

DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

Approved by the Board of Directors on 8 December 2021¹

BOSNIA AND HERZEGOVINA
BIH TRANSCO TELECOM DIGITIZATION

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

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ABBREVIATIONS / CURRENCY CONVERSIONS

BiH	Bosnia and Herzegovina
CO ₂	Carbon Dioxide
DSCR	Debt Service Coverage Ratio
E&S	Environmental and Social
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
EIA	Environmental Impact Assessment
EnCS	Energy Community Secretariat
EPBiH	Elektroprivreda Bosne i Hercegovine
EPRS	Elektroprivreda Republike Srpske
EPHZHB	Elektroprivreda Hrvatske Zajednice Herceg-Bosne
ESAP	Environmental and Social Action Plan
EUR	Euro
EURIBOR	Euro Interbank Offered Rate
FBiH	Federation of Bosnia and Herzegovina
FX	Foreign Exchange
GDP	Gross Domestic Product
GET	Green Economy Transition
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
PEP	Politically Exposed Person
MoEMI	Federal Ministry of Energy, Mining and Industry
MoFTER	Ministry of Foreign Trade and Economic Relations
PIU	Project Implementation Unit
PP&R	Procurement Policies and Rules
PSD	Project Summary Document
RAB	Regulated Asset Base
RE / RES	Renewable Energy / Renewable Energy Sources
RAROC	Risk Adjusted Return on Capital
RS	Republika Srpska
SCADA	Supervisory Control and Data Acquisition
TC	Technical Cooperation
TSO	Transmission System Operator
SERC	State Electricity Regulatory Commission
BAM	Bosnian Convertible Mark
VAT	Value Added Tax

CURRENCY EQUIVALENTS

Country's Currency Unit	=	Bosnian Convertible Mark (BAM)
1 BAM	=	0.51 EUR as of 9.11.2021

WEIGHTS AND MEASURES

1 Megawatt (MW)	=	1,000 kilowatts (10 ³ kW)
1 Gigawatt (GW)	=	1 million kilowatts (10 ⁶ kW)
1 Megawatt-hour (MWh)	=	1,000 kilowatt-hours (10 ³ kWh)
1 Gigawatt-hour (GWh)	=	1 million kilowatt-hours (10 ⁶ kWh)

PRESIDENT'S RECOMMENDATION

This recommendation and the attached report concerning an operation in favour of *Elektroprenos-Elektroprijenos BiH a.d Banja Luka* (the “Company”), the public transmission system operator incorporated in Bosnia and Herzegovina (“BiH”), owned by the governments of the two entities of the BiH, the Federation of Bosnia and Herzegovina (“FBiH”) (59%) and Republika Srpska (“RS”) (41%), are submitted for consideration by the Board of Directors.

The facility will consist of a non-sovereign [REDACTED] loan to the Company in the amount of up to EUR 20.1 million. The proceeds from the loan will be used for the modernisation and upgrading of the Company’s core telecommunications systems (the “Project”). The Project is important for the ongoing process of Western Balkans regional electricity market integration and will help improve the cross-border trade and allocation of electricity transmission capacity via the optimized management of the transmission network. The expected transition impact of the Project comes from the *Resilient* and *Green* qualities. The Project will improve system reliability and flexibility through implementation of best international practices and will aid absorption of increased quantities of intermittent renewable energy projects (*Resilient*). The Project will improve the efficiency and management of electricity substations and distribution systems, resulting in lower technical losses and reduced energy use (*Green*), and is 100% GET.

TC support in the total amount of EUR 199,750 for the project implementation (including the preparation of technical specifications and tender dossiers) has been provided by the SSF.

