

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: PAD4277

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF US\$8 MILLION

TO

INTERNATIONAL SAVA RIVER BASIN COMMISSION
FOR THE

GEF Sava and Drina Rivers Corridors Integrated Development Program

July 6, 2022

Water Global Practice
Europe And Central Asia Region

Phase 1 (P168862) of the
Sava and Drina Rivers Corridors Integrated Development Program
Under the Multiphase Programmatic Approach

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2022)

Currency Unit = Euro (EUR)

EUR 0.89 = US\$1

US\$ 1.12 = EUR 1

FISCAL YEAR

January 1 - December 31

Regional Vice President: Anna M. Bjerde

Country Director: Linda Van Gelder

Regional Director: Christopher Pusch

Practice Manager: Winston Yu

Task Team Leader(s): Berina Uwimbabazi, Zhimin Mao

ABBREVIATIONS AND ACRONYMS

ADM	Accountability and Decision Making
AF	Additional Financing
APA	Alternate Procurement Arrangements
CERC	Contingent Emergency Response Component
CPF	Country Partnership Frameworks
CQS	Selection Based on Consultants' Qualification
ECA	Europe and Central Asia
ECCWB	Europe Western Balkans Country Unit
EECG2	Equitable Growth, Finance and Institutions (EFI)-ECA-Governance (GOV)-2
EIRR	Economic Internal Rate of Return
ENPV	Economic Net Present Value
EECRU	Europe: Russia Country Unit
ESIA	Environmental and Social Impact Assessments
ESF	Environmental and Social Framework
ESS	Environmental and Social Standards
ESCP	Environmental and Social Commitment Plan
ESMF	Environmental and Social Management Framework
ESRS	Environmental and Social Review Summary
FI	Finance Intermediaries
FM	Financial Management
GEF	Global Environmental Facility
GEF IW	GEF International Water
GRID	Green Resilient and Inclusive Development
HEIS	Hands-on Expanded Implementation Support
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IC	Individual Consultant
IECT1	Transport ECA Europe Global Practice
IFC	International Finance Corporation
IFR	Interim Financial Report (unaudited)
IP	Implementation Progress
IPF	Investment Project Financing
ISR	Implementation Status and Results
ISRBC	International Sava River Basin Commission
LMP	Labor Management Plan
MPA	Multiphase Programmatic Approach
O&M	Operation and maintenance
OP	Operational Policy
PAD	Project Appraisal Document
PBC	Performance Based Contract
PforP	Pay for Performance
PDO	Program Development Objective

POM	Project Operational Manual
QCBS	Quality- and Cost-based Selection
QBS	Quality-Based Selection
RPF	Resettlement Policy Framework
RTF	Regional Task Force
RPIU	Regional Project Implementation Unit
SCAEN	ECA Environment Global Practice
RTF	Regional Task Force
SAP	Strategic Action Plan
SCASO	Social ECA Global Practice
SCAUR	Urban ECA Global Practice
SCAWA	Water ECA Global Practice
SDIP	Sava and Drina Rivers Corridors Integrated Development Program
SESA	Strategic Environmental and Social Assessment
SEP	Stakeholder Engagement Plan
SOE	Statement of Expenditures
SOP	Series of Projects
SMEs	Small and Medium Enterprises
STEP	Systematic Tracking of Exchanges in Procurement
TOR	Terms of Reference

Western Balkans

GEF Sava and Drina Rivers Corridors Integrated Development Program

TABLE OF CONTENTS

I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING	7
D. DESCRIPTION OF ADDITIONAL FINANCING	11
E. KEY RISKS	14
F. APPRAISAL SUMMARY	15
G. WORLD BANK GRIEVANCE REDRESS	20
VI SUMMARY TABLE OF CHANGES.....	21
VII DETAILED CHANGE(S).....	21
VIII. RESULTS FRAMEWORK AND MONITORING	25



BASIC INFORMATION – PARENT (Sava and Drina Rivers Corridors Integrated Development Program - P168862)

Country	Product Line	Team Leader(s)		
Western Balkans	IBRD/IDA	Berina Uwimbabazi		
Project ID	Financing Instrument	Resp CC	Req CC	Practice Area (Lead)
P168862	Investment Project Financing	SCAWA (9392)	ECCWB (7001)	Water

Implementing Agency: International Sava River Basin Commission, Montenegro Ministry of Agriculture and Rural Development, Republic of Serbia Ministry of Agriculture, Forestry and Water Management, Republic of Serbia Ministry of Construction, Transport and Infrastructure, Republika Srpska Ministry of Agriculture, Forestry and Water

Is this a regionally tagged project?	Country (ies)
Yes	Bosnia and Herzegovina, Croatia, Montenegro, Slovenia, Serbia

Bank/IFC Collaboration
No

Approval Date	Closing Date	Expected Guarantee Expiration Date	Environmental and Social Risk Classification
06-Aug-2020	30-Jul-2026		High

Financing & Implementation Modalities

<input checked="" type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)



Development Objective(s)

MPA Program Development Objective (PrDO)

The objective of the Program is to strengthen transboundary water cooperation and improve navigability and flood protection in the Sava and Drina Rivers Corridors.

Project Development Objectives (Phase 001)

The Objective of the Project (Phase I of the Program) is to improve flood protection and enhance transboundary water cooperation in the Sava and Drina Rivers Corridors.

Ratings (from Parent ISR)

	Implementation			Latest ISR
	19-Sep-2020	26-Apr-2021	15-Nov-2021	19-May-2022
Progress towards achievement of PDO	S	S	S	S
Overall Implementation Progress (IP)	S	S	MS	MS
Overall ESS Performance	S	S	S	S
Overall Risk	H	H	H	H
Financial Management	S	S	S	S
Project Management	S	S	MS	MS
Procurement	S	S	MS	MS
Monitoring and Evaluation	S	S	S	S

BASIC INFORMATION – ADDITIONAL FINANCING (GEF Sava and Drina Rivers Corridors Integrated Development Program - P175192)

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P175192	GEF Sava and Drina Rivers Corridors Integrated Development Program	Cost Overrun/Financing Gap	No
Financing instrument	Product line	Approval Date	Focal Area



Investment Project Financing	Global Environment Project	06-Jul-2022	International waters
Projected Date of Full Disbursement	Bank/IFC Collaboration		
03-Dec-2026	No		
Is this a regionally tagged project?		Country (ies)	
Yes		Bosnia and Herzegovina, Montenegro, Serbia	

Financing & Implementation Modalities

<input checked="" type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input type="checkbox"/> Series of Projects (SOP)
<input type="checkbox"/> Fragile State(s)	<input type="checkbox"/> Performance-Based Conditions (PBCs)
<input type="checkbox"/> Small State(s)	<input type="checkbox"/> Financial Intermediaries (FI)
<input type="checkbox"/> Fragile within a Non-fragile Country	<input type="checkbox"/> Project-Based Guarantee
<input type="checkbox"/> Conflict	<input type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on, Enhanced Implementation Support (HEIS)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	

Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed
IBRD	133.90	17.14	117.81	13 %
IDA				%
Grants				%

MPA Financing Data (US\$, Millions)

MPA Program Financing Envelope	332.40
--------------------------------	--------

MPA FINANCING DETAILS (US\$, Millions)

Board Approved MPA Financing Envelope:	332.40
MPA Program Financing Envelope:	332.40



of which Bank Financing (IBRD):	302.79
of which Bank Financing (IDA):	0.00
of which other financing sources:	29.61

PROJECT FINANCING DATA – ADDITIONAL FINANCING (GEF Sava and Drina Rivers Corridors Integrated Development Program - P175192)

FINANCING DATA (US\$, Millions)

SUMMARY (Total Financing)

	Current Financing	Proposed Additional Financing	Total Proposed Financing
Total Project Cost	151.50	0.00	151.50
Total Financing	133.90	8.00	141.90
Financing Gap	17.60	-8.00	9.60

DETAILS - Additional Financing

Non-World Bank Group Financing

Trust Funds	8.00
Global Environment Facility (GEF)	8.00

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any other Policy waiver(s)?

Yes No



Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

INSTITUTIONAL DATA

Practice Area (Lead)

Water

Contributing Practice Areas

Environment, Natural Resources & the Blue Economy

Transport

Urban, Resilience and Land

**PROJECT TEAM****Bank Staff**

Name	Role	Specialization	Unit
Berina Uwimbabazi	Team Leader (ADM Responsible)		SCAWA
Zhimin Mao	Team Leader		SCAWA
Tanvir Hossain	Procurement Specialist (ADM Responsible)		EECRU
Lamija Marijanovic	Financial Management Specialist (ADM Responsible)	Financial Management Specialist	EECG2
Esmā Kreso Beslagic	Environmental Specialist (ADM Responsible)		SCAEN
Roxanne Hakim	Social Specialist (ADM Responsible)		SCASO
Darko Milutin	Team Member		SCAUR
Estella Malayika	Team Member		SCAWA
IGOR PALANDZIC	Team Member		SCAWA
Ifeta Smajic	Social Specialist		SCASO
Luis C. Blancas Mendivil	Team Member		IECT1
Mirjana Atijas Karahasanovic	Team Member		SCAEN
Regassa Ensermu Namara	Team Member		SCAWA

Extended Team

Name	Title	Organization	Location
-------------	--------------	---------------------	-----------------



I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

A. Introduction

1. This Project Paper seeks the approval of an Additional Financing (AF) grant from the Global Environment Facility (GEF) in the amount of US\$8 million for the Sava and Drina Rivers Corridors Integrated Development Program (SDIP) Phase I – P 168862. The grant will be made available under the GEF 7 International Water Focal Area to bridge what was identified as a financing gap at appraisal of the original project.

2. Requested GEF funding will support the implementation of activities under Component 4, which are related to the regional dialogue and studies that enhance transboundary water cooperation, flood early warning system and risk management, and wetland assessment that feeds into a master plan for eco-tourism in the Sava and Drina River Basins. This component, solely financed by GEF IW focal area, will serve as a crucial confidence building platform that will bring together the national actors and strengthen the institutions and procedures through which the Sava riparian countries collaborate.

3. The original Project Development Objective (PDO) - *improve flood protection and enhance transboundary water cooperation in the Sava and Drina Rivers Corridors* – will not require any changes. The activities financed by the AF were already included and appraised in the original program. There is no change in the project’s Environmental and Social Risk category “High” and no new safeguard policies are being triggered, however the activities supported by this AF will be implemented by a new Implementing Agency, the International Sava River Basin Commission (ISRBC). The ISRBC will implement Component 4 of the parent Project through the regional Project Implementation Unit (RPIU) to be established within the ISRBC secretariat.

B. Project Context and Status

4. The ongoing parent Project Sava and Drina Rivers Corridors Integrated Development Program (SDIP) Phase I represents an innovative and integrated approach to transboundary water resources management which aims to improve flood protection and enhance transboundary water cooperation in the Sava and Drina Rivers Corridors. This objective will be achieved through the following components: (1) integrated management and development of the Sava River Corridor; (2) integrated management and development of the Drina River Corridor; (3) project preparation and management; and (4) regional activities. SDIP aligns with the development priorities identified in the Country Partnership Frameworks (CPFs) of the riparian countries.¹ Common development priorities stated in the CPFs across Sava River Basin riparian include investments in infrastructure to enhance economic growth, build resilience against environmental risks, and protection of natural resources to achieve sustainable growth. The planned analytical studies and physical investments related to environmental management, flood protection, and waterway improvements included in this program are also consistent with GEF’s strategic long-term priorities for international waters.

5. The parent IBRD loan was approved by the Board of Executive Directors on August 6, 2020 for an amount of US\$134 million equivalent. Effectiveness of the Loan Agreements with the three participating countries (Bosnia and Herzegovina, Montenegro, and the Republic of Serbia) has been achieved in September 2021.

¹ CPFs are available for BiH (FY 16-20, World Bank Report 99616, December 15, 2015), Croatia (World Bank Report 130706, May 2, 2019), Serbia (FY21- 25, World Bank Report 166496-YF, May 26, 2022), and Montenegro (FY16-20, World Bank Report 105039, June 16, 2016).



6. A fourth implementation support mission was conducted in April 2022, and findings indicate that satisfactory progress continues to be made. The Governments have completed/ continue carrying out the following activities to fast-track implementation:

- Finalized Terms of References (TOR) for first 18-months consultancies;
- Established Project Management Teams;
- Updating procurement plans;
- Preparing Technical and Tender documentation for priority sub-projects; and
- Finalized project operations manuals.

7. The World Bank Task Team is supporting the governments closely on the work planning and advancing preparation of priority sub-projects to advance implementation.

C. Rationale for the Additional Financing

8. During the preparation of the parent Project, regional activities (Component 4), expected to be financed from a GEF grant to the International Sava River Basin Commission (ISRBC), were discussed and agreed to with the participating governments and the ISRBC. These regional activities were integrated in the parent Project's original design and appraised under the assumption that funds from the GEF grant would be confirmed and committed within the first year of project implementation.

9. Since the GEF grant financing application was initiated after the parent Project was appraised, the grant amount (US\$8 million) was included as a financing gap² to be processed as AF, which the proposed GEF grant is now bridging.

² There is a financing gap of \$17.51 million identified under Phase I of the program, \$8 million of which will be covered by this GEF additional financing grant. The remaining gap will be covered by a Western Balkans Investment Framework grant.



