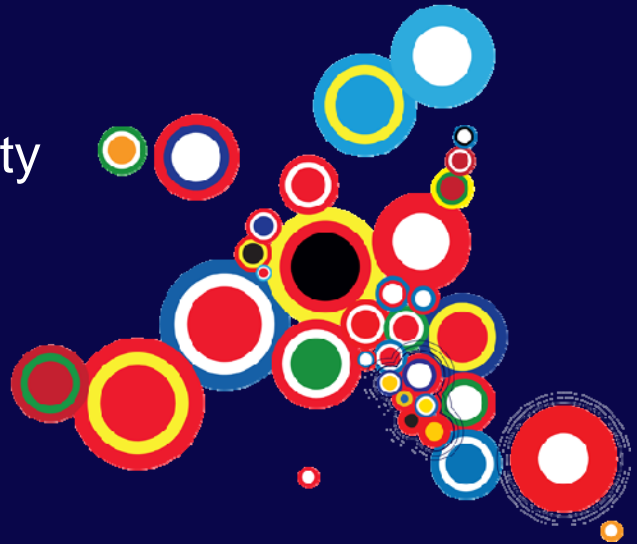




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

MULTI-COUNTRY

Co-financing of Connectivity Projects in the Western Balkans – 2018-2019



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.

This action includes the fourth Connectivity Agenda package introduced on the occasion of the Western Balkans Summit in Sofia.

With more than EUR 200 million in EU grant supporting 14 transport infrastructure projects the action will contribute to improving transport 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. It is expected that the total investment leveraged through the EU support will amount to EUR 1 162 million.

Action Identification			
Action Programme Title	IPA II Multi-country action programme for connectivity 2018-2019		
Action Title	Co-financing of Connectivity Projects in the Western Balkans 2018-2019		
Action ID	IPA 2018/040-818.01/MC/COFIN CONNECT IPA 2019/041-590.01/MC/COFIN CONNECT		
Sector Information			
IPA II Sector	9. Regional and territorial cooperation		
DAC Sector	21010 – Transport policy and administrative management 21020 – Road Transport 21030 – Rail Transport 21040 – Water Transport		
Budget			
Total cost	EUR 1 165 178 368		
EU contribution	EUR 207 255 727 (IPA 2018: EUR 172 180 000; IPA 2019: EUR 35 075 727)		
Budget line(s)	22.020401 – Multi-country programmes, regional integration and territorial cooperation		
Management and Implementation			
Management mode	Indirect management		
<i>Indirect management:</i> Entrusted entity	Indirect management with EIB, EBRD (as EWBJF managers) via Contribution Arrangements to the EWBJF.		
Implementation responsibilities	DG NEAR/D.5, EIB, EBRD and KfW, as lead Financial Institutions in charge for the implementation of the listed projects		
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 2019 (for 2018 budget allocations) 31 December 2020 (for 2019 budget allocations)		
Final date for operational implementation	31 December 2027		
Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	✓	<input type="checkbox"/>	<input type="checkbox"/>

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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 EU has developed a wide connectivity agenda with many concrete measures that benefit citizens throughout the region with focus not only on transport, but also on energy, trade and digitalization that will create stronger links within the Western Balkans as well as between the region and the EU citizens.

For example this will create a more secure energy supply, allow for the integration of clean, renewable energy resources, as well as increase trade and economic growth both in the region and with the EU.

The Western Balkans have 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 EUR 1 billion for connectivity investment projects and technical assistance for the 2014-2020 period. Under the connectivity agenda, the EU has pledged so far EUR 700 million in grants to the transport and energy sector and leveraged more than EUR 2400 million investments.

In February 2018, the Commission adopted a strategy for 'A credible enlargement perspective for and enhanced EU engagement with the Western Balkans'. Through six flagship initiatives, the Western Balkans Strategy sets out the EU's unprecedented support to the transformation process in the Western Balkans, targeting specific areas of interest for both the EU and the Western Balkans. One of the flagship initiatives supports transport and energy connectivity within the region and with the EU. Increased funding in the fields is also foreseen and it will further enhance the economic integration within the region and with the EU. Better connections in the region will contribute to increased competitiveness, more sustainable economic growth and to the security of supply.

Under the connectivity agenda, the EU 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 included 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 provided grant support to projects for a budget of EUR 104.87 million (allocated between 2017 and 2018). In addition, one energy connectivity project in Serbia was endorsed for financing by bilateral IPA, grant size EUR 49.6 million leveraging EUR 85.5 million total investment.

In May 2018, the fourth connectivity agenda package under Round 3 was introduced to the participants of the Western Balkans Summits first in Sofia in May and later in London in July 2018. More than EUR 190 million in EU grant will support 11 transport infrastructure development projects (including 9 investment projects and 2 technical assistance grants). This brings the total EU commitments under this initiative to 70% of the EUR 1 billion pledged in 2014, while total investments leveraged will reach EUR 2.4 billion.

