



**EUROPEAN
COMMISSION**

**Brussels, 29.11.2017
C(2017) 8048 final**

COMMISSION IMPLEMENTING DECISION

of 29.11.2017

adopting a Multi-country Action Programme for Connectivity for the years 2017-2018

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures of the implementation of the Union's instruments for financing external action¹ and in particular Article 2(1) thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002² and in particular Article 84(2) thereof,

Whereas:

- (1) Regulation (EU) No 231/2014³ lays down the objectives and main principles for pre accession assistance to beneficiaries listed in Annex I to that Regulation.
- (2) In accordance with Article 7 of Regulation (EU) No 231/2014 the assistance should be implemented through annual or multi-annual, country-specific or multi-country programmes. These programmes should be drawn up in accordance with the framework for assistance referred to in Article 4 of Regulation (EU) No 231/2014 and the relevant country or multi-country indicative strategy papers referred to in Article 6 of that Regulation.
- (3) In accordance with Article 6(3) of Regulation (EU) No 236/2014, the Commission may adopt multi-annual action programmes for a period of up to three years in the case of recurrent actions. For years other than the initial commitment year, the commitments are indicative and depend on the future annual budgets of the Union.
- (4) The Council established an Accession Partnership or a European Partnership for all beneficiaries listed in Annex I of Regulation (EU) No 231/2014. The Commission adopted a multi-country indicative strategy paper for the period 2014 – 2020 on 30 June 2014 which provides indicative allocations for the priorities for multi-country pre-accession assistance⁴.
- (5) Considering the proposals for action submitted by the beneficiaries concerned, the Multi-country Action Programme for Connectivity for the years 2017-2018 aims at providing assistance in the regional and territorial cooperation sector for actions in the following priority: regional investment support.

¹ OJ L 77, 15.03.2014, p. 95.

² OJ L 298, 26.10.2012, p.1.

³ Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (OJ L 77, 15.03.2014, p. 11).

⁴ C(2014) 4293, 30.6.2014.

- (6) It is necessary to adopt a financing decision, the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012⁵.
- (7) The Commission should be able to entrust budget-implementation tasks under indirect management to the entities specified in this Decision, subject to the conclusion of a delegation agreement in the form of a contribution arrangement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required under Regulation (EU, Euratom) No 966/2012, when the Commission manages Union funds. The European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Kreditanstalt für Wiederaufbau (KfW) comply with the conditions of points (a) to (d) of the first subparagraph of Article 60(2) of Regulation (EU, Euratom) No 966/2012 and the supervisory and support measures are in place as necessary.
- (8) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.
- (9) Pursuant to Article 94(4) of Delegated Regulation (EU) No 1268/2012, the Commission should define changes to this Decision which are not substantial in order to ensure that any such changes can be adopted by the authorising officer responsible.
- (10) The action programme provided for by this Decision is in accordance with the opinion of the IPA II Committee set up by Article 13 of Regulation (EU) No 231/2014⁶,

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the programme

The Multi-country Action Programme for Connectivity for the years 2017-2018 under the Instrument for Pre-accession Assistance (IPA II) as set out in the Annex, is hereby approved.

Article 2

Financial contribution

The maximum amount of the European Union contribution for the implementation of the programme referred to in Article 1 is set at EUR 104 873 460 and shall be financed as follows:

EUR 94 700 000 shall be financed from the budget line 22.02.04.01 of the general budget of the EU for year 2017.

⁵ Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

⁶ The Member States have declared, recalling the Council Conclusions of 18 February 2008, that the adoption of this programme does not prejudice the position of each individual Member State on the status of Kosovo*, which will be decided in accordance with their national practice and international law.

* 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.

EUR 10 173 460 shall be financed from the budget line 22.02.04.01 of the general budget of the EU for year 2018.

The implementation of this Decision is subject to the availability of the appropriations provided for in the draft budget for 2018 after the adoption of the budget for those financial years or as provided for in the system of provisional twelfths.

The financial contribution(s) referred to in the first sub-paragraph may also cover interest due for late payment.