MPA Program Framework

Phase #	Project ID	Sequential or Simultaneous	Phase's Proposed DO*	IPF or PforR	Estimated IBRD Amount (\$)	Estimated IDA Amount (\$)	Estimated Other Amount (\$)	Estimated Approval Date	Estimated Environmental & Social Risk Rating
1	P168862	Sequential and simultaneous	Improve flood protection and enhance transboundary water cooperation in the Sava and Drina Rivers Corridors.	IPF	133,990,000.00	0.00	9,510,000.00 ³		High
AF	P175192			IPF	0.00	0.00	8,00,000.00	July 5, 2022	High
2				IPF	168,810,000.00	0.00	12,090,000.00		High
Total					302,800,000.00	0.00	29,600,000.00		
Revised Financing Envelope							\$ 332,400,000.00		
Board Approved Financing Envelope							\$ 332,400,000.00		

Previous Approved Version

³ This financing gap is being addressed by an investment grant from Western Balkans Investment Framework to finance the demining of left Bank of Sava River within BiH.



Phase #	Project ID	Sequential or Simultaneous	Phase's Proposed DO*	IPF or PforR	Estimated IBRD Amount (\$)	Estimated IDA Amount (\$)	Estimated Other Amount (\$)	Estimated Approval Date	Estimated Environmental & Social Risk Rating
1	P168862	Sequential and simultaneous	Improve flood protection and enhance transboundary water cooperation in the Sava and Drina Rivers Corridors.	IPF	133,990,000.00	0.00	17,510,000.00	August 6, 2020	High
2				IPF	168,810,000.00	0.00	12,090,000.00		High
Total					302,800,000.00	0.00	29,600,000.00		
Revised Financing Envelope							\$ 332,400,000.00		
Board Approved Financing Envelope							\$ 332,400,000.00		



D. DESCRIPTION OF ADDITIONAL FINANCING

Description of Proposed Activities

10. The GEF activities (Component 4) were appraised technically along with the rest of the parent operation, therefore no adjustment is needed on activities, result indicators and number of beneficiaries.

11. Component 4 / Regional activities (US\$ 8 million, GEF Grant) is key to strengthening strategic regional dialogue, joint planning and sustainable management and development of the shared water resources in the Sava and Drina River Basin, including building resilience to climatic shocks. It will support policy dialogue, consultations, preparation of basin-wide plans and studies, and investments to strengthen the nexus between water services and development and economic cooperation objectives of the Sava and Drina Corridor. These activities are aligned with the World Bank's Green Resilient and Inclusive Development (GRID) approach to recovery and ECA's green transition priorities, especially on natural capital renewal and disaster and climate resilience. They are also aligned with the World Bank's COVID-19 approach paper, i.e. "strengthening policies, institutions, and investments for rebuilding better". This Component will finance the regional operations which will bring together the national actors to monitor project progress, review and adjust overall program implementation, promote knowledge exchange and good practices. This component will promote joint action and decision making in river basin management and flood risk management among riparian countries, thus enhancing the climate adaptation capacity of the region. The component will also allow for the preparation of key regional studies and plans that will further inform the design of the Program, including:

- Technical studies supporting the Sava River Basin management and filling the gaps in trans-boundary water management and planning processes, such as a hydrological study for the Sava River Basin, analysis of sediment, water and biota in the Sava River Basin, and a Climate Change Adaptation Strategy for the Sava River Basin;
- Management plans of the basin-wide relevance, including firstly the upgrade of the Sava River Basin Management Plan, building on the afore-mentioned studies and national River Basin Management Plans, update of the Sava Flood Risk Management Plan and the preparation of the Sediment Management Plan for the Sava River Basin;
- Enhancement of the existing and development of a new data management tools of Sava GIS & HIS, including the development of a water-relevant decision support system (DSS);
- Improvement in regional resilience management and forecasting, such as advanced floods and low flow modelling and monitoring, forecasting, early-warning and management systems;
- Further water cooperation and corridor development studies and plans, such as a Regional ecotourism master plan including nature-based solutions; and
- Regional collaboration advocacy and communication activities including 1 percent of the GEF financing will go towards International Water - Learning Exchange and Resource Network (IW-LEARN) which will support an advocacy and communication plan to facilitate partnerships



between participating countries to stimulate knowledge sharing and capacity building while implementing activities related to regional dialogue and studies.

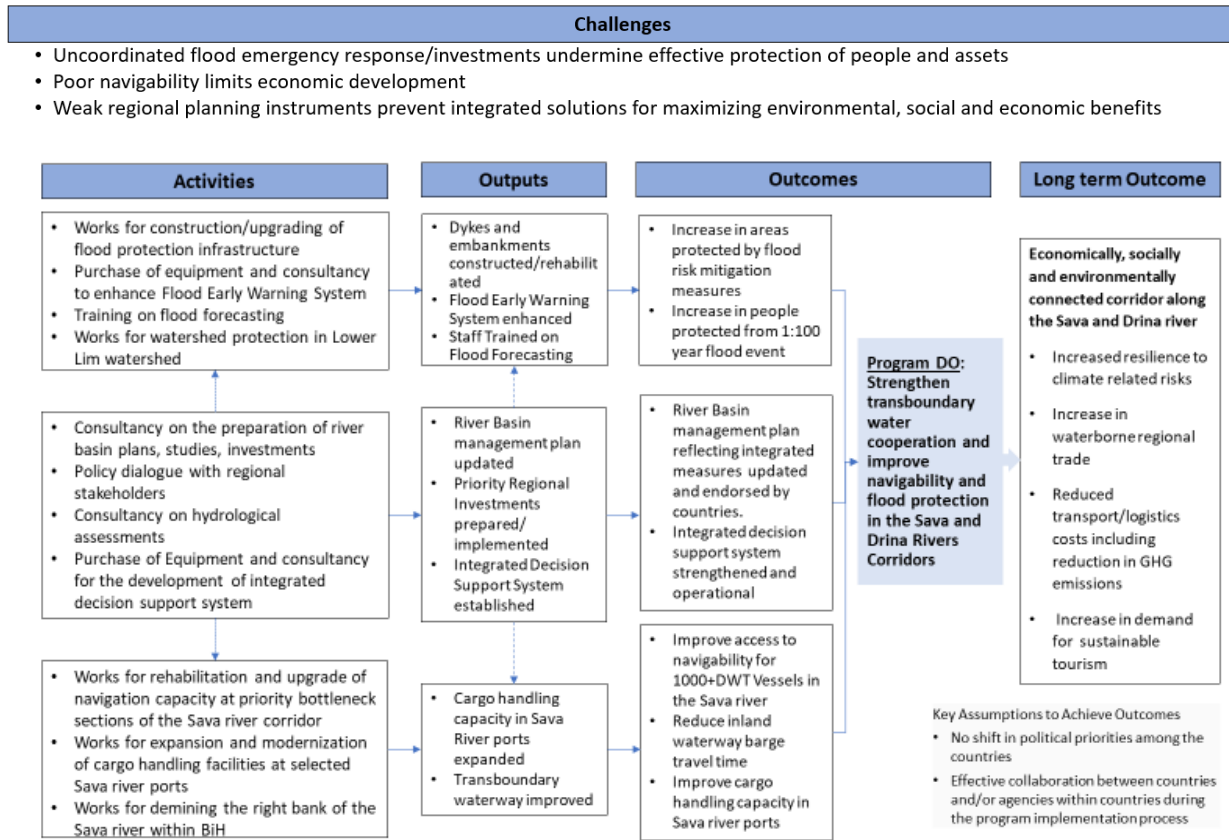
12. River Basin Management Plans and Hydrological assessments will ultimately support integrated water resources management and development, thereby indirectly increasing the resilience of riparian countries to climate change. The first Sava River Basin Management Plan was adopted by the countries in December 2014 and requires to be updated every 6 years, while the development of the 2nd RBMP which is included as a milestone in the EU Strategy for the Danube Region is ongoing and it will be finalized in 2022, tentatively. To fill the gaps in the 1st and 2nd Sava River Basin Management Plans, results of aforementioned technical studies will be included in the updated Sava River Basin Management Plan developed through the SDIP. The study on sediment, water and biota will provide environmental data for preparation of the first Sediment Management Plan for the Sava River Basin. A regional ecotourism master plan will be developed as part of the strategy for promoting nature-based solutions to harness ecotourism and economic growth through wetland protection, job creation and other benefits.