In addition to the projects presented in the package in Sofia and London, three previously endorsed transport investment grants not (or just partly) covered by previous decisions are also proposed under the current decision. They had been endorsed in Trieste in 2017 and in Vienna in 2015 but they were not part of the package approved by the Steering Committee in December 2017 due to delays linked to outstanding conditionalities. Here below is a list of the Connectivity Agenda packages, year by year as politically endorsed by the different Western Balkans' Summits:

Year	Indicative lists of projects	Decision in the context of the connectivity agenda
2015	Albania Albania – the former Yugoslav Republic of Macedonia Power Interconnection (I): Grid Section in Albania	Approved by the Vienna Summit in August 2015
	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	
	Montenegro Trans-Balkan Electricity Corridor (I): Grid Section in Montenegro	
	Serbia Trans-Balkan Electricity Corridor (II): Grid Section in Serbia	
	Bosnia and Herzegovina Mediterranean Corridor (CVc): Road Interconnection, Bosnia and Herzegovina – Croatia	
	Bosnia and Herzegovina Mediterranean Corridor (R2a): Road Interconnection, Bosnia and Herzegovina – Croatia	
	Kosovo Orient/East-Med Corridor (R10): Rail Interconnection, the former Yugoslav Republic of Macedonia – Kosovo – Serbia	
Montenegro Orient/East-Med Corridor (R4): Rail Interconnection, Montenegro – Serbia		
2016	Serbia Orient/East-Med Corridor: Serbia – Bulgaria CXc Rail Interconnection	Approved by the Paris Summit in July 2016
	Albania Mediterranean Corridor: Montenegro – Albania – Greece Rail Interconnection	
	Kosovo Orient/East-Med Corridor: the former Yugoslav Republic of Macedonia – Kosovo – Serbia R10 Rail Interconnection	
2017	Bosnia and Herzegovina Mediterranean Corridor (CVc): Bosnia and Herzegovina – Croatia CVc Road Interconnection I (Ponirak – Vraca/Zenica Tunnel Segment) ¹	Approved by the Trieste Summit in July 2017
	Bosnia and Herzegovina Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection II (Tunnel Zenica – Donja Gračanica Segment) ^{*2}	
	Bosnia and Herzegovina Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection III (Johovac Interchange – Rudanka Interchange)	
	Bosnia and Herzegovina Rhine/Danube Corridor: Bosnia and	

¹ These projects, under the 2016 call, had been submitted as one application. The applications have been split under the 2017 call.

² These projects, under the 2016 call, had been submitted as one application. The applications have been split under the 2017 call.

	Herzegovina – Serbia – Croatia Waterway Interconnection (Port of Brčko)	
	The former Yugoslav Republic of Macedonia Orient/East-Med Corridor: the former Yugoslav Republic of Macedonia – Bulgaria CVIII Rail Interconnection (Beljakovce – Kriva Palanka)	
	Serbia Orient/East-Med Corridor: Serbia – Bulgaria CXc Rail Interconnection (Nis – Dimitrovgrad – Border with Bulgaria)	

The list of projects endorsed by the Sofia Summit:

	Investment Projects	
	Albania Extension of TEN-T Core Network: Reconstruction of Durrës Port, Quays 1 & 2	
	Bosnia and Herzegovina Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Tarčin – Ivan Subsection I	
	Bosnia and Herzegovina Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Tarčin – Ivan Subsection II	
	Bosnia and Herzegovina Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Buna – Počitelj Subsection	
2018	the former Yugoslav Republic of Macedonia Orient/East-Med Corridor: The former Yugoslav Republic of Macedonia – Bulgaria CVIII Road Interconnection, Kriva Palanka – Deve Bair Section	Approved by the Sofia Summit in May 2018
	the former Yugoslav Republic of Macedonia Orient/East-Med Corridor: The former Yugoslav Republic of Macedonia – Albania CVIII Road Interconnection, Bukojčani – Kičevo Subsection	
	Montenegro Mediterranean Corridor: Montenegro – Croatia – Albania R1 Road Interconnection, Budva Bypass	
	Montenegro Orient/East-Med Corridor: Montenegro - Serbia R4 Rail Interconnection, Bar – Vrbnica Section	
	Serbia Orient/East-Med Corridor: Serbia – Kosovo R7 Road Interconnection, Niš (Merošina) – Pločnik (Beloljin) Section	
	Technical Assistance	
	Bosnia and Herzegovina Supervision of Works for Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Počitelj – Zvirovići Subsection	
	Kosovo Tender Documents and Supervision of Works for Orient/East-Med Corridor: Kosovo – Serbia R7 Road Interconnection, Pristina - Merdare Section	

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.

The European Commission and the 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 Western Balkans 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 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 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 six partners of the Western Balkans signed the **Transport Community Treaty** in 2017. The Western Balkans Ministers of Transport have decided that Belgrade will be the headquarters of the **Secretariat of the Transport Community**. 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 people, 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 treaty establishing the **Energy Community (EnC)** was signed 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 (PECI)**s 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 **PECI**s 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), which will be transposed into the Transport Community Secretariat, 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).

