Action summary

The European Commission is, via the Western Balkans Investment Framework (WBIF), co-financing mature energy and transport infrastructure projects together with loans from the international financial institutions, as part of the Connectivity Agenda/Berlin Process.

After the initial round "zero" in 2015, Round 1 of co-financing in 2016, this action represents the continuation i.e. Round 2, to support the construction of energy and transport infrastructure, namely Projects of the Energy Community Interest (PECIs) and the Trans-European Transport Core Network (TEN-T core network) in the Western Balkans region.

This action contributes to improving connectivity within the Western Balkans, as well as between Western Balkans and the European Union, and will serve as a driver for economic growth, jobs, and new investments in the region.
**Action Identification**

**Action Programme Title**  
IPA II Multi-country action programme for connectivity 2017-2018

**Action Title**  
Co-financing of Connectivity Projects in the Western Balkans 2017-2018

**Action ID**  
IPA 2017/039-876.01/MC/COFIN CONNECT  
IPA 2018/040-650.01/MC/COFIN CONNECT

**Sector Information**

**IPA II Sector**  
9. Regional and territorial cooperation

**DAC Sector**  
43010 - multi-sector aid

**Budget**

**Total cost**  
EUR 213 842 060

**EU contribution**  
EUR 104 873 460

**Budget line(s)**  
22.020401 – Multi-country programmes, regional integration and territorial cooperation

**Management and Implementation**

**Management mode**  
Indirect management

**Indirect management:**

**Entrusted entity**  
Indirect management with EIB, EBRD and KfW  
Contribution Arrangement via the Western Balkans Investment Framework (WBIF) Joint Fund

**Implementation responsibilities**  
DG NEAR/D.5, EIB, EBRD

**Location**

**Zone benefiting from the action**  
Western Balkans (Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo*, Montenegro, Serbia)

**Specific implementation area(s)**  
N/A

**Timeline**

**Final date for contracting including the conclusion of delegation agreements**  
31 December 2018

**Final date for operational implementation**  
31 December 2026

**Policy objectives / Markers (DAC form)**

<table>
<thead>
<tr>
<th>General policy objective</th>
<th>Not targeted</th>
<th>Significant objective</th>
<th>Main objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation development/good governance</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aid to environment</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Gender equality (including Women In Development)</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Development</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reproductive, Maternal, New born and child health</td>
<td>✓</td>
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</tr>
</tbody>
</table>

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.
1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

Connectivity agenda in the Western Balkans

Financial Support

Improving connectivity within the Western Balkans and between the Western Balkans and the European Union (EU) is a key factor for growth and jobs and will bring clear benefits for economies and citizens.

The Western Balkans Six (WB6) has made the connectivity agenda one of its highest priorities, with a special emphasis on the preparation and financing of concrete regional infrastructure investment projects, but also on the implementation of technical standards and accompanying reform measures such as aligning and simplifying border crossing procedures, railway reforms, information systems (ITS), road safety and maintenance schemes, unbundling and third party access.

The European Union has set aside up to EUR1 billion for connectivity investment projects and technical assistance for the 2014-2020 period. It provided the first EUR 200 million at the Western Balkans Summit in Vienna in August 2015 for ten priority projects, out of which eight from the MC IPA allocation. This first financing was known as Round "zero". The 2016 follow-up – the Round 1 – included EUR 145.5 million for connectivity projects in the transport and/or energy sector. Out of this figure, EUR 97.2 million were allocated to three rail projects, while around EUR 46 million were reserved for four transport projects from Bosnia and Herzegovina which were technically screened positively, but were in the end not approved due to lack of a transport strategy.

The 2017 connectivity package under Round 2 was endorsed at the Trieste Summit in July 2017, and includes six transport projects financed by the WBIF: four in Bosnia and Herzegovina, one in Serbia, and one in the former Yugoslav Republic of Macedonia, for a total grant size of EUR 144.5 million, leveraging EUR 450.3 million total investments. From the Trieste package, the Commission Decision on Connectivity for the year 2017-2018 will provide grant support to projects for a budget of EUR 98.4 million. In addition, one energy connectivity project in Serbia was endorsed for financing by national IPA, grant size EUR 49.6 million leveraging EUR 85.5 million total investment.

Here below there is a list of the WBIF project packages, year by year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Indicative lists of projects</th>
<th>Decision in the context of the connectivity agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Albania – the former Yugoslav Republic of Macedonia Power Interconnection (I): Grid Section in Albania</td>
<td>Approved by the Vienna summit in August 2015</td>
</tr>
<tr>
<td></td>
<td>The former Yugoslav Republic of Macedonia – Albania – the former Yugoslav Republic of Macedonia Power Interconnection (II): Grid Section in the former Yugoslav Republic of Macedonia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Montenegro – Trans-Balkan Electricity Corridor (I): Grid Section in Montenegro</td>
<td></td>
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<tr>
<td></td>
<td>Serbia – Trans-Balkan Electricity Corridor (II): Grid Section in Serbia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bosnia and Herzegovina – Mediterranean Corridor (CVe): Road Interconnection, Bosnia and Herzegovina – Croatia</td>
<td></td>
</tr>
<tr>
<td>Region</td>
<td>Corridor/Corridor Project</td>
<td></td>
</tr>
<tr>
<td>------------------------------</td>
<td>-------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Mediterranean Corridor (R2a): Road Interconnection, Bosnia and Herzegovina – Croatia</td>
<td></td>
</tr>
<tr>
<td>Kosovo</td>
<td>Orient/East-Med Corridor (R10): Rail Interconnection, the former Yugoslav Republic of Macedonia – Kosovo – Serbia</td>
<td></td>
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<tr>
<td>Montenegro</td>
<td>Orient/East-Med Corridor (R4): Rail Interconnection, Montenegro – Serbia</td>
<td></td>
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<tr>
<td>Serbia</td>
<td>Orient/East-Med Corridor: Serbia – Bulgaria CXc Rail Interconnection</td>
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<tr>
<td>Montenegro</td>
<td>Mediterranean Corridor: Montenegro - Albania - Greece Rail Interconnection</td>
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<tr>
<td>Kosovo</td>
<td>Orient/East-Med Corridor: the former Yugoslav Republic of Macedonia – Kosovo – Serbia R10 Rail Interconnection</td>
<td></td>
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<tr>
<td>Serbia</td>
<td>Transbalkan Electricity corridor – Grid Section in Serbia</td>
<td></td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Mediterranean Corridor (CVc): Bosnia and Herzegovina – Croatia CVc Road Interconnection I (Ponirak – Vraca/Zenica Tunnel Segment)*</td>
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<tr>
<td>Bosnia and Herzegovina</td>
<td>Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection II (Tunnel Zenica – Donja Gračanica Segment)*</td>
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<tr>
<td>Bosnia and Herzegovina</td>
<td>Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection III (Johovac Interchange – Rudanka Interchange)</td>
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<tr>
<td>The former Yugoslav Republic of Macedonia</td>
<td>Orient/East-Med Corridor: the former Yugoslav Republic of Macedonia – Bulgaria CVIII Rail Interconnection (Beljakovce – Kriva Palanka)</td>
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</tr>
<tr>
<td>Serbia</td>
<td>Orient/East-Med Corridor: Serbia – Bulgaria CXc Rail Interconnection (Nis – Dimitrovgrad – Border with Bulgaria)</td>
<td></td>
</tr>
<tr>
<td>The former Yugoslav Republic of Macedonia</td>
<td>Rehabilitation and widening of National road Kriva Palanka – Border crossing Deve Bair, Republic of Bulgaria, part of Corridor VIII</td>
<td></td>
</tr>
<tr>
<td>The former Yugoslav Republic of Macedonia</td>
<td>Construction of new motorway section Gostivar – Kicevo, part of Corridor VIII</td>
<td></td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Corridor VC &quot;Construction of Motorway section Tarcin-Konjic&quot;, Subsection 1: Tarcin-Ivan, PART I</td>
<td></td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Corridor VC &quot;Construction of Motorway section Tarcin - Konjic&quot;, Subsection 1: Tarcin-Ivan, PART II</td>
<td></td>
</tr>
</tbody>
</table>