I am satisfied that the operation is consistent with the EBRD Energy Sector Strategy, the EBRD Strategy for Bosnia and Herzegovina, with the EBRD’s objectives under the Green Economy Transition Approach, specifically supporting the digitalisation of the power sector, and with the Agreement Establishing the Bank

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

BOSNIA AND HERZEGOVINA - BiH TransCo Telecom Modernization - DTM 52458	
Transaction / Board Decision	Board approval ² is sought for a non-sovereign corporate loan (the “Loan”) of up to EUR 20.1 million to “Elektroprenos-Elektroprijenos BiH a.d Banja Luka” (“TransCo” or the “Company”), for the modernisation of the Company’s core telecommunications systems (the “Project”).
Client	TransCo is the Transmission System Operator (“TSO”) covering the entire territory of Bosnia and Herzegovina and a Bank client since 2006, responsible for building and maintaining the physical power transmission network. It is a public company owned by the governments of the two Entities of the BiH, the Federation of Bosnia and Herzegovina (“FBiH”) (59%) and Republika Srpska (“RS”) (41%). The Company was created through the unbundling of the system operation and transmission activities from the three vertically integrated incumbent utilities in 2005. [REDACTED].
Main Elements of the Proposal	<p><u>Transition impact: <i>Primary Quality – Resilient:</i></u> The Project will help integrate renewable sources of energy and will help TransCo implement international best practice of system reliability and flexibility. <u><i>Secondary Quality – Green:</i></u> The Project will help improve the efficiency and management of electricity substations and distribution systems, leading to reduced electricity losses, improved system readiness for new renewable energy capacity, and decreasing carbon emissions.</p> <p><u>Additionality:</u> The Bank is providing a longer tenor under a non-sovereign corporate structure currently not available from local banks for projects of this nature. The Project will be implemented in accordance with the Bank’s environmental and social policy. The Bank’s involvement will ensure that transparent and efficient procurement procedures are followed and in line with the Bank’s requirements for public sector operations.</p> <p><u>Sound banking:</u> The proposed structure is commensurate to the risk profile of the Company. TransCo is the national grid operator fully regulated by the State Electricity Regulatory Commission’s (“SERC”). SERC has approved the Company’s investment plan which includes the Project and the Company’s financial capacity has been stress tested.</p>
Key Risks	<p><u>Regulatory risk:</u> The bulk of the TransCo’s revenues are derived from the regulated transmission tariff. <u>Mitigation:</u> EBRD has worked closely with SERC & TransCo to gain comfort on tariff setting and any required tariff increase. As transmission tariffs make up only a small part of overall end user electricity prices, any tariff increases necessary are not expected to have a meaningful impact on affordability.</p> <p><u>Political Risk:</u> blockages of State institutions in BiH could delay decision making. <u>Mitigation:</u> This is a commercial loan which does not require state approval [REDACTED].</p> <p><u>Counterparty Creditworthiness Risk:</u> Poor financial performance would impact the creditworthiness of the Company. <u>Mitigation:</u> The Company’s financials are strong, it has stable regulated revenues, good operating margins and cash generation. The Company also has a solid capitalisation, is very reasonably leveraged and has a strong cash position.</p>
Strategic Fit Summary	The Project’s digital element is an important component of BiH’s drive towards decarbonising its energy system. It is a necessary enabler for transparent and efficient market formation as the country looks to meaningfully increase the penetration of intermittent renewable energy before 2030. The Project is consistent with the Bank’s Strategy for Bosnia and Herzegovina in “ <i>supporting development of key transport and energy cross-border links with a view to promote Integration with the region while enhancing Resilience of the economy</i> ” and EBRD Energy Sector Strategy that promotes “ <i>supporting electricity networks through investments that enable the development of well-functioning electricity markets.</i> ”

