ SSF funded consultancies aimed mostly at financial and operational improvements and corporate governance. Most commonly Financial and Operational Performance Improvement Programmes (FOPIP) were implemented with clients – this was delivered in North Western water project, Sibenik water project, Rijeka district heating, Sisak urban transport, Porec water, Pula buses, and in Zagreb County it is planned for delivery. In Pula buses project the FOPIP has not been delivered as planned but is still projected to be carried out with large delay (>5yrs). FOPIPs often included support for Public Service Contract (PSC) preparation, although in some cases this was delivered as a separate contract. Urban transport projects (Sisak, Pula) also implemented support to Sustainable Urban Mobility Planning (SUMP). Some projects were also supported with Project Implementation Units – Sibenik water and Rijeka district heating.

There were several large TCs approved at the framework level for the C2CF framework. These were supposed to support the individual clients of the sub-operations, but also to advance sector level reform. Most of these TCs were not implemented/ disbursed, although they are not closed and may be possibly drawn on in the future despite the closure of the framework as such. There is very little information available on the disbursements where they happened. TC for Environmental and Social Due Diligence (€300k) – no disbursements. TC for Energy audits (€60k) – no disbursements. TC for Support to regionalisation process (€400k) – appears to have been disbursed for two projects: Sisak water (37187) despite this project not having been part of the Framework, and in fact having been approved before 2011, i.e. not a part of the portfolio for this evaluation; no reporting available; and Porec water, the only sub-operation of this Framework, at €250k – according to TIMS for regionalisation report, FOPIP and drafting the PSC; no reporting is however available. TC for Performance benchmarking (€500k) – no disbursement; TC for Procurement benchmarking and certification (€225k) – disbursement of €90k, it is not apparent for what purpose, there is no reporting available in the system or on request from the team.

Outcomes & Transition Impacts

The sustained strategic priority of the Bank in the sector – to increase the absorption capacity for EU funds – was not achieved. The absorption of EU funds in the sector lagged behind expectations, and correspondingly also the Bank's presence in the sector was much diminished to what it had projected (see above). It is perhaps a question whether this objective could have been achieved from the Bank's side at all. While it certainly was ready and willing to co-finance investments and support clients further with technical cooperation funds and promote sector reform, it did not have the means to become the instigator of reform and change where local context was not the prime mover. The Bank admitted as much in its most recent country strategy (2017) drawing lessons from past implementation: "*The Bank has been less successful than it had anticipated in helping Croatia leverage its EU accession. Whereas Croatia's EU membership was meant to become a catalyst for reforms and investments and thus a driving force for the Bank's scale of engagement in the current strategy period, protracted finalisation of the EU 2014-20 programmes […] decelerated the Bank's implementation on the ground accordingly*." Based on this lesson, the strategy proposes that "*[a] strengthened focus on client absorption capacity and a better selectivity of engagement areas will drive the new strategy for Croatia. If requested by authorities, the Bank is available to help support the public administration's implementation capacity to implement projects and help Croatia prepare and manage projects in order to increase its currently low absorption of ESIF funds available during the period 2014-2020*."[xxix] However, under the new strategy, only one additional project was approved by the end of 2019. This project (Zadar county water, 48933) recognised the lag in the EU absorption, pointing to the renewed efforts of the government to proceed with regional consolidation.

Environmental outcomes are likely but for most of the period these were not part of results/ transition monitoring and reporting. Projects in the MEI sector have practically self-evident environmental benefits once physical implementation is successfully completed. These include additional waste water treatment or water supply in line with relevant EU Directives, savings in water losses (reduced leakages), or reduced emissions or noise levels from renewing municipal bus fleets. However, as these outcomes were not considered the source of transition impacts for most of the evaluation period, the quantification of these outcomes and ex-post monitoring, verification and results reporting was limited. A few projects had quantified environmental outcome expectations: Rijeka district heating – largely not achieved as majority of the investment was cancelled; Porec water project added TQ Green indicators when re-extended, still under implementation; Pula buses – have just been delivered with significant delay so environmental benefits should start materialising, there was however also a reduction on the scope of the project; Zagreb county water – no implementation yet.

A number of projects approved under the 2012 MEI sector strategy contained objectives with targets for physical indicators linked to the strategy. However, these were not connected to any monitoring system, and data on them were not collected or reported at project or sector level. From about 2013 projects were linked to the GET reporting system, which collects data on GET financial commitments and also physical indicators. These estimates are not suitable for results reporting although sometimes have been used in that way, which is a practice that should be discontinued (see discussion in the above section on results reporting). In some cases where MEI strategy indicators and GET indicators overlap, the targets/estimates on them differ, sometimes by an order of magnitude (e.g. Sisak urban transport MEI indicator: Annual CO2e reduction 0.112kt/yr vs. GET reported 1kt/yr). In no case does there appear to be any ex-post verification and reporting system in place.

In terms of transition impacts, differing results were achieved with respect to expectations at client and sector levels. Client-level expectations were often met, with the exception of tariff equalisation which was universally not achieved. Impacts in terms of sector reform have however not been achieved. The sources of transition impact pursued by the projects in the evaluation portfolio can be assessed as follows:

- Improved contractual relationships between municipalities and utilities (PSCs) – broadly achieved;
- Institutional strengthening (FOPIPs) – broadly achieved;
- Tariff equalisation – not achieved;
- Regionalisation support – not achieved;
- Private sector participation – not achieved.

Client level results, mostly stemming from TC support for delivery, have been achieved in institutional strengthening and formalised relationships between utility companies and municipalities. While TC projects suffered from inadequate reporting, there is evidence of progress and results where elements of results expectations were included in TIMS reporting. For most MEI projects, where TI expectations stemmed almost exclusively from TC implementation, this was often the case. Most projects implemented a FOPIP programme and reported at least partially on the implementation of the recommendations in the areas of financial management, operation efficiency or customer relations. Some projects reported on specific indicators such as improvements in financial ratios, EBITA margin, or collection rates. FOPIP was implemented in five projects, with one in delay but still expected (Pula bus), and another planned in Zagreb county water project. Support to establishing a formal Public Sector Contract (PSC) was sometimes part of the FOPIP and sometimes a separate TC project. Signing of PSC was reported as achieved in six projects. In Porec PSC has been drafted but not signed yet, and in Zagreb County the TC has not yet been implemented.

While there is evidence of results having been achieved from TCs, in some areas the expected outcomes have not materialised – this was especially true for tariff equalisation in the water sector, and for private sector participation. While there is evidence of the implementation of FOPIP recommendations and PSC signings, some types of results that were supposed to be achieved through these means did not materialise. The theme of tariff equalisation was a constant in the water sector throughout the period – the cross-subsidisation of tariffs between customer groups (corporate and households) was identified as a transition gap and targeted in all water sector projects. This was supported by tariff setting methodology studies being part of FOPIP programmes and the commitment to the implementation was sometimes included as a covenant in the loan agreements. However, in no case this was actually implemented, and where covenants existed these were waived by EBRD. At the moment, the expectation is that this area will be a part of government reform and regulated via national legislation. Increased private sector participation was only targeted in one project – Sisak urban transport. This was supported by TC delivering Sustainable Urban Mobility Plan (SUMP). While the underlying support in terms of SUMP TC was delivered, no progress on the actual private sector participation, the ultimate transition objective of that support, was made to date. Likewise for example in Rijeka district heating project where FOPIP was implemented but the certification for ISO 14001 and OHSAS 18001 was not achieved although some progress in processes towards those objectives was reported.

Transition of the sector in terms of regional consolidation of water sector utilities has not been achieved. Although the process of utility regionalisation was initiated by the government already in 2010, the implementation of the reforms stalled. However, lack of central government's buy-in and political willingness of local authorities to undertake and support regionalisation in an early phase of the consolidation process in the country coupled with the limited experience with the new institutional and contractual set-up for the consolidated water operators led to only marginal progress and the expected achievements on transition impact in the sector reform. One of the key challenges in the implementation was addressing the burden of water companies taking over low-performing local systems, with the potential increase in costs also impacting tariffs. The consolidation reform gained new momentum recently, with the priority being re-established in the government's reform programme, with the ultimate objective of reducing the number of utility companies in the sector from 190 to about 35-40. While the EBRD intended to support the reform, most prominently by approving its €200m framework in 2014, its policy dialogue did not make sufficient headway for the reform to move forward and the framework remained unimplemented. In Rijeka water project, a TC was commissioned for a Feasibility Study on local consolidation. While the TC itself was nominally implemented (report delivered) the consolidation objective was not in control of the client, and the Study itself appears to have been initiated by EBRD without the prerequisite demand of the counterparts, whose cooperation would have been critical to its usefulness and ultimately the achievement of any results. The Study itself points out that the Croatian Water Agency and the local companies (potential merger targets) were not cooperating, so the activity of the advisors was limited to the publicly available information. Lack of access to information and financial data also meant that the FS itself could not develop the technical aspects of the potential merger, and was developed at a general level only. This limits its potential utility for any future use, although with more than five years passed, this would have been largely outdated in any case.

Effective learning

There are limitations in transferring knowledge and experience across CoOs due to local circumstances. In project documents as well as in interviews with the project team, the example of regionalisation of utilities in Romania was cited as a learning experience and a model for the same reform process in Croatia. The Croatian C2CF framework followed the template of the Romanian *Regional EU Cohesion Funds Water Co-financing Framework (R2CF)* approved in 2010 and extended in 2012 for a total headroom of €330m. Under this framework eventually 24 regional operating companies received loans for co-financing investments with EU structural funds, and the framework was almost fully utilised. The framework was assessed as broadly successful.[6] However, its 'copy' in Croatia was unable to achieve the same – this was largely due to local context where insufficient political drive hindered the regionalisation reform and the Bank's policy dialogue was unable to overcome that. It is likely that EBRD can facilitate and support reforms and transfer of knowledge where there is a willing recipient; but in an EU country the Bank does not possess sufficient clout to make reforms happen

Internal reporting and results monitoring systems do not effectively support learning. As discussed in the section on results reporting, the current systems do not provide adequate tools especially for reporting and discussing progress on medium term objectives. Transition monitoring through TIMS is solely project focused and in addition often confuses the achievement of set benchmarks with the achievement of transition objectives. Transition objectives in sector reform, which transcend the scope of individual projects, have no outlets for systematically discussing or reporting progress or achievements. TIMS project level monitoring sometimes resorts to 'forwarding' the monitoring to the next operation, which may or may not actually materialise (see e.g. Rijeka TIMS noting that "*practical implementation of the regionalisation will be further explored under the future transaction with the client that is currently under the preparation*"; the next operation in this case indeed did not happen). Neither CSDRs nor transition performance assessment reports provide any meaningful insights – CSDRs report the activity of previous year, while the transition performance report lists selective 'highlights' often without appropriate context or evidence.

[i] Drinking Water Directive – 1998/83/EC
[ii] Urban Wastewater Treatment Directive – 1991/271/EEC
[iii] OECD (2019)

[6] See e.g. PEX17-704: Regional EU Cohesion Funds Water Co-financing Framework R2CF, Romania; Operation Performance Assessment Validation, EvD 2017

[iv] https://www.voda.hr/sites/default/files/dokumenti/plan_provedbe_vodno-komunalnih_direktiva_-_engleski.pdf
[v] European Commission (2020)
[vi] European Commission (2020)
[vii] OECD (2019)
[viii] https://www.voda.hr/sites/default/files/dokumenti/strategija_upravljanja_vodama.pdf
[ix] https://www.voda.hr/hr/visegodisnji-programi-gradnje
[x] OECD (2019)
[xi] https://ec.europa.eu/info/sites/info/files/2018-european-semester-national-reform-programme-croatia-hr.pdf
[xii] https://ec.europa.eu/info/sites/info/files/2020-european-semester-national-reform-programme-croatia_hr.pdf
[xiii] OECD (2019)
[xiv] BDS11-086: North Western Regional Wastewater Project; p.6
[xv] Director's Advisors' Questions Croatia: Šibenik Wastewater Investment Programme (BDS12-285)
[xvi] BDS12-285: Šibenik Wastewater Investment Programme; p.6
[xvii] BDS13-292: Croatia: Rijeka District Heating; p.6
[xviii] BDS14-083: EU Cohesion Funds Co-financing Framework (C2CF); p.10
[xix] BDS11-086: North Western Regional Wastewater Project; p.6
[xx] BDS14-083: EU Cohesion Funds Co-financing Framework (C2CF); p.6
[xxi] BDS12-126 (Final): Municipal and Environmental Infrastructure Sector Strategy; p.23
[xxii] BDS12-126 (Final): Municipal and Environmental Infrastructure Sector Strategy; p.63
[xxiii] BDS/M/14-08 (Final): Minutes of the Board Meeting of 8 April 2014
[xxiv] BDS19-051 (Final): EBRD Country Strategy Delivery Reviews 2019; p.71
[xxv] BDS/M/14-08 (Final): Minutes of the Board Meeting of 8 April 2014
[xxvi] CS/AU/19-20: Climate Initiatives Special Study Presentation to Audit Committee
[xxvii] CS/AU/20-10: Internal Audit Report: Bank-funded Green Economy
[xxviii] BDS/CR/17-1 (Final): Strategy for Croatia; p.9, emphasis added
[xxix] BDS/CR/17-1 (Final): Strategy for Croatia; p. 10

ANNEXES

Annex 1. External sources

Data sources

World Bank Open Data https://data.worldbank.org/

EU ESIF data https://cohesiondata.ec.europa.eu/

EU Funds Croatia https://strukturnifondovi.hr/financijski-pregled-eu-fondova/

Documents

European Commission (2019): SWD(2019) 1010 final: Country Report Croatia 2019; 2019 European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews under Regulation (EU) No 1176/2011

European Commission (2020): SWD(2020) 510 final: Country Report Croatia 2020; 2020 European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews under Regulation (EU) No 1176/2011; https://ec.europa.eu/info/sites/info/files/2020-european-semester-national-reform-programme-croatia_hr.pdf

European Investment Bank (2015): Final Report on the Joint IFI Action Plan for Growth in Central and South Eastern Europe

World Bank Group (2018): Croatia - Systematic Country Diagnostic (English)

World Bank Group (2019): Country partnership framework for the republic of Croatia for the period FY19-FY24

OECD (2019): Croatia Country report; http://www.oecd.org/environment/resources/financing-water-supply-sanitation-and-flood-protection-croatia-workshop.pdf

Annex 2. Results by operation

39990 North Western Regional Waste Water Project

OUTPUTS

Expectations (BDS11-086; BDS11-086 (Addendum 1))

Physical outputs

The client's (Medjimurske vode d.o.o.) long term investment programme was structured in 4 phases, totalling just under €52m. The EBRD project was to finance Phase I of this programme, together with state (CWA) contribution (€10m EBRD + €2.5m CWA).