* These projects, under the 2016 call, had been submitted as one application. The applications have been split under the 2017 call.

**Transport sector**

The EU adopted, in January 2014, a new transport infrastructure policy to put in place a powerful European transport network across the 28 Member States. These new guidelines refocus transport financing on a tightly defined new core network, the Trans-European Transport Core Network (TEN-T core network),
which will form the backbone for transportation in Europe's single market. It will remove bottlenecks, upgrade infrastructure and streamline cross border transport operations for passengers and businesses throughout the EU.

Within the **WB6 framework**, the European Commission and the six Prime Ministers from the Western Balkans agreed, on 21 April 2015 in Brussels, on **indicative extensions of the TEN-T core network in the Western Balkans region**. In Riga, on 22 June 2015, the WB6 Transport Ministers confirmed the maps of the comprehensive and core networks extending the TEN-T network in the Western Balkans and introduced the **corridor coordinators**.

At the Western Balkans Summit in Vienna on 27 August 2015, all participants particularly welcomed the substantial progress achieved in connectivity, notably the agreement by the Western Balkan six Prime Ministers in Brussels in April on the regional core transport network corridors, and the further agreement (in Riga in June) on the core network corridors, projects to be implemented by 2020 and the appointment of corridor coordinators. This will enhance the connectivity between the Western Balkans beneficiaries as well as with the EU network. The European Commission will continue to facilitate this process.

Each Beneficiary has established **National Investment Committees** and **Single Project Pipelines** which are becoming credible planning mechanisms ensuring that the beneficiaries have the fiscal space to take up the necessary loan financing to get all the projects implemented on time. The priority transport and energy projects mentioned above are reflected in both national investment planning and sector strategies.

The European Union and five partners of the Western Balkans signed the **Transport Community Treaty** at the Trieste Summit in July 2017. Unfortunately Bosnia and Herzegovina was unable to sign but was invited to join as soon as possible. The Western Balkans partners still need to agree on the seat of the **Transport Community Secretariat** and ensure – with the support of the European Commission – that it is operational by the time of the 2018 Summit. The Treaty represents the beginning of new era of cooperation between the EU and the Western Balkans. The essence of the Transport Community is to bring the WB6 closer to the EU by creating a fully integrated transport network among the WB6 themselves as well as between the region and the EU, and to reach convergence with the transport operating standards and policies of the EU.

The vision for Trans-European Transport Networks (TEN-T) reflect that rail, road, air and sea transport links are seen as key drivers not just for closer integration between Member States and their peoples, but also for increasing economic competitiveness.

Extending the core network corridors to the Western Balkans ensures closer integration within the region as well as with the EU and provides a basis for leveraging investment in infrastructure. The core network corridors, once completed, will provide quality transport services for citizens and businesses, with seamless integration within the region as well as with the EU.

**Energy sector**

The EU is consuming and importing increasing quantities of energy. The acknowledgement of the advantages of coordinated action in such a strategic field has led to the adoption of common rules and strategies to pool Europe’s efforts to secure the energy that it needs at an affordable price, while generating the least possible pollution. The EU thus adopted in February 2015 the Energy Union Strategy based on the three long-established objectives of EU energy policy: security of supply, sustainability and competitiveness. It is in the perspective of stronger security of supply and market integration that the EU set out in particular the target of 10% electricity interconnection by 2020, which is the minimum necessary for the electricity to flow and be traded between Member States.

With the aim to extend the EU internal energy market to EU neighbouring countries in South East Europe and the Black Sea region, the **Energy Community (EnC)** was created in Athens in October 2005 and entered into force in July 2006. The EnC takes in particular measures to create a single energy market, its legal framework relying principally on the adoption of EU energy **acquis**.

Adopted in October 2013, the South East Europe Energy Strategy outlines the key objectives and actions needed to create a regional energy market, as well as the investment needs for energy efficiency and renewable energy.
A list of **Projects of Energy Community Interest (PECIs)** was subsequently adopted, identifying in particular the electricity and gas interconnections as key areas that would contribute to the Western Balkans economic development and further EU integration.

The **PECIs list was updated in October 2016** when the Ministerial Council of EnC adopted a list of ten PECI projects, nine of which concern Western Balkans, including two projects involving also a Member State (Romania-Serbia electricity connector and Bulgaria-Serbia gas connector).

In addition the Ministerial Council decided that a further ten projects receive the status of **Project of Mutual Interest (PMI)**. Each of these projects involves one Member State and at least one EnC Contracting Party; none however has yet received the status of project of the common interest (PCI) for the project on the EU side of the border. Five of these projects involve at least one IPA II beneficiary. Projects’ merits for the regional energy markets have been evaluated with the same methodology and criteria and projects enjoy the same political endorsement in EnC contracting parties and in concerned EU Member States. Hence, the European Commission is considering both PMIs and PECIs eligible for receiving technical assistance and investment grant support.

**Connectivity Reform Measures**

Connectivity is not only about building new infrastructure, but also about getting the best use out of it. Opening of the rail market would clearly benefit consumers in terms of providing a better and more efficient service. It would also more easily attract investors including those from abroad if they could be sure of access to the entire corridor rather than merely national segments. The transport accompanying reform measures (formerly so called "soft measures") agreed in Vienna in 2015 addressed these issues by setting targets for aligning technical standards and formalising cross-border operations between networks.