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

Client	Elektroprenos-Elektroprijenos BiH a.d Banja Luka.
EBRD Transaction	A non-sovereign [REDACTED] corporate loan of up to EUR 20.1 million to “Elektroprenos-Elektroprijenos BiH a.d Banja Luka,” the Transmission System Operator (“TSO”) in Bosnia and Herzegovina (“BiH”) for the modernisation and upgrading of the Company’s core telecommunications systems. Non-reimbursable TC funds of EUR 199,750 provided by SSF will be used to assist with project implementation.
Existing Exposure	None. Previous exposure to client involved a EUR 16 million loan (OpID: 37972; “ISO & TRANSCO Loan Novation Project”), repaid in 2018.
Repayment	Tenor up to 7 years [REDACTED].
AMI eligible financing	None.
Use of Proceeds	Modernisation of the Company’s core telecommunications systems via the acquisition and installation of a new telecommunications system and back-up uninterrupted power supply systems for substations.
Investment Plan	EUR 20.1 million total investments under the Project. The investments will be support installation of new telecommunication equipment, SCADA hardware and software in regional offices of the company, transformer substations, and on power transmission lines using the existing fibre optical connections.
Financing Plan	[REDACTED]
Key Parties	TransCo – the Borrower.
Conditions to disbursement	[REDACTED]
Key Covenants	[REDACTED]. Implement the Environmental and Social Action Plan.
Security	[REDACTED]
Other material agreements	N/A
Associated Donor Funded TC and co-investment grants/concessional finance	<p>A. Technical Cooperation (TC)</p> <ol style="list-style-type: none"> 1. TC funds will be mobilized from EBRD SSF to hire a project implementation unit consultant (“PIU Consultant”) to assist with project implementation, preparation of technical specifications and tender dossiers, assisting the client tender evaluation and the signing of contracts. The PIU Consultant will assist the Company to have access to best international practice in the field of project management, including procurement of works, goods and services, particularly in regards to telecommunication systems and its modernisation. 2. Funding source: SSF. 3. EUR 199,750 – funds earmarked. <p>B. Co-investment grants / Concessional Finance (Non-TC) None.</p> <p>Reimbursement: The above assignments are non-reimbursable transactional TCs required to evaluate the investments and assist the Client in project implementation.</p> <p>Cost sharing: The Company will contribute EUR 50k to the overall assignment cost via loan proceeds. They will also be responsible for paying VAT, indirect taxes, and “in-kind” contributions in the form of office space, communication connections, etc. for the consultants, presumed to amount to at least 3 per cent of the total TC budget.</p>

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Bosnia and Herzegovina (BiH) and its entities are currently going through a legislative and consultative process that will create the basis for delivering on the climate commitments the country has made by endorsing the Sofia Declaration on the Green Agenda for the Western Balkans in November 2020 and later reaffirmed through an updated and more ambitious NDC. The commitments include climate neutrality by 2050 and 33.2% greenhouse gas reduction by 2030.

The process of legislative reform has been difficult and slow, but there have been some tangible outputs recently, including public consultation process starting for new renewable laws at Entity level and authorities combing their efforts to advance the National Energy and Climate Plan (NECP) that aims to set out a clear pathway to achieving defined targets by 2030.

[REDACTED]. Advancing with investment in transmission grid infrastructure, rendered obsolete after years of no investment is critical to achieving Paris Agreement goals and much needed market reform.

Thus far, the only major reform that took place in BiH energy sector was in 2006 when the BiH power sector was partially unbundled and restructured with power generation and distribution separated from transmission and divided between three Entity level power utilities, EPBiH, EPRS, and EPHZHB. Power transmission was also unbundled, and is the only part of the power system to be organised at the State level, with the transmission function split between the Independent System Operator (ISO) responsible for dispatch, balancing and allocation of cross-border interconnection capacities, and Transco, responsible for building and maintaining the physical power transmission network.

Since its creation, Transco has suffered from perennial underinvestment [REDACTED]. This Project, which is part of the Company's regulator approved EUR 160 million long-term capital investment plan for 2022-2028, is material to achieving the medium term objectives of full market liberalisation and functioning. By carrying out the comprehensive modernisation of the Company's core telecommunications systems the Project will help the integration of the electricity market and is a precursor to an establishment of a liquid and transparent intraday and day-ahead markets that are so vital to attracting more significant private sector investment into renewable sector. The project will also improve the cross-border trade and allocation of electricity transmission capacity via the optimized management of the transmission network. The upgrade will lead to improvements in the reliability and stability of the network, reducing electricity losses and lower carbon emissions.

The Project is fully consistent with the objectives stated in the Bank's:

- a) Strategy for BiH that aims to “support development of key transport and energy cross-border links with a view to promote Integration with the region while enhancing Resilience of the economy.”