Phase I of investment plan; **expected completion 2014**

Provision of the first time sewerage and treatment for the settlements of Totovec, Novo Selo Na Dravi, Sandrorovec and Kursanec in Cakovec suburban area, including:

- Extension of the wastewater network (particularly collectors and pumping stations);

- Construction of a wastewater treatment plant

Technical cooperation

pre-signing:

1) Feasibility study to assess the proposed investment programme and project costs evaluation, determine an efficient implementation strategy, prepare an Environmental and Social Action Plan and Stakeholders Engagement Plan. (EUR 120,000, EBRD Shareholders' Special Fund)

post-signing:

2) Financial and Operational Performance Improvement Programme ("FOPIP") including preparation of Public Service Contract, aimed at enhancing the Company's commercial viability and institutional capacity. (EUR 330,000, donor funds)

Delivery	Delivered with delays

Physical outputs delivered with about 5 year delay

First approved in May 2011; the project remained unsigned for more than 12 months, and was re-approved in December 2012.

[PMM] The project was initially **significantly delayed due to** (i) slow tendering process (including procurement and evaluation), (ii) delays in the signing of contracts with selected construction companies due to changes in the WWTP design and (iii) unexpected delay in overall evaluation of submitted tenders due to employees' request for additional explanations toward the tenderers.

Construction works on the waste-water collection network were completed in July 2016, whereby **construction of the waste-water treatment plant were significantly delayed** to (i) changes in the concept design of the plant, (ii) slow-construction works due to issues with permits, (ii) financial problems of the leading company in the construction consortium and others.

The WWTP was physically completed and put into trial mode in June 2017, however the Company and the supervisor did not fully accept Completion report as the identified faults needed to be fixed by the contractor. Following the correction of identified deficiencies (which required Bank's no-objection for four variation orders as a result of changes in specification) and successful handover of WWTP, the Project is now fully completed and wastewater collection network and WWTP are implemented and operational (2020).

The loan was partially cancelled (~€2m) due to changes in design and some savings through tendering process.

[EvD] *PMM reports delays due to (among other) issues with permits. Yet, the BDS noted that for Phase I all required permits had been obtained.*

[ESAP 2019] Sewerage system and related central WWTP for 4 settlements in south part of Čakovec municipality (Novo Selo na Dravi, Totovec, Šandorovec and Kuršanec) is the subject of this project.

Based on an already prepared project documentation, studies and environmental documents, **separate sewerage system is built with central WWTP to serve the 4 settlements project area**. The sewerage system consist of:

- 14600 m of primary sewage pipelines (diameter from 250 to 350 mm), 1700 m of secondary sewage pipelines (diameter 150 mm) and 2770 m of pressure pipelines;
- 3 pumping stations (capacity 13 – 44 l/s);
- a central wastewater treatment plant (WWTP) with full capacity of 5000 population equivalent (ES), based on the SBR biological treatment technology

The Taking – over certificate has been issued on 15/06/2018 and the Defect Notification Period has started the next day and has been finished on 15/06/2019. Some of the shortcomings noted on the installed technological equipment during the trial and after the takeover (SBR mixer and sludge mixer and sludge pump) are removed.

The output waste water from WWTP is in compliance with EU effluent quality standards.

Technical cooperation

1) Feasibility study: delivered pre-signing

2) FOPIP: delivered; final report of July 2015 available

OUTCOMES

Expectations (BDS11-086; BDS11-086 (Addendum 1))

Institutional strengthening

The Project will contribute to the institutional strengthening of the Company in terms of procurement, corporate governance, long-term financial planning, PSC, improved tariff methodology etc. and will facilitate its gradual transformation into a commercially oriented, regional provider of water, wastewater and treatment services.

Delivery	**Achieved**

Financial and Operational Performance Improvement Programme (FOPIP)

The rationale and scope for significant operational improvements were somewhat weak. [OCE] *The transition rating is limited by the strong operational performance and track record of the company, which limits the expected impact of a FOPIP and reduces the scope/need for substantial tariff increases.*

[TIMS] The selection for the FOPIP consultant took longer than expected, but was successfully completed in September 2014; Consultants completed the FOPIP exercise in May **2016 when the final FOPIP report was presented to the Company's management; with management committing to implement FOPIP recommendations.**

Final report of FOPIP consultants (2015) presents the detailed overview of the recommended actions along organisational efficiency, customer relations, and financial management. Some of these actions included the support of the consultants for implementation – this included delivering the **Tariff study** developing tariff models and analysing the possible tariff structure changes toward a more stable financial equilibrium state by reducing cross-subsidies between customer categories and between service categories.

[TIMS] The last available TI report notes that overall the FOPIP can be considered as implemented as most of actions 1-11 are either fully achieved or in the implementation phase.

The implementation however did not include the tariff equalisation (see next section).

SEI/ GET contribution

The project was not reported as GET finance or as contributing to GET physical indicators.

TRANSITION IMPACT

Expectations (BDS11-086; BDS11-086 (Addendum 1))

Institutions, laws and policies that promote market functioning and efficiency

- PSC establishing an arms length relationship between the Company, the City of Cakovec and two municipalities (Nedelisce and Prelog) incorporating the investment costs on a systematic basis and transparent tariff-setting process;
- The City of Cakovec together with two municipalities (Nedelisce and Prelog), controlling the majority stake in the regional Company, expressed their commitment to further raise tariffs to allow the Company to borrow and service the debt from its tariff revenues;
- FOPIP recommendations to improve further the existing tariff structure, especially by eliminating the price differences between consumer groups, setting procedures to ensure timely adjustment of tariffs and incorporating a new tariff formula.

Demonstration effect of commercialisation

- Particularly high, demonstrating the first regional municipal company in Croatia able to attract a loan without recourse to the shareholders or the State;
- Strong demonstration effect for the commercial banking sector;
- FOPIP will support commercialisation of the Company through preparation and implementation of a corporate development plan.

Regulatory framework

- Elimination of tariff cross-subsidisation

Setting standards of corporate governance and business conduct

- IFRS reporting

• Compliance with the EBRD procurement rules • Investment project implemented on-time and within budget	
Institutions, laws and policies that promote market functioning and efficiency	**Partly achieved**
PSC was signed with 3 years delay compared to the benchmark. [TIMS] In July 2016 the Company signed the Public Service Contract with the City of Cakovec, City of Prelog and municipalities of Nedelisce. **Implementation of PSC benchmarks is not fully reported**. Where this relates to FOPIP implementation, the TIMS notes that FOPIP implementation is reported to the municipal owners. Company reports provide performance benchmarking, even though national level comparisons have not been implemented. However, the requirement for the Company to comply with tariff adjustment to ensure **tariff equalisation between the customer groups was waived by EBRD**.	
Demonstration effect of commercialisation	**Not achieved**
FOPIP was implemented and there is some evidence of implementation of its recommendations (see above). However, there is little evidence available as to the actual demonstration effects: - The rationale of this transition objective placed high expectations on the demonstration of the non-recourse lending to municipal companies. There is **no evidence that commercial banks have been introducing this type of structure** in the market. In fact, the ability of EBRD to offer such non-recourse lending has been indicated as a source of EBRD additionality in all subsequent projects throughout the evaluation period as a product not available commercially. - The relatively weaker rationale for the commercialisation due to the strong operational performance and track record of the company [OCE] was strengthened by agreeing a timetable for full elimination of cross-subsidies by 2016. This **requirement was waived by EBRD**. In addition, for the project second approval, the requirement for mandatory tariffs increase (other than the regular for inflation) was abandoned as the funds received from the collection of the water and wastewater surcharge would be sufficient for the regular service of the debt; this also decreases the case for the potential demonstration effects of commercialisation.	
Regulatory framework	**Not achieved**
Tariff cross-subsidisation was not eliminated.	
Setting standards of corporate governance and business conduct	**Not achieved**
The scope of the expectations was changed without explanation between the first and the second approval of the project. - IFRS reporting: was removed - Compliance with the EBRD procurement rules: was removed - Investment project implemented on-time and within budget: not achieved (large delays in delivery, see outputs section)	

42125 Sibenik Wastewater Investment Programme

OUTPUTS
Expectations (BDS12-285)
Physical outputs **Rehabilitation and upgrade of the wastewater infrastructure** in order to increase the coverage of the sewage service in the Šibenik area and to make progress with compliance with EU and National standards. The client's (Vodovod i odvodnja d.o.o.) Priority Investment Programme for waste water network totalling €15.65m. EBRD co-financing €10m, state (CWA) €5.65m, EBRD TC €0.61m. EBRD co-financing phases I & II out of five: • Razine –Tvornica Lakih Metala ("TLM") investment component includes the construction of a new main pump station which will collect and pump all wastewater from the south of Šibenik into a central WWTP. • Razine-Podi investment component includes the construction of new wastewater collectors and pumping stations in the District Razine. Also it will provide new drainage systems to the commercial area Podi in East Šibenik, with the proposed introduction of a first-time sewerage system to the sub -urban communities to the east of Šibenik. [DAQs] The Project will **extend the wastewater network in the Sibenik area by an additional 25 km** resulting in **additional connections of 39,000 Population Equivalent** ("PE") who will be connected to the main collector and wastewater treatment plant. This will improve the **wastewater network coverage from 20 to 30 per cent**.

A detailed **Leakage Reduction Study and Action Plan** have been envisaged through the Environmental and Social Action Plan.

Technical cooperation

pre-signing:

1) **Feasibility study** to assess the proposed investment programme and project cost evaluation, determine an efficient implementation strategy, prepare an Environmental and Social Action Plan and Stakeholders Engagement Plan (EUR 75,000,funded by the SSF).

post-signing:

2) **Financial and Operational Performance Improvement Programme** (FOPIP) (including project management assistance) to the Company to assist in commercialisation, including improved cost efficiency, long-term planning, building and implementing a cost recovery tariff model and preparation of the Public Service Contract. Up to EUR 245,000, non-recoverable.

3) **Project implementation support** to the Company in project implementation, procurement, contract administration and disbursement. Up to EUR 287,000, non-recoverable.

Delivery	Over-delivered

Physical outputs

[PMM] The project was **completed (physical completion) in 2016**. [OL] The project is fully implemented **– additional 25 kilometres of the wastewater network has been built with imminent 39,000 new connections** and more connections to the system can be accommodated in the future which results in network coverage increased from 20 to 30 per cent.

Leakage reduction – Not yet delivered. In order to achieve the leakage reduction further investments in water supply system are required. The company is undertaking the continues investments /maintenance which should result in decrease of water loses. [OL]

Additional outputs due to savings

In October 2018 an operation change report was approved by the Bank for the use of loan savings amounting to € 1.5 m. These funds were reallocated to the priority water supply investments in Šibenik area for the **extension of its water supply network (11 km** Supljak-Kanica and 1.5 km Dvornice), providing **access to drinking water to almost 1,000 households** in the remote coastal touristic area. The implementation phase of the project was completed in March 2020. The system is fully operational. [OL]

Technical cooperation

1) Feasibility study: delivered pre-signing

2) FOPIP: delivered; final report of July 2015

3) Project implementation support – this TC was approved and disbursed at the **original budget of €287k**; there was an **extension** of this TC in 2015, with **additional budget of €145k**, and another extension in 2018 **with additional budget €50k**.

OUTCOMES

Expectations (BDS12-285)

Institutional strengthening

The Company will be supported by a Financial and Operational Performance Improvement Programme (“FOPIP”) aimed at enhancing its creditworthiness and institutional capacity by improving operational costs, procurement and implementation capacity, corporate governance, and long-term financial planning.

Delivery	Achieved

Financial and Operational Performance Improvement Programme (FOPIP)

[final report] FOPIP was designed to help to improve the Company's **operations in customer service** and finance practice and assist with transformation into an independent municipal utility company focused on quality of customer service. The assignment also assisted the company to **improve its financial control and debt management** functions to enhance its creditworthiness. The Company also received **advice, training in accounting**, and assistance in reporting to the Bank in accordance with International Financial Reporting Standards and **IFRS restatement methodology**. Details of implementation covered in final report.

[TIMS] Evidence of financial, services and operational indicators achieved:

Debt service coverage ratio of min 1.2x -in compliance with achieved DSCR ratio of 3.92x in 2017

Net financial debt to EBITDA ratio of max 4.0x - in compliance with ratio standing at 0.13x as of end 2017

Water quality - number of cases of health problems caused by water supplied by the Company - in compliance with the frequency of reporting of 0.02 in 2014

Collection rate - in compliance with achieved collection rate of 95.93 per cent (vs covenanted 90.0 per cent)

SEI/ GET contribution	
The project was not reported as GET finance or as contributing to GET physical indicators.	
TRANSITON IMPACT	
Expectations (BDS12-285)	
Regulatory framework to promote market functioning and efficiency • PSC be signed between the Company and the City with the aim to set standards of operating services and introduce a transparent tariff formula with clear adjustments for capital upgrade. The PSC will increase the financial and operational sustainability of the Company and set a transparent and clear relationship between the City and the Company. • The Project will impose a review of the existing tariff setting procedures and will focus on improving further the existing tariff structure - especially by the removal of the price differentiations between the consumer groups, setting procedures to ensure timely adjustment of tariffs and incorporating a new tariff formula. **Demonstration of Successful Performance Improvement** • Demonstration effect is expected to derive from this restructuring of the company that will pursue efficiency and performance targets beyond the norms in the sector. **Setting standards of corporate governance and business conduct** • To be achieved through the introduction of the semi-annual IFRS reporting and compliance with the EBRD's Procurement Policies & Rules.	
Regulatory framework to promote market functioning and efficiency	**Partly achieved**
PSC between the Company and the City of Sibenik was signed in June 2014. [TIMS] Both the Company and the City are fulfilling PSC agreement and set benchmarks. The Client and the City maintain good relationship and there are no issues pertaining to the implementation of benchmarks established in the PSC. **Tariff equalisation was not achieved**. [TIMS] Price differential between the two consumer groups (households & corporates) narrowed to 34.7 per cent as of end 2014 from 40 per cent level in 2013 (percentages indicates how much industry is paying more for the water services compared to the households). According to the latest tariffs revision from April 2018, the **price differential between these two categories decreased to 25 per cent**.	
Demonstration of Successful Performance Improvement	**No data**
FOPIP was implemented (see above in Outcomes for Institutional strengthening). There is no data/ discussion available on the actual demonstration effect of this. TIMS lists some other examples of PSCs signed, but only for EBRD co-financed projects. There is little possibility to gauge to what extent a TC implementation and related operational/ financial management changes in a utility lead other utilities to implement the same.	
Setting standards of corporate governance and business conduct	**Achieved**
The reports are **produced as per IFRS regulations**, the new audit company acceptable to EBRD has been engaged from 2015 FS. [TIMS] There is no specific reporting on PP&Rs – TCRS report on the Project Implementation Support states that All works contracts for related investments are **procured following EBRD PPRs**.	