1. **Opening of the transport market**
   1.1 Implementation of rail reform strategy
   2. **Establishment of competitive, reliable and safe transport system**
      2.1 Improvement of road safety
      2.2 Trade and transport facilitation
      2.3 Intelligent Transport System (ITS) deployment on the Core Network
      2.4 Establishment of functioning maintenance system ensuring no section in poor/very poor condition by 2020

3. **Increasing the effectiveness of Border Crossing Procedures**
   3.1 Effective Border Crossing Agreements
   3.2 Implementation of Integrated Border Management (IBM) strategy

In energy, the Energy Community prepared a list of **accompanying reform measures** to accompany these investments (third party access, unbundling, regulator independence, licensing and permitting regimes, customer switching, etc.).

The EnC also flagged the regional measures necessary for the operation and development of a real regional energy market in the Western Balkans region, based on three pillars (spot market development, cross-border balancing and regional capacity allocation).

The 2015 Vienna Summit focused on the energy dimension of the connectivity agenda and agreed on the high priority deliverables in this sector, while the 2016 Paris Summit focused on the results achieved and the road ahead. To further support the implementation of accompanying reform measures, DG NEAR has provided a EUR 1 million direct grant to the EnC Secretariat aimed in particular on the creation of the regional electricity market. Also, the (South-east Europe Transport Observatory) SEETO is specifically supported by Commission funds to help beneficiaries to advance on the Connectivity Reform Measures in the Transport sector.
OUTLINE OF IPA II ASSISTANCE

Co-financing Policy and Connectivity

Under a new approach, funds from the Instrument for Pre-Accession Assistance (IPA II) are supporting the development of infrastructure in the Western Balkans not only by Technical Assistance (financing studies and preparatory documents etc.), but also by financing a share of the investment costs. This is vital to cope with the lack of fiscal space in the budgets of the IPA II beneficiaries and to favour economic development as a response to the continuous stagnation of the economies.

The support of the European Commission to the connectivity agenda is reflected in the substantial increase of the available funding: around EUR 100-150 million per annum of regional IPA II funds have been earmarked for connectivity projects – for co-financing in the period 2015-2020. The Western Balkans Investment Framework (WBIF) has been identified as the most suitable instrument to allocate these funds and to ensure efficient and coordinated fund allocation. IPA II regional funds are only available for projects under the connectivity agenda for co-financing, while the technical assistance (TA) continues for all four WBIF sectors (energy, transport, environment, social). National IPA allocations might also contribute towards regional projects (such as Serbia-Bulgaria gas interconnector in 2017), in a coherent approach of the Connectivity Agenda/Berlin Process of DG NEAR.

Future IPA II regional funds will primarily be used for transport projects on the core transport network, and energy projects on the PECI and PMI lists.

The WBIF methodology consists of:

- Co-financing of investments, where the main principle is to support implementation of mature regional projects subject to a maximum co-financing threshold per sub-sector (overall 20% rate, with exception of the railway sector for which the rate is 50%);
- National Investment Committees (NICs) in the IPA II beneficiaries are responsible for defining and managing the prioritised Single Project Pipelines, and serve as a basis for programming of all available financing sources (incl. national and other donors).
- The criteria and conditions applied for the list of potential projects for co-financing are:
  1. Projects must be mature (technically – preparatory documents, including the Environmental Impact Assessment, at a very advanced stage, financially);
  2. Projects must be subject of the Connectivity Agenda (TRA: core network, ENE: PECI and PMI lists);
  3. Country strategy papers agreed, and country-wide sector strategies adopted;
  4. Projects must be confirmed by a prioritised Single Project Pipeline and discussed by a NIC.

WBIF Programming and Identification of Connectivity Projects: developments 2015-2017

The first year of co-financing (2015) is referred to as Round 0:

- The European Commission, IFIs and beneficiaries identified the first batch of mature, strategically and connectivity relevant projects in a structured dialogue in the first half of 2015.
- These projects were then presented to the Vienna WB6 Summit;
- The European Commission took its Financing Decision for EUR 145 million in November 2015;
- The first funds were thus approved at the 13th WBIF SC meeting in Paris in December 2015 for Investment Grant (IG) co-financing.

The second year of co-financing (2016) is referred to as Round 1:
• WBIF received 10 Grant Application Forms (GAFs) by the end of March 2016, carried out technical screening and assessment, and established a list of a number of strategically highly relevant and mature connectivity projects.

• The projects were then presented to the Paris WB6 summit for endorsement;

• The European Commission took its Financing decision for EUR 147.5 million in December 2016;

• The 15th WBIF Steering Committee in London approved the final list of projects from Round 1 in December 2016.

The third year of co-financing (2017) is referred to as Round 2:

• In the 2017 WBIF application round, 7 connectivity projects were submitted for a total of EUR 182.6 million (6 in the transport sector and one in energy) from Serbia, Bosnia-Herzegovina and the former Yugoslav Republic of Macedonia. Following a first internal screening, all of them were mostly technically and financially mature enough to be considered for endorsement at the Trieste Summit in July 2017. However, the final decision will take into account how the beneficiaries have delivered on the Connectivity Reform Measures.

• In addition to 2017 applications, there were also 4 transport projects submitted by Bosnia and Herzegovina in 2016 which were put on hold pending the adoption of a national transport strategy. As Bosnia and Herzegovina adopted the strategy at the end of 2016, those 4 projects amounting to €46 million were included in the overall Trieste package and can proceed as soon as outstanding issues related to fiscal space are resolved and Bosnia and Herzegovina signs the Transport Community Treaty.

• Furthermore, the Serbia-Bulgaria gas interconnector project which will be financed with a grant of around EUR 50 million from the Serbia IPA national envelope, was included in the overall Trieste package, since the project's purpose fully follows the logic of the Connectivity Agenda.

• Progress with the implementation and/or transposition of the Connectivity Reform Measures has to be taken into account as a selection criterion for EU funding of investments under the WBIF. Finally, the budget and the funds limitations obviously represent one of the main parameters affecting the list of projects which will receive EU support.

• The list of projects proposed for co-financing under this action is only indicative.

• The funds under this action will equally be used to cover the management fees for the Joint Fund Managers (2% of the grant managed, i.e. max. EUR 2 million).

• It is important that the COM IPA II funds are used and consumed within the set timeframes, budgets and according to the conditionalities.

• This Action Document was prepared, to be approved at the IPA Committee in November 2017, followed by the Financing Decision beginning of December 2017.

• The final list of projects from Round 2 will be presented to the 17th WBIF SC meeting in Frankfurt, in mid-December 2017 for adoption.

**RELEVANCE WITH THE IPA II MULTI-COUNTRY STRATEGY PAPER AND OTHER KEY REFERENCES**

The Multi-country Indicative Strategy Paper 2014-2020 (hereinafter referred to as the Strategy Paper), establishes support for economic, social and territorial development as one of its main objectives. In order to promote a comprehensive approach to the economic development of the region by stimulating key long-term drivers of growth, the Strategy Paper refers to the targets set by the regional strategy South East Europe 2020.