- b) Energy Sector Strategy which promotes “supporting electricity networks through investments that enable the development of well-functioning electricity markets.”
- c) Capital Framework 2021-2025/GET 2.1, “supporting green, low-carbon transition through investment in climate resilient infrastructure and the necessary technological upgrades for scaled-up renewable energy supply”, as well as “enhancing the efficiency of existing infrastructure and management of traffic, to reduce energy and carbon intensities.”

1.2 TRANSITION IMPACT

Primary Quality: Resilient

Obj. No.	Objective	Details
1.1	<i>Project will help client move towards international best practice in terms of system reliability or flexibility.</i>	<p>The Company recently purchased a new supervisory control and data acquisition (SCADA) system, however its implementation is currently constrained by the Company’s obsolete telecommunications systems. Carrying out the proposed digitalization Project will significantly improve the Company’s ability to exploit the full capabilities of its SCADA system, which is expected to significantly improve the operation of the transmission system by allowing real time monitoring of the system to optimise operations and reducing the requirements for manual monitoring of distributed meters and substations.</p> <p>The project will finance the installation of a new telecom system with significantly faster connections that will facilitate the deployment of the new SCADA system as well as the implementation of a number of new protocols and services (video surveillance, IP telephones, etc).</p>

Secondary Quality: Green

Obj. No.	Objective	Details
2.1	<i>The percentage of EBRD use of proceeds allocated to the project that qualifies as GET is 15% or higher.</i>	The Project has been classified 100% GET, and will help improve the efficiency and management of electricity substations and distribution systems, resulting in reduced energy use, less technical losses including improving grid stability or reliability.

Delivery risks: The main risk to the delivery of the transition impact of the Project is delays with implementation. The risk is mitigated by the Company’s strong support for the Project, as well as positive commitments from both Entities for Project implementation.

1.3 ADDITIONALITY

Identified triggers	Description
A subsequent transaction with the same client either with the same use of proceeds or in the same destination country (repeat transaction).	Elektroprenos is a former EBRD client via the sovereign guaranteed operation DTM 37972 (“ISO & TRANSCO Loan Novation Project [REDACTED],” whose purpose was to increase power transmission capacity, improve availability and safety at hydropower plants, and reduce emissions at thermal power plants. The loan was fully repaid in October 2018.

Additionality sources	
Financing Structure:	EBRD loan tenor of 7 years [REDACTED], is above the market average and is structured to take into account the long lead time and implementation period of the project.
Standard-setting: Client seeks/makes use of EBRD expertise on best international procurement standards.	The Bank provides expertise, knowledge and capabilities that are material to the timely realisation of the Project's objectives, including support to strengthen the procurement capacity of the Client.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Regulatory risk:	Medium / High	The bulk of the Company's revenues are derived from the regulated transmission tariff, whose level of 0.454 cEUR/kWh has remained unchanged since 2017. The Company will be reliant on SERC's recognition of its costs and willingness to increase the transmission tariff in order to collect additional revenues. Mitigation: The Company and SERC have discussed the Project and the regulator is supportive [REDACTED]. Despite the recent spike in energy prices across Europe, an increase in the transmission tariff is not expected to have a material impact on end-user prices and energy affordability given its very small contribution to the final end user price.
Implementation Risk	Medium / High	Risks include cost overruns, delays in procurement and failure to achieve timely project completion. Mitigation: The Company's capex proposal includes a degree of contingency estimation, mitigating the risk of cost overrun. The Bank will mobilise TC to support TransCo during Project preparation and implementation. Experienced consultants will be selected in order to provide assistance throughout the tendering process, including preparation of tender documents all in accordance with the Bank's PP&R for the Public Sector. Procurement experts will be appointed and retained within the Project Implementation Unit ("PIU").
Political Risk	Medium/ Medium	Ongoing political blockages of State institutions in BiH could impact decision-making. Mitigation: this is a commercial loan to the Company which does not require state approval [REDACTED].
Counterparty Creditworthiness Risk	Medium / Medium	Poor financial performance may impact the creditworthiness of the Company. Mitigation: The Company's financial metrics are strong, it has stable regulated revenues, good operating margins and cash generation. The Company also has a solid capitalisation, is very reasonably leveraged and has a strong cash position.