44336 Rijeka Water and Wastewater Investment Project

OUTPUTS
Expectations (BDS13-116)
Physical outputs The client's (ViK Rijeka) long term investment programme was structured in two phases; Phase I for a total of €13.7m (EBRD finance up to €13m); and Phase II with total budget €117m financed largely with EU Funds and no EBRD co-financing. Phase I: 2013-2014 implementation: • Reconstruction of the water supply network; 31% of the funds (€4m) – 13km of new/reconstructed pipeline; • Extension of the wastewater collection network; 69% of the funds (€9m) – 25.5km sanitary drains; The 97 per cent of the investments within the Project will be implemented in the City of Rijeka, while the remaining 3 per cent will be implemented in the neighbouring municipalities covered by Company services.

With the implementation of the EBRD financed project**, 1,200 households will be connected** to the public wastewater collection and treatment network.

Technical cooperation

pre-signing:

1) **Environmental and Social Impact Assessment** of the Project EUR 29,000, financed from the Bank's own resources.

post-signing:

2) **Feasibility Study on a potential regional consolidation** of water supply and wastewater collection and treatment services in the broader City of Rijeka area. The study is envisaged to evaluate the feasibility of and define concrete implementation models for the regional consolidation of VIK Rijeka and water and wastewater companies covering neighbouring municipalities and cities (island Krk, Opatija, Crikvenica). € 175,000, proposed to be financed by an international donor or the EBRD Shareholder Special Fund.

Delivery	**Delivered with delays**

Physical outputs delivered with delays

[OPA] The construction works started in April 2015 and the Project was fully implemented by the 31 December 2016, twelve months after the original target completion date, with a loan savings of €0.8m. The implementation of the Project resulted in an increase of **1,200 new wastewater connections.** Completion of construction works resulted in **25 km of sewerage pipelines**, **12.4 km of water supply pipelines and one sewage pumping station**.

Technical cooperation

1) Environmental and Social Impact Assessment: delivered; report available, 2013

2) Feasibility Study on a potential regional consolidation: delivered; final report available, 2016

OUTCOMES

Expectations (BDS13-116)

Regional consolidation and related efficiency gains

The project expected to see the Rijeka municipality to reach an agreement with at least one neighbouring municipality on **consolidation of water services**.

ViK Rijeka supplies 12-15 per cent of the total quantity of water sold to 3 water supply companies in the neighbouring cities and municipalities (Krk, Opatija, Crikvenica). Those quantities cover a substantial portion of customer's needs, ranging from 15 per cent on the island of Krk, to almost 60 per cent in Opatija. Other than that, for 2 out of 3 mentioned companies water supply is just one of their business activities (ranging from waste management to cleaning services), and all of them are marginally profitable, with inefficient water and wastewater operations. The current municipal service structure in the neighbourhood offers an opportunity for ViK Rijeka to become a regional sector consolidation leader, by merging with/acquiring water and wastewater businesses of some/all of the mentioned companies.

The means of EBRD support of this consolidation was through the **TC Feasibility Study**, and policy dialogue with government entities in the sector.

Delivery	**Not achieved**

There was **no consolidation in water services implemented** to originally set date (2015), nor until now (2020).

While the TC itself (preparation of the Feasibility study on Regional consolidation) was implemented and report delivered, there are serious **questions about the rationale of this component** of the project:

- Regionalisation was not in control of the client [TIMS]; there unlcear rationale behind including elements that are neither in control of EBRD nor the Client as project's expected results (and source of the project's transition impact);

The City accepted the study; however, the practical implementation of the regional consolidation does not solely depend on the City of Rijeka but also on the target companies and their municipal owners. [TIMS]

- Feasibility study appears to have been initiated by EBRD without the prerequisite demand of the counterparts, whose cooperation would have been critical to its usefulness and ultimately the achievement of any results;

Due to the fact that the Croatian Water Agency and the local companies (potential merger targets) were non responsive, the activity of the advisors was limited to the publicly available information, which significantly delayed the finalisation of the study [TIMS]

During the kick-off meeting the Consultant was informed that representatives of the Targets are not aware of the envisaged project nor are they to be contacted by the Consultant at any point during the project. […] The lack of relevant information necessary for the completion of the project has had a detrimental effect on the quality of the report and the analysis and conclusions presented herein. In addition, publicly available information on the sector and Target companies is frequently inconsistent, making some parts of our analysis incomparable. [FS final report]

Lack of access to information and financial data also meant that the FS itself could not develop the technical aspects of the potential merger, and was developed at a general level only. This limits its potential utility for any future use, although with more than 5 years passed, this would have been largely outdated in any case.

Most of the issues raised by the contemplated merger we were able to address at a general, conceptual level only. We were unable to quantify most of the potential effects of a merger, including synergies and improvements in facilities utilisation. Proposed tariff unification activities were addressed at a general level only. Analysis of required capital investments was not performed. [FS final report]

SEI/ GET contribution

GET reported contribution:

GET Finance: €12,071,417; Mitigation finance €1,215,583 (10%), Adaptation finance € 12,155,833 (100%)

Physical indicators:

- Water savings 720,000 m3/yr
- Primary energy saved 4,700 GJ/yr
- Primary energy saved 112 toe/yr

TRANSITION IMPACT

Expectations (BDS13-116)

Institutions, laws and policies that promote market functioning and efficiency

- Signing of PSC between the Company and the City. The aim of the PSC signing is to set standards of operating services based on clear performance targets combined with transparent procedures for reporting and public disclosure of service levels and efficiency improvements that will enhance incentives and accountability for the operators. The PCS will also introduce a transparent tariff formula with clear adjustments for capital upgrade.
- The Project will also put in place such tariff setting procedures which will enable the removal of the price differential between different consumer groups, setting procedures to ensure timely adjustment of tariffs and incorporating a new tariff formula.

Successful Demonstration of Company Restructuring

- Demonstration of regional consolidation of utilities - At least one more successful regional consolidation within the water sector performed in Croatia

Setting Standards of Corporate Governance and Business Conduct

- the introduction of the regular IFRS reporting, as at the moment the Company is using Croatian GAAP

Institutions, laws and policies that promote market functioning and efficiency	Partly achieved

PSC was signed in 2015. Implementation started but TIMS monitoring was closed with reference to a follow up project with the Client, which however failed to materialise.

Tariff equalisation was not achieved. TIMS also refers to a follow up transaction (*Tariff covenants are expected to be part of the future transaction with the client that is still under the preparation*.), which however did not happen.

Successful Demonstration of Company Restructuring	Not achieved

The consolidation of the local utilities was not implemented, therefore there was no basis for a demonstration effect.

Setting Standards of Corporate Governance and Business Conduct	Achieved

IFRS implemented [TIMS]

45213 Rijeka District Heating

OUTPUTS	
Expectations (BDS13-292)	

Physical outputs

Phase I - €3.4m

- Rehabilitation of the existing district heating network: replacement/improved insulation of 6.4 km of DH pipeline → reduce the distribution losses from current 21 per cent (20.9 GWh per annum) to 9.7 per cent (12.4 GWh per annum), and water replenishment rate from to 50 to 10 per annum, corresponding to savings of 80 per cent
- Implementation of an integrated energy management system, incl IT system
- Implementation of two heat only gas fired boilers with a capacity of 5 MWt each for the supply of heat to the University of Rijeka Campus, the City General Hospital and 1,000 residential properties; The combustion efficiency will increase by, on average, 9 per cent.

Phase II - €6.6m

- New combined heat and power plant ("CHP") as an upgrade of heat only boilers from Phase I, with planned capacity of up to 4 MWe and 3.5 MWt to supply electricity to the national grid operator.
- District cooling ("DC") equipment for the provision of district cooling services to the Hospital and the Campus

Technical cooperation

pre-signing:

1) **Environmental and Social Impact Assessment**. EUR 30,000, financed from the Bank's own resources;

2) **Technical due diligence** EUR 30,000, financed from the Bank's own resources;

post-signing:

3) **Financial and Operational Performance Improvement Programme** ("FOPIP") to assist the Company with the commercialisation process. EUR 74,000, proposed to be financed by the SSF

4) **Project Implementation Support** to assist the Project Implementation Unit of the Company with procurement, contracting and supervision of works. EUR 260,000, financed by the Government of Austria

Delivery	Physical outputs largely not delivered; TC delivered

Physical outputs largely not delivered

Large cancellation on this project, largely due to cancelled Phase II – NCBI € 2,595,893**; cancelled €7,724,107 (77%)**

[PMM] The **capex planned under phase I was completed in December 2018** and the remaining undisbursed balance of the facility was cancelled in June 2019. **Phase II as originally envisaged is cancelled** due to the fact that the hospital is likely to choose to construct of own heating and cooling system as a part of construction of the new hospital building.

[TIMS] DC network: Not delivered → Phase II included a loan tranche for equipment for the provision of DC to the Hospital and the Campus in Rijeka. The tranche has been **cancelled because the hospital is likely to choose to construct their own heating and cooling system** as a part of construction of the new hospital building which is out of the control of the Company.

[OL] The scope of the project was significantly reduced due to Client inability to sign the Heat off-take agreement with the hospital. This was in the Company's original plan and time spent waiting for the Ministry of Health decision on the new hospital resulted with delay in the initial capex implementation. Consequently, Energo focused on rehabilitation of existing district heating supply network, modernisation of boilers and implementation of new IT and energy management system which has been successfully completed, whereas on the other side capital investments into new heating & cooling system for the new hospital was cancelled, as the latter decided to develop own independent system as par to the overall capex into new hospital buildings.

Technical cooperation

1) & 2) delivered pre-signing

3) FOPIP; delivered; disbursed €70k; report (CDP) available (2014) [not a report of implementation of the plan]

4) PIU; delivered, disbursed €191k

OUTCOMES
Expectations (BDS13-292)

Operating improvements through increase of revenues from electricity sales, as well as a reduction of heat and water losses and implementation of an energy management system;

Environmental (reduction of greenhouse gases emission) and economic benefits by replacing and decommissioning of two outdated and inefficient heating plants fired with light fuel oil located nearby in the same area of the City with a new modern CHP.

MEI strategy objectives

Total population benefited by modernised district heating: 19,250;

Tonnes of CO_2 per person per year: from 1.26 to 1.1

Delivery	**Partly achieved**

Operational/ financial improvements

[TCRS] The Client has already implemented the majority of measures recommended by FOPIP, which resulted in significant improvement of the operating profitability as measured by EBITDA margin from 9.0% in 2012 to 19.5% in 2016. [Credit analysis 2020] EBITDA margin remained at 20.6 per cent in 2019 (2018: 20.8 per cent). At the bottom-line, the Company generated positive net profit of EUR 300 thousand (2018: EUR 150 thousand).

Environmental/ economic benefits

Scaled down given the reduction of the scope of the physical implementation of the project; see also Transition section.

MEI strategy objectives

This data was not collected/ reported.

SEI/ GET contribution

GET reported contribution:

GET Finance: €6,150,000; Mitigation finance €6,150,000 (100%), Adaptation finance € 1,649,000 (27%)

Physical indicators:

- CO_2e Reduced (kton/y): 3
- Primary Energy Saved (GJ/y): 44,640
- Primary Energy Saved (toe/y): 1,065

The **reported GET contributions for this projects are based on ex-ante expectations and do not correspond to eventually delivered inputs (finance) and outcomes**.

This is true both for GET finance (which is reported in several times over to what the EBRD finance to the project eventually became), and for the physical indicators which were not delivered due to cancellations of physical implementation for the project.

TRANSITION IMPACT

Expectations (BDS13-292)

Development of institutions, laws and policies that promote market functioning and efficiency

- adoption of full cost reflective tariffs, within affordability constraints
- the signing of the PSC is to set standards of improved operating services and efficiency. The PSC will also promote clear and predictable procedures linked to business plans and tariff adjustments and thus ensure a predictable application of a transparent tariff formula with clear adjustments for full cost recovery, including operating expenses and capital investments.

Demonstration of new replicable behaviour and activities (successful restructuring and new process and products)

- Results of FOPIP implementation
- Environmental benefits
- In particular, the development of a DC service in Rijeka will be the first such project in Croatia, which can serve as a role model for similar implementation in urban areas of the country

Setting Standards of Corporate Governance and Business Conduct

- through the implementation of the Environmental and Social Management System, as well as Health and Safety Management System, based on the improvement potential detected during Environmental and Social due diligence → implementing ISO 14001 and OHSAS 18001

Development of institutions, laws and policies that promote market functioning and efficiency	**Achieved**

Cost reflective tariffs were adopted. [TIMS] Full cost recovery has been achieved from 2015 onwards; as per regulatory requirements. However, the contribution of EBRD to this achievement is not clear, as this was mandated by national regulation. In pre-project DAQs it was noted that '*in the past Energo's district heating activities and tariff proposals have been consistently supported by the City Council and the Company has never experienced a rejection of its tariff proposals; In that respect, the risk of below cost tariffs being set going forward is deemed low*.' **PSC between the Company and the City was signed in 2015**. This is reported as being implemented by adequate procedures and outcome for investment planning, tariff adjustments and reported performance against benchmarks disclosed to customers on a regular basis [TIMS]. However, the expected development and signing of at least one more PSC in the DH sector in Croatia (demonstration effect) is reported as not achieved.	
Demonstration of new replicable behaviour and activities (successful restructuring and new process and products)	**Largely not achieved**
FOPIP was implemented and resulted in operational improvements (see also outcomes section). [TIMS] The Client implemented majority of measures recommended by FOPIP. **Demonstration effect of the development of DC network was not achieved**. The DC element of the project was cancelled. Phase II included a loan tranche for equipment for the provision of DC to the Hospital and the Campus in Rijeka. The tranche has been cancelled because the hospital is likely to choose to construct their own heating and cooling system as a part of construction of the new hospital building which is out of the control of the Company. **Environmental impacts were largely not achieved**, given the reduction of the scope of physical implementation. The following indicators were tracked through TIMS: **Reduction in carbon emissions from DH operations by 3,000 tonnes/a of CO2** (from 26,000 to 23,000 tonnes/a) – **largely not achieved** The first phase of the DH network rehabilitation was finalised resulting in the CO2 emission reduction of nearly 150 t/a; the second phase further delivered savings of 350 t/a. This would mean a total of 500t/a CO2 savings; however, the OL indicates total of 950 t/a savings. In any case, the savings are significantly below the plan due to the reduced implementation. (TIMS reports further benefits of reduction of NO2 emissions by 203 kg/year and SO2 emissions by 476kg/year for the first phase; and NO2 reduction by 465kg/year for the second phase) **Reduction of DH network distribution losses by from 20.9 GWh/a to 8.5 GWh/a** – **largely not achieved** [TIMS] After the implementation of the first phase of DH network rehabilitation, the DH network distribution losses were reduced to **approximately 16 GWh/a**, and further reductions are expected after the implementation of the second phase of the DH network rehabilitation. The second phase of DH network rehabilitation was completed in December 2018 and first positive environmental benefits from this second phase are savings in fuel consumption of 1.7GWh. Overall, reporting on actual demonstration effect (ie. replication based on example) is not carried out. It is only clear that expected demonstration effect of DC network implementation was not achieved, as the physical implementation of that element was cancelled.	
Setting Standards of Corporate Governance and Business Conduct	**Not achieved**
The Client did not implement ISO 14001 and OHSAS 18001 to date. However, there is some progress reported on both: **ISO 14001:** The Client already implemented new organisational structure, new enterprise resource planning system and new document management system all of which are fully compliant with the mentioned standard [TIMS] **OHSAS 18001**: The company has already developed a set and procedures which are aligned with OHSAS 18001 standards (i.e. risk assessment document had 4 editions, test work in a safe way and fire protection has been introducer, instructions for safe operations, medical annual systematic examinations are introduced, internal audits conducted, meetings of H&S Board are held 4 times a year, electing of H&S commissioner for the workers; new Health&Safety procedures have been introduced, new plans for evacuation and emergency help for critical locations introducer, warnings signals introduced to all locations and many other procedures have been introduced and implemented). [TIMS]	