In that perspective, the Strategy Paper, describing the EU assistance, identifies in particular as a priority investing in improved transport and energy interconnections within the region and with the EU.
The action will be implemented in line with the priorities identified in the Strategy paper but also in line with relevant EU policies, such as the TEN-T guidelines and the European Energy Security Strategy, which encourages the development of energy interconnections between candidates, potential candidates and the EU.

The action will also follow EU macro-regional strategies, such as the EU Strategy for the Danube Region (EUSDR) and the future EU Strategy for the Adriatic-Ionian Region (EUSAIR) which both identify better connections within the Western Balkans and between this region and neighbouring Member States as key priorities.

The action addresses the need identified by the Multi-country Strategy Paper to prioritize infrastructure development, planned using one single mechanism involving the relevant stakeholders. As stipulated throughout the Strategy Paper, the Western Balkans Investment Framework will remain the main instrument for regional infrastructure investment support. WBIF includes national administrations (with the NIPAC and Ministries of Finance playing an important role), the European Commission (both geographical and regional units), IFIs and bilateral donors. As asked for in the Strategy Paper, this action results in a list of priority projects for financing based on a single project pipeline based on national strategies.

The action also addresses the development of financing mechanisms expressed in the Strategy Paper (blending loans and grants, new financial instruments, promote private sector participation in financing, etc.) to ensure access to finance for large infrastructure projects linking the Western Balkans and Turkey to the EU.

The action is in line with the different national strategies and the Indicative Country Strategy Papers establishing the priorities for national IPA Programmes. WBIF support in any sector requires the existence of national sector strategies.

**LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE**

The action is in line with previous WBIF financing of infrastructure projects in the Western Balkans, namely technical assistance (preparatory studies), further expanded since 2015 to co-financing of investments (construction). WBIF continues to serve as a forum for exchanging analysis on investment needs as well as the framework for blending grants with loans, thus achieving significant leverage of the scarce public funds. It is confirmed as the appropriate mechanism to link national strategies to regional and macro-regional strategies and to provide technical assistance to projects on the lists established by the NICs in order to bring them to maturity and to make them "bankable". With the 2015-2016 co-financing, WBIF evolved its previous financial assistance, and included co-financing of construction, proved in the 2015-2016 reflection as a positive evolution of EU's assistance to the Western Balkans. Co-financing actions already exist in the national IPA programmes, supporting the IPA II beneficiaries on meeting the targets set in the national IPA programmes. In a coherent approach, co-financing is now streamlined for regional IPA funds too.

DG NEAR recognized the need to improve coordination and implementation of infrastructure projects in the Western Balkans, and has obtained consensus in the WBIF Steering Committee on the new WBIF methodology and co-financing, inclusive of approval of the IFIs, the IPA II beneficiaries, and the donor countries.

The new methodology and co-financing strengthen the ownership principle, with National IPA Coordinators (NIPACs) responsible for prioritization of projects via the NICs and SPPs, and in the future responsible for sending in applications for co-financing. At the same time, the new methodology tries to keep the procedures at the minimum level of complexity as possible, and taking into account EUBEC (EU Blending and External Cooperation Platform) recommendations. Coupled with ensured transparency of WBIF structures the new methodology enables continuity of projects from the WBIF pipeline.

In line with the Multi-Country Strategy Paper, and in order to increase the impact of the EU's financial support, co-financing via the Multi-Country IPA is, therefore, concentrating on the areas where regional
investments are most needed to meet accession criteria and tailored to take into account the capacities of the IPA II beneficiaries to meet these needs. Assistance under regional programmes is directed towards areas where similar or joint efforts by several IPA II beneficiaries are needed, and where energy and transport investments will produce a positive connectivity impact in several IPA II beneficiaries.

The existing regional structures (SEETO and EnC) support the investments, in particular by setting up and implementing accompanying reform measures and preparation of infrastructure projects, as well as overall transposition and implementation of the EU acquis.

The Joint Assistance to Support Projects in European Regions (JASPERS) offers support to the IPA II beneficiaries to develop, manage and review the quality of their infrastructure projects, making them eligible for IPA funding. In the framework of the WBIF, the Infrastructure Project Facilities (IPFs) complement JASPERS in supporting the beneficiaries in the preparation of project documentation (feasibility studies, preliminary and detailed design, environmental impact assessment, tender dossiers, etc.). If JASPERS also supports the elaboration of sector strategies, their activities and IPFs' services are nevertheless mostly focused on infrastructure development.

In total four Infrastructure Project Facilities (IPFs) have supported national and regional efforts in the development and upgrading of transport, energy, environment, and social infrastructures, promoting the sustainable development in the Western Balkans through the effective and rapid preparation of investment projects. IPF 1 and 2 have been completed, IPF 3-6 are currently active, and IPF 7 is planned to be tendered shortly. DG NEAR is preparing a special Connectivity TA, to further speed up the project preparation in this area.

When implementing the action, it will be guaranteed that there is no overlap, but complementarity with the existing instruments and with national IPA programmes. This is ensured by the participation of geographical units in DG NEAR and EU Delegations in the screening process of all WBIF applications.

Given the fact that public funds are scarce, there is a clear need to concentrate investments, as well as policy and regulatory efforts, on key corridors and interconnectors. By injecting substantial additional funds, this action shall boost progress on these connectivity priorities.

The initiative of such an action naturally belongs to the European Commission due to its key role in advancing the EU integration of the Western Balkans.
### 2. Intervention Logic

#### Logical Framework Matrix

<table>
<thead>
<tr>
<th>Overall Objective</th>
<th>Objectively Verifiable Indicators (*)</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>To contribute to enhancing the sustainable socio-economic development and competitiveness of the Western Balkans</td>
<td>GDP growth rate, Value of trade in goods and services (EUR million), Human development index</td>
<td>European Commission Progress Reports, National Statistics Institutes, National Central Banks, SEE 2020 implementation reports, Government budget reports, Public Finance statistics, Eurostat</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Specific Objective</th>
<th>Objectively Verifiable Indicators (*)</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>To improve connectivity within the Western Balkans and between Western Balkans and the EU</td>
<td>Development of a regional energy market in the Western Balkans, Implementation of the extension of the TEN-T core network in the Western Balkans</td>
<td>WB6 Ministerial meetings conclusions, SEE 2020 implementation reports, Reports from SEETO, Reports from EnC</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assumptions</th>
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</thead>
<tbody>
<tr>
<td>Political commitment from beneficiaries</td>
</tr>
<tr>
<td>Sufficient administrative capacity in the beneficiaries</td>
</tr>
<tr>
<td>Local ownership of action outputs</td>
</tr>
<tr>
<td>Financial sustainability for an efficient operation and maintenance of the infrastructure</td>
</tr>
<tr>
<td>Continued government commitment towards EU integration process</td>
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<table>
<thead>
<tr>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of energy and transport infrastructures completed (electricity transmission lines, gas pipelines, roads, railways etc.)</td>
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</tbody>
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<th>Assumptions</th>
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</tr>
<tr>
<td>Agreement of the beneficiaries on the priorities to address (e.g. PPCI’s list pre-identified projects on the indicative extension of the TEN-T core network) and the methodology (e.g. applying the Union guidelines for the TEN-T)</td>
</tr>
<tr>
<td>Sufficient administrative capacity in the beneficiaries</td>
</tr>
<tr>
<td>Set up of National Investment Committees, or similar coordination mechanisms and establishing single project pipelines</td>
</tr>
<tr>
<td>EIA and possibly SEA carried out and completed</td>
</tr>
</tbody>
</table>
DESCRIPTION OF ACTIVITIES