Alignment with parent Project Theory of Change

13. The parent Project seeks to support the global environmental objectives of: (a) adapting to climate change as it relates to flood protection in the Sava and Drina Rivers corridors; and (b) preserving freshwater resources by improving freshwater and related resources sustainability in the Sava and Drina Rivers corridors. Tackling both global issues requires that countries coordinate actions and apply informed management approaches. The project design is based on integrated management and development approach involving coordinated and multisectoral planning and utilization of the water and related resources of the Sava and Drina Rivers Corridors. It aims at maximizing economic and social benefits while improving sustainability of these vital natural resources. The project will address key barriers to water cooperation. To achieve that, component 4 supports integrated cross-country water cooperation, planning studies, and complementary adaptation measures.

14. The proposed investments under the parent Project will result in improved flood and drought protection with enhanced climate adaptation capacity, increased navigability with reduced levels of transport-related emissions of greenhouse gases and local pollutants, and revitalized regional tourism along the Sava and Drina Rivers Corridors and enable transboundary water cooperation based on a strengthened integrated decision support system. It will also improve the analytical and management capacity of water resources, transport, and related agencies in each beneficiary country, as well as that of ISRBC. Just as important, the program will be a relatively neutral opportunity for the countries in the region to signal their ability and willingness to tackle transboundary issues together, such as the demining of the right bank of the Sava in BiH and the need to rehabilitate infrastructure so that it will be able to withstand the increasingly frequent and intense floods and droughts, and the mutual collaboration necessary for investing in a shared resource among the riparian countries. The key expected outcome indicators will be achieved over time.

Figure 1. Overview of the Project's Theory of Change



15. The project development objective and the Global Environmental Objective (GEO) is to **improve flood protection and enhance transboundary water cooperation in the Sava and Drina Rivers Corridors.**

16. The PDO level indicators for the parent project are⁴:

1. People protected from 1 in 100-year flood event in the Sava and Drina River Basin under the project (of which female) (Number).
 - This indicator also provides data for GEF Core Indicator 11 “Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment”. Target for GEF Core Indicator will be adjusted to reflect the appropriate scope to correspond with the size of the investment.
2. Areas protected by flood risk mitigation measures under the project (hectares)
3. River basin management plan reflecting integrated measures updated and endorsed by countries (Yes/No)
 - This indicator also provides data for GEF Core Indicator 7 “Number of shared water ecosystems (fresh or marine) under new or improved cooperative management”.

⁴ AF-funded activities contribute to the achievement of Parent project's PDO as well as GEF Core Indicators.



E. KEY RISKS

17. The overall risk for the Parent project to achieve the development objective is considered High because the program aims to address challenges that are multi-sector, multi-country, and transboundary in nature.

18. **Political and Governance:** Substantial. There is a risk that conflicting and competing demands among the different countries, sectors, and vested interests, may delay decision-making and undermine the collaborative process essential for the achievement of the PDO. To mitigate this risk, during preparation, the implementation arrangements, including clear roles and responsibilities of the institutions involved, have been defined. In addition, activities supported under this project are not mutually dependent, thus allowing the opportunity to gradually build political confidence.

19. **Macroeconomic:** Substantial. While the magnitude of the impact of COVID-19 on Western Balkans countries' macroeconomic environment is yet to be assessed, it is already clear that the pandemic has had a substantial impact on Western Balkans countries' economic growth, balance of payments and fiscal position. As mitigation, while an economic downturn could constrain the fiscal space for improvements in water related sectors, project financing will be earmarked to support defined activities within the program. The Grant financed component will also not be impacted by the macroeconomic environment changes.

20. **Institutional Capacity for Implementation and Sustainability:** Substantial. The achievement of the PDO may be jeopardized by the complexity of having three national governments, two entity governments in BiH, an international organization, and several institutions representing different sectors involved in the implementation of the components. These institutions have various capacities in project implementation and management. International Sava River Basin Commission (ISRBC), the implementing agency for Component 4, has very limited experiences with World Bank procedures and guidelines. The World Bank will support implementation through close engagement with program beneficiaries and by offering technical expertise in the areas within SDIP's scope. In addition, the Bank will support the implementing institutions through regular missions, local presence, training on Bank-related procedures, and knowledge sharing workshops.

21. **Technical Design:** Moderate. This multi-national, multi-phased, integrated water resources management program includes a substantial number of sub-projects. Considering the complexity of project and program, the number of sectors and countries involved, technical design of the project could become too complex. To mitigate this risk, during project preparation, activities were identified in consultation with the countries to verify their technical and financial viability, readiness, and implementation arrangements. Available documentation such as feasibility studies and detailed designs where available were reviewed to confirm their technical and financial soundness. This pruning process led to the selection of more refined and limited subset of investments for implementation in Phase I. The activities to be financed by the Grant were also reviewed to ensure complementarity with the parent project objectives as well as alignment to regional aspirations as outlined in the ISRBC Framework Agreement. Considering these mitigation efforts, the risk for technical design is rated Moderate.

22. **Environmental and Social risk:** High. The activities to be supported through the Program include a variety of sectors, issues and stakeholders. Under the two Phases of the Program, there are at least forty identified locations, mostly at or immediately adjacent to the rivers Sava and Drina,



although some investments may be located at the wider catchments. The first phase (2020-2026) will include activities on flood protection and environmental management, regional dialogue and studies. Considering the geographic and sectoral width of the Program, the need for coordinated stakeholder consultations and decision making, as well as the associated limited Borrower capacity and number of institutions involved across the countries, the environmental and social risk is high. This risk will be mitigated through targeted trainings for all participating institutions as well as establishment of monitoring tools that will ensure transparent and quality implementation of environmental and social safeguards management. Although the scope of this GEF grant is limited to preparing a number of regional studies with limited environmental risks, the risk assessed for the overall Program is transposed to the grant.