IPA II regional funds will primarily be used for transport projects on the core transport network, and energy projects on the PECE 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: PECE and PMI lists)**;
 - (3) **Indicative strategy papers for relevant IPA II beneficiaries agreed, and sector strategies for relevant IPA II beneficiaries 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 2015-2018

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;
- 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 EUR 46 million were included in the overall Trieste package;

- Furthermore, the Serbia-Bulgaria gas interconnector project (financed by a grant amounting to EUR 50 million from the IPA bilateral envelope) was included in the overall Trieste package, since the project's purpose fully followed the logic of the connectivity agenda;
- The technically and financially mature proposals were endorsed at the Trieste Summit in July 2017 and the European Commission took its Financing Decision for EUR 104 873 460 (EUR 94 700 000 allocated for 2017 and EUR 10 173 460 for 2018) in November 2017;
- The 17th WBIF Steering Committee in Frankfurt approved the final list of projects from Round 2 in December 2016;

The *fourth year of co-financing (2018)* is referred to as Round 3:

- In Round 3, the 2018 WBIF application round, 9 transport and energy investment projects were submitted with a total grant request of EUR 210 397 223. Given the limitations of available financing, only the most mature proposals have been selected. The progress with the implementation and/or transposition of the Connectivity Reform Measures was also taken into account as a selection criterion for EU funding of investments under the WBIF.
- Seven investment project proposals (from Round 3) and two proposals (from Round 2) were considered mature enough for endorsement at the EU-Western Balkans Summit hosted by the Bulgarian Council Presidency in Sofia on 17 May 2018. However, the final decision will be given by the WBIF Steering Committee in December 2018.
- Moreover, the connectivity package also includes two technical assistance projects with a total amount of EUR 9.6 million EU contributions.
- As regards the previously endorsed projects:
 - Bosnia and Herzegovina / Mediterranean Corridor (R2a) - Bosnia and Herzegovina-Croatia: Road Interconnection (Gradiska): was previously endorsed at the Vienna Summit in 2015, however it was not yet covered by any financing decision (because of pending fulfilment of conditionalities).
 - Bosnia and Herzegovina / Mediterranean Corridor: Bosnia and Herzegovina - Croatia CVC Road Interconnection III (Johovac interchange - Rudanka interchange): could not be covered fully under the previous connectivity decision of 2017-2018 (2017/039-876 for the year 2017 and 2018/040-650 for the year 2018) and the contribution had to be broken between the previous decision and the current one.
 - Rhine/Danube Corridor: Bosnia and Herzegovina / Serbia - Croatia Waterway Interconnection (Port of Brčko): approval was put on hold because of not fulfilled conditionalities. However due to the improved political situation regarding fiscal space and signature of the Transport Community Treaty, it is now expected that it will be approved by the next Steering Committee.
- It is important that the IPA II funds are used and consumed within the set timeframes, budgets and according to the predefined conditionalities.
- 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.
- This action was prepared with a view to be approved at the IPA Committee in November 2018, followed by the Financing Decision beginning of December 2018.
- The final list of projects from Round 3 will be presented to the 19th WBIF SC meeting in Luxembourg, in mid-December 2018 for adoption.

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

The Multi-country Indicative Strategy Paper 2014-2020 (as revised in 2018 and 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 is also in line with the 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. This has also been confirmed and reinforced in the Western Balkan Strategy of February 2018. WBIF includes central 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 Strategy Papers for the IPA II beneficiaries establishing the priorities for bilateral IPA Programmes. WBIF support in any sector requires the existence of national sector strategies.

In addition, with respect to the digital agenda for the Western Balkans, introduced in the recent Western Balkans Strategy as one of the flagship initiatives, whenever applicable the projects proposed in this package will take into account the Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks, which aims to facilitate and incentivise the roll-out of high-speed electronic communications networks by promoting the joint use of existing physical infrastructure and by enabling a more efficient deployment of new physical infrastructure so that such networks can be rolled out at lower cost.

Finally, the action will also contribute to the flagship initiative aiming at the enhanced support for socio-economic development in the Western Balkans since the implementation of proposed transport projects will allow an increasing cargo and passenger traffic and a more efficient access to the regional markets (in terms of reduced travel time, vehicle operation costs and accidents levels). The support of the improvement of safety conditions on the railway line included in the current action will directly benefit the end-users. Typically, students and young adults account for an important share of the population of passengers in the region.

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". Starting with the 2015-2016 co-financing, WBIF evolved its previous financial assistance, and included co-financing of construction, which proved to be 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 bilateral IPA programmes. In a coherent approach, co-financing is now streamlined for regional IPA funds too.

The European Commission 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 seven 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, 2 and 3 have been completed, IPF 4-7 are currently active. In addition, EUR 50 million have been programmed for the next IPFs under the Multi-Country Programme 2018 (decision 2018/040-113 action 11). DG NEAR also has a special Connectivity TA, the CONNECTA, which is currently operational and its objective is to complement the IPFs and 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 bilateral 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. Also, NEAR is

systematically communicating and informing the geographical units and EU Delegations through a dedicated WBIF network and regular meetings and/or video conferences.

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.

Moreover, for each project application under the current package, the Beneficiaries were required to review the impacts of the envisaged investments on their fiscal space and the sustainability of the public debt.