The Project is rated at 6. 3. The Company satisfies sound banking criteria as it continuously demonstrated good operating margins, cash generation and reliable revenue streams.

2. MEASURING / MONITORING SUCCESS

Obj . No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Practices of the relevant stakeholder improved (system reliability)	System Average Interruption Duration Index (SAIDI)	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Practices of the relevant stakeholder improved (system reliability)	System Average Interruption Frequency Index (SAIFI)	[REDACTED]	[REDACTED]	[REDACTED]
1.3	Practices of the relevant stakeholder improved (system reliability)	Annual grid losses in GWh	[REDACTED]	[REDACTED]	[REDACTED]

TI indicator(s), secondary Quality: Green

Obj . No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	New or updated GET technology or product leading to resource efficiency introduced	New digital telecom system will allow optimisation of the transmission system.	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

Elektroprenos-Elektroprijenos BiH a.d. Banja Luka is a public company owned by the governments of the two Entities making up BiH, the Federation of Bosnia and Herzegovina (“FBiH”) (59%) and Republika Srpska (“RS”) (41%). Elektroprijenos is owner of the electricity transmission network and responsible for connections, transmission, metering, maintenance, and development of the infrastructure. It operates under a licence granted by the (“SERC”).

4. MARKET CONTEXT

Bosnia and Herzegovina is currently a net exporter of electricity. Half of electricity generation capacity is made up of hydropower, while the remainder is made up of five lignite power plants and in small percentage from renewable sources. As of 2020, total installed capacity equalled 4.5 GW, consisting of 2,249 MW (hydro), 2,065 MW (thermal), and 124 MW (renewables). Transmission of electricity is governed on state-level and is split between the ISO, responsible for dispatching, balancing and allocating the cross-border interconnection capacities, and Elektroprijenos. The transmission network of Bosnia and Herzegovina is interconnected with the bordering systems of Croatia, Serbia and Montenegro. ISO performs daily, monthly and annual explicit auctions for 50 per cent of the capacity. Intra-day allocations take place on a “first-come, first-served” basis.

In the FBiH, the electricity distribution, as well as dominant parts of the generation and supply, is performed by two vertically integrated enterprises EPBiH and EPHZHB, owned by the government of FBiH, while in RS the EPRS holding, owned by the government of RS, owns five legally unbundled subsidiaries for electricity generation and five companies for distribution and supply. The enterprise Komunalno Brčko (“KB”) is a communal utility which operates the distribution network and provides electricity supply to all customers in the Brčko District (“BD”) (Brčko is supplied by EPRS power plants). There is no organized spot market or local power exchange in BiH. The electricity market in BiH operates through bilateral over the counter agreements between the incumbent utilities, producers and licensed traders. Transactions are aimed mainly to compensate for insufficient local production rather than to compete in the supply. Twenty seven companies are registered for electricity trade out of which 25 are licensed for cross-border trade.

The legislative and regulatory competences of Bosnia and Herzegovina on the state-level are allocated to the Ministry of Foreign Trade and Economic Relations of BiH (MoFTER) and SERC respectively. State legislation covers transmission, system operation and cross-border trade, while the independent regulatory bodies were established with support of EBRD and other IFIs. Electricity production, distribution system operation and supply of electricity are governed by legislation of the two entities, FBiH and RS, and the BD.

The successful balancing reforms should be considered a first step in the development of the market structure which now requires the designation of a national electricity market operator and development of organized platforms for day-ahead and intra-day trading. The regulatory environment for supplier switching is in place but no results have been accomplished so far due to excessive price regulation. Efficient unbundling and effective deregulation of prices (generation and supply) are urgently needed.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 SENSITIVITY ANALYSIS

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (2019 ESP). The environmental and social risks and impacts associated with the installation of telecoms systems, back-up power supplies and the reconstruction of servers are site-specific and can be addressed through standard EHS management approaches. Environmental and social due diligence for this project was carried out in-house through questionnaires and information provided by the client. The project will upgrade management and monitoring of the transmission networks across the country and will reduce network losses by around a quarter once fully implemented. The resulting emission reductions are estimate at around 63kt CO₂e per year.