23. **Stakeholders:** Substantial. Successful implementation will require strong public-sector capacity at the regional, national, and local levels, as well as a coordination body that has adequate political support and authority. Specific risks include (i) government counterparts not seeing the value added of SDIP, and thus unwilling to coordinate and collaborate during the program implementation process; (ii) delays caused by disagreements between countries and/or agencies within countries, regarding prioritization, design, timing, funding, and execution approaches of activities that require consensus; and (iii) delays or implementation complications arising from shifting political priorities among the countries, such as a result of elections or re-alignments in policy decision-making. In addition, Local stakeholders may object to certain investments. These risks will be mitigated through the proposed implementation arrangements, which have been designed to allow for discussion, feedback, and deliberation at the regional, national, and sub-national level. In addition, all selected subprojects have been identified and agreed upon by the countries, further prioritization and preparation of regional subprojects to be implemented during Phase II will be undertaken in a participatory manner with all countries, as part of the Sava River Basin management planning process.

F. APPRAISAL SUMMARY

24. During the preparation of the parent Project, regional activities (Component 4) expected to be financed from GEF grant were discussed and agreed to with the participating governments and the International Sava River Basin Commission. These regional activities were integrated into the parent Project's original design as well as its technical, economic and financial appraisal (summarized below) under the assumption that funds from the GEF grant would be confirmed and committed within the first year of project implementation. An additional fiduciary assessment was conducted for ISRBC, i.e. the implementation agency of this component.

A. Economic and Financial Analysis

25. A standard cost-benefit analysis was conducted to evaluate the economic viability of the parent Project's proposed flood protection and navigation investments, as well as the proposed expansion and modernization investments at the port of Sremska Mitrovica. Additional river port-related investments elsewhere in the Sava corridor (for example, in BiH) may take place during Phase II of the program, and the economics of those investments will be assessed during Phase II preparation.

26. Cost-benefit analysis was used to determine the economic viability of the drainage improvement component of SDIP's Phase I. At the benchmark economic discount rate of 6%, the present value of the total investment and O&M cost is US\$181.1 million, and the present value of benefits is US\$1,514.8 million in 2020 prices, representing estimated damages and losses avoided for



flood return period of 1 in 100 year⁵. The cost-benefit analysis for the base case yields an Economic Internal Rate of Return (EIRR) of 46.1%, and an Economic Net Present Value (ENPV) of US\$1,333.7 million. Sensitivity analyses are carried out to test the robustness of the analyses. In one case the investment and maintenance costs were increased by 20% and in another case the net benefit was decreased by 20%. Economic viability was found to be robust to these adverse changes in costs and benefits.

27. The additional financing provided from GEF grant will further strengthen the economic viability of SDIP phase 1 by: 1) supporting activities with global environmental benefits within the river basin which provide multiple ecosystem services; 2) improving the readiness of phase 2 of the SDIP program which enhances the sustainability of expected benefits beyond SDIP phase 1 and potentially leverage resources for investments addressing Strategic Action Plan (SAP) identified priorities; and 3) enhancing regional and national cooperation on shared freshwater resources through participatory fact-finding and agreement on cooperative opportunities (including through IW-LEARN) and a vision for a collaborative future. In addition, enhancement of flood early warning system within the basin is instrumental for countries and the international community alike to intervene early and increase resilience before the occurrence of actual damage.

B. Technical

28. Component 4 is entirely financed by the GEF grant and is key to bringing together various national activities into a regional program. It would support policy dialogue, consultations, preparation of plans and studies to strengthen the nexus between water services and connectivity with the regional development and economic cooperation objectives of the Sava and Drina Corridor. The Component will finance the operations of the ISRBC, including the costs of the RPIU which will be established within the ISRBC Secretariat, as well as the other regional activities which will bring together the national actors to monitor program progress, review and adjust overall program implementation, and exchange practices and experiences. It will also support joint action and decision making in river basin management and flood risk management among riparian countries, and thus enhance the climate adaptation capacity of the region. The component will allow for the preparation of key regional studies and plans that will further inform the design of the second phase of the Program.

29. The parent Project is fully aligned with GEF7 Programming Directions, international water focal area strategy, Objective 3 – enhancing water security in freshwater ecosystems. The GEF grant financing will enable the governments to: 1) advance information exchange and early warning through enhancement of the regional flood monitoring, forecasting, early warning and management system; 2) enhance regional and national cooperation on shared freshwater resources through the upgrade of the Sava River Basin Management Plan and promotion of joint decision making among national, regional and global stakeholders; and 3) improve flood and environmental management through studies on and promotion of nature based solutions.

C. Financial Management

30. Component 4 will be implemented by ISRBC, an international organization established in 2005 for the purposes of implementing Framework Agreement on the Sava River Basin dated December 3,

⁵ These numbers are based on the damage from Serbia alone, as flood protection in this project largely focus on Serbia under Phase I.



2002, calling for regional cooperation with regards to navigation safety, promotion of sustainable water management, and protection against adverse weather events such as floods and droughts, to which Bosnia and Herzegovina and the Republic of Serbia, together with the Republic of Croatia and the Republic of Slovenia are the parties, and to which Montenegro participates pursuant to a Memorandum of Understanding with the ISRBC. The implementation of this component will be the responsibility of the ISRBC Secretariat, within which a RPIU will be established. It will be responsible for all fiduciary arrangements related to the project. The main task of the team is to prepare and carry out procurement and financial management, supervision, reporting, and evaluation during the project implementation period as per the requirements of the World Bank.

31. An assessment of the financial management (FM) capacity of ISRBC was carried out by the World Bank during a preparation mission in June 2020. The assessment concluded that i) the financial management arrangements in the ISRBC are acceptable to the Bank, and that ii) the overall financial management risk is moderate when applying the proposed mitigation measures.

32. The ISRBC will maintain a financial management system acceptable to the Bank. The project’s financial statements including Statement of Expenditures (SOE) and Designated Account Statements will be audited by independent auditors on Terms of Reference (ToR) acceptable to the Bank. The annually audited financial statements and the audit reports will be provided to the Bank within six months of the end of each calendar year. The ISRBC shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the project covering the semester, in form and substance satisfactory to the Bank. However, in order to improve the existing financial management arrangement, an action plan has been agreed with the implementing units:

Table 1. Summary of Actions

Action	Deadline	Responsibility
Nominate person within the existing ISRBC team to be responsible for the financial management of the project	Completed	ISRBC
Prepare and get clearance for the FM sections of the POM	By effectiveness	ISRBC

D. Procurement

33. Procurement under the proposed additional finance will be carried out in accordance with the World Bank Procurement Regulations for IPF Borrowers “Procurement in Investment Project Financing for goods, works, non-consulting services and Consulting Services” (November 2020). The project will also be subject to the World Bank’s Anti-Corruption Guidelines, dated July 1, 2016. The Regional PIU (Regional PIU) will use the Systematic Tracking of Exchanges in Procurement (STEP) system. STEP is a planning and tracking system, which would provide data on procurement activities, establish benchmarks, monitor delays, and measure procurement performance.