46218 Sisak Urban Transport

OUTPUTS

Expectations (BDS14-207)

Physical outputs

Modernisation of the bus fleet through the purchase of up to 17 new diesel Euro VI standard compliant buses, introduction of a fleet management system and modernisation of the maintenance depot. Investment plan

Phase I Tranche A, €2.9m

- the purchase of up to 10 new diesel Euro VI standard compliant buses,
- introduction of a fleet management system and
- modernisation of the maintenance depot

Phase II Tranche B, €1.6m

- purchase of 7 new diesel buses compliant with Euro VI standard

Technical cooperation

pre-signing:

1) **Technical, Environmental and Social Due Diligence** to assess the feasibility of the Project. This TC is conducted in order to check whether the procedures and policies utilised by the Company during the Project preparation adhere to the EBRD's environmental and social standards. The TC also determines the type of bus technology to introduce into Sisak, and prepares technical specifications. The cost of the assignment is EUR 37,000, financed by the MEI budget.

post-signing:

2) **Sustainable Urban Mobility Planning (SUMP),** including the preparation of enhanced PSP, and rehabilitation and commercialisation plan for the central bus terminal, and models for the privatisation of the parking in the City. The estimated cost of the assignment is EUR 170,000, proposed to be financed by an international donor or the Shareholder Special Fund ("SSF")

3) **Project Implementation Support and Financial and Operational Performance Improvement Programme (FOPIP).** This TC will support the Company with the procurement aspects of the loan implementation, assisting the Company with commercialisation and long-term planning. The estimated cost of the assignment is EUR 150,000, proposed to be financed by an international donor or the SSF

4) **Public Service Contract Preparation**. This TC will assist the Company with the preparation of the Public Service Contract in accordance with EU Regulation 1370/2007. The estimated cost of this assignment is EUR 50,000, proposed to be covered under the already approved regional "Urban Transport Public Service Contracts - Framework for Preparation (TCS 39409)", financed by the SSF with the total budget of EUR 550,000.

Delivery	**Physical outputs partly delivered; TCs delivered**

Physical outputs

Changes were made in the composition in the use of proceeds, loan was partially cancelled but some savings were made through tendering

Planned EBRD finance & outputs		**Actual EBRD finance & outputs**	
10 new diesel Euro VI standard buses	€2.3 m	13 buses	€2.14 m
Fleet mgmt. system	€0.1 m	Fleet mgmt. system	€ 0.218 m
		e-ticketing system	
Maintenance depot modernisation	€ 0.5 m	Tools for depot	€ 0.049 m
7 new diesel Euro VI standard buses	€ 1.6 m	*Cancelled*	
	€ 4.5 m		€ 2.407

[PMM] Due to the **significant savings achieved through the bus tender**, 11 new buses were purchased in 2016 instead of 10 indicated. The price achieved per bus is almost 30% lower than planned. Following

successful purchase of new buses in 2016, the Company purchased additional two buses for €328.400, which were delivered in May 2017, thus **completing the modernisation of the bus fleet**. The Company also spent significantly less of the planned loan proceeds for the **modernisation of the maintenance depot** due to the better prices achieved, but also **decrease in the planned scope of works**. Tender for **e-ticketing system** was successfully completed and the selected provider **successfully implemented** the system in the last quarter of 2017. **Phase II was cancelled**: Due to the overall savings achieved the tranche B of the loan remained fully unutilised and was cancelled following expiry of the LAD for the respective tranche; the company decided not to utilize this tranche and was cancelled as of end-2016. **Technical cooperation** 1) Technical, Environmental and Social Due Diligence: pre-signing 2) SUMP – delivered; [PMM] , SUMP was completed and approved by the City of Sisak in 2017 3) FOPIP – delivered; progress report of 2015 available 4) PSC prep – delivered	
OUTCOMES	
Expectations (BDS14-207)	
Enhanced operational and financial performance FOPIP will provide substantial training for key staff of the Company enabling commercial skill transfer and helping the operational restructuring of the Company, focusing on marketing, business and financial planning, receivables collection, and an improved management information system **MEI strategy objectives** Total number of urban transport passengers transported: 1.34 million passengers per year (by end 2016) Annual reduction in tonnes of CO2 equivalent for improved public transport operations: 112 t/yr saved (by end 2016)	
Delivery	**Achieved**
Enhanced operational and financial performance FOPIP recommendations were implemented during 2016 and 2017. **[**TIMS] **Reduction of vehicles maintenance** costs by 20 per cent compared to 2013 figures – **Achieved** **Increase of revenues obtained** from provision of vehicle maintenance services to the users outside the Company from EUR 25,000 achieved in 2013 to at least EUR 75,000 per annum – **Achieved** **Account separation or** legal separation of commercial vehicle maintenance activities/unit – **Achieved** **Introduction of separate accounting** for commercial bus services of the Company (Sisak Zagreb route and other competitively awarded routes) – **Achieved** **Legal separation** of commercial bus activities (i.e. the Zagreb - Sisak route) of the Company into a separate legal entity **– Not achieved** **MEI strategy objectives** MEI strategy objectives data were not collected and reported. The latter of these indicators coincides with GET reported data, target is however significantly different from the GET reporting (0.112kt/y MEI objective vs. 1 kt/yr GET reported ex-ante expectation).	
SEI/ GET contribution	
GET reported contribution: GET Finance: €0.45 m; Mitigation finance €0.45 m (10% of originally signed amount), Physical indicators: • CO2e Reduced (kton/y):1 • Primary Energy Saved (GJ/y): 15,000 • Primary Energy Saved (toe/y): 358 Based on **ex-ante expectations**, not adjusted based on changes in the use of proceeds.	

TRANSITION IMPACT	
Expectations (BDS14-207)	
Framework for markets: Improved commercialisation through establishment of a PSC • PSC in line with EU regulation 1370/2007; The approach will ensure that the Company will not be either over-compensated or under-compensated for the provision of services. • The cost containment embedded into the PSC structure, coupled with the OPEX efficiencies to be gained from the new bus units, should allow an improved fare box recovery ratio to be attained following the new fleet's introduction. It should be noted that the PSC for the Company will also be used by the City as a template for its contractual relationship with the private sector bus operator(s), levelling the playing field between the public and private sectors. **Institutions and policies that support market functioning and efficiency/ Private sector participation** • SUMP and PSC will provide the City with the ability to begin to apply more robust regulatory oversight of the various operators of the urban transport sector more generally: the bus operators; the parking operator; and the bus terminal operator. This will allow a more coherent approach to sector regulation. • Through the implementation of the SUMP, which will include the options for commercialisation of the bus terminal and improved parking management in the City of Sisak. These items, developed during sector-based dialogue with the City by the Banking team, are two concrete areas where public sector participation can be developed and enhanced. **Demonstration effect: Enhanced operational and financial performance** • Demonstration effect of FOPIP improvements	
Framework for markets: Improved commercialisation through establishment of a PSC	**Achieved**
PSC between the City and the Company signed in 2016. [TIMS] see Outcomes section **SUMP was completed and approved by the city of Sisak in 2017**. The SUMP is being used as a strategic document in the application for EU grant funding for purchase of 20 new intercity/city buses that will be 80% financed from EU grants +20% grants to be secured by the Croatian Ministry of Sea, Transport and Infrastructure [TIMS]	
Institutions and policies that support market functioning and efficiency/ Private sector participation	**Not achieved**
While underlying support in terms of SUMP TC was delivered, no actual progress on private sector participation, the ultimate transition objective, was made to date. It is also mentioned in the project document that the priorities from PSP were made based on policy dialogue with the City pre-project. **Bus terminal spin-off into a separate entity with a clear commercial mandate – Not achieved**; The City initiated the mentioned process, however the bus terminal ownership is currently split between Auto Promet and one private company which is in bankruptcy procedure which significantly complicates the process due to unsolved ownership rights over the entire terminal. The City initiated discussion to consolidate its ownership of the bus terminal, so that it can later be spun off to the private operator [TIMS] **Private contracting for O&M of bus terminal and/or private contracting parking management are prepared and signed – Not achieved**; Following the formal approval of the SUMP, the City now intends to initiate the process of the private contracting for the parking, while the bus private sector participation at the bus terminal will only be possible after the ownership issue is resolved as per above. [TIMS]	
Demonstration effect: Enhanced operational and financial performance	**No data**
FOPIP was implemented (see above in Outcomes) with good outcomes. There is no data/ discussion available on the actual demonstration effect (replication) of this type of restructuring.	

45769 Croatia Cohesion Funds Co-Financing Water & WW
45770 C2CF Porec water and wastewater sub-project

OUTPUTS

Expectations

Framework: EU Cohesion Funds Co-financing Framework (C2CF) (BDS14-083)

Sub-operation: C2CF Poreč (BDS14-083 (Addendum 1), BDS14-083 (Addendum 2), BDS14-083 (Addendum 3))

Expected inputs

Framework

Framework was Board approved in April 2014, for **up to €200m**. The framework only had one sub-operation implemented (Porec), and was closed in 2018 due to under-utilisation (PTI10).

The projected investment total for the framework was €934.5m (CWA+ROCs – €168.4m, EU – €562.5m, **EBRD €200m**, **EBRD TC €3.6m**)

Porec sub-operation

Porec project was approved as the same date (April 2014) for **up to €20m** . The project was then re-approved in October 2015 on non-objection basis as it had remained un-signed for over 12 months, with amount **reduced to up to €4m**. In November 2019 an extension of the project was approved on non-objection basis for **additional €6m**, which was signed in 2020.

Investment programme original (2014) total €82.91m; Company €12.8m, **EBRD €20m**, EU funds €49.72m, TC €0.39m; **reduced to EBRD amount €4m** for second approval (2015): at the same time, the total value of the project (excluding TCs) decreased to €67.20m (based on VAT deductions following a VAT reform). The structure changed following the Government decision to utilise the resources from the accrued Environmental Protection Surcharge Fee ("EPSF") as a lump sum capital contribution to the Project thus decreasing the EBRD loan amount, from 24 percent to 6 percent of the overall investment amount.

In 2019, **additional €6m** for the project was approved**.** This was due to a financial correction, which reduced the percentage of EU funds to 62% from 73% of total project costs. The **corrections were linked to infractions in procurement**, which was conducted under the supervision of the Croatian Water Agency. The updated project costs at this approval were €59.3 million.

Physical outputs

Framework

- Some 15 water and wastewater Regional Operating Companies (ROCs) expected to participate in C2CF
- Co-financing of EU Cohesion Funds in the water and wastewater sector in Croatia

Porec sub-operation

- Construction of 4 WWTP and sludge treatment facilities
- Construction of network extension for the connection of additional settlements
- Relocation of existing WWTP and network reconstruction
- Supply of operational and maintenance equipment

Technical cooperation

Framework

pre-signing:

1) **Environmental and Social Due Diligence** (€ 317,540): A framework TC for environmental and social due diligence for individual subprojects

2) **Energy Audits** (€ 60,000): to assess Best Available Technology ("BAT") in the energy recovery areas for wastewater, water efficiency, and biogas opportunities.

post-signing:

3) **Support in the Regionalisation Process**: TC to provide assistance to ROCs in two major areas: (a) assistance in the regionalisation process and (b) re-organisation of their financial and operational activities, incl. PSC (€2.5m)

4) **Performance Benchmarking**: TC to provide assistance to the ROCs in participating in a country-wide exercise of benchmarking of key operational and managerial indicators. (€500k)

5) **Procurement Benchmarking and Certification**: TC to obtain support to achieve best-practice procurement certification, using an industry recognised assessment body. (€225k)

Porec sub-operation

→ drawing from the above fwk level TCs, expected as follows:

pre-signing:

1) ESDD €32k

2) Energy Audit: €12k

post-signing:

3) Support in the Regionalisation Process: a) & b) through FOPIP, €250k

4) Performance benchmarking: €50k

5) Procurement benchmarking and certification: €45k

Delivery	**FWK: Not delivered**
	Porec SO: Significant delays, still under implementation; **TC delivery unclear**

Physical outputs

Framework

Framework was closed after only one sub-operation out of expected ~15, and only 2% utilisation in terms of disbursements (€4m out of €200m).

Porec sub-operation

While the investment scope of the project remained unchanged, it experienced significant delays. PMM of November **2019 indicated the overall rate of completion at 49.73%**. It noted that construction works remain ongoing under waste water treatment plants and sludge treatment contract, which is the largest contract. All other contracts have been finalised. According to the OL, one WWTP planned completion is expected in May 2021, and the trial run of all three WWTPs will begin in June 2021.

Technical cooperation

There is little to no reporting on implementation, and no consultants' reports were found in the system or obtained from the team.