Article 3

Implementation modalities

This programme shall be implemented by *indirect management*.

The budget implementation tasks under indirect management may be entrusted to the entities identified in the Annex subject to the conclusion of the relevant agreements.

Article 4

Non-substantial changes

The following changes shall not be considered substantial provided that they do not significantly affect the nature and objectives of the actions:

- (a) increases or decreases for not more than 20% of the maximum contribution set in the first paragraph of Article 2, and not exceeding EUR 10 million;
- (b) cumulated reassignments of funds between specific actions not exceeding 20% of the maximum contribution set in the first paragraph of Article 2;
- (c) extensions of the implementation and closure period;
- (d) within the limits of 20% referred to in points (a) and (b) above, up to 5% of the contribution referred to in the first paragraph of Article 2 of this financing decision may serve to finance actions which were not foreseeable at the time the present financing decision was adopted, provided that those actions are necessary to implement the objectives and the results set out in the programme.

The authorising officer responsible may adopt such non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 29.11.2017

For the Commission
Johannes HAHN
Member of the Commission

ANNEX

to Commission Implementing Decision adopting a Multi-country Action Programme for Connectivity for the years 2017-2018

1 IDENTIFICATION

Beneficiary	Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro, Kosovo*, Serbia (hereafter referred to as IPA II beneficiaries)
CRIS/ABAC Commitment references	2017/039-876 for the year 2017
Total cost	Total cost: EUR 193 097 883
EU Contribution	EU Contribution: EUR 94 700 000 on budget line 22.020401
	2018/040-650 for the year 2018
	Total cost: EUR 20 744 177
	EU Contribution: EUR 10 173 460 on budget line 22.020401
Budget line	22.020401 – Multi-country programmes, regional integration and territorial cooperation
Management mode/ Entrusted Entity	Indirect management by the entrusted entities listed below: European Bank for Reconstruction and Development (EBRD); European Investment Bank (EIB); and Kreditanstalt für Wiederaufbau (KfW) for Action "Co-financing of Connectivity Projects in the Western Balkans 2017-2018"
Final date for contracting including the conclusion of delegation agreements	For the budgetary commitment of year 2017 at the latest by 31 December 2018 For the budgetary commitment of year 2018 at the latest by 31 December 2019
Final date for operational implementation	at the latest by 31 December 2026
Programming Unit	DG NEAR Unit D.5- Western Balkans Regional Cooperation and Programmes
Implementing Unit/ EU Delegation	<i>DG NEAR Unit D.5- Western Balkans Regional Cooperation and Programmes</i>

* 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.

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

This IPA II multi-country action programme for connectivity is designed to respond to priority needs as identified in the multi-country indicative strategy paper 2014-2020 (hereinafter referred to as Strategy Paper)¹.

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 identifies as a **priority 'investing in improved transport and energy interconnections** within the region and with the European Union (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 Trans-European Transport Network (TEN-T) guidelines² and the European Energy Security Strategy³, which encourages the development of energy interconnections between candidate countries, potential candidates and the EU.

The action will also take into account the EU macro-regional strategies for the Adriatic and Ionian region and for the Danube region – wherein several IPA II beneficiaries participate – which have connectivity (transport and energy) as one of the key priorities for cooperation between Western Balkans and EU Member States,

As pointed out in the strategy paper, the overall investment needs cannot be covered by public funds alone and require therefore blending of government funding, grants from the Instrument for Pre-Accession Assistance (IPA), loan financing and private capital. In addition to action undertaken at central level, regional level support is needed to enable and speed up investments in core projects which are relevant not only for the IPA II beneficiary where the investment takes place, but for the entire region and/or the interconnection to the Union. The Western Balkans Investment Framework (WBIF) demonstrated its value as a unique instrument for donor coordination and blending grants and loans. It has proven to be a successful forum for cooperation among all the stakeholders and a platform where the Western Balkan alongside the EU, the International Financial Institutions (IFIs) and bilateral donors can identify, prepare and implement priority socio-economic investments through the pooling of expertise and financial resources.