34. While the ISRBC has worked on World Bank-financed projects before (i.e. Flood Forecasting and Warning System of the Sava River basin, P153325), and has implemented EU Grants, it has no experience in Bank Procurement per se. The procurement function in the ISRBC is staffed with a full-time financial advisor, who hasn’t any experience in implementation or use of the World Bank Procurement Regulations.



35. Based on the assessment of the capacity of the Regional PIU, the lack of any prior experience and/or knowledge to carry out and manage procurement in line with the Bank procurement procedures, the overall risk for procurement is determined to be Substantial.

36. The following measures are envisaged to mitigate these risks:

- i. The Regional PIU shall employ an individual consultant to provide services of a procurement specialist, with suitable educational background and skills necessary to carry out regional activities under the component 4 of the project, possessing strong knowledge in regard of the WB procurement procedures after the signing of the grant agreement.
- ii. The consultant will be full or part-time time engaged under terms of reference acceptable to the World Bank.
- iii. During supervision missions, procurement activities conducted under the project will be reviewed in light of the potential procurement risks, and recommendations will be made if necessary, to improve the procurement process.
- iv. Evaluation committees also might delay procurement as their members do not have any procurement training. To mitigate this risk, it is envisaged to provide a basic procurement training to the member of the committees.
- v. In order to build-in and maintain the procurement capacity of the Regional PIU, the Bank procurement team will carry out regular training sessions on procurement regulations.

37. In addition to the prior review supervision to be carried out by the Bank, it is recommended that one implementation support mission per year visit the field to carry out post review of procurement actions. A Project Procurement Strategy for Development (PPSD) has been prepared, and was confirmed at negotiations.

38. Consulting services under the Component 4 of the project are of varying size and complexity. Selection of consulting firms will be done using the World Bank standard procurement documents, such as Request for Proposals. The employment of an individual expert will be conducted through the selection of ICs in accordance with the Procurement Regulations. In case the services are required from a consultancy firm, the Quality- and Cost-based Selection (QCBS) method will be applied and other methods such as Least-Cost Selection (LCS), Fixed Budget Selection (FBS), or Quality-Based Selection (QBS) may also be used following provisions of Procurement Regulations. For contracts below US\$300,000 equivalent, the Selection Based on Consultants' Qualification (CQS) method may be used.

E. Legal Operational Policies



	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

39. The activities financed under this Additional Financing were appraised as part of the parent project. Riparian countries were informed of these activities through the notification letter sent to them through the International Commission for the Protection of the Danube River on October 28, 2019.

F. Environmental and Social

40. The overall risk for the Program and its Phase 1 is rated as High. With respect to environmentally related risks and impacts, they are wide-ranging in both the scope and nature, as Project-related activities include many stakeholders and sectors, the most important being water transport, water supply and sanitation, irrigation, energy generation, municipal and tourism development, nature protection and development, agriculture production, floods and drought management etc. Additional complexities are brought by involvement of several countries with insufficient experience of horizontal, vertical and/or international institutional cooperation. Specific investments, if not well managed, may have high negative impacts on soil, air, protected areas and natural habitats, water quality and use, dam safety, energy use, cultural resources. The high incidence of protected areas and sites along both rivers, and a number of endemic species both on land and in water along with a very rich cultural heritage warrants applicability of all relevant Environmental and Social Standards (ESS), including ESS1 that requires the preparation of Strategic Environmental and Social Assessments (SESAs), Regional and Sectoral Environmental and Social Impact Assessments (ESIAs), site specific ESIAs and Environmental and Social Management Plans (ESMPs), also in line with the three countries' Environmental and Social Management Frameworks (ESMFs); ESS3 related to management of resources and their sound use and management of possibly hazardous wastes and unexploded ordnances (UXOs) (also linked to ESS4); protection of various flora and fauna and natural resources under ESS6, and identification and proper protection procedures of cultural heritage under ESS8.

41. The relevant documents have been prepared under Phase 1 of the Program and disclosed as follows:

42. The Serbia ESMF, Environmental and Social Commitment Plan (ESCP), Resettlement Policy Framework (RPF), Stakeholder Engagement Plan (SEP) and Labor Management Plan (LMP) were disclosed on December 19, 2019, with public consultations held on December 30, 2019, in Belgrade.

43. The Bosnia and Herzegovina ESMF, ESCP, RPF, SEP and LMP were disclosed on December 31, 2019, with public consultations held on January 29, 2020, in the City of Banja Luka.

44. The Montenegro ESMF, ESCP, RPF, SEP and LMP were disclosed on December 30, 2019, with public consultations held on January 24, 2020, in Municipality of Bijelo Polje.

45. Specifically, for the AF that will cover only part of the Program (Component 4 of the originally appraised Program), all technical assistance, design documentation and other preparatory instruments to be developed under the Phase 1 of the Program will also integrate environmental and social protection



measures from a design standpoint and not just identification and mitigation of associated impacts, in accordance with the World Bank Environmental and Social Framework (ESF) and all relevant standards. The protection measures will be in line with all documents prepared for the parent project (Phase 1 of the Program) and all applicable ESSs. The Regional PIU to be formed within the ISRBC shall include an environmental and social specialist that will ensure that the studies are prepared in line with the ESF, as well as to facilitate coordination with national PIUs in the implementation of the parent project (Phase 1 of the Program).

46. The associated ESCP for Component 4 was disclosed on March 16, 2021 by the International Sava River Basin Commission and re-disclosed in its final version along with a project Stakeholder Engagement Plan (SEP) on November 30, 2021.

G. Other Cooperate Mandates:

47. **Gender:** the parent Project's proposed interventions will deliver their intended economic and social returns in full only if all members of the target populations and end-user beneficiaries, irrespective of gender, can participate in the decision-making process and access improved facilities and related economic opportunities.

48. **Climate Change:** The parent Project will address the risks of climate change-exacerbated floods through multiple interventions aimed at both adaptation and mitigation. In addition, Component 4 will promote data sharing and joint decision making on flood early warning and forecasting, further enhancing riparian countries' climate change adaptation capacities.

49. **Citizen engagement.** An important component of the learning to be internalized into ongoing project activities will be gathered through engagement with end-user populations—the ultimate program beneficiaries. Annual consultations with project beneficiaries will be conducted by the ISRBC including national and regional institutions, nongovernmental organizations (NGOs), and local government representatives.