Framework

Based on disbursement figures available in the DWH/ TCRS system, there was some implementation of the TC funds:

1) ESDD – no disbursement

2) Energy Audits – no disbursement

3) Support to regionalisation process: disbursement of €400k

According to TIMS, this has been disbursed for:

- Sisak Wastewater Management Project (OpID 37187; project approved before 2011, not part of the C2CF fwk, and not part of this evaluation portfolio), ~€150k – no reporting available
- Porec (the only sub-op of this fwk)– for FOPIP and PSC preparation, ~€250k – no reporting available

4) Performance benchmarking – no disbursement

5) Procurement benchmarking and certification: disbursement of €90k – there is no available information or reporting on what this disbursement was for, neither in the system or from the team

Porec sub-operation

pre-signing:

1) ESDD – although there was no implementation on this line from the fwk approved TC budget, according to the team this TC was implemented with internal MEI funding

2) Energy Audit – no implementation

post-signing:

3) Support in the Regionalisation Process: a) & b) through FOPIP – TIMS reports delivery of regionalisation report, FOPIP report and drafting of the Public Service Agreement (~€250k); No reports available

4) Performance benchmarking – no implementation

5) Procurement benchmarking and certification – unclear what the disbursement of €90k was used for

OUTCOMES	
Expectations **Framework: EU Cohesion Funds Co-financing Framework (C2CF) (BDS14-083)** **Sub-operation: C2CF Poreč (BDS14-083 (Addendum 1), BDS14-083 (Addendum 2), BDS14-083 (Addendum 3))**	
Framework **Institutional strengthening** Based on implementation of FOPIPs, PSCs, Energy audits, Performance benchmarking, Procurement benchmarking → Financial and operational performance – Growth in Regional Operating Companies' revenues, profitability and cash flows **MEI strategy objectives** Total population benefitting from improved access to wastewater services – no target Annual m3 of wastewater treated – no target Porec sub-operation **Institutional strengthening** FOPIP implementation PSC signing including tariff methodology and removal of cross-subsidisation Unitary operating cost of collected (un-treated) wastewater of HRK 3.08 per m3 (in line with current level) **MEI strategy objectives** To increase the average connection to the wastewater network from 65 to 75 per cent 4 million m3 per annum of treated wastewater (24 per cent increase compared to present treatment levels)	
Delivery	**FWK: Not achieved** **Porec SO: Largely not achieved, but renewed implementation in 2020 with revised target dates**
Framework As per above, only one project out of planned 10-15 were implemented under the fwk. Porec sub-operation **Institutional strengthening** [TIMS] The FOPIP report was delivered by consultants in April 2018 and the updated PSC was shared with the Company in August 2018. The PSC will include a transparent tariff methodology between the Company and the Cities-shareholders in the new regional company. According to TIMS, **PSC** was drafted but **not yet signed**. No reports available. The scope and outcomes of the implemented FOPIP are therefore not clear, it however appears to have been implemented. **Unitary operating cost** of collected (un-treated) wastewater of HRK 3.08 per m3 (in line with current level) – **Achieved** [TIMS] Unitary cost (with fully compliant EU treatment) of HRK 6.92 per m3 – **benchmark cancelled** Unitary cost 5 years after project completion (with fully compliant EU treatment) of HRK 5.35per m3 – **benchmark cancelled** **MEI strategy indicators** MEI strategy objectives data were not collected and reported. According to the team, once the project achieves physical implementation, these objectives will be achieved.	

SEI/ GET contribution
GET reported contribution: Porec sub-operation GET Finance: €2.3 m; Mitigation finance €1.7 m, Adaptation finance €0.6m; Extension in 2020 added €6m for Environmental finance. Physical indicators: • CO2e Reduced (kton/y): 5 • Primary Energy Saved (GJ/y): 1 • Water saved (m3/y): 1 Based on **ex-ante expectations**; Appears to have an issue with **incorrect reporting units.** The GET physical indicators are also different from those TQ Green indicators tracked for the project TIMS, which were centred around volumes of waste water treated in line with EU standards [original BDS 4 million m3/yr of treated wastewater; the revised BDS in 2019 3.2 million m3/yr].
TRANSITION IMPACT
Expectations **Framework: EU Cohesion Funds Co-financing Framework (C2CF) (BDS14-083)** **Sub-operation: C2CF Poreč (BDS14-083 (Addendum 1), BDS14-083 (Addendum 2), BDS14-083 (Addendum 3))**
Framework The Bank's ability to **co-finance a critical mass of the ROCs** in the sector will enable a **broad transition agenda supporting systemic reform with activities categorised as "core" (regionalisation, tariff equalisation, and performance benchmarking).** In addition to these core activities, all sub-projects will also be expected to pursue at least one additional "selective" transition dimension (meaningful private sector participation, innovative energy efficient solutions, and procurement capacity building and certification). **Regionalisation** • The Framework will support the on-going process of regionalisation of the water and wastewater services in Croatia, with the objective to (i) integrate the smaller operators in an efficient manner to increase quality coverage to smaller outlying communities and ensure long term sustainability, and (ii) promote commercialisation to achieve operational efficiency gains. The regionalisation process will be backed by technical cooperation supporting consolidation planning, governance improvements and preparation of public service contracts **Tariff equalisation** • The Framework with promote the gradual elimination of cross-subsidies through tariff reform with the objective that all ROCs will move toward fully cost reflective water and wastewater tariffs for all customer groups, backed by a formula-based tariff methodology and approval procedure. All sub-projects will seek covenanted tariff increases within the affordability limits. **Performance benchmarking** • As part of the Framework, the Bank will assist the ROCs in a benchmarking exercise with the objective to raise quality, incentives and efficiency compared to a set of European-wide indicators. Benchmarking will provide the ROCs with a tool to compare operational performance over time and identify underperformance relative to industry standards both locally and internationally. 'Selective' TI sources (depending on sub-operation): **Private sector participation** **Energy efficiency solutions:** Supported by fwk TC on Energy Audits **Procurement capacity building and certification:** Supported by fwk TC on Procurement certification **Policy Dialogue** Detailed **discussions with CWA confirmed the reform agenda**, which is based around policy dialogue with both the central and local authority levels. In addition, the existence of an active water operator association in the country affords an opportunity in that the association can act as an advocate for the transition agenda, with its main focus likely to be the benchmarking exercise. The Bank will also continue to work closely with the relevant ministries (Ministry of Agriculture, Forestry and Water resources; Ministry of Regional Development; and Ministry of Finance) to ensure the implementation of transition objectives and the proposed TC assignments. PD was also considered a **TI Risk mitigant**: Such regional mergers require a joint decision of cities/municipalities in the respective regions, and such **risk cannot be fully controlled by the ROCs**. Through **the policy dialogue conducted with the relevant ministries and CWA**, the Bank will constantly emphasise

the importance of regional consolidation within the sector, as an important step forward to its increased efficiency. Furthermore the Bank and CWA will stipulate the regionalisation objectives in the Framework Support Agreement (FSA). CWA with government support is drafting the regulation which will set minimum criteria of service level (annual volume sales) that will further incentivise the regionalisation.

Porec sub-operation

The sub-operation followed the framework's sources of TI expectation in **Regionalisation**, **Tariff equalisation**, and **Performance benchmarking**.

In the 'selective' TI sources, it expected to deliver:

- Development and adoption of the appropriate benchmarking methodology and obtaining the international **procurement certification** at Company level

In 2019, when the Porec SO was revived and re-approved for extension (€6m) due to a correction leading to the decrease of EU funding, the TI objectives of the project were revised in line with the new TI concept and methodology.

- The objectives of **Regionalisation** and **Tariff equalisation** were maintained under the **Well-Governed TQ**
- **Performance benchmarking** was cancelled due to no progress on sector level;
- **New objectives** were added under **TQ Green**. These are GET-type indicators following from physical implementation of capital investments:
  - Wastewater volume treated up to EU standards: 3,195,000m3/yr by end 2021
  - Additional number of individuals with improved access to wastewater services: 6,000 (1,670 new connections) by end 2021 (these are different types of indicators that were reported for the project in GET reporting, see above. GET reporting uses CO2 reduction, Energy savings and Water savings)

Overall assessment	**Not achieved**

Framework

Framework expected transition in facilitating a systemic reform was unsuccessful.

Regionalisation reform was stalled and only recently revived at national level (see Context section for more detail). The framework was closed in 2018 with only one sub-operation partially implemented and **no achievements in the facilitation of the sector reform**.

Policy dialogue expectations were relatively vaguely presented in the framework but it is safe to say that policy dialogue **efforts did not come to fruition** in supporting the implementation of the reforms.

The original framework expected there to be a Framework Support Agreement (FSA) signed between the water authority (CWA) and the Bank, defining the level and frequency of Environmental Protection Surcharge Fee (EPSF) transfers from CWA for the repayment of the Bank loan. This arrangement was later changed to ESPF being used as a capital grant contribution to projects. Therefore, it was expected that a **Memorandum of Understanding would be introduced to facilitate collaboration among EBRD, the Ministry and the CWA with regards to the consolidation of water and wastewater sector in Croatia and the priority projects under the Framework**. This **MoU was however not signed** in the end. According to the team, this was because of political instability (frequent government changes in the 2014-2016 period) and the lack of a proper counterparty for the MoU.

Regionalisation	**Not achieved**

There was **no progress on the consolidation of local water and wastewater utilities into regional entities under the framework**. Therefore the support that was supposed to be provided to newly formed 10-15 Regional Operating Companies (ROCs) was not implemented and the framework was closed without utilisation. Supporting policy dialogue did not manage to overcome lack of political will and local momentum in the sector. There is some progress on the issue at national level in the recent years (see Context section), independent of the framework implementation.

Tariff equalisation	**Not achieved**

Not achieved.

Porec sub-operation

PSC has been prepared by not yet signed. It is likely that utilities will move to tariff equalisations only after the regulation is implemented at national level.

Performance benchmarking	**Not achieved**

TC on performance benchmarking in the sector was not implemented [see above].

While in principle the CWA expresses support to the concept, this does not appear to be a priority for sector implementation.	
Selective TI sources	**Not achieved**
Selective TI sources were supposed to be implemented as relevant for individual sub-operations. Porec sub-operation While there was disbursement of €90k in the **procurement benchmarking and certification** TC, there is no reporting available related to it, and the team did not provide any further clarification as to what was implemented. TIMS report just considers this objective as Not achieved without any further discussion. This objective was then cancelled in the 2019 revision/ extension of the project. Notably, the TIMS report at the closure of the framework reported that ***Procurement certification in practice proved to be highly unfeasible for water utilities*** *creating only a significant financial burden for the water utilities. In an environment where local procurement rules are used for all EU co-funded projects, the international procurement certification proved to be unnecessary and costly.* This raises questions about the original rationale for the framework TC that was approved and allocated €225k. Other comments Similarly, the TIMS also noted with respect to Energy Efficiency audits that ***Water utilities do not own any meaningful assets that could be an object of energy efficiency improvements****; whereas* the *investments into reduction of leakages, higher quantity of wastewater collected and treated are party of the proposed projects with clear benchmarks set under the GET principle.* While there was no disbursement on the framework TC, allocated €60k, this also raises questions about the process of designing and formulating rationale for TCs supporting such activities.	

48246 Pula Bus Renewal project

OUTPUTS	
Expectations (BDS16-102; BDS16-102 (Addendum 1))	
Physical outputs Acquisition of 20 new CNG low floor buses **Technical cooperation** pre-signing: 1) **Environmental and social due diligence** to assess the feasibility of the Project. €25,000, financed from the Bank's own resources. 2) **Technology comparison analysis** among the different type of buses to assist in the final procurement decision and in tender preparation. Estimated at €25,000, financed from the Bank's own resources. post-signing: 3) **Financial and Operational Performance Improvement Programme** ("FOPIP") and project implementation support through enhanced Public Service Contract ("PSC"). The FOPIP will enable substantial training for key staff of the Company enabling commercial skill transfer and helping the operational restructuring of the Company, focusing on marketing, financial planning and fare collection. The commercialisation and corporate governance of the Company will be further improved through continued appliance on the provisions of the Municipal Support Agreement (MSA) and update of the Public Service Contract (PSC) in compliance with EU regulation 1370/2007. Estimated at EUR 155,000, financed from the donors' funds or Shareholders' Special Fund ("SSF") 4) **Sustainable Urban Mobility Planning** ("SUMP") to complete and update previous Urban Masterplan (2007) and Transport Strategy (parking) and take into account best-practice urban transport planning and EU guidelines with particular focus on improvements to parking and traffic management systems and enforcement, thus facilitating the city to implement sustainable transport solutions. Estimated at € 205,000, financed from the donors' funds or SSF.	
Delivery	**Physical outputs delivered with delays;** **TC partly delivered**
Physical outputs	

The procurement and the delivery of the buses was **significantly delayed**. The **buses were finally delivered in 2020**.

[PMM] Tendering process for the purchase of new buses has been significantly delayed due to fact that the City of Pula was selected for the EU Commission's ITI mechanism (integrated territorial investments) which aims at securing smart and sustainable development of the city area in Pula. Under ITI mechanism the Company was granted €2.5 million for co-financing of new CNG bus fleet. Thus, EBRD loan was decreased to € 2.5 million.

During 2019 the Company has finalized the tender for purchase of new buses. The team confirmed that the buses were delivered in August 2020.

Technical cooperation

pre-signing:

1) ESDD – implemented; reports and ESAP from 2016 available

2) Technology comparison analysis – implemented; Technical DD final report from April 2016

post-signing:

3) FOPIP – **not implemented**. [PMM] due to the fact that the loan utilisation has not started yet. Furthermore, the Company wanted to allocate its resources to one assignment at a time with the goal to successfully finish the SUMP exercise and afterwards allocate its in-house professionals to the FOPIP assignment. It is currently further postponed due to Covid crisis. According to the team, the FOPIP assignment is now expected to commence by the end of 2020.

4) Sustainable Urban Mobility Planning (SUMP) – implemented; Report from July 2019 available; [PMM] The prerequisite for utilisation of the grant funds was the preparation of the SUMP. The consultancy team for preparation of SUMP were selected by the Company and the City of Pula in October 2017 with contracts signed in mid-December 2017. During 2018, the measurements and field work were done. The final study was delivered in July 2019 and adopted by Pula City Council in September 2019.

OUTCOMES

Expectations (BDS16-102; BDS16-102 (Addendum 1))

Resource efficiency and environmental benefits

- Fuel consumption savings (30 per cent on fuel costs)
- Reduced emissions of CO_2 (10 per cent)
- Reduced toxic emissions, CO-NOx-HC-PM (up to 99 per cent)
- Reduced noise levels.
- Better passenger Information System.

Institutional strengthening

Implementation of FOPIP was to lead to operational improvements.

MEI strategy indicators

Total number of urban transport passengers transported: 3.5 million passengers per year (regular services); i.e. 2015 traffic levels maintained; by end 2018

Annual reduction in tonnes of CO_2 equivalent for improved public transport operations (fleet replacement): 140 tonnes CO_2 per year saved for 20 new CNG low floor buses, or 10 per cent of current emissions; by end 2019

Delivery	**Too early due to delays**

Given that the buses have only just been delivered, the expected outcomes in terms of resource efficiency and environmental benefits have not been achieved yet. There is no system to monitor/ verify/ report on these in the future, as they will be considered self-evidently achieved with the upgrade to the new type of buses. The fuel savings should also in the future be evident from the Client's costs reductions.

The passenger information system was included as an objective in the project document but not explained as to the source of finance, and does not appear in any monitoring found.

FOPIP has not been implemented yet, but is due to be implemented in 2021 [see above]

MEI strategy indicators

Not reported on

SEI/ GET contribution

GET reported contribution:

GET Finance: €5m, Mitigation finance €5m (100%)

Physical indicators:

- CO2e Reduced (kton/y): 1
- Primary Energy Saved (GJ/y): 3,316
- Primary Energy Saved (toe/y): 79

These are based on ex-ante estimates; the financing provided by EBRD has been halved in reality; The physical indicators are not monitored/ verified.