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

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
To contribute to enhancing the sustainable socio-economic development and competitiveness of the Western Balkans	GDP growth rate Value of trade in goods and services (EUR million) Human development index	European Commission Progress Reports National Statistics Institutes National Central Banks SEE 2020 implementation reports Government budget reports Public Finance statistics Eurostat	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
To improve connectivity within the Western Balkans and between Western Balkans and the EU	Implementation of the extension of the TEN-T core network in the Western Balkans	WB6 Ministerial meetings conclusions SEE 2020 implementation reports Reports from SEETO	Political commitment from beneficiaries Sufficient administrative capacity in the beneficiaries Local ownership of action outputs Financial sustainability for an efficient operation and maintenance of the infrastructure Continued government commitment towards EU integration process
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
Result: Completion of the connectivity projects benefiting from co-financing of the EU:	Number of transport infrastructures completed (roads, railways etc.).	Reports from the WBIF's joint fund, lead Financial Institutions, IPA II beneficiaries, Contractors Reports from SEETO WB6 Ministerial meetings conclusions	Political commitment from beneficiaries Agreement of the beneficiaries on the priorities to address (e.g. PECCI'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) Sufficient administrative capacity in the beneficiaries Set up of National Investment Committees, or similar coordination mechanisms and establishing single project pipelines EIA and possibly SEA carried out and completed

DESCRIPTION OF ACTIVITIES

The main activity will consist in the construction of transport 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 rounds 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. The below indicated contributions from IPA II funds do not include the implementation fees paid to the lead IFIs and the administration fees for the Joint Fund Managers.

However, the total funds foreseen for this overall action will equally be used to cover both the implementation and the administration fees for the Joint Fund Managers of the European Western Balkans Joint Fund (2% of the total EU grant contribution).

Investment Projects:

1) WB-IG03-ALB-TRA-01 Albania Extension of TEN-T Core Network: Reconstruction of Durrës Port, Quays 1 & 2
<p>This investment project will reconstruct Quays 1 and 2 on the Western Terminal of the Port of Durrës – one of the four existing terminals of the largest seaport in Albania. The main products handled by the Port of Durrës are general cargo, cereals, containers, ferries, and minerals. The Port currently handles 78% of the country’s maritime exchange in tonnage and 75% of all trade.</p> <p>The project complements a 2016 connectivity agenda investment aimed at rehabilitating the railway link between Tirana and Durrës. When both projects are complete, an important, multimodal transportation core network corridor section will be in place, strengthening Albania’s connections with Croatia and Italy. In addition, they will provide Kosovo and the former Yugoslav Republic of Macedonia – Albania’s landlocked neighbours – with access to maritime transport routes.</p> <p>The Terminal has five quays in total and covers an area of 92,680 m². Quays 1 and 2 are in a poor state of disrepair (they were built more than 40 years ago). Some rehabilitation took place in 1994 but the structural elements under water show signs of substantial corrosion, which prevents safe operations of large capacities of cargo. Moreover, the depth of the terminal near the quays ranges between 7 and 8.2 m, so larger cargo vessels cannot be accommodated in the port.</p> <p>In addition to covering 50% of the works and supplies, the EU contribution to the project will finance construction supervision and project management services as well as visibility and communication actions.</p>
<p>Estimated total investment: EUR 62.45 million Lead IFI: EBRD Loan: EUR 25 million Grant from IPA II EUR 27.05 million Other sources of financing: EUR 9.3 million Grant percentage: 43% Previous IPA grant: EUR 1.1 million</p>

2) WB-IG02-BIH-TRA-06 | Bosnia and Herzegovina | Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Tarčin – Ivan Subsection I

This investment project will construct approximately 4.9 km of new motorway on a subsection of the Mediterranean Core Network (Corridor Vc) in Bosnia and Herzegovina. It is the fifth pledge made by the EU on the same Corridor since 2015, with the aim of connecting Bosnia and Herzegovina to Hungary and Croatia and thus to the Adriatic Sea. With a total length of approximately 335 km, Bosnia and Herzegovina contains the longest section of Corridor Vc. 35% is already built or under construction, with three sections currently in works: Svilaj – Odžak (with EU co-financing); Drivuša – Klopče; and Klopče – Pečuj (Donja Gračanica). The present subsection will connect to the newly built Vlakovo – Tarčin motorway subsection and will continue with a 1760m-long tunnel (Ivan), which is to be developed as part of another EU-funded project.

The segment to be funded under this project will improve connections between Sarajevo and Mostar via the Sarajevo South (Tarčin) – Mostar North motorway. It will decrease travel time between the two cities as well as offer better and safer access routes to larger urban areas for the citizens living in the rural areas surrounding the proposed development.

Once built, this section will be operated and maintained by the Public Company ‘Motorways of the Federation of Bosnia and Herzegovina’ through a closed toll collection system, with toll booths at entry and exit points. Tolls will be at the same level as those already applied countrywide.