In accordance with the strategy paper, this programme will deliver assistance via a regional action that falls under heading 3 "**Regional investment support**" of the strategy paper. The funding of the transport and energy projects should be in compliance with State aid rules.

¹ C(2014)4293, 30.06.2014

² https://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines_en

³ <https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/energy-security-strategy>

The focus of the 2017-2018 multi-country action programme rests to a large extent on tackling the **fundamentals first**, e.g. rule of law, democracy and good governance, including economic governance, as well as on the **connectivity agenda**.

Improving connectivity within the Western Balkans and between the Western Balkans and the EU will reinforce the integration within the region and with the EU, driving forward their European perspective, but will also, by being a key factor for growth and jobs, bring clear benefits for economies and citizens already before accession. This is also the primary objective of the EU macro-regional strategies mentioned above. Concretely, it means focusing investments on establishing and improving transport and energy infrastructure and networks, strengthening the region's backbone of competitiveness. The implementation of the transport and energy projects should be done in full respect of the relevant environmental acquis such as the Environmental Impact Assessment Directive (EIA)⁴, the Strategic Environment Assessment Directive (SEA)⁵ and Habitats⁶ and Birds⁷ Directives. Particular attention should also be paid on cumulative impacts at an early stage. A balanced energy mix should be carefully and strategically approached. Areas of high environmental values concerns, protected areas or Natura 2000 sites (or potential ones) should be avoided, whenever possible.

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 soft measures such as aligning and simplifying border crossing procedures, road safety and maintenance schemes, unbundling and third party access.

Because transport is vital to the growth and prosperity of its economy, the EU, in January 2014, adopted a new transport infrastructure policy to put in place a powerful European transport network across the 28 Member States. The TEN-T 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 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 and impacts on the environment. Climax of these initiatives, the EU 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. It should be noted that in the energy sector, financing priority has been given to projects that obtain the status of Projects of Energy Community Interest as stated in the Commission Decision of 7/8/2015 on establishing the Commission Proposal to the Ministerial Council of the Energy Community on the implementation of Regulation (EU) No

⁴ <http://ec.europa.eu/environment/eia/eia-legalcontext.htm>

⁵ <http://ec.europa.eu/environment/eia/sea-legalcontext.htm>

⁶ http://ec.europa.eu/environment/nature/legislation/habitatsdirective/index_en.htm

⁷ http://ec.europa.eu/environment/nature/legislation/birdsdirective/index_en.htm

347/2013 of the European Parliament and of the Council on guidelines for trans-European energy infrastructure⁸.

List of Actions foreseen under the selected Sectors/Priorities:

LIST OF PROJECTS	MANAGEMENT MODE	AMOUNT (IN EUR)
ACTION NO. 1: CO-FINANCING OF CONNECTIVITY PROJECTS IN THE WESTERN BALKANS 2017-2018	INDIRECT	104 873 460

⁸ C(2015) 5489 final

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

Sector: Regional and territorial cooperation – Priority 3: Regional investment support

Action 1	<i>Co-financing of Connectivity Projects in the Western Balkans 2017-2018</i>	<i>Indirect management</i>	EUR 104 873 460
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(1) Description of the Action, objective, expected results and key performance indicators

Description of the Action:

The action will support the development of infrastructure in the Western Balkans by financing a share of the investment costs in connectivity projects (transport and energy).

2017 is the third year in which IPA funds will be made available to support the development of infrastructure not only through technical assistance aimed at project preparation, but most importantly through the financing of a share of the actual investment costs. This decision was a crucial step by the Commission towards supporting the Western Balkan beneficiaries to cope with the lack of fiscal space and favour economic development as a response to the continuous stagnation of the economies.

Around EUR 100-150 million per year of regional IPA II funds have been earmarked for co-financing connectivity projects for the period 2015-2020. The **Western Balkans Investment Framework (WBIF)** has been identified as the most suitable instrument to implement these funds and to ensure efficient fund allocation.