The CO2 reduction indicator 1 kton/yr appears to be different by an order of magnitude from the one included in MEI strategy objective for the project at 140 t/yr (i.e. ~0.1 kt/yr)

TRANSITION IMPACT

Expectations (BDS16-102; BDS16-102 (Addendum 1))

Demonstration of successful restructuring

- Via FOPIP delivery, including revised PSC implementation, operational restructuring

Improved frameworks for market functioning and efficiency

- Sustainable Urban Mobility Planning to complete and update previous Urban Masterplan (2007) and Transport Strategy (parking) and take into account best practice urban transport planning and EU guidelines with particular focus on improvements to parking and traffic management systems and enforcement, thus facilitating the city to implement sustainable transport solutions.
- The current PSC pre-dates EU Regulation 1370/2007 and therefore does not incorporate a properly defined and detailed formula to account for how the Company is to receive an adequate 'net financial effect' payment. Through TC, a refinement of the PSC with the technical annexes to show how all costs and revenues sources are to be determined within the compensation formula

Demonstration of new products and processes - Facilitate and support a shift towards green technologies

- The project will promote sustainable transport by supporting the introduction of green bus technology based on CNG units, thus improving the quality of public transport in the City of Pula.

Demonstration of successful restructuring	Not achieved; to be implemented

FOPIP was not implemented (see above); this may still happen in 2021, with some 5 years delay.

Improvement in farebox recovery ratio to 60% (from baseline 50%): has to some extent been achieved independently of EBRD contribution, due to procurement of new buses under separate EU co-financed project; indicated at ~58% pre-Covid. However, the team also noted that in 1H 2020, Client's operating revenues have fallen 44% compared to the year before, its EBITDA fell 56% and the fare-box ratio fell to 39%, due to Covid crisis. This highlights the continued need for the FOPIP implementation, which is expected in 2021.

Improved frameworks for market functioning and efficiency	Achieved with some delays

SUMP was delivered in and appointed by Pula City Council in September 2019 [TIMS]

PSC was revised and signed according to the requirements of EU Regulation 1370/2007. [TIMS] Given that the PSC should have been revised as part of the FOPIP delivery, which has not happened, the link to EBRD contribution to its achievement is somewhat tenuous. The team notes that EBRD has contributed by initiating the discussions between the Client and the municipalities who were signatories of the PSC. PSC has been signed, and is now being implemented. Client's financial statements, or more precisely it's income statement, contain data od subsidies received from the municipalities which are signatories of the PSC, which enables regular monitoring of the implementation of the PSC.

Demonstration of new products and processes	No data

The new technology buses have just been delivered. The question of the actual demonstration effect is unclear, but it appears there was another procurement of buses co-financed by the EU prior to this project delivery, so any potential for innovative demonstration, if there ever was, would have been fulfilled by the earlier (non-EBRD) project.

48519 Zagreb Holding Bond Issuance (f. Project Sava)

OUTPUTS

Expectations (BDS16-087; BDS16-087 (Addendum 1))

Inputs & use of proceeds

Participation in the Bond issuance of Zagreb Holding, a municipal holding company, incorporated in Croatia and fully owned by Croatia's capital City, Zagreb.

Bond Issuance for the Zagreb Holding in HRK equivalent of up to € 60 million (not to exceed 20 per cent of the issue) as part of the Company's **refinancing of its existing € 300 million Eurobond** maturing in July 2017. The maturity of the new bond is 7 years. The Bond Issuance will be fully guaranteed by the City of Zagreb.

Technical cooperation

n/a

Policy Dialogue

The Bank is engaging in **policy dialogue alongside the Arranger with the Croatian National Bank** ("CNB") to promote repo-eligibility of the Bond Issue, which would significantly improve the attractiveness of the issue for the commercial banks and would be the first non-sovereign financial instrument acceptable as repo collateral. These discussions will deepen the Bank's involvement in the development of Croatia's capital markets. In addition, the Bank will engage in policy dialogue alongside Arrangers with the Croatian Financial Service Supervisory Agency ("HANFA"), CNB and ZSE to promote the introduction of bondholder meetings which would provide additional comfort to the investor community for all non-sovereign bond issues.

Delivery	**Delivered; inputs scaled back**

Input & use of proceeds

The final **price was better than original price guidance, resulting in real savings for Zagreb Holding** as well as **elimination of the foreign exchange risks** associated with its existing Eurobond which will be re-financed from the proceeds of the respective bond issuance

The Company fully achieved its **intended operational objectives i.e. balance sheet restructuring and switching towards LC funding** - elimination of the FX risks. The completion of the bond refinancing was the most important business event for the Group in both 2016 and 2017.

The bonds were listed on the Official Market of the Zagreb Stock Exchange as of 19 July 2016 and are regularly traded.

The books were oversubscribed nearly 1.7x driven by **strong demand from local commercial banks**, which resulted in the scale back of the Bank's investment. The EBRD eventually invested €6 million (out of headroom €60 million approved). Local commercial banks subscribed to slightly over 67 per cent of the issue followed by local pension funds, which acquired another 15.4 per cent. [OPA]

OUTCOMES

Expectations

n/a

Delivery

n/a

SEI/ GET contribution

n/a

TRANSITION IMPACT

Expectations (BDS16-087; BDS16-087 (Addendum 1))

Demonstration of new ways of financing

- The proposed bond issue is large by domestic market standards and is designed to address these shortcomings by establishing a marketable publicly traded instrument. This will have a high demonstration effect both by: (i) **encouraging other issuers to tap the local capital markets**, further deepening the market; and (ii) **encouraging investors to participate in subsequent bond issues planned by other municipalities and/or municipal corporates**.

- As the largest municipal entity in the market the issue will **provide a pricing benchmark through a publicly traded security** that will enable both the Holding and investors to examine how the market prices municipal risk.

Framework for markets and economic efficiency

- Achievement of the repo-eligibility of the bond, through policy dialogue
- Introduction of Bondholder meetings for the corporate/ municipal bond

Demonstration of new ways of financing	Partly achieved

The Bond registered high interest from a variety of investors and represented a sizeable issue at the Croatian market, with high liquidity. On the other hand, the expected replication of municipal issues with similarly long tenors has not materialised.

[OPA] A total of as many as 59 investors participated in the HRK bond issue of Zagreb Holding: 29 mandatory and voluntary pension funds, 11 banks, and six investment funds, with insurance companies, legal and physical entities, and an international financial institution comprising the rest of the demand.

This bond issue was substantial by domestic market standards and was designed to address these shortcomings by establishing a marketable publicly traded instrument. This marketability is evident as, since issuance, total trading with ZG Holding bonds amounted to nearly € 112 million which makes it the most liquid non-sovereign instrument on the stock exchange.

The **first bond tranche was issued with an interest rate of 4.35 per cent, which is the lowest interest rate at which a company** or a city got indebted on the domestic capital market, and considerably less than the 5.5 per cent interest rate of the Holding's 2007 Eurobonds. The **second tranche** [no EBRD participation] **was sold at a yield of 3.50 per** cent.

Framework for markets and economic efficiency	Largely achieved

The EBRD engaged in policy dialogue to promote repo-eligibility of the bond issue. The repo-eligibility is decided by CNB depending on the bond's liquidity in the secondary market and acceptance of Holding and City credit risk. This was **achieved** in 2017 when the CNB accepted the Holding's bonds as collateral for repo auctions. **This was the first non-sovereign financial instrument acceptable as repo collateral**.

The expected introduction of bond-holder meetings has not been achieved.

48933 Zagreb County Water Project

OUTPUTS

Expectations (BDS18-224)

Physical outputs

- Tranche I of up to € 7 million to cofinance capex into water-supply infrastructure in the County
- Tranche II of up to € 2 million to co-finance investments into wastewater collection and treatment infrastructure - wastewater collection infrastructure and WWTP in the city of Vrbovec - capacity of 15,000 population equivalent;

Financing:

tranche I: total €91.2m Grants €83.8m (CWA 21.2, EU 62.6); EBRD €7m, EBRD TC €0.3m (8%)

tranche II: total €20.3m Grants €18.3m (CWA 4.2, EU 14.1); EBRD €2m (10%)

Technical cooperation

post-signing:

1) **Support in the post-Regionalisation Process and FOPIP** – provision of assistance to the Company in (a) the post-regionalisation process including post-merger activities, covering legal, financial and operational aspects of the merger, and (b) re-organisation of the Company's financial and operational activities, PSC preparation, and advice on tariff reform and collection improvements. The estimated cost of the assignment is up to EUR 250,000 and will be conducted under an existing consultancy framework supporting financial and operational performance improvements in water companies in Croatia.

Delivery	**Too early to assess**
Physical outputs First loan disbursement in August 2020 [DTM]. **Technical cooperation** No TC implementation yet. It appears the expected TC will be financed from the TC package approved for the (now closed) framework (45769 Croatia Cohesion Funds Co-Financing Water & WW) [TCRS]	
OUTCOMES	
Expectations (BDS18-224)	
• water-supply infrastructure in the County: increase the population coverage to 91 per cent from the current 63 per cent • waste-water treatment: increase population connection rate to 93 per cent (vs current connection rate of 38 per cent)	
Delivery	**Too early to assess**
No implementation yet	
SEI/ GET contribution	
GET reported contribution: GET Finance: €9m, Environmental finance €9m (100%) Physical indicators: • Water saved (m3/yr): 1,137,000 These are based on ex-ante estimates. The physical indicator (water saved) **estimate differs from the one included in TIMS monitoring**: 550,000 m3/yr	
TRANSITION IMPACT	
Expectations (BDS18-224)	
TQ Green • 100% GET eligible as the proposed capital investments will directly result in more sustainable and efficient water use and wastewater management (29k increase in people connected to water supply; 550k m3/yr water saved via reduced leakages; 180k m3/yr increase in wastewater treated) **TQ Well-Governed** • The Company is in urgent need of post-consolidation assistance. Therefore, TC consultants will prepare a comprehensive post-regionalisation FOPIP that will aim at improving the Company's operational and financial performance and sustainability over the long term. • A well-defined public service contract in line with international practice will be introduced (not a revision to an existing PSC) as one of the first ten in the country • The project will support a study/proposal on tariff methodologies	
Delivery	**Too early to assess**
No implementation yet	

Annex 3. Strategic priorities

COUNTRY STRATEGY

CROATIA COUNTRY STRATEGY & COUNTRY STRATEGY UPDATES/ CSDRs		
	Context/ challenges (MEI)	**Priorities/ bank activity (MEI)**
2010-2013	**BDS/CR/10-1 (Final)**	
	The **EU accession process**, including pre-accession funding and legal approximation of the acquis communautaire, continues to be among **the main drivers of environmental sector reform**. The country has long been considered among the "**advanced" transition countries** in the EBRD region. Assessment of T challenges: MEI: Market Structure Medium; Market institutions Medium, Overall Medium	Transition goals: • Support Croatia's **investments in environmental infrastructure and ability to successfully invest EU funds** for this purpose. Strategic priorities • Preparing environmental (water, solid waste) projects **for co-financing with EU funds**; Operational priorities • The Bank will prepare local and regional environmental infrastructure, **particularly waste water and solid waste**, in **coordination with projects for co-financing with EU funds**. • In its municipal infrastructure projects, the Bank will seek to **improve contractual arrangements** to clarify service levels and expected performance of municipal utilities, in particular, in urban transport.
CSU 2010	**BDS10-080 (Final)**	
	No CSU for Croatia	
CSU 2011	**BDS11-077 (Final)**	
	Strategic priorities • preparing environmental (water, solid waste) projects for co-financing with EU funds T challenges • Support Croatia's investments in environmental infrastructure and ability to successfully invest EU funds for this purpose. [*not phrased as a challenge; just rephrasing the existing priority*] Operations • co-financing the Sisak waste water plant investment with EU Funds and has made particular efforts to monitor and assist the implementation of both this project and the Karlovac waste water management project signed in 2005 and facing implementation difficulties. Policy dialogue [*only focused on transport sector, MEI not mentioned*]	Priorities for coming year • The Bank is further developing projects to improve regionally significant **infrastructure and environmental projects coupled with support for management capacity enhancement**, restructuring and commercialisation in the advent of Croatia's accession to the European Union. Such projects would include **financing improvement of waste water management in several municipalities with corporate loans relying on municipal support agreements** (i.e. no sovereign or municipal guarantee) and promoting **regionalisation of water utilities** as well as financial and technical support for regional air navigation improvement.
CSU 2012	**BDS12-081 (Final)**	
	Strategic priorities • preparing environmental (water, solid waste) projects for co-financing with EU funds	Priorities for coming year • The Bank will continue working with the Government, the Croatian Water Agency, HBOR as well as other IFIs on co-ordinating project preparation and co-financing of the national component of water and

	T challenges • Support Croatia's investments in environmental infrastructure and ability to successfully invest EU funds for this purpose. [*not phrased as a challenge; just rephrasing the existing priority*] Operations • **Two projects were prepared** to expand the waste water network in three regions of Croatia through financing to the water utilities. Considering the recent national elections and potential other sources of financing through HBOR, the local development bank, these projects **did not get to signing but are being reconsidered for co-financing with HBOR**. This potential co-operation is also expected to pave the way for further co-operation with HBOR on future projects in the water/waste water sector to co-finance the national component of investments under the EU structural funds available to Croatia upon accession to the European Union, targeted for July 2013. Policy dialogue [*construction permits, corruption fight*]	waste water projects for EU structural funds. The EBRD, together with the World Bank's technical assistance, will be aiming **at promoting regionalisation of water utilities**, financing such companies without a municipal guarantee, while supporting the financial and operational improvement of such companies to make the investments and the utilities operations sustainable
CSU 2013	**BDS13-071 (Final)**	
	Strategic priorities • preparing environmental (water, solid waste) projects for co-financing with EU funds T challenges • Croatia's environmental infrastructure needs further investment, for which the ability to successfully invest EU funds would be helpful. Operations • **Two municipal waste water investments were supported by the Bank**, as the first phase of the water utilities' priority investment programme aimed as a first step towards their compliance with relevant EU requirements. **Technical assistance has been provided to the utilities to improve their financial and operational capacity** to increase the sustainability and efficiency of their operations. A loan restructuring for Zagreb Holding waste water project has enabled the company to continue its investment programme. Policy dialogue • The Bank conducted productive policy dialogue with the Government and other relevant authorities regarding **regional consolidation of the water utilities, the enhancement of financial and operational performance as well as tariff-related financial incentives** to	Priorities for coming year • Building upon the success of the two recent transactions in the municipal water sector, the Bank will continue working with the Government and the Croatian Water Agency to shape a **Framework for co-financing investments with EU Structural Funds in the waste water sector**. The aim would be to improve further the financial and operational performance in the sector and to help jump start investments under the EU funds available to Croatia upon accession to the European Union.