Potential environmental and social impacts include the need for safe installation of equipment and proper disposal of waste. An ESAP has been developed that addresses these issues and requires the client to implement contractor management and safety training. The company is responsible for electricity transmission in Bosnia and Herzegovina. It has labour and health and safety management systems in line with EBRD Performance Requirements and grievance mechanisms are in place for workers and external stakeholders. The Bank will monitor the project through annual environmental and social reports.

6.2 INTEGRITY

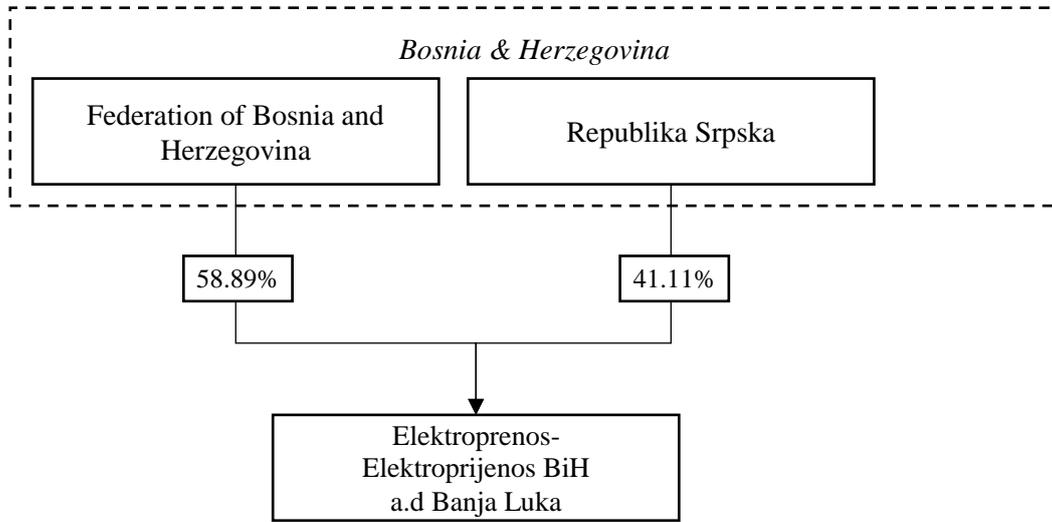
Integrity due diligence was undertaken on the Company, its shareholders, senior management and other relevant parties. The review did not identify any material integrity issues and therefore it was concluded that this project does not pose an unacceptable reputational risk to the Bank.

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the project.

ANNEXES TO OPERATION REPORT

ANNEX 1	Shareholding Structure
ANNEX 2	Historical Financial Statements
ANNEX 3	Transition Impact Scoring Chart
ANNEX 4	Project Implementation (Procurement Plan)
ANNEX 5	Green Assessments