Estimated total investment: EUR 58.7 million | Lead IFI: EIB | Loan: EUR 40.42 million | Grant from IPA II: EUR 11.78 million | Other sources of financing: EUR 6.5 million | Grant percentage: 20%

3) WB-IG02-BIH-TRA-07 | Bosnia and Herzegovina | Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Tarčin – Ivan Subsection II

This investment project will construct a 2 km-long section of motorway, including a 1.76 km-long twin tunnel, on a subsection of the Mediterranean Core Network (Corridor Vc) in Bosnia and Herzegovina. It is the sixth pledge made by the EU on the same Corridor since 2015, with the aim of connecting Bosnia and Herzegovina to Hungary and Croatia and thus to the Adriatic Sea. With a total length of approximately 335 km, Bosnia and Herzegovina contains the longest section of Corridor Vc. 35% is already built or under construction, with three sections currently in works: Svilaj – Odžak (with EU co-financing); Drivuša – Klopče; and Klopče – Pečuj (Donja Gračanica). The new subsection will connect to a 4.9 km-long new motorway segment, which will be built as part of another EU-funded project.

The segment to be funded under this project will improve connections between Sarajevo and Mostar via the Sarajevo South (Tarčin) – Mostar North motorway. It will decrease travel times between the two cities as well as offer better and safer access routes to larger urban areas for the citizens living in the rural areas surrounding the proposed development.

In addition to cofinancing the investment works, the EU grant will also cover the construction supervision and management costs.

Once built, this section will be operated and maintained by the Public Company Motorways of the Federation of Bosnia and Herzegovina through a closed toll collection system.

Investment: EUR 48.62 million | Lead IFI: EBRD | Loan: EUR 36.82 million | Grant from IPA II: EUR 11.48 million | Other sources of financing: EUR 0.32 million | Grant percentage: 24%

4) WB-IG03-BIH-TRA-06 | Bosnia and Herzegovina | Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Buna – Počitelj Subsection

This investment project¹ will build approximately 7.2 km of new motorway on a subsection of the Mediterranean Core Network (Corridor Vc) in Bosnia and Herzegovina. It is the seventh pledge made by the EU on this Corridor since 2015, with the aim of connecting Bosnia and Herzegovina to Hungary and Croatia and thus to the Adriatic Sea. With a total length of approximately 335 km, Bosnia and Herzegovina contains the longest section of Corridor Vc. 35% is already built or under construction, with three sections currently in works: Svilaj – Odžak (with EU co-financing); Drivuša – Klopče; and Klopče – Pečuj (Donja Gračanica). The new section will shorten the distance and improve overall traffic conditions between Mostar and Croatia, as part of the larger motorway section between Mostar North and Bijača border crossing point with Croatia.

Once built, this section will be operated and maintained by the Public Company ‘Motorways of the Federation of Bosnia and Herzegovina’ through a closed toll collection system, with toll booths at entry and exit points. Tolls will be at the same level as those already applied countrywide.

Estimated total investment: EUR 44.66 million | Lead IFI: EBRD | Loan: EUR 31 million | Grant from IPA II: EUR 8.8 million | Other sources of financing: EUR 4.86 million | Grant percentage: 20%

5) WB-IG03-MKD-TRA-02 | the former Yugoslav Republic of Macedonia | Orient/East-Med Corridor: The former Yugoslav Republic of Macedonia – Bulgaria CVIII Road Interconnection, Kriva Palanka – Deve Bair Section

This investment project will rehabilitate and reconstruct a 13.2 km-long motorway on a section of the Orient/East-Med Core Network (Corridor VIII) in the former Yugoslav Republic of Macedonia, from the town of Kriva Palanka to the Deve Bair border crossing point into Bulgaria. Travel conditions on the existing road are poor, with a maximum speed of 50 km/h along most of its length, inappropriate drainage and rest areas, as well as several sharp curves. The proposed works include both rehabilitation and reconstruction, expanding the road to add a third lane, including on three existing bridges. This will allow for more efficient and safer driving for the people living along the Kriva Palanka – Deve Bair route as well as for those transiting to and from Bulgaria.

Corridor VIII connects Tirana, Durrës, and Vlorë in Albania to Skopje in the former Yugoslav Republic of Macedonia, and then both countries to Bulgaria, via the border crossing point in Deve Bair.

Only 36% of the entire road network in the former Yugoslav Republic of Macedonia has been upgraded to modern standards to date. The section to be rehabilitated and expanded under this project is part of the Government’s plan to modernise fully the route, with works close to completion and/or already planned on a significant part of Corridor VIII (e.g. Kumanovo – Rankovce; Kičevo – Ohrid).

Estimated total investment: EUR 13.62 million | Lead IFI: EBRD | Loan: EUR 9.68 million | Grant from IPA II: EUR 2.57 million (including TA) | Other sources of financing: EUR 1.37 million | Grant percentage: 19%

6) WB-IG03-MKD-TRA-03 | the former Yugoslav Republic of Macedonia | Orient/East-Med Corridor: The former Yugoslav Republic of Macedonia – Albania CVIII Road Interconnection, Bukojčani – Kičevo Subsection

This investment project will build a 12.9 km-long motorway on a section of the Orient/East-Med Core Network (Corridor VIII) in the former Yugoslav Republic of Macedonia, between the village of Bukojčani and the town of Kičevo. This subsection is part of a larger, 42 km motorway planned between Gostivar and Kičevo. The two towns are now connected by a road which was built almost 40 years ago and which has undergone little rehabilitation in recent years. It consists of a single carriageway with two two-way lanes, and goes through both flat and mountainous terrain of up to 1,200 meters. The travel speed is limited to 40-70 km/h on most of the route and the road cannot safely meet existing and future traffic demand.