The main activity will consist in the construction of transport and energy infrastructure projects, including technical assistance, via grant-loan arrangements between the European Commission and the IFIs involved in the WBIF. This will be done through the signature of contribution arrangements with the WBIF Joint Fund Managers, i.e. the EIB and the EBRD. The implementing lead IFIs will be the EIB, the EBRD and KfW.

The projects proposed for financing have been submitted to the WBIF under the first round of the call for proposals procedure. This list of projects is however only indicative. The following transport projects are indicatively proposed for financing under this Financing Decision. Figures on total investment, loan amounts and other sources of financing are also indicative.

1) The former Yugoslav Republic of Macedonia │ Orient/East-Med Corridor: the former Yugoslav Republic of Macedonia – Bulgaria CVIII Rail Interconnection (Beljakovce – Kriva Palanka)

The project concerns the construction of 34 km rail line between Beljakovce to Kriva Palanka, which is a second section of the eastern part of the Rail Corridor VIII. It is part of the “missing link” of around 89 km rail on Corridor VIII in between Skopje and the border with Bulgaria. The new railway lines, both first and second section, will be electrified and meet the EU technical specifications for interoperability. The design speed of the line is 100km/h. The project will reduce regional travel time between Kumanovo and Kriva Palanka by rail to approximately 35 minutes against current travel time of approximately 50 minutes by road, and increase the transport volume of freight and passengers against road. Once the third and last section of the rail towards Bulgaria is completed, the railway link to the Black Sea would be shorter by approximately 200 km, and to Istanbul by approximately 150 km.

Investment: EUR 152.4 million │ Lead IFI: EBRD │ Loan: EUR 75 million │ Grant from IPA II 2017: EUR 70 million │ Other sources of financing: EUR 7.4 million │ Grant percentage: 46%

2) Serbia │ Orient/East-Med Corridor: Serbia – Bulgaria CXc Rail Interconnection (Nis – Dimitrovgrad – Border with Bulgaria)

The project covers the rehabilitation of the Sicevo to Dimitrovgrad railway track, including preparatory works for electrification and signalling and telecommunication systems. The project is complemented by two other investments: (i) Construction of the railway deviation around the City of Niš to the station in Sicevo, undertaken with assistance from 2011 IPA (EU) funding; (ii) Completion of electrification and signalling and communication works on the route from Niš to Sicevo and from there to Staničenje and Dimitrovgrad, for which additional financial assistance will be sought from the Western Balkans Investment Framework in 2017. This project will upgrade 97 km of CXc railway track to modern, ERTMS standards; 9 railway stations fitted with modern signalling – interlocking devices; increase in passenger and freight travel speed from 30 km/h to 120 km/h, as well as in freight capacity, throughout the CXc Niš - Dimitrovgrad - border with Bulgaria section.
3) Bosnia and Herzegovina | Mediterranean Corridor (CVc): Bosnia and Herzegovina – Croatia CVc Road Interconnection I (Ponirak – Vraca/Zenica Tunnel Segment)

This investment project concerns the construction of a 2.8 km motorway on the Zenica North –Žepče South section, between Ponirak and Vraca (exit of Zenica Tunnel), along Corridor Vc in Bosnia and Herzegovina. The new development includes the 2.4 km Zenica Tunnel, a 0.1 km viaduct, and ancillary structures. The project complements the newly built motorway on the Zenica South - Sarajevo South –Tarčin section along the Mediterranean Corridor (Vc) in Bosnia and Herzegovina.

The project will increase the passenger and freight travel speed from 60 km/h to 100 km/h and 120 km/h. Thanks to the project, the annual traffic will increase by more than 23%, matched by adequate safety and security conditions. In addition, a reduction by 7% has been foreseen in accident rate and 6% in vehicle operating costs.

There will be a better access for smaller towns and villages located along the route to larger industrial and transport hubs, such as Zenica and Sarajevo, and better routes into tourist areas in and around Vranduk and Žepče.

4) Bosnia and Herzegovina | Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection II (Tunnel Zenica – Donja Gračanica Segment)

The longest section of Corridor Vc lies in Bosnia and Herzegovina. In response to high daily average traffic volumes, the country embarked on a multi-billion motorway construction programme, in cooperation with its neighbours. To date, more than 100 km have been built or are under construction.

This investment project concerns the construction of a 4.1 km modern road on the Zenica North –Žepče South section, between Zenica Tunnel and Donja Gračanica /Entrance to Pečuj Tunnel. The new development includes two tunnels (350m and 422m), four viaducts (93m, 78m, 380m, and 76m), an access road to Zenica (140m bridge), and an interchange to Zenica North, with tolling facilities.

The project complements the newly built motorway on the Zenica South - Sarajevo South –Tarčin section along the Mediterranean Corridor in Bosnia and Herzegovina.

The project will increase the passenger and freight travel speed from 60 km/h to 100 km/h and 120 km/h. Thanks to the project, the annual traffic will increase by more than 23%, matched by adequate safety and security conditions. In addition, a reduction by 7% has been foreseen in accident rate and 6% in vehicle operating costs.

There will be a better access for smaller towns and villages located along the route to larger industrial and transport hubs, such as Zenica and Sarajevo, and better
routes into tourist areas in and around Vranduk and Žepce.

Investment: EUR 66.9 million │ Lead IFI: EBRD │ Loan: EUR 50 million │ Grant from IPA II 2017: EUR 11.8 million │ Other sources of financing: EUR 5.1 million │ Grant percentage: 18%

5) Bosnia and Herzegovina │ Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection III (Johovac Interchange – Rudanka Interchange)

This investment project concerns the construction of a 6-km motorway on the Svilaj to Doboj section of Corridor Vc, between Interchange Johovac, in Tovira, and Interchange Rudanka in Kostajnica. The proposed development includes the interchanges and a two-lane 1-km long access road in Kostajnica, over the River Bosna, which provides motorway access to existing local transport network.