G. WORLD BANK GRIEVANCE REDRESS

50. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org

**VI SUMMARY TABLE OF CHANGES**

	Changed	Not Changed
Implementing Agency	✓	
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Legal Covenants		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓

VII DETAILED CHANGE(S)**IMPLEMENTING AGENCY**

Implementing Agency Name	Type	Action
International Sava River Basin Commission	Country/Regional Organization	New
Montenegro Ministry of Agriculture and Rural Development	Line Ministry/Ministerial Department	No Change
Republic of Serbia Ministry of Agriculture, Forestry and Water Management	Line Ministry/Ministerial Department	No Change
Republic of Serbia Ministry of Construction, Transport and Infrastructure	Line Ministry/Ministerial	No Change



	Department	
Republika Srpska Ministry of Agriculture, Forestry and Water	Line Ministry/Ministerial Department	No Change

MPA PROGRAM DEVELOPMENT OBJECTIVE

Current MPA Program Development Objective

The objective of the Program is to strengthen transboundary water cooperation and improve navigability and flood protection in the Sava and Drina Rivers Corridors.

Proposed New MPA Program Development Objective

EXPECTED MPA PROGRAM RESULTS

Current Expected MPA Results and their Indicators for the MPA Program

The proposed Investments will result in improved flood protection, increased navigability with reduced levels of transport-related emissions of greenhouse gases and local pollutants, and the revitalization of regional tourism along the Sava and Drina corridors. It would also improve the analytical and management capacity of water resources, transport, and related agencies in each beneficiary country, as well as that of ISRBC. Just as important, the program will be a relatively neutral opportunity for the countries in the region to signal their ability and willingness to tackle transboundary issues together, such as the demining of the right bank of the Sava in BiH, and the mutual collaboration necessary for investing in a shared resource among the riparian countries. The key expected outcome indicators will be achieved over time.

The progress towards PrDO will be measured by the following outcome indicators throughout the MPA program implementation:

- Area protected by flood risk mitigation measures under the Program(ha)
- People protected from 1 in 100-year flood events under the Program (Number) of which female (Number)
- Improve access to navigability to 1,000+ DWT vessels in the Sava river (days per year)
- River basin management plan reflecting integrated measures updated and endorsed by countries (No/Yes)



Proposed Expected MPA Results and their Indicators for the MPA Program

Expected Disbursements (in US\$)

Fiscal Year	Annual	Cumulative
2020	0.00	0.00
2021	7,890,000.00	7,890,000.00
2022	25,100,000.00	32,990,000.00
2023	25,050,000.00	58,040,000.00
2024	27,860,000.00	85,900,000.00
2025	30,000,000.00	115,900,000.00
2026	15,090,000.00	130,990,000.00
2027	3,000,000.00	133,990,000.00

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Substantial	● Substantial
Macroeconomic	● Substantial	● Substantial
Sector Strategies and Policies	● Moderate	● Moderate
Technical Design of Project or Program	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial
Fiduciary	● Moderate	● Moderate
Environment and Social	● High	● High
Stakeholders	● Substantial	● Substantial
Other	● Substantial	● Substantial
Overall	● High	● High



LEGAL COVENANTS – GEF Sava and Drina Rivers Corridors Integrated Development Program (P175192)

Sections and Description

Section I.A.1 of Schedule 2: Recipient to establish, no later than 90 days after the Effective Date, and thereafter maintain at all times during the implementation of the Project, the Regional PIU with composition, resources, terms of reference and functions acceptable to the Bank.

Section I.C.1 of Schedule 2: Recipient to prepare and furnish for Bank's approval not later than 30 days after the Effective Date for the following period of implementation ending on March 31, 2023, and thereafter not later than January 31 of each year, starting on January 31, 2023 a proposed AWPB for the next fiscal year of the Recipient.

Conditions

Type	Financing source	Description
Effectiveness	Trust Funds	The Recipient has adopted the Project Operational Manual in a manner acceptable to the Bank
Effectiveness	Trust Funds	Receipt of evidence satisfactory to the Bank that the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary action.



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Western Balkans

GEF Sava and Drina Rivers Corridors Integrated Development Program

Project Development Objective(s)

The Objective of the Project (Phase I of the Program) is to improve flood protection and enhance transboundary water cooperation in the Sava and Drina Rivers Corridors.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
Enhance transboundary water cooperation			
River basin management plan reflecting integrated measures updated and endorsed by countries (Yes/No)		No	Yes
Improved flood protection of the Sava and Drina River Corridors			
People protected from 1 in 100-year flood event in the Sava and Drina River Basins under the project (of which female) (Number)		0.00	200,000.00
Of which female (Number)		0.00	110,000.00
Area protected by flood risk mitigation measures under the project (Hectare(Ha))		0.00	150,000.00



Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Improved flood protection in the Sava and Drina River Corridors			
Length of embankments or dykes constructed or rehabilitated (Kilometers)		0.00	20.00
Flood monitoring and forecasting system upgraded in a participatory manner, publicly disclosed and adjusted based on citizen engagement (Yes/No)		No	Yes
Percentage of grievances responded and resolved within an agreed time frame (Percentage)		0.00	85.00
Strengthened institutions and instruments to enhance transboundary water cooperation			
Enhanced monitoring/ data sharing protocols and schedules developed (Yes/No)		No	Yes
Priority regional investments prepared (Number)		0.00	5.00
Stakeholders consulted (of which female) and engaged during planning and preparation of project interventions (Number)		0.00	1,000.00
of which female (Number)		0.00	510.00
Waterway improved through demining (Kilometers)		0.00	40.00
Regional tourism master plan for the Sava and Drina Corridor that includes the establishment of a forum for women-headed SMEs is developed and endorsed.. (Yes/No)		No	Yes
Number of annual multi-national stakeholder workshops held (Number)		0.00	12.00



Indicator Name	PBC	Baseline	End Target
Enhancement of port facilities, services and logistics			
Freight throughput at the Sava river port of Sremska Mitrovica in Serbia (Tons/year)		234,465.00	300,000.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
River basin management plan reflecting integrated measures updated and endorsed by countries		Yearly	Administrative records	Reported by the ISRBC	ISRBC
People protected from 1 in 100-year flood event in the Sava and Drina River Basins under the project (of which female)		Yearly	Social monitoring reports	Reports by borrowers	National/entity PIUs and PMUs
Of which female		Yearly	Administrative records	Reported by borrowers	National/entity PIUs and PMUs
Area protected by flood risk mitigation measures under the project		Yearly	Administrative records	Submitted by the borrowers	National/entity PIUs and PMUs



Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Length of embankments or dykes constructed or rehabilitated		Yearly	Administrative records	Reported by the borrowers	National/entity PIUs and PMUs
Flood monitoring and forecasting system upgraded in a participatory manner, publicly disclosed and adjusted based on citizen engagement		Yearly	Administrative records	Reported by ISRBC	ISRBC
Percentage of grievances responded and resolved within an agreed time frame		Yearly	Administrative records	Reported by borrowers	National/entity PIUs and PMUs
Enhanced monitoring/ data sharing protocols and schedules developed		Yearly	Administrative records	Reported by ISRBC	ISRBC
Priority regional investments prepared		Yearly	Project design documents	Reported by borrowers	National/entity PIUs and PMUs
Stakeholders consulted (of which female) and engaged during planning and preparation of project interventions		Yearly	Administrative records	Reported by borrowers	National/entity PIUs and PMUs
of which female					
Waterway improved through demining		Yearly	Administrative records	Reported by Bosnia and Herzegovina Ministry of Communications and Transport	Bosnia and Herzegovina Ministry of Communications and Transport
Regional tourism master plan for the Sava and Drina Corridor that includes the		Yearly	Administrative records	Reported by ISRBC	ISRBC



establishment of a forum for women-headed SMEs is developed and endorsed..					
Number of annual multi-national stakeholder workshops held		Yearly	Administrative records	Submitted by borrower	National/entity PIUs and PMUs
Freight throughput at the Sava river port of Sremska Mitrovica in Serbia		Annual	Administrative reports	Submitted by borrower	PMU in Ministry of Construction, Transport and Infrastructure



Annex I: Implementation Arrangements and Support Plan

Financial Management

The Inherent FM Risk of the project is rated as Substantial but is reduced to Moderate after mitigation measures (such as preparation of the project FM sections of the POM).

Budgeting and Counterpart Funding Arrangements

1. **Planning and budgeting.** The ISRBC has adequate planning and budgeting capacity. Annual budgets are prepared and approved by the ISRBC. Additional budgets are prepared depending upon projects implemented by the ISRBC and having in mind requirements of such projects. Variances of actual versus budgeted figures are reported, monitored and explained.
2. **Staffing.** The FM staffing of the ISRBC is adequate and there is skilled person engaged with prior experience in grant-funded projects. The terms of references for the FM staff will be appended to the Project operational manual (POM).
3. **Accounting and Maintenance of Accounting Records.** Accounting policies and procedures are appropriate. For project accounting simple cash accounting method is being applied. There will be a POM describing appropriate financial management procedures and policies. It is expected to be prepared and approved by the Bank before the effectiveness. The accounting software used is called SW and has been developed by a local IT company from Varazdin 12 years ago. Accounting system used for accounting and reporting is assessed to be reliable. Accounting data is backed up on daily basis on servers. Annual data is copied on PC and stored on CDs which are stored in business registries. Accounting policies and procedures to be applied for project accounting include the following major assumptions and principles: (i) cash accounting as the basis for recording transactions; (ii) appropriate analytical accounting records exist by contracts and payments; and (iii) reporting should be done in currency of the grant (reporting currency).
4. **Internal Controls and Internal Audit.** ISRBC has adequate internal controls for the Project, including regular reconciliation of bank accounts, adequate segregation of duties, proper accounting policies and procedures, and monthly reconciliation of disbursement summaries of the WB with Project accounting records is performed.
 - a) There are regular reconciliations: SOE will be reconciled with the project data for every withdrawal application, Designated Account reconciliation will also be performed with treasury records (where applicable), client connection figures will be reconciled monthly with the project accounting records. The ISRBC will maintain a list with all the payments made out of the Designated Account, which is used for SOE reconciliation.
 - b) The access to the accounting software is password protected; and only accounting staff has access to the systems. The software is not generating automatic Interim Financial Reports (IFRs) from the system and the IFRs will hence be prepared manually.



5. **Periodic Financial Reporting.** The ISRBC shall prepare and furnish to the World Bank not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the project covering the semester, in form and substance satisfactory to the Bank.

6. The IFRs will include the following reports stated in the currency of the grant: (i) statement of Sources and Uses of Funds, (ii) uses of Funds by Project Activity, and (iii) Statement of Designated Account.

7. **External Audit.** ISRBC will be responsible for the timely compilation of the annual project financial statements for the independent external audit. Project financial statements will be audited by independent auditors acceptable to the Bank. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the grant. The terms of reference for the audit have been agreed with the Bank. In addition, the auditors are expected to deliver management recommendation letter in relation to the project. Each management recommendation letter will identify internal control deficiencies and accounting issues, if any.

Audit report	Due date
Project financial statements. The Project financial statements include (i) Project Balance Sheet, (ii) Sources and Uses of Funds, (iii) Uses of Funds by Project Activity, (iv) SOE Withdrawal Schedule, (v) Designated Account Statement, (vi) Notes to the financial statements.	Within six months of the end of each fiscal year and at the closing of the project

8. The audited Project Financial Statements will be made publicly available in a timely fashion, and in a manner acceptable to the WB. The audited Project Financial Statements will be published on a web site one month after the Bank has sent official audit acknowledgement letters to the Recipient.

Flow of funds and Disbursements

9. One Designated Account for ISRBC will be opened in a commercial bank acceptable to the WB. The Designated Account will be denominated in EUR currency.

10. The project will use traditional disbursement methods such as advances, direct payments and reimbursements. For requests for Reimbursement and for reporting eligible expenditures paid from the Designated Account (i) a Statement of Expenditure (ii) List of payments against contracts that are subject to the Bank's prior review; and (iii) a designated account reconciliation statement and related bank statement will be required. For requests for Direct Payment: records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices will be submitted to the Bank. The grant funds will flow either from WB to designated account and then to suppliers, consultants etc. or directly from WB to suppliers and consultants (in case the direct payments are used). Withdrawal applications will be approved by authorized person (Executive Secretary of the ISRBC) and thereafter sent to the Bank directly using the e-disbursement facility by the implementing units.

11. Supporting documents for SOEs will be retained by ISRBC and made available to the Bank during Project supervision. The ceiling and authorized allocation for the Designated Accounts will be defined in detail in the project Disbursement and Financial Information Letter.

Withdrawal of the Proceeds of the Grant



12. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant:

Category	Amount of the Grant Allocated (in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
Goods, non-consulting services, consulting services, Operating Costs and Training for Component 4 of the Project.	\$8,000,000	100%
TOTAL AMOUNT	\$8,000,000	100%

Financial Management Action Plan

Action	Deadline	Responsibility
Nominate person within the existing ISRBC team to be responsible for the financial management of the project	Completed	ISRBC
Prepare and get clearance for the FM sections of the POM	By effectiveness	ISRBC

13. **Implementation Support and Supervision Plan.** The Bank will apply a risk-based approach in undertaking project supervision activities that will include reviews of periodic reports, review of audited annual audited financial statements together with auditors’ management recommendation letters; monitoring implementation of agreed remedial actions; and addressing emerging issues in collaboration with implementing units.

14. **Contract management.** The ISRBC will maintain technical and financial database of all project contracts. The technical database shall be updated by procurement staff on a regular basis. Such database will have available all information on contracts, any annexes which were concluded as well as any payments made up to date. The FM managers will maintain an overview of all Project-related payments and will establish internal controls which will prevent any overpayments of such contracted amounts.