The new motorway will be built on a new alignment, which would allow for travel speeds of 100-120 km/h, as well as limit the traffic impact on the rural settlements and on the environment along the current route.

Corridor VIII connects Tirana, Durrës, and Vlorë in Albania to Skopje in the former Yugoslav Republic of Macedonia, and then both countries to Bulgaria, via the border crossing point in Deve Bair. The Gostivar – Kičevo segment is one of the key sections, located on the route to Albania. Construction is planned to take place in three phases: Bukojčani – Kičevo; Gostivar – Gorna Gjonovica; and Gorna Gjonovica – Bukojčani. Once completed, the new road from Gostivar to Kičevo will connect to the existing motorway to Skopje (55 km) as well as to the highway that is being built to Ohrid (58 km).

Estimated total investment: EUR 105.15 million | Lead IFI: EBRD | Loan: EUR 79.2 million | Grant from IPA II: EUR 19.95 million | Other sources of financing: EUR 6 million | Grant percentage: 19%

7) WB-IG03-MNE-TRA-01 | Montenegro | Mediterranean Corridor: Montenegro – Croatia – Albania R1 Road Interconnection, Budva Bypass

This investment project will build an 8.5 km-long priority bypass around Budva, a 2,500-year-old Montenegrin town on the Adriatic coast. The road along the Montenegrin coast was built in the 1960s and goes through Budva. Over the past 50 years, traffic volumes have significantly increased while the town has also expanded. International transit has intensified, particularly from/to Croatia and Albania. As a result, the road suffers from heavy congestion, with severe disruptions during the summer months when traffic reaches more than 30,000 vehicles/day. Given the difficult terrain and present urban development, which do not allow for the existing road to be expanded to accommodate current and future demand, constructing the present bypass is imperative.

The Budva bypass is part of an EU-driven initiative to develop a modern transport route along the extension of the Mediterranean Core Network Corridor in the Western Balkans. Also known as the Adriatic–Ionian Expressway or the Blue Highway, the new development will create a seamless route from Trieste in Italy to Greece, while branching out to Slovenia, Croatia, Montenegro, and Albania. Integrating Bosnia and Herzegovina is also being considered.

In addition to co-financing the cost of construction works, the EU will provide technical assistance for project implementation / supervision services.

Estimated total investment: EUR 187.39 million | Lead IFI: KfW | Loan: EUR 30 million (KfW), EUR 71.3 million (Second IFI loan/PPP) | Grant from IPA II: EUR 41.15 million | Own contribution: EUR 29 million | Other sources of financing: EUR 15.94 million | Grant percentage: 22%

8) WB-IG03-MNE-TRA-02 | Montenegro | Orient/East-Med Corridor: Montenegro - Serbia R4 Rail Interconnection, Bar – Vrbnica Section

This investment project will rehabilitate four steel bridges as well as 20 km of railway track on the Bar – Vrbnica railway route which connects Montenegro with Serbia. It is the second project on the same route to receive financing under the Connectivity Agenda since 2015. The electrified Bar – Vrbnica route opened to traffic in 1976. While initially designed for 80 trains a day travelling at 75-100 km/hour and accommodating axle loads of 22.5 tonnes, the number of trains has halved in the meantime and both speed and cargo loads have substantially declined. Safety incidents and accidents, as well as interruptions in service have multiplied. This project specifically targets structural and safety improvements on the Lutovo – Bratonožići – Bioče railway section as well as on four steel bridges.

The extension of the Orient/East-Med Corridor into the Western Balkans along Route 4 is approximately 580 km long and runs from Vršac (Serbia/Romania border) to Belgrade (Serbia) and then to Podgorica and Bar (Montenegro). Bar – Vrbnica is the most important section of the Montenegrin rail network, carrying about 20% of all its rail passengers and about 60% of its rail cargo. Rail is important for the Montenegrin economy, accounting for almost 60% of all freight and 10% of its passenger travel. There has been no significant overhaul since the line was commissioned. Faced with mounting structural and safety issues in its daily railway operations, the Government of Montenegro has embarked on a major railway rehabilitation programme, with assistance from the European Union, the European Investment Bank, the European Bank for Reconstruction and Development, and, recently, from the KfW.

This constitutes the second Connectivity Agenda investment project upgrading the Bar – Vrbnica railroad. In addition to co-financing the cost of construction works, the EU will provide, as part of this project, technical assistance for project implementation/ supervision services.

Estimated total investment: EUR 42 566 000 million | Lead IFI: KfW | Loan: EUR 18 800 000 million | Grant from IPA II: EUR 16 266 000 | Other sources of financing: EUR 7 500 000 | Grant percentage: 38%

9) WB-IG03-SRB-TRA-01 | Serbia | Orient/East-Med Corridor: Serbia – Kosovo R7 Road Interconnection, Niš (Merošina) – Pločnik (Beloljin) Section

This investment project will build a 33 km-long half-profile motorway on a section of the Orient/East-Med Core Network (Route 7) in Serbia. It is the first road section of the three comprising the Niš – Merdare – Pristina motorway to receive investment co-financing under the connectivity agenda. The existing road on the Niš (Merošina) – Pločnik (Beloljin) section consists of two lanes on a poor alignment, irregularly maintained. It goes through urban areas, thus posing safety risks to the local pedestrians and causing major delays to transiting vehicles. The proposed investment will result in a highway that bypasses such areas, as well as improves the level of service and traffic safety. The new alignment will also allow for a future expansion to a full motorway profile, once the traffic demand increases.