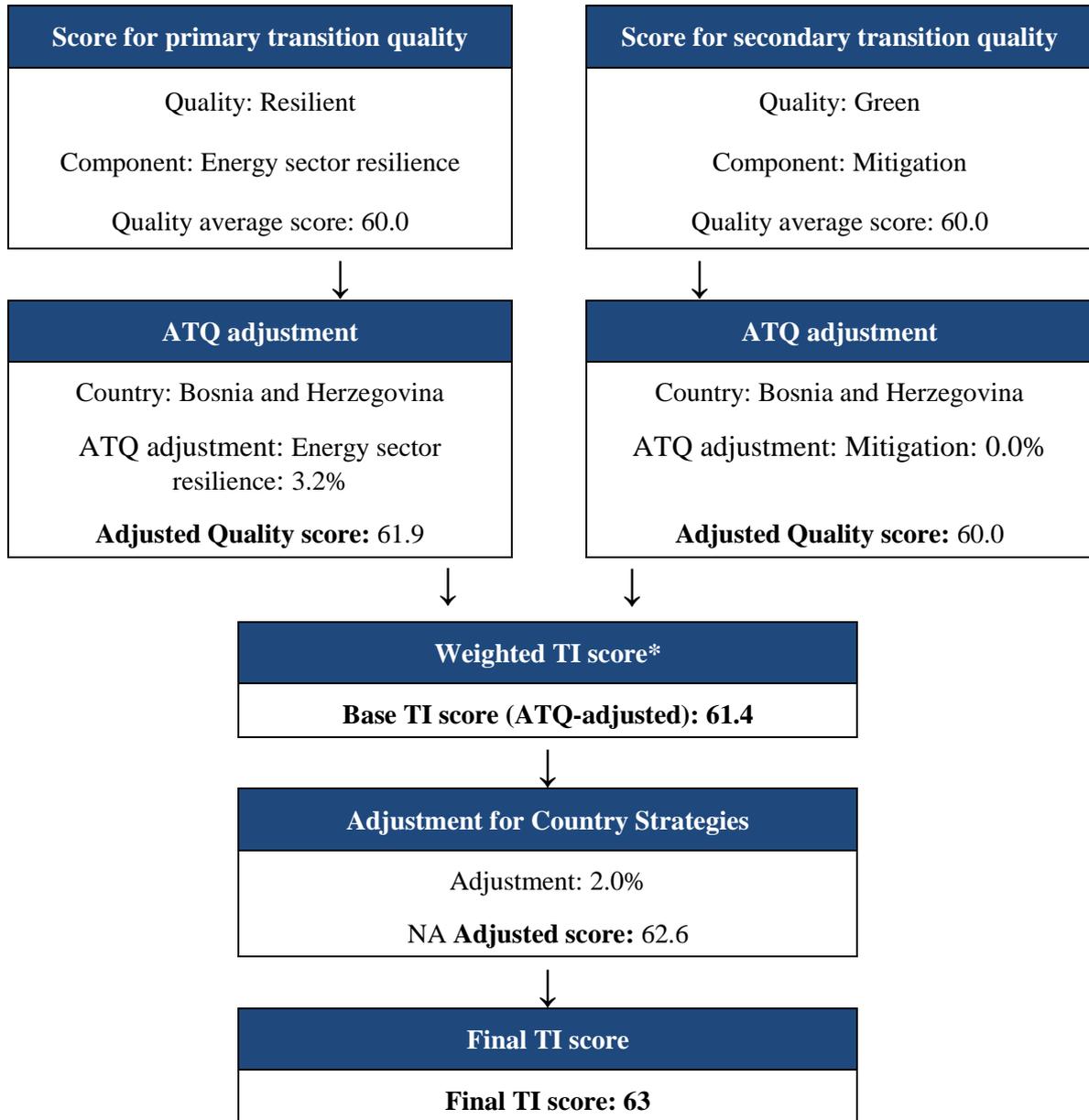
ANNEX 1 – SHAREHOLDING STRUCTURE



ANNEX 2 – HISTORICAL FINANCIAL STATEMENTS

[REDACTED]

ANNEX 3 – TRANSITION IMPACT SCORING CHART



ANNEX 4 - PROJECT IMPLEMENTATION

Procurement classification – *Public sub-sovereign*

[REDACTED]. The capacity of the Company to implement the Project was assessed as part of the due diligence and through a meeting with representatives of the Company and the Bank's Project Implementation Advisor. It was identified in-house technical expertise related to telecommunication infrastructure. The Client was assessed as capable to define, evaluate and judge the actual technical specifications that the market may propose as well as its adequacy to their needs. The Client is not familiar with the EBRD's PP&R nor with the Bank's procurement platform E-CEPP. The Client still lacks capacity to conduct international tendering procedures by itself, which represents a moderate risk to efficient procurement of the expected works and services.

The Contract's Risk assessment: Moderate / Low

The expected contracts to be financed from the Bank's loan is detailed in the presented Procurement Plan below. The support of the experienced consultant will ensure that technical specifications and tender documentation are suitable for international open tendering and that any procurement and contractual issues is addressed in a professional and timely manner in compliance with Bank's PP&R. Lastly the consultant will supervise the supply and installation of the required equipment to ensure compliance with the technical requirements. The nature of the scope of the contracts are generally considered of low complexity and has a relatively medium to low degree of implementation risk. This risk is mitigated by appointing an independent consultant to prepare the technical specifications and employer's requirements for the expected installations.