	prepare sustainable investment projects. The latter scheme **led to the introduction as of 1 January 2013 of a water and waste water surcharge on customers** to be accumulated at the Croatian Water Agency. The Agency re-channels such funding as co-financing for water utilities with sustainable investment projects.	
2013-2017	**BDS/CR/13-1 (Final)**	
	The **water and wastewater** sector still present **major challenges on the reform front**. Municipalities face significant transition challenges in **developing market mechanisms and attracting private sector participation into areas where EU grant funding can help**, such as water and wastewater services, as well as solid waste management Assessment of T challenges: <u>Water and wastewater</u>: Market Structure Medium; Market institutions: Small Water companies are under municipal control, and they enjoy a fair degree of autonomy. The larger operators have a solid **financial and operational performance** with adequate metering and bill collection, while some of the smaller ones need to improve operational efficiency and collection rates. **Competition and private sector participation are limited** with only one private concession for a wastewater treatment plant in Zagreb. In larger municipalities the **tariffs allow for cost recovery**, but there is a **lack of transparency in the tariff formula** and there is a lack of clarity about calculation and allocation of investment grants provided by Croatian Water. A few municipalities have introduced service contracts. Some of the major outstanding transition challenges are to **increase the transparency of the tariff methodology and remove cross-subsidies** between consumer groups. Remove the centralised and **non-transparent allocation of investment grants** channelled through Croatian Water. They also include **improving contractual arrangements for a wider number of regionalised utilities** that would clarify service levels and expected performance, strengthening arms-length relationships between municipalities and their operators, as well as open up for increasing competitive pressures from sound private sector participation. <u>Urban Transport</u>: Market Structure Medium; Market institutions: Small Most urban transport companies are under municipal control and they enjoy a **fair degree of autonomy**. The larger operators have a solid financial and operational performance, while some of the **smaller ones need to improve operational efficiency and**	Strategic orientations • **Leveraging the benefits of EU accession** to advance transition. EU; market. The Bank will work closely with the authorities and the EU in selected areas with significant **transition gaps where structural funds can be blended with those of the Bank** to accelerate transition, including in the municipal sector where the Bank will seek to facilitate the **consolidation** process. • **Restructuring and commercialising public sector enterprises**; Croatia's EU accession makes **reforming public utilities** an even more urgent task, as the country's absorption capacity for EU structural funds is conditioned on capacity enhancement, **financial and operational improvement** at public sector entities. The Bank will work with the authorities to accelerate the reform of publicly-owned companies in the infrastructure sector. Operational response • **To advance transition in the municipal sector**, the Bank will aim to enhance the water/waste water **utilities' financial and operational performance** through supporting a critical mass of investments, **in particular co-financing with EU funds**, and the **consolidation of such utilities**. The Bank will, in cooperation with relevant authorities, also seek to identify **solid waste management and urban transport projects** that it could help develop and subsequently support with financing without relying on sovereign or municipal guarantees, including through PPP structures and co-financing with EU funds. Policy dialogue • The Bank will seek to support the Government's strategic planning and project preparation for the 2014-2020 Financial Framework period, and will explore the possibility to use EU structural funds for technical assistance mandates to support the preparation of operational programmes and investment projects. Financing projects in the municipal environmental infrastructure sector will offer the Bank significant opportunities to achieve tangible environmental and social benefits and public health improvements. EU funding is expected to mitigate constraints arising from affordability and ensure that investment programmes will be adequate to bring water, wastewater and solid waste management facilities into compliance with the Bank's PRs and EU standards.

	collection rates. Competition and private sector involvement is limited in the urban transport sector. Formal **contractual arrangements between municipalities and transport companies are common**.	
CSU 2014	**BDS14-108 (Final)**	
	Strategic priorities • Leveraging the benefits of EU accession to advance transition. • Restructuring and commercialising public sector enterprises. T challenges • Municipalities face significant transition challenges in **developing market mechanisms and attracting private sector participation** into areas where EU grant funding can help, such as water and wastewater services, as well as solid waste management. • *[not relevant to MEI*] Operations • continuing its efforts to develop the **Cohesion Funds Co-financing Water & Wastewater Framework (C2CF),** through policy dialogue with the Croatian Waters Agency, the Ministry of the Regional Development and EU Funds. This initiative is expected to improve the water and waste water networks of about **15 companies, over a 3-year period**, supplemented by a **major sector reform including regionalism of the water operations**, **tariff setting methodology and national benchmarking**.	Priorities for coming year • continue to provide **financing to support operational and financial improvements of public sector utility** companies on a stand-alone basis, without direct recourse to the cities' or sovereign guarantees. In water sector, the **preparatory work of the C2F framework is underway**, focusing on the water/waste water sector and co-financing with EU structural funds and with the aim to commit funds for two sub-projects within this framework in 2014. The Bank will also seek to commit funds to its **first municipal district heating project** in Rijeka generating significant energy savings, through the replacement of pipes and new equipment. A number of **urban transport projects,** mainly with a focus on new buses, are also being developed. This includes the cities of Sisak, Pula and Split where attention will also be given to commercialising companies and, where practical, the involvement of the private sector. Policy dialogue • Continued deep engagement for the further development and implementation of the **Cohesion Funds Co-financing Water & Wastewater Framework** (C2CF) including the **regionalisation of the water companies** in close coordination with Croatian Waters Agency.
CSU 2015	**BDS15-045 (Final)**	
	Strategic priorities • Leveraging the benefits of EU accession to advance transition. T challenges • Municipalities face significant transition challenges in **developing market mechanisms and attracting private sector participation** into areas where EU grant funding can help, such as water and wastewater services, as well as solid waste management. Operations • First municipal district heating project for € 10 million for **district heating** services provider Energo in Rijeka. €4.5 million loan to Autopromet Sisak for the **modernisation of the bus fleet** of the City of Sisak. • PD: Continued efforts to establish a reform-driven content for the **Cohesion Funds Co-financing Water & Wastewater Framework** ("C2CF"), approved by the Board in 2014, by	Key challenges in delivery • In 2014, Croatia had **no sizeable EU funded investments**. The EU Operational Programmes (2014 –2020) Competitiveness and Cohesion and Efficient Human Resources for Croatia were approved by the EU Commission in December 2014, while the Rural Development Programme is expected to be approved in 2015. • The implementation of Croatia Cohesion Funds Co-financing Framework has **suffered from the lack of coordination between various state and local authorities** in charge of the overall preparation and implementation of the EU grant funded programmes in the **water and waste water sector**. The Bank has stepped up its efforts to reach an agreement with the authorities to streamline the Bank's investments in the water and wastewater sector together with EU Cohesion Funds.

	engaging with the Croatian Waters Agency and the Ministry of Agriculture with a view to signing a Memorandum of Understanding in Q1 2015. The initiative is to include **considerable technical assistance for a major water sector reform supporting the consolidation of the water utility operations, tariff setting methodology and national benchmarking**. Outcomes • The Bank is **contributing to the rehabilitation of the district heating network** and the implementation of an integrated energy management system in Rijeka. The Bank is supporting the utility to define and negotiate a public service contract with the City. In addition, two other portfolio projects related to waste water management improvements are advancing. [*not actually outcomes*] • The investments in **public transport infrastructure** in Sisak is supporting improvement of operating and environmental performance, as well as in improved safety standards on all of the main operating bus routes. [*not actually outcomes*]	
CSU 2016	**BDS16-035 (Final)**	
	No CSU for Croatia	
CSDR 2017	**BDS17-042 (Final)**	
	No CSDR for Croatia	
2017-	**BDS/CR/17-1 (Final)**	
	<u>Previous CS implementation</u> The Bank's activities in Leveraging EU accession were **constrained by the delay of the finalisation of the EU operational programmes.** The Bank signed four wastewater management investment projects (€46.5 million) and started supporting the financial and operational performance improvement of four water utilities (Rijeka, Sisak, Zagreb and Poreč). Provided **technical and regulatory advice** to: • Review Croatia's regulations for the inspection of heating and air-conditioning systems to ensure full compliance with the requirements under the EU Energy Performance Buildings Directive (EPBD). • The Bank has been pursuing its **advocacy of reforms to regionally consolidate the fragmented water/wastewater utilities,** with pilot 'consolidation' cases already having started in Rijeka and Porec. <u>Transition challenges</u> **Waste and water management** remain a challenge in Croatia. The efficiency of the	Strategic directions • **Promote commercialisation of public companies, including improvement of corporate governance, and support the privatisation of some state-owned companies**. Improving the corporate governance, operational performance and financial results of public enterprises and public utilities in the municipal infrastructure and energy sectors would contribute to productivity growth, fiscal consolidation and debt sustainability. The Bank will work with the state and local authorities to accelerate the reform Operational response • Under the **Croatian EU Cohesion Fund Water Co-Financing Framework** ("C2CF"), the Bank will seek opportunities to co-finance investments in **service quality improvement and efficiency gains** in large water and wastewater utilities, providing technical assistance with **financial and operational improvement** programmes (FOPIP) that serve to promote **commercialisation, benchmarking and international procurement certification**. • The Bank will aim to support energy efficiency measures, such as energy efficient street lighting and sustainable urban transport solutions within the **Sustainable Urban Mobility Planning** ("SUMP"), as

<table>
<tr>
<td></td>
<td>
water supply and waste water management is low and system losses are high. Consolidate and upgrade the current solid waste management system into larger county-level system as significant inefficiencies exist in the delivery of solid waste which is significantly lagging behind the schedule agreed with EU, mainly due to low investment project preparation capacity. Significant investments are required for ensuring compliance with the relevant EU directives

<u>Water and wastewater</u>: Market Structure Medium; Market institutions: Small

decrease tariff differential between households and industries
contractual improvements to allow for economically viable regionalised water operations in line with the Long-term programme for construction of water utilities infrastructure
introduction of private sector participation to increase competitive pressures and raise quality (e.g. for sludge management if required by Authorities)

<u>Urban Transport</u>

Market Structure Medium; Market institutions: Small

increase in the transparency and predictability through better defined service contracts that include indexation of adjustments of service payments based on multi-year contractual agreements
increasing competitive pressures from sound private sector participation
introduction of e-ticketing systems to improve transparency in ticket collections, obtain better information about transport patterns and enhanced coordination among public transport service

</td>
<td>
well as “green solutions” within its projects with public companies, in compliance

Policy Dialogue

In the water and waste water sector, as a part of the Bank’s C2CF, the Bank will seek to support the authorities, Ministry of Environment and Energy and the Hrvatske vode (the “Croatian Water Agency”) in the regionalisation and consolidation of the water and waste water companies to increase their absorption capacity under the Operational Programme “Competitiveness and Cohesion”. Furthermore, introducing a sector wide performance benchmarking platform for the water sector may also benefit from some policy dialogue contribution.

The Bank’s ability to engage in activities under this strategic theme will be contingent on the government’s reform commitment.

<u>Results fwk</u>

Improved corporate governance, operational and financial performance of public enterprises

Indicators:

Improvements in financial and operational performance of client public utility (Qualitative account - Baseline N/A)
Number of people benefitting from better infrastructure services (water and waste water) (Baseline – established at project approval)
Water saved (m3/y), supported by the Bank (baseline 0)

[disconnect from the T challenges in the WW sector, and even the oper response that talks about regionalisation and benchmarking]
</td>
</tr>
<tr><td>CSDR 2018</td><td>BDS18-039 (Final)</td><td></td></tr>
<tr><td></td><td>No CSDR for Croatia</td><td></td></tr>
<tr><td>CSDR 2019</td><td>BDS19-051 (Final)</td><td></td></tr>
<tr>
<td></td>
<td>
Strategic priority
Promote commercialisation of public companies, including
Objective 2
Greater involvement of the private sector in infrastructure financing and management
Activity
Regionalisation of water and wastewater sector companies which improves the operational efficiencies of water companies. Operationally, this consolidation will create significant
</td>
<td>
CSRF
<table>
<tr><td></td><td>2018</td><td>Since 2017</td></tr>
<tr><td>Improvements in financial and operational performance of client public utility</td><td>Satisfactory progress</td><td>Satisfactory progress</td></tr>
<tr><td>Number of people benefitting from better infrastructure services (water and waste water)</td><td>NA</td><td>100,000</td></tr>
</table>
</td>
</tr>
</table>

<table>
<tr>
<td></td>
<td>synergies through significant streamlining of the operations and achieving efficiency improvements and operational sustainability of a regional operator, compared to the currently existing smaller and inefficient operators. The regional company will continue to explore further possibilities for regional consolidation in the wider service area which is currently very fragmented and represented by 160 water and wastewater companies.
[no mention of the closure of the unsuccessful C2CF fwk]

Policy engagement

[*none relevant mentioned*]</td>
<td>
<table>
<tr><td>Water saved (m3/y), supported by the Bank</td><td>0</td><td>0</td></tr>
<tr><td>Legal/regulatory/ institutional reforms facilitating private sector participation in infrastructure and municipal utilities successfully adopted and/or implemented</td><td>Limited progress</td><td>Limited progress</td></tr>
</table>
</td>
</tr>
<tr>
<td>**CSDR 2020**</td>
<td>**BDS20-051**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strategic priority
• Promote commercialisation of public companies, including

Objective 2
• **Greater involvement of the private sector** in infrastructure financing and management

Activity
• **Supported regionalisation of water and wastewater sector companies**. The regional companies will continue to explore further possibilities for regional consolidation of a total of 160 water and wastewater companies in Croatia</td>
<td>**CSRF**
<table>
<tr><td></td><td>2019</td><td>Since 2017</td></tr>
<tr><td>Improvements in financial and operational performance of client public utility</td><td>Very Good Progress</td><td>Satisfactory progress</td></tr>
<tr><td>Number of people benefitting from better infrastructure services (water and waste water)</td><td>110,000</td><td>210,000</td></tr>
<tr><td>Water saved (m3/y), supported by the Bank</td><td>1,137,000</td><td>1,137,000</td></tr>
<tr><td>Legal/regulatory/ institutional reforms facilitating private sector participation in infrastructure and municipal utilities successfully adopted and/or implemented</td><td>Limited progress</td><td>Limited progress</td></tr>
</table>
</td>
</tr>
</table>