Introduced in 2009 as a regional tool for EU enlargement, the WBIF supports socio-economic development and EU accession across the Western Balkans through the provision of financing and technical assistance for strategic investments. Since its launch the WBIF has developed a pipeline of priority investments in the Western Balkans valued at approximately EUR 13.5 billion. More than 220 investment and technical assistance grants have been awarded for a total of EUR 600 million.

The WBIF is a joint facility, which pools resources from various sources, namely from IPA and bilateral donors; International Financial Institutions (IFIs), and the governments of the Western Balkans. Grant resources are pooled together into a joint fund and are used to support operations for which loans are provided by the partner IFIs.

The WBIF increases the region's capacity to finance crucial infrastructure and priority investments, in line with accession priorities, and enhances overall coordination of assistance. It also maximises the impact of grant financing by using it to leverage lending by IFIs on priority strategic investments as they are identified by the Western Balkan beneficiaries.

The WBIF is governed by a Steering Committee (SC) and a Project Financiers' Group (PFG). The Steering Committee is the highest decision making body and provides strategic guidance on the operations of the WBIF; it approves grant operations and takes final decisions related to the project selection. The Project Financiers' Group is responsible for screening and assessing grant support requests, which it later submits to the Steering Committee for approval. Both bodies are composed of representatives of the Commission (permanent co-chair), the IFIs, bilateral donors and the IPA II beneficiaries.

Selection and approval of priority investment projects within the WBIF:

In order to achieve an increased transparency on investment needs and the national investment priorities, the IPA II beneficiaries have established National Investment Committees (NICs) (or equivalent structures). The composition of the NICs can vary, but broadly speaking they are composed of relevant line ministries, other national non-ministerial institutions, bilateral donors, the European Commission and the IFIs (as observers). The role of the NICs is to support the preparation of a single project pipeline in each IPA II beneficiary. This project pipeline includes all priority investments irrespectively of the source of finance and its purpose is to help increase ownership at the national level and transparency in the way projects are selected, but also lead to better coordination of resources. The NICs define and manage the prioritised Single Project Pipelines in all IPA II beneficiaries.

Twice a year, a call for proposals is launched by the WBIF Steering Committee leading to proposals from these single project pipelines. Following a consultation process that takes place within the framework of the NICs, selected priority investment projects which are suitable/ eligible to receive co-financing are submitted by the IPA II beneficiaries to the Project Financier's Group, where they are subsequently assessed and further developed at technical level. The assessment is carried out by the Commission and the IFIs and includes the verification of a series of eligibility criteria. Once the PFG has positively assessed the projects, an indicative list of investment projects is established; which serves as basis for programming the allocation of IPA funds into the facility. Only positively assessed projects are included in the Financing Decision and are then submitted to the WBIF Steering Committee for approval. As member of the Steering Committee the Commission confirms the projects covered by the Financing Decision for financing except where certain conditions spelled out in the Financing Decisions under point "Assumptions and Conditions" are not met by the Beneficiary (e.g. national/sector strategy was not put in place).

Implementation:

This action will be implemented under indirect management through the signature of a contribution arrangement between the Commission, and the EBRD and the EIB, as WBIF's European Western Balkans Joint Fund (Joint Fund) Managers. The individual projects will subsequently be implemented by the lead IFIs participating in the WBIF and in the implementation of action 1 of this programme. The General Conditions of the Joint Fund, to which the Commission and the IFIs have formally adhered to, entrusts these IFIs with the tasks necessary to manage the implementation of the projects assigned to them by the WBIF Steering Committee.

The grant funds (Commission and bilateral donors) are pooled in a Joint Fund and are managed by the EBRD and the EIB, as Joint Fund Managers. The grant funds are then

disbursed to the lead IFIs, 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 the national 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.

Contracting for action 1 is foreseen to take place in Q2 2018.

Objective:

The overall objective of the action is to contribute to the sustainable socio-economic development and competitiveness of the Western Balkans and to improve connectivity within the Western Balkans and between Western Balkans and the EU.

The specific objective of the action in the energy sector is the development of a regional energy market in the Western Balkans, integrated into the EU energy market. The specific objective of the action in the transport sector is the implementation of the indicative extension of the TEN-T core network in the Western Balkans.