The Orient/East-Med Corridor in Serbia and Kosovo includes the Niš – Merdare – Pristina E80/R7 road section (approximately 110 km). Strategically linked to Corridors IV and X, this road interconnection is of great importance for freight and passenger transportation in the Western Balkans as it is the region's shortest route between the Port of Durrës on the Adriatic and South-Eastern and Central Europe, as well as with the Mediterranean and Black Sea countries. The location (Spatial Plan) of the entire Route 7 in Serbia, from Niš (Merošina) to Merdare, was approved by the Government in October 2017. The Niš (Merošina) – Pločnik (Beloljin) section is now at the stage of detailed design.

The European Union has funded all project preparation activities, through the Western Balkans Investment Framework. JASPERS (Joint Assistance to Support Projects in European Regions) has also provided technical advice during the preparation of this project.

Estimated total investment: EUR 212.6 million | Lead IFI: EIB, EBRD | Loan: EUR 100 million (EIB), EUR 52.3 (EBRD) | Grant from IPA II: EUR 40.6 million | Serbia co-financing: EUR 10.15 million | Other sources of financing: EUR 9.55 million | Grant percentage: 19%

Technical Assistance:

10) WB19-BIH-TRA-01 Bosnia and Herzegovina Supervision of Works for: Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection, Počitelj – Zvirovići Subsection
The longest section of Corridor Vc (335 km) passes through Bosnia and Herzegovina. It connects the country with Hungary and Croatia and thus to the Adriatic Sea. 35% is already built or under construction, with three sections currently in works: Svilaj – Odžak (with EU co-financing); Drivuša – Klopče; and Klopče – Pečuj (Donja Gračanica). The current grant application for technical assistance concerns the supervision services required for building a 11.1 km-long motorway subsection between Počitelj and Zvirovići, including four bridges, one tunnel, local roads, rest areas, and interchanges. The detailed design is complete and the environmental, urban, and construction permits have been secured. Land ownership issues have been resolved and procurement of works is about to commence with a view to signing the works contract by late 2018.
Estimated total investment: EUR 124.2 million * Lead IFI: EIB Grant from IPA II: EUR 5 million
11) WB19-KOS-TRA-01 Kosovo Tender Documents and Supervision of Works for: Orient/East-Med Corridor: Kosovo – Serbia R7 Road Interconnection, Pristina – Merdare Section
The Orient/East-Med Corridor in Kosovo and Serbia includes the Niš – Merdare – Pristina E80/R7 road section. Strategically linked to Corridors IV and X, this road connection is of great importance for freight and passenger transportation in the Western Balkans as it is the region's shortest route from Durrës Port on the Adriatic, to South-Eastern and Central Europe as well as to the Black Sea. Both Kosovo and Serbia, with European Union grant support, have started planning for the construction works, including by developing the necessary studies. The current grant application ¹ for technical assistance concerns the supervision services required for constructing the missing Route 7 section in Kosovo, a 23 km long dual carriageway from Pristina to the border crossing point in Merdare. Procurement of works is expected to commence by mid-2019. An additional EU grant application for co-financing the investment is expected in 2019.
Estimated total investment: EUR 136.8 million* Lead IFI: EBRD, EIB Grant from IPA II: EUR 4.1 million

* This the total value of the project including other grant / own contribution / loan / TA for project preparation

Project proposal which were endorsed in previous rounds but not yet approved by the Steering Committee (EU Contribution already includes implementation fees for the below 3 projects):

<p>12) WB-IG00-BIH-TRA-02 Bosnia and Herzegovina Mediterranean Corridor (R2a) – Bosnia and Herzegovina-Croatia: Road Interconnection (Gradiška)</p> <p>The extension of the Mediterranean Corridor into the Western Balkans along Route 2a (R2a) spans 239 km, from Okučani in Croatia to Banja Luka and Lašva in Bosnia and Herzegovina. It connects Bosnia and Herzegovina (the Republic of Srpska) to the main transport routes in Croatia leading to the Adriatic ports. The Mediterranean Corridor (R2a) integrates the Western Balkans into the transport flows which link the Iberian Peninsula to the Hungarian – Ukrainian border. Consequently, it accounts for most of the freight and passenger traffic in the Republic of Srpska, Bosnia and Herzegovina.</p> <p>The present investment project concerns the construction of a border crossing, a cross-border bridge over the River Sava in Gradiška, as well as motorway connections on the Banja Luka – Gradiška section of the Banja Luka – Zagreb motorway at the northern border between Bosnia and Herzegovina and Croatia. The cross-border bridge in Gradiška is the missing link (on the Bosnia and Herzegovina side) on the new motorway commissioned on this route in November 2011. Mediterranean Corridor (R2a) currently runs through the urban area of Gradiška for approximately 2km, with the existing 260m two-way bridge over the Sava leading to a small car park in the centre of the town. On the Croatian side the bridge carries traffic to a much larger parking and clearance area located to the east of the much smaller town of Stara Gradiška. The new bridge will be built about 3 km to the west of the existing bridge and outside the urban area of Gradiška. It has been designed to accommodate a significant increase in overall traffic, projected to rise from 12,000 vehicles per day today to about 28,450 in 2024. Building the new bridge is expected to reduce border crossing times from 5 to 2 minutes for cars and from 30 to 12 minutes for trucks. The project is included in the TEN-T Core Network for the Western Balkans.</p> <p>Estimated total investment: EUR 38.47 million Lead EIB Loan: EUR 10.67 million Grant from IPA II: EUR 6 998 400 Other sources of financing: EUR 21 million Grant percentage: 18%</p>