The project complements three other motorway sections which are to be built by Republic of Srpska Motorways along the Mediterranean Corridor in Bosnia and Herzegovina, as follows: i) Odžak to Podnovlje, 22.3 km; ii) Podnovlje to Johovac, 13.7 km; and iii) Rudanka to Karuše (Doboj bypass), 7.2 km.

The project will increase the passenger and freight travel speed from 60 km/h to 100 km/h and 120 km/h.

Thanks to the project, a direct access will be guaranteed to safer and faster transport routes for more than 1 million people who live along the route. In addition, the annual average daily traffic will increase by more than 50%, matched by adequate safety and security conditions. Significant reductions are foreseen in accident rate and in vehicle operating costs.

There will be better access for smaller towns and villages located along the route to larger industrial and transport hubs.

Investment: EUR 80.7 million │ Lead IFI: EBRD │ Loan: EUR 59.6 million │ Grant from IPA II 2017: EUR 15.3 million (including TA) │ Other sources of financing: EUR 5.8 million │ Grant percentage: 19%

6) Bosnia and Herzegovina │ Rhine/Danube Corridor: Bosnia and Herzegovina – Serbia – Croatia Waterway Interconnection (Port of Brčko)

This investment project concerns the first phase of a complex rehabilitation programme planned for Brčko Port on the Sava, including: i) 2.5 km of new harbour crane track and 4.5 km of fully rehabilitated industrial railway track to the Brčko Novo station; ii) 4,500 m² asphalt plateau on the Port premises; iii) 0.9 km of fully rehabilitated access road from the Bijeljinska Cesta to the Port; iv) New port crane with a capacity of 16.0/27.5 tons.

Once executed, the new infrastructure will replace existing facilities which have been in place for more than 50 years, with no major overhaul since commissioning.

At the same time with the execution of the infrastructure improvements included in this project, the Beneficiary intends to plan for two more investments: a) Aquatorium cleaning and maintenance; and b) Infrastructure improvements for the safe transfer of diesel and liquid cargo. These further improvements will contribute to the creation of a multimodal transport corridor connecting Bosnia and Herzegovina to Croatia and Serbia and further to the EU.

Thanks to the project there will be an increase in the cargo volume by more than 25%, i.e. by 100,000 tons/year. In addition, there will be lower operational costs for the Port of Brčko and thus more competitive cargo handling fees for the private sector active in the region.
7) The former Yugoslav Republic of Macedonia | Rehabilitation and widening of National road Kriva Palanka – Border crossing Deve Bair, Republic of Bulgaria, part of Corridor VIII

The proposed project is part of this Corridor VIII and is located on its eastern section. The section starts from the city Kriva Palanka and finishes at the Bulgarian border crossing, in Deve Bair. Thanks to the project, this road section will be fully rehabilitated and reconstructed (upgraded) with a third lane in length of 13.5 km, which is currently below standards.

By modernizing and developing the SEETO Comprehensive Network, the upgrading of the section will result in promoting international and transit movements of people and goods with the EU and its regional neighbours.

A direct consequence of the project will be an improvement in the quality of services on the indicative extension of the Comprehensive Network in the Western Balkans through the improvement on of road transport connection on the Corridor VIII.

Improved accessibility to the Bulgarian border will have a positive impact on logistics costs, attracting more international road users and increasing economic opportunities for long distance truck drivers and local road users. The reduction in the travel time will be reflected in the local and regional socio-economic benefits, and will be matched by adequate safety and security conditions.

Investment: EUR 31.6 million │ Lead IFI: EBRD │ Loan: EUR 24 million │ Grant from IPA II 2017: EUR 6.7 million │ Other sources of financing: EUR 0.9 million │ Grant percentage: 21%
iii) reduced travel time, boosting regional trade and tourism in the Western part of the former Yugoslav Republic of Macedonia, especially at Mavrovo Ski Resort and Ohrid Lake.

9) Bosnia and Herzegovina | Corridor VC "Construction of Motorway section Tarcin-Konjic", Subsection 1: Tarcin-Ivan, PART I

The project (Part I) includes construction of a new approx. 4.9 km long motorway section including two bridges and rest area in the central part of Bosnia and Herzegovina. The new road is entirely located within the Canton Sarajevo and is part of the Pan-European Corridor Vc linking Hungary and eastern Croatia to Bosnia and Herzegovina and the Adriatic Sea in the area of the port of Ploce. The project is part of a wider programme, for the realization of the Pan-European Corridor Vc on the territory of Bosnia and Herzegovina which aims at bringing the current north-south road corridor at higher functional level, creating a modern motorway infrastructure with increased road safety and capacity. The project will substantially shorten the travel distance along the north-south corridor between the cities of Sarajevo and Mostar and is thus expected to generate substantial benefits in terms of time savings, reduced accident rates, savings in Vehicle operating Costs and reduction of local pollution in the area. The project will also increase accessibility and promote regional as well as local economic development by increasing the average annual daily traffic and connect the existing road M17 with Corridor Vc.

Investment: EUR 58.9 million │ Lead IFI: EIB │ Loan: EUR 40.4 million │ Grant from IPA II 2017: EUR 12 million │ Other sources of financing: EUR 6.5 million │ Grant percentage: 20%

10) Bosnia and Herzegovina | Corridor VC "Construction of Motorway section Tarcin-Konjic", Subsection 1: Tarcin-Ivan, PART II

The project (Part II) includes construction of a new approx. 2.0 km long motorway section including 1.76 km long twin tunnel, temporally connection with road M17 in the central part of Bosnia and Herzegovina. The new road is entirely located within the Herecgovako – Neretvanski Canton and is part of the Pan-European Corridor Vc linking Hungary and eastern Croatia to Bosnia and Herzegovina and the Adriatic Sea in the area of the port of Ploce. The project is part of a wider programme, for the realization of the Pan-European Corridor Vc on the territory of Bosnia and Herzegovina which aims at bringing the current north-south road corridor at higher functional level, creating a modern motorway infrastructure with increased road safety and capacity. The project will substantially shorten the travel distance along the north-south corridor between the cities of Sarajevo and Mostar and is thus expected to generate substantial benefits in terms of time savings, reduced accident rates, savings in Vehicle operating Costs and reduction of local pollution in the area. The project will
also increase accessibility and promote regional as well as local economic development by increasing the average annual daily traffic and connect the existing road M17 with Corridor Vc.