Expected results:

Completion of the connectivity projects benefiting from co-financing of the EU will result in a more cost-efficient movement of goods and services in the Western Balkans, as well as between the region and the European Union. This will increase the region's competitiveness and job creation potential. It will also lead to greater energy security and better neighbourly relations. It is equally expected that this action will contribute to GDP growth and have a positive effect on the human development index.

Energy projects:

The specific objective of the action in the energy sector is to facilitate integration of power systems in the Western Balkans, integrate them into the EU energy market, increase security of supply, and diversify energy sources. The Commission focuses investment efforts on projects that respond to pressing needs and are mature enough for swift implementation. Ultimately, these investments then help build bridges between the Western Balkans and peoples in the region.

Transport Projects:

Once completed, the core network corridors will provide quality transport services for citizens and businesses with seamless integration within the region, as well as between the region and the EU. The priority projects will help remove bottlenecks, promote interoperability, and build missing cross-border connections.

Key performance indicators:

- Development of a regional energy market in the Western Balkans, integrated into the EU energy market;

- Implementation of the indicative extension of the TEN-T core network into the Western Balkans;
- Completed electricity transmission lines, gas pipelines, roads, railways etc.

Projects proposed for financing under this Financing Decision:

The projects proposed for financing have been submitted to the WBIF under the second round of the call for proposals procedure. This list of projects is however only indicative.

The funds under this action will equally be used to cover the management fees for the Joint Fund Managers (max. EUR 5 532 000).

Figures on total investment, loan amount 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 Stanicenje 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.

Investment: EUR 56.4 million | Lead IFI: EIB | Loan: EUR 24 million | Grant from IPA II 2017: EUR 28.4 million | Other sources of financing: EUR 4 million | Grant percentage: 50%

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.

Investment: EUR €83.9 million | Lead IFI: EBRD, EIB | Loan: EUR 21.8 million (EBRD); EUR 45 million (EIB) | Grant from IPA II 2017: EUR 15.9 million | Other sources of financing: EUR 1.2 million | Grant percentage: 19%

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 Dobož 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 (Dobož 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.

Investment: EUR 10.1 million	Lead IFI: EBRD	Loan: EUR 7 million	Grant from IPA II 2017: EUR 3.1 million	Grant percentage: 31%
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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%
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8) The former Yugoslav Republic of Macedonia | Construction of new motorway section Gostivar – Kicevo, part of Corridor VIII

The project "Construction of motorway Section A2 Gostivar - Kichevo, Phase 1 (Sub-Section: Bukojchani-Kichevo)" aims to improve the road conditions with better technical and driving elements up to the level of motorway standards on a section of 12.9 km. It will be complemented by the construction of the other 2 sub-sections "Gostivar – Gorna Gjonovica" and "Gorna Gjonovica – Bukojcani" in order to reach the target of new 42 km motorway section. The construction of the motorway A2, subsection Bukojchani-Kichevo will result in a stimulation of international passengers' traffic, freight traffic, as well as inter-modal transportation (rail connection on the route is already existing).

The project will facilitated the international transport and trade in the region, especially between the former Yugoslav Republic of Macedonia and the Republic of Albania (a direct, safer and faster traffic link between Skopje and Tirana), and will establish the core connection from Albania to the former Yugoslav Republic of Macedonia, linking markets to the Durres seaport on west.

Improved accessibility to the Albanian 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.

Among the direct effects of the project there will be: i) reduced energy consumption and vehicle operation costs; ii) reduced emissions and positive effects on the environment; 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.

Investment: EUR 110.3 million	Lead IFI: EBRD	Loan: EUR 80 million	Grant from IPA II 2017: EUR 27.3 million	Other sources of financing: EUR 3 million
Grant percentage: 25%				

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, temporarily connection with road M17 in the central part of Bosnia and Herzegovina. The new road is entirely located within the Heregovako – 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 Ploče. 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 48.9 million | Lead IFI: EBRD | Loan: EUR 36.8 million | Grant from IPA II 2017: EUR 11.8 million | Other sources of financing: EUR 0.3 million | Grant percentage: 24%

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.