SECTOR STRATEGY

MUNICIPAL AND ENVIRONMENTAL INFRASTRUCTURE		
	Context/ challenges ATCs	**Priorities/ bank activity ATCs**
MEI policy	**BDS04-68 (Final)**	
	• Improving **operational efficiency and providing adequate cost recovery** for capital investment co-financing and ongoing operations remains a challenge for municipalities • Summary of T challenges p.42 is rather a to do list although unclear if meant for ATCs	• **Decrease of share** of business volume in ATCs expected, remaining active through new products • An emphasis on **innovation with new products** (guarantees, revenue bonds, securitisation) that expand access to investors and capital; financing structures **not relying on local authority guarantees**;

	themselves or for EBRD involvement/ activity • T challenges for **Water and Wastewater subsector**: - Croatia status in Water and Waste water: 3+ overall (on a scale 1-4) - Decentralisation has been largely achieved in ATCs; resulting in performance improvements and commercialisation; - Cost-plus tariff regimes are typical throughout the countries of operation, and even in ATCs an important reform challenge is to introduce tariff regimes which provide incentives for efficiency improvement. - Future compliance with the EU Framework Water Directive will be an important challenge for ATCs and the accession candidate countries; - Cross-subsidies still remain between industrial and domestic consumers in most countries of the region;	• Promote **commercialisation/ private sector participation** • Move into **new sectors** such as urban regeneration and housing • Focus on **increased mobilisation of significant commercial co-financing** to widen markets for local authority financing
MEI strategy	**BDS12-126 (Final)**	
	• The **transition challenges in the ATC region are now generally 'small'**. • T challenges for **Water and Wastewater subsector:** - Croatia status in Water and Waste water: 3+ overall (on a scale 1-4); Market structure Medium challenges; Market supporting institutions: Small challenges; - In ATCs, the **remaining transition challenges are focused on finalising the municipal utility reform agenda** and incorporating climate sustainability in urban planning and infrastructure. - Financial and operational performance of the water operators in CEB countries is generally good, allowing companies to access commercial funds and benefit from more complex financial instruments.	• EBRD projects can still assist the transition process, particularly **advanced project structures or financing instruments, private sector led delivery of investments** in energy efficiency and utility service provision (e.g. ESCOs), and in some cases sub-sovereign lending • Other areas of potential investment are largely **related to EU grants;** when Croatia becomes a member of the EU in 2013, EBRD may **co-finance alongside EU instruments;** • In **Water & Wastewater** in CEB countries, projects will focus on **mobilising commercial financing**, complementing and facilitating the ability of operators and municipalities to make **efficient use of the different EU grant mechanisms**. Through its policy dialogue, the Bank will continue to support the further **development of tariff and regulatory regimes**.
MEI strategy	**BDS19-069 (Final)**	
		Green and Sustainable Investments • Core: Energy efficiency; Green Cities; electrification of transport; solid waste • Developing: Smart City solutions; 'Circular' and 'sharing economy' solutions Corporate governance • Smart technologies • Low-carbon technologies • Green initiatives (*Includes GCAP actions, changes in consumer and corporate behaviour, tariff/tax incentives)* Financing structures • Sub-sovereign • PPPs • Capital markets/ innovative structures

Annex 4. Technical cooperation projects overview

BANKING OPERATION OpId	Op Name TC (from BDS)	check w/ TCRS	TECHNICAL COOPERATION TCRS Project ID Ass'mnt ID	Assignment Title	Assignment Type	Approved amount	Disbursed EUR	Funded By
Municipal & Environmental Infrastructure								
39990	**North Western Regional Waste Water Project**							
	Pre-signing: **Feasibility study** to assess the proposed investment programme and project costs evaluation, determine an efficient implementation strategy, prepare an Environmental and Social Action Plan and Stakeholders Engagement Plan. (EUR 120,000, EBRD Shareholders' Special Fund)	39990	2935 18065	North Western Regional Wastewater - Due Diligence	Project preparation	120,629	120,629	SFEBSF
	Post-signing: **Financial and Operational Performance Improvement Programme** ("FOPIP") including preparation of Public Service Contract, aimed at enhancing the Company's commercial viability and institutional capacity. (EUR 330,000, to be financed by an international donor –approved by TC Com on 09 March 2011)	Not linked to the OpID	5194 20324	North Western Regional Wastewater - Financial and Operational Performance Improvement Programme	Project implementation support	330,000	307,083	FRBE00
42125	**Sibenik Wastewater Investment Programme**							
	Pre-signing: **Feasibility study** to assess the proposed investment programme and project cost evaluation, determine an efficient implementation strategy, prepare an Environmental and Social Action Plan and Stakeholders Engagement Plan (EUR 75,000,funded by the SSF).	42125	3053 18183	Sibenik WW Investment Programme, Technical and Environmental and Social Due Diligence	Project preparation	66,756	66,756	SFEBSF
	Post-signing **Project Implementation Support** to the Company in project implementation, procurement, contract administration and disbursement. Up to EUR 287,000, non-recoverable. Approved by TC Committee on 7 December 2011. To be funded by the Austrian Government.	42125	4841 19971	Sibenik Wastewater Investment Programme - Project	Project implementation support	287,000	286,916	AMIF00

BANKING OPERATION OpId	Op Name TC (from BDS)	check w/ TCRS	TECHNICAL COOPERATION TCRS Project ID Ass'mnt ID	Assignment Title	Assignment Type	Approved amount	Disbursed EUR	Funded By
				Implementation Support				
	Project Implementation Support to the Company in project implementation, procurement, contract administration and disbursement. Up to EUR 287,000, non-recoverable. Approved by TC Committee on 7 December 2011. To be funded by the Austrian Government.	42125	1148 6601	Sibenik Wastewater Investment Programme - Project Implementation Support Extension	Project implementation support	145,000	144,562	AMIF00
	Financial and Operational Performance Improvement Programme (including project management assistance) to the Company to assist in commercialisation, including improved cost efficiency, long-term planning, building and implementing a cost recovery tariff model and preparation of the Public Service Contract. Up to EUR 245,000, non-recoverable. Approved by TC Committee on 7 December 2011. To be funded by the Government of the Czech Republic.	42125	4892 20022	Sibenik Wastewater Investment Programme - FOPIP	Project implementation support	235,000	235,000	CZDT00
44336	**Rijeka Water and Wastewater Investment Project**							
	Pre-signing stage TC **Environmental and Social Impact Assessment** of the Project EUR 29,000, financed from the Bank's own resources.	Not found						
	Post-signing stage TC: **Feasibility Study** on a potential regional consolidation of water supply and wastewater collection and treatment services in the broader City of Rijeka area. The study is envisaged to evaluate the feasibility of and define concrete implementation models for the regional consolidation of VIK Rijeka and water and wastewater companies covering neighbouring municipalities and cities (island Krk, Opatija, Crikvenica). EUR 175,000, proposed to be financed by an international donor or the EBRD Shareholder Special Fund ("SSF"). TC Com approved on 22 May 2013.	44336	5039 20169	Rijeka Water and Wastewater Investment Project - Regional Water and Wastewater Consolidation Feasibility Study	Project implementation support	175,000	167,044	SFEBSF
45213	**Rijeka District Heating**							

BANKING OPERATION OpId	Op Name TC (from BDS)	check w/ TCRS	TECHNICAL COOPERATION TCRS Project ID Ass'mnt ID	Assignment Title	Assignment Type	Approved amount	Disbursed EUR	Funded By
	Pre-signing: **Environmental and Social Impact Assessment**. EUR 30,000, financed from the Bank's own resources. **Technical due diligence** EUR 30,000, financed from the Bank's own resources	Not found						
	Post-signing: **Financial and Operational Performance Improvement Programme** ("FOPIP") to assist the Company with the commercialisation process. EUR 74,000, proposed to be financed by the SSF. Approved by TC Com on 9 October 2013	Linked to wrong OpID	284 532	Financial and Operational Performance Improvement Programme	Institution building	74,000	70,379	SFEBSF
	Project Implementation Support to assist the Project Implementation Unit of the Company with procurement, contracting and supervision of works. EUR 260,000, financed by the Government of Austria. Approved by TC Com on 9 October 2013	Linked to wrong OpID	284 533	Project Implementation Support	Project implementation support	260,000	191,435	AMIF00
46218	**Sisak Urban Transport**							
	Pre signing: **Technical, Environmental and Social Due Diligence** to assess the feasibility of the Project. This TC is conducted in order to check whether the procedures and policies utilised by the Company during the Project preparation adhere to the EBRD's environmental and social standards. The TC also determines the type of bus technology to introduce into Sisak, and prepares technical specifications. The cost of the assignment is EUR 37,000, financed by the MEI budget.	Not found						
	Post signing: **Public Service Contract Preparation**. This TC will assist the Company with the preparation of the Public Service Contract in accordance with EU Regulation 1370/2007. The estimated cost of this assignment is **EUR 50,000, proposed to be covered under the already approved regional "Urban Transport Public Service Contracts - Framework for Preparation (TCS 39409)"**, financed by the SSF with the total budget of EUR 550,000.	Was financed under previously approved fwk						

BANKING OPERATION OpId	Op Name TC (from BDS)	check w/ TCRS	TECHNICAL COOPERATION TCRS Project ID Ass'mnt ID	Assignment Title	Assignment Type	Approved amount	Disbursed EUR	Funded By
	Sustainable Urban Mobility Planning (SUMP), including the preparation of enhanced PSP, and rehabilitation and commercialisation plan for the central bus terminal, and models for the privatisation of the parking in the City. The estimated cost of the assignment is EUR 170,000, proposed to be financed by an international donor or the Shareholder Special Fund ("SSF"). The SUMP TC was approved by TC Com on 11 June 2014.	Linked to wrong OpID	173 1011	Sustainable Urban Mobility Planning	Project implementation support	170,000	170,000	SFEBSF
	Project Implementation Support and Financial and Operational Performance Improvement Programme (FOPIP). This TC will support the Company with the procurement aspects of the loan implementation, assisting the Company with commercialisation and long-term planning. The estimated cost of the assignment is EUR 150,000, proposed to be financed by an international donor or the SSF. The FOPIP TC was approved by TC Com on 11 June 2014.	Linked to no OpID	173 235	Sisak Urban Transport - Project Implementation Support and Financial and Operational Performance Improvement Programme	Project implementation support	150,000	150,000	SFEBSF
45769 **45770**	**Croatia Cohesion Funds Co-Financing Water & WW (FWK)** **C2CF Porec water and wastewater sub-project**							
	Pre-signing **Environmental and Social Due Diligence** (€ 317,540): A framework TC for environmental and social due diligence for individual subprojects	Linked to non-existing or irrelevant OpIDs	406 1652	C2CF EU Cohesion Funds Water Co-Financing Framework - Environmental and Social Due Diligence	Project preparation	250,000	No disbursement	SFEBSF
	Energy Audits (€ 60,000): to assess Best Available Technology ("BAT") in the energy recovery areas for wastewater, water efficiency, and biogas opportunities	Financed from previously approved Fwk						
	Post-signing **Support in the Regionalisation Process**: TC to provide assistance to ROCs in two major areas: (a) assistance in the regionalisation process and	Linked to non-existing or	406 1655	C2CF EU Cohesion Funds Water	Institution building	700,000	400,000	SFEBSF

BANKING OPERATION OpId	Op Name TC (from BDS)	check w/ TCRS	TECHNICAL COOPERATION TCRS Project ID Ass'mnt ID	Assignment Title	Assignment Type	Approved amount	Disbursed EUR	Funded By
	(b) re-organisation of their financial and operational activities, incl. PSC (€2.5m)	irrelevant OpIDs		Co-Financing Framework: Support in the Regionalisation Process and Financial and Operational Performance Improvement Programme - Pre-2018 Funding				
	Dtto		406 61682	Support in the Regionalisation Process and Financial and Operational Performance Improvement Programme - 2018 SSF WP	Capacity building	300,000	No disbursement	SFEBSF
	Performance Benchmarking: TC to provide assistance to the ROCs in participating in a country-wide exercise of benchmarking of key operational and managerial indicators. (€500k)		406 1654	C2CF EU Cohesion Funds Water Co-Financing Framework: Performance Benchmarking Programme for the Water Sector	Capacity building	500,000	No disbursement	SFEBSF
	Procurement Benchmarking and Certification: TC to obtain support to achieve best-practice procurement certification, using an industry recognised assessment body. (€225k)		406 1653	C2CF EU Cohesion Funds Water Co-Financing Framework -	Capacity building	225,000	90,000	SFEBSF

BANKING OPERATION OpId	Op Name TC (from BDS)	check w/ TCRS	TECHNICAL COOPERATION TCRS Project ID Ass'mnt ID	Assignment Title	Assignment Type	Approved amount	Disbursed EUR	Funded By
				Procurement Benchmarking and Certification				
48246	**Pula Bus Renewal project**							
	Pre Loan Signing: **Environmental and social due diligence** to assess the feasibility of the Project. EUR 25,000, financed from the Bank's own resources. **Technology comparison analysis** among the different type of buses to assist in the final procurement decision and in tender preparation. Estimated at EUR 25,000, financed from the Bank's own resources.	Not found						
	Post Loan Signing: **Financial and Operational Performance Improvement Programme ("FOPIP")** and **project implementation support through enhanced Public Service Contract ("PSC")**. The FOPIP will enable substantial training for key staff of the Company enabling commercial skill transfer and helping the operational restructuring of the Company, focusing on marketing, financial planning and fare collection. The commercialisation and corporate governance of the Company will be further improved through continued appliance on the provisions of the Municipal Support Agreement (MSA) and update of the Public Service Contract (PSC) in compliance with EU regulation 1370/2007. Estimated at EUR 155,000, financed from the donors' funds or Shareholders' Special Fund ("SSF")	48246	6659 28203	Pula Bus Renewal - Financial and Operational Performance Improvement Programme	Institution building	155,000	No disbursement	AMIF00
	Dtto	48246	6659 28203	Pula Bus Renewal - Financial and Operational Performance Improvement Programme	Institution building	155,000	No disbursement	SFEBSF
	TC 4: Sustainable Urban Mobility Planning ("SUMP") to complete and update previous Urban Masterplan (2007) and Transport Strategy (parking)	48246	6659 28202	Pula Bus Renewal -	Capacity building	205,000	195,700	AMIF00

BANKING OPERATION OpId	Op Name TC (from BDS)	check w/ TCRS	TECHNICAL COOPERATION TCRS Project ID Ass'mnt ID	Assignment Title	Assignment Type	Approved amount	Disbursed EUR	Funded By
	and take into account best-practice urban transport planning and EU guidelines with particular focus on improvements to parking and traffic management systems and enforcement, thus facilitating the city to implement sustainable transport solutions. Estimated at EUR 205,000, financed from the donors' funds or SSF.			Sustainable Urban Mobility Plan				
48519	**Zagreb Holding Bond Issuance (f. Project Sava)**							
	n/a							
48933	**Zagreb County Water Project**							
	Post-signing Support in the **post-Regionalisation Process and FOPIP** - provision of assistance to the Company in (a) the post-regionalisation process including post-merger activities, covering legal, financial and operational aspects of the merger, and (b) re-organisation of the Company's financial and operational activities, PSC preparation, and advice on tariff reform and collection improvements. The estimated cost of the assignment is up to EUR 250,000 and will be conducted under an existing consultancy framework supporting financial and operational performance improvements in water companies in Croatia. Funding for this framework is provided by the EBRD Shareholder Special Fund (the "SSF"). All TCs are nonreimbursable transactional TCs.	Probably to be funded from C2CF fwk despite closure						