<table>
<thead>
<tr>
<th>Investment</th>
<th>Lead IFI</th>
<th>Loan</th>
<th>Grant from IPA II 2017</th>
<th>Other sources of financing</th>
<th>Grant percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 48.9 million</td>
<td>EBRD</td>
<td>EUR 36.8 million</td>
<td>EUR 11.8 million</td>
<td>EUR 0.3 million</td>
<td>24%</td>
</tr>
</tbody>
</table>

11) Transbalkan Corridor – Section III (Double OHL 400 kV Obrenovac – Bajina Basta) and section IV (Double OHL 400 kV Bajina Basta – Visegrad – Pljevlja)

The project covers: a) Section III - Upgrade of transmission network in Western Serbia at 400 kV voltage level between SS Obrenovac and SS Bajina Basta, i.e. new double 400 kV OHL SS Obrenovac – SS Bajina Basta, reconstruction of existing SS Obrenovac and SS Bajina Basta, 111 km; b) Section IV - New 400 kV interconnection between Serbia, Bosnia and Herzegovina and Montenegro, i.e. double 400 kV OHL between SS Bajina Basta, SS Visegrad (BiH), and SS Pljevlja (Montenegro), 84 km.

Trans-Balkan Corridor will improve the functioning, reliability, and security of supply of the electricity markets in Serbia, Montenegro, Bosnia and Herzegovina, Romania and Italy, facilitate further integration and expansion of the 400kV network in the region, facilitate higher level of integration of renewable energy sources in the SEE region, and alleviate the congestion on the transmission system present in the flow direction from East to West in Serbia that restricts trade across the region and with Italy.

<table>
<thead>
<tr>
<th>Investment</th>
<th>Lead IFI</th>
<th>Loan</th>
<th>Grant from IPA II 2017</th>
<th>Other sources of financing</th>
<th>Grant percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 108.1 million</td>
<td>KfW</td>
<td>EUR 69.3 million</td>
<td>EUR 26.4 million (including TA)</td>
<td>EUR 12.4 million</td>
<td>24%</td>
</tr>
</tbody>
</table>
RISKS
The main assumptions are the following:

- The beneficiaries will remain politically committed – level of risk: low.
- There will be local ownership of the action outputs – level of risk: low.
- Financial sustainability will be guaranteed for an efficient operation and maintenance of the infrastructures – level of risk: low;\(^1\)
- There will be a continued governments' commitment towards the EU integration process – level of risk: low.

The financing of the infrastructures under the WBIF is subject to the approval and implementation of the necessary institutional and regulatory reform measures in particular linked to connectivity, in the beneficiaries. This is the main existing risk, and as it happened in the past, should a beneficiary delay its progress in the reform process, the Commission reserves its right to put the relevant project on hold.

CONDITIONS FOR IMPLEMENTATION
The main pre-condition for the implementation are the following:

- There will be sufficient administrative capacity in the beneficiaries;
- There will continue to be an agreement of the beneficiaries on the priorities to address (e.g. PECI's list pre-identified projects on the indicative extension of the TEN-T core network) and the methodology (e.g. applying the Union guidelines for the TEN-T);
- Set up of National Investment Committees, or similar coordination mechanisms and establishing single project pipelines;
- EIA and possibly SEA are carried out and completed in line with EU standards.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES
IPA funds will be implemented through the WBIF's Joint Fund, via a long term contractual arrangement, namely the General Conditions, between the Commission and all IFIs which allows a programmatic (not at project level) and integral (using the established structures rather than creating a parallel structure) approach while respecting all obligations under the Financial Regulation and insisting on adequate payment procedures and reporting requirements. This proposal represents a major and stable construct which is intended to absorb on average around EUR 100-150 million of IPA funds per year until 2020.

European Commission/DG NEAR
The action will be managed by DG NEAR/D.5, which will sign a Contribution Arrangement with the Joint Fund managers (EBRD, EIB). See Implementation Methods for further information.

Western Balkans Investment Framework (WBIF)

\(^1\) The sustainability of the WBIF investment is guaranteed through the involvement of the beneficiaries in the process, from selecting the projects, through preparing and submitting the applications to implementation. Beneficiaries are engaged in ensuring sustainability, adjusting legislation and procedures, acquiring finances for continuation of investments and maintaining the achieved results.
The WBIF is a joint blending facility of the European Commission, participating financial institutions, bilateral donors, and Western Balkans Six, to deliver funding for strategic investment projects in IPA II beneficiaries. The WBIF promotes a harmonised approach in the identification, prioritisation, development, and financing of these projects.

The WBIF is governed by a **Steering Committee** composed of representatives of the European Commission, partner IFIs, and the Contributors to the EWBJF. The Steering Committee decides on the Joint Grant Facility (JGF) grant allocations, takes all decisions related to the JGF, and provides strategic orientation to the WBIF. The Steering Committee is co-chaired by the Commission and a donor country on an annual rotating basis. In 2017 Sweden is co-chairing the Steering Committee.

The **Project Financiers’ Group** is the technical arm of the WBIF and is composed of representatives of the Commission, the partner IFIs, bilateral Financial Institutions and development agencies of EWBJF contributors. It provides a ‘single entry point’ for requests and is responsible for the process of screening (by the Commission) and financial appraisal (by the Financial Institutions) of grant requests. The Project Financiers’ Group recommends positively assessed requests to the Steering Committee for grant approval and monitors their subsequent implementation.

The **WBIF Secretariat**, a light structure, housed within DG NEAR, supports the administration and daily operations of the WBIF.

**IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING**

This action will be implemented under indirect management with the WBIF's European Western Balkans Joint Fund (EWBJF) through a Contribution Arrangement, in close coordination with the lead IFIs of the projects:

- European Investment Bank (EIB),
- European Bank for Reconstruction and Development (EBRD), and
- Kreditanstalt für Wiederaufbau (KfW),

The grant funds (Commission and bilateral donors) are pooled in a joint fund and are managed by the EBRD and the EIB, who are the joint fund managers. The grant funds are then disbursed to the lead IFIs, which are responsible for the management of the implementation of the individual projects. The lead IFIs sign agreements with the IPA II beneficiaries for the grant from the joint fund. They also sign separate loan agreements. The IPA II beneficiaries add their contribution and start with the implementation of the
investment project. This means carrying out procurement award procedures for the total project amount; signing procurement contracts with final contractors and implementing the contracts under the supervision and responsibility of the respective lead IFI.

Under the Contribution Arrangement the following tasks will be entrusted:

Tasks entrusted to the joint fund Managers:
The EBRD and the EIB will be the managers of the joint fund. They will be responsible for the same tasks as already identified in the General Conditions of the joint fund, in particular:

• Managing IPA Funds through the joint fund;
• Disbursing funds from the joint fund to the lead IFIs;
• Channelling funds recovered from lead IFIs;
• Compiling reports on the joint fund;
• Collecting reports from lead IFIs and submitting these reports to Commission/PFG/SC.

Tasks entrusted to the lead IFIs:
The co-financing of major infrastructure projects includes loan(s) signed between the IPA II beneficiary and a lead IFI.