Investment: EUR 108.1 million | Lead IFI: KfW | Loan: EUR 69.3 million | Grant from IPA II 2017: EUR 26.4 million (including TA) | Other sources of financing: EUR 12.4 million | Grant percentage: 24%

(2) Assumptions and conditions

- Agreement of the IPA II beneficiaries on the priorities to address (e.g. PECT's list, pre-identified projects on the indicative extension of the TEN-T core network) and the methodology (e.g. TEN-T guidelines)
- Sufficient administrative capacity in the IPA II beneficiaries
- Political commitment to the action and ownership of the action's outputs from IPA II beneficiaries
- Continued government commitment towards EU integration process
- Coordination of energy reform measure by the Energy Community Secretariat (ECS)
- EIA and possibly SEA carried out and completed conforming to the EU acquis
- Governments must identify credible sector strategies and set up National Investment Committees, or similar, and establish single project pipelines
- EIA procedure must be adequately applied conforming to the EU acquis before the project implementation

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation arrangements for the action:

Indirect management by the entrusted entities.

(3)(a) Entity entrusted with budget implementation tasks

Implementation of the action will be entrusted to the following lead IFIs through a Contribution Arrangement under the Joint Fund:

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

The entrusted entities shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entities shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

All the above IFIs have been long standing partners in the inception, realisation and implementation of the WBIF. Over the five years of operation of the WBIF, the EIB, the

EBRD and the KfW have in partnership with the Commission successfully prepared and implemented infrastructure projects and demonstrated the capacity to be entrusted with the implementation of the action. The EIB and the EBRD in particular have undertaken the role of the WBIF Joint Fund management, while together with the other IFIs have been participating in the operational and decision making structure of the WBIF and the implementation of Technical Assistance, whose aim has been the preparation of investment projects.

A contribution arrangement will be signed between the Commission, and the EBRD and the EIB, as Joint Fund Managers. The individual projects will subsequently be implemented by the lead IFIs participating in the WBIF and in the implementation of action 1 of this programme (EIB, EBRD and KfW). The General Conditions of the Joint Fund, to which the Commission and the IFIs have formally adhered to, entrusts these IFIs with the tasks necessary to manage the implementation of the projects assigned to them by the WBIF Steering Committee.

(3)(b) Short description of the tasks entrusted to the entity

Under the Contribution Arrangement and the General Conditions of the Joint Fund, 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. The lead IFIs are the EIB, the EBRD and the KfW.

Based on the Contribution Arrangement and the General Conditions of the Joint Fund, 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 WBIF Steering Committee. 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 of the Joint Fund.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE – MULTI COUNTRY ACTION PROGRAMME

4 MULTI-COUNTRY PROGRAMME

		2017				2018				
		EU Contribution	Co-financing*	Total expenditure		EU Contribution	Co-financing*	Total expenditure	Total EU Contribution	Total expenditure
Priority: Regional investment support										
Action 1: CO-FINANCING OF CONNECTIVITY PROJECTS IN THE WESTERN BALKANS 2017-2018		94 700 000	98 397 883	193 097 883		10 173 460**	10 570 717	20 744 177	104 873 460	213 842 060
TOTALS 2017		94 700 000	98 397 883	193 097 883	TOTALS 2018	10 173 460	10 570 717	20 744 177	104 873 460	213 842 060

* provided by loans signed by IFIs, national contributions and/or other contributions

** the amount includes the management fees for the Joint Fund managers

5 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

INDIRECT MANAGEMENT:

This programme shall be implemented by indirect management with entrusted entities other than the IPA II beneficiary in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

The general rules for procurement and grant award procedures shall be defined in the relevant delegation agreements between the Commission and the entrusted entity implementing such action.

6 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the (Multi-) Country Indicative Strategy Paper.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by DG NEAR and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by Sectoral Monitoring committees, which will ensure a monitoring process at sector level.