Project implementation arrangements:

The PIU is established within the Company and it will have overall responsibility for the implementation of the Project. At early stage in the project, the PIU will focus primarily on the selection of project implementation and PIU consultant who will prepare the preliminary and main design as well as support the PIU in reviewing the Employer's requirements, procurement, contracting and supervision of envisaged supply and installation contracts. The project implementation consultant will also assist the Company in all aspects related to the preparation of the project, procurement and the implementation of the Project in accordance with the Bank's policies and support PIU in meeting requirements of various financing documents. When necessary, the project implementation consultant will train the Company nominated staff and PIU staff in addressing the project procurement and implementation matters.

Procurement arrangements:

There will be two supply and installation contracts. One for the supply and installation of new telecommunications system and the second for supply and installation of back-up power supplies in sub-stations to ensure system reliability. The contracts will be fully financed by the proceeds of the Bank's loan. The works will be procured following open tendering procedures in accordance with the requirements of the Bank's Procurement Policies and Rules (PP&R) for public sector operations and will be subject to prior review by the Bank. It is envisaged that the

tender documents for the procurement of works will be based on the latest version of the Bank's standard procurement documents for supply and installation.

The Project also envisages one technical cooperation contract. The technical assistance is for the preparation of technical requirements, procurement, contracting and supervision of the envisaged contracts. The assignment will also include project implementation support with dedicated PIU support in order to build up Client's capacity along the implementation of the project. This contract will be procured following single stage open competitive procedures. The consultancy contracts will be procured following the provisions of the Bank's PP&R Section 5 (Procurement of Consultant Services).

The procurement plan below provides the details of planned investment and consultancy assignments.

Additional information:

The Contracts will be tendered via the EBRD Client e-Procurement Portal (ECEPP). [REDACTED].

ANNEX 5 – GREEN ASSESSMENTS

5.1 Introduction

The Project has been determined as aligned with mitigation and adaptation goals of the Paris Agreement. The Project has been confirmed as 100% GET, as the modernization of the Company's core telecommunications systems will allow the Company to more fully utilize its Supervisory Control and Data Acquisition systems, thereby allowing it to better optimise the functioning of the transmission grid, reduce grid losses, and lead to a reduction in CO2 emissions.

As a client in the power sector operating in a country with low renewables penetration, the counterparty was initially flagged as higher risk for carbon transition. A more detailed review has shown that the actual risk is lower, given that the transmission system operator does not own any generation assets itself. Moreover, the proposed transaction will help the Company reduce GHG emissions by approximately 63,000 tons of CO2 following Project implementation.

5.2 Paris alignment assessment

General screening of alignment with the mitigation goals of Paris Agreement

- The project activity is **included** in the 'aligned list' and there are **no** activities included in the 'non-aligned list'.

Alignment with the adaptation goals of Paris Agreement

- Evaluation of the physical climate risk and vulnerability context: with the project's physical climate risk score of "1", climate risk and vulnerable has been evaluated as "low". No climate resilience measures are required.

5.3 GET attribution

EBRD will provide a corporate loan for the modernisation of the Company's core telecommunications systems.

The project has been classified 100% GET by GET CH, and will help improve the efficiency and management of electricity substations and distribution systems, resulting in reduced energy use, less technical losses including improving grid stability or reliability. This optimisation of grid management will allow the grid to better balance and absorb future quantities of intermittent renewables, helping the country meet its climate targets.

The project is also fully consistent with the Strategic and Capital Framework 2021-25/GET 2.1 - specifically supporting the digitalisation of the power sector, and "supporting green, low-carbon transition through investment in climate resilient infrastructure and the necessary technological upgrades for scaled-up renewable energy supply", as well as "enhancing the efficiency of existing infrastructure and management of traffic, to reduce energy and carbon intensities."