<p>13) WB-IG01-BIH-TRA-03 Bosnia and Herzegovina Mediterranean Corridor: Bosnia and Herzegovina – Croatia CVc Road Interconnection III (Johovac interchange - Rudanka interchange)</p> <p>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.</p> <p>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.</p> <p>The project will increase the passenger and freight travel speed from 60 km/h to 100 km/h and 120 km/h.</p> <p>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.</p> <p>There will be better access for smaller towns and villages located along the route to larger industrial and transport hubs.</p>

Estimated total investment: EUR 79.9 million | Lead EBRD | Loan: EUR 58.9 million | Grant from IPA II: EUR 228 489 (previous grant from IPA 2017/039-876 EUR 15 million, including TA)³ | Other sources of financing: EUR 6 million | Grant percentage: 19%

14) WB-IG01-BIH-TRA-04 | 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.

Estimated total investment: EUR 10 million | Lead EBRD | Loan: EUR 7 million | Grant from IPA II: EUR 3 080 800 | Grant percentage: 31%

³ COMMISSION IMPLEMENTING DECISION of 29.11.2017 adopting a Multi-country Action Programme for Connectivity for the years 2017-2018

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;⁴
- There will be a continued governments' commitment towards the European path – 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 European 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. PECCI'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 European Western Balkans Joint Fund (EWBJF), 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, which will sign a Contribution Arrangement with the Joint Fund managers (EBRD, EIB). See Implementation Methods for further information.

⁴ 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.

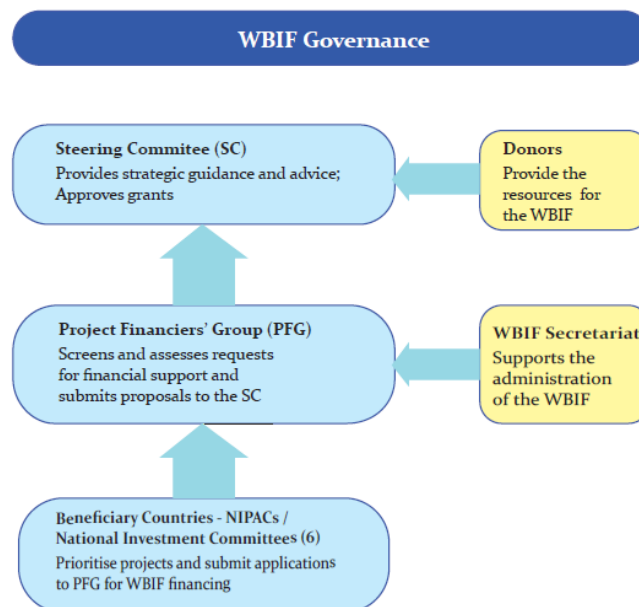
Western Balkans Investment Framework (WBIF)

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 EWBIF. 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 was co-chairing the Steering Committee and France followed in 2018.

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 EWBIF 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) Managers (EIB and EBRD) 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.

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

Indicator	Baseline (value + year)	Target 2020	Final Target (2027)	Source of information
OUTPUT - Number of transport infrastructures completed (roads, railways etc.).	0 (none completed).	N/A	Maximum projects completed.	Reports from the WBIF's joint fund, lead Financial Institutions, IPA II beneficiaries, Contractors Reports from SEETO (and in the future from the TCT Secretariat)

5. CROSS-CUTTING ISSUES

GENDER 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 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 (EIA) but also, for example, when carrying out geophysical investigation to determine seismic classification. The lead IFIs, which are in charge for the implementation of the projects, are bound to follow the EIA approach according to EU legislation.

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 44 million (calculated as EU contribution provided to railway and port development 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 SEETO and the Transport Community Treaty Secretariat, 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 EU communication activities and visibility requirements in force. All stakeholders and implementing partners shall ensure the visibility of EU financial assistance provided through IPA II throughout all phases of the programme cycle. 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; as well as the benefits of the action for the general public. 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.

Visibility and communication aspects shall be complementary to the activities implemented by DG NEAR and the EU Delegations in the field: The European Commission and the EU Delegations should be fully informed of the planning and implementation of the specific visibility and communications activities.

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.