Under the contribution arrangement the Commission delegates those tasks to the lead IFIs which are necessary to manage the implementation of the grants covering projects assigned to them by the Steering Committee (SC). These entrusted tasks would typically include:

• Managing the implementation of the projects approved by the SC under the lead IFIs own rules and procedures;
• Assuming responsibility and accountability for the funds disbursed to them by the joint fund Managers including recovery;
• Providing reporting according to the requirements defined in the General Conditions.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

The General Conditions and the Contribution Arrangement set all terms and conditions for this delegation, plus ad hoc terms including reporting requirements, with a precise description of the roles and responsibilities of the entrusted entities. The reporting requirements agreed in the General Conditions would apply to the contribution arrangement too.

The managers of the contribution arrangement are the managers of the joint fund (EBRD/EIB). They will compile reports on the joint fund, as well as collect reports from lead IFIs and submit these reports to Commission/PFG/SC. lead IFIs will provide reporting according to the requirements defined in the co-delegation agreement.
The expansion of the WBIF as a blending platform that provides financing for large investment projects, comes with increased needs for transparency on activities and reporting requirements. The WBIF Management Information System (MIS) is a tool that serves both the purposes of information on activities but also financial and operational reporting. Reporting requirements under the co-delegation will be met in a consistent manner, in order to allow the Commission to arrive to accrued accounted reports every year. The MIS is a tool that has the capacity to produce the reports, and will continue to be adapted as much as possible to the procedures used by the IFIs.

The day-to-day monitoring of the action will be carried out by the relevant Task Manager in DG NEAR, in coordination with the WBIF Secretariat. In the perspective of this exercise, s/he will use the reports produced by the above mentioned entities. When relevant, s/he will also have contacts with DG NEAR geographical desks, EUDs, Energy Community Secretariat, SEETO Secretariat, and the IPA beneficiaries, in order to monitor the action as closely as possible to its implementation.

The Result Oriented Monitoring (ROM) mechanism will be used to support the monitoring of the action.
**INDICATOR MEASUREMENT**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline (value + year) (2)</th>
<th>Target 2020 (3)</th>
<th>Final Target (2024) (4)</th>
<th>Source of information</th>
</tr>
</thead>
<tbody>
<tr>
<td>OUTPUT - Number of energy and transport infrastructures completed (electricity transmission lines, gas pipelines, roads, railways etc.).</td>
<td>0 (none completed).</td>
<td>N/A</td>
<td>Maximum projects completed.</td>
<td>Reports from the WBIF's joint fund, lead Financial Institutions, IPA II beneficiaries, Contractors Reports from SEETO Reports from EnC</td>
</tr>
</tbody>
</table>

(1) This is the related indicator as included in the Indicative Strategy Paper (for reference only)

(2) The agreed baseline year is 2010 (to be inserted in brackets in the top row). If for the chosen indicator, there are no available data for 2010, it is advisable to refer to the following years – 2011, 2012. The year of reference may not be the same either for all indicators selected due to a lack of data availability; in this case, the year should then be inserted in each cell in brackets. The baseline value may be "0" (i.e. no reference values are available as the Action represents a novelty for the beneficiary) but cannot be left empty or include references such as "N/A" or "will be determined later".

(3) The target year CANNOT be modified.

(4) This will be a useful reference to continue measuring the outcome of IPA II support beyond the 2014-2020 multi-annual financial period. If the Action is completed before 2020 (year for the performance reward), this value and that in the 2020 target column must be the same.
5. CROSS-CUTTING ISSUES

GENRE MAINSTREAMING

Improved transport can increase both women’s and men’s productivity and in so doing promote gender equality. Except for contributing to economic growth, transport plays a crucial role in broadening access to health and education services, employment, improving the exchange of information, and promoting social cohesion. However, transport needs can differ between women and men, for example, differences in access to private transport, in patterns of commuting and employment, in child-care and elder-care responsibilities, in basic attitudes to private and public transport.

This action will look into possibilities of exploring how transport and energy interventions can be responsive to the needs of both women and men knowing that it will require the development of a structured approach. A crucial step is to make sure that both women and men are represented at each step of the planning and design process of transport investments. Government agencies and NGOs, community-based organisations, and women’s groups that can be used in planning and implementation will be identified and consulted.

EQUAL OPPORTUNITIES

The action will ensure that equal opportunities are given to women, men, people with disabilities, minority groups etc. who all have an interest in the development of transport and energy sectors. Participants and experts should have an appropriate gender balance given the specific competences and expertise needed in the project. As transport and energy are male-dominated sectors, women’s participation will be encouraged.

MINORITIES AND VULNERABLE GROUPS

Participation in the implementation of the action will be guaranteed on the basis of equal access regardless racial issues or ethnic origin, religion and beliefs, age or sexual orientations.

Besides, investment projects provide benefits to the groups of population without distinction, including people belonging to minorities and vulnerable groups.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

The preparation of investment projects is always accompanied by public consultation which requirements are set by national planning regulations and EU Directives, in particular the Environmental Impact Assessment Directive (2011/92/EU amended 2014/52/EU).

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

Environment, climate change and disaster resilience are systematically considered during the preparation and design of major infrastructure projects, in particular when preparing Environmental Impact Assessments but also, for example, when carrying out geophysical investigation to determine seismic classification.

Among the projects included in the indicative list there are projects aiming to finance the construction and rehabilitation of railway lines and interconnections. Railways and public transport are the backbone of any sustainable transport systems, offering efficient transport built on low environmental impact. Railways are crucial to reducing greenhouse gas emissions and creating sustainable transport systems offering the most energy efficient performance both according to passenger/km and ton/km. In this sense the approach followed, as it is the case in the EU, is to favour the rail over the road transport.

Climate action relevant budget allocation: EUR 70 million (calculated as percentage of railways projects in the indicative list)
6. SUSTAINABILITY

A key aspect in ensuring the sustainability of the action's results will be a strict focus on the projects imbedded in the national transport and energy sector strategies and sector work programmes.

The political commitment from the beneficiaries to keep developing and maintaining transport and energy networks connecting them between themselves but also to the EU as well as a strong involvement of the existing structures, that is the EnC and the SEETO, will be decisive to attain and sustain the action's objective.

7. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the European Commission (DG NEAR) will have to be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.

It is the responsibility of the beneficiary to keep the EU Delegation and the Commission fully informed of the planning and implementation of the specific visibility and communication activities.

Two initiatives are foreseen:

First, joint efforts for enhanced donor visibility, including for the EU contributions, ensuring that all relevant stakeholders and where possible also final beneficiaries are informed about donors' involvement, joint actions and their results. This will be achieved by mainstreaming visibility requirements, capacity building, clarifying responsibilities and enhancing relevant tools of external communication.

Second, further improvement of cooperation and coordination to ensure communication and visibility requirements are respected. The aim is to give more visibility to the objectives and results achieved through joint funding and show the link between the funds invested and the policy priorities behind them.

These activities shall be funded from the amounts allocated to the Action and the European Commission shall be informed of their planning